

Module 2. Challenges in Financial Sustainability in Sport

Unit 2.1

In this second module of the course, we will focus on the challenges that emerge, obstructing organisations from achieving financial sustainability in sport. From grassroots sports to professional sports, sports generate a significant amount of revenue for individuals, organisations, and countries. However, the financial sustainability of sports is an ongoing challenge, as sports organisations struggle to generate consistent revenue streams while trying to maintain competitiveness, pay athletes and staff, and fund development programmes. In this module, we will explore some of the major challenges in financial sustainability in sports and how they can obstruct sport from achieving financial sustainability despite their potential interest in adopting any of the strategies we discussed in the previous module.

Unit 2.2 Revenue Generation

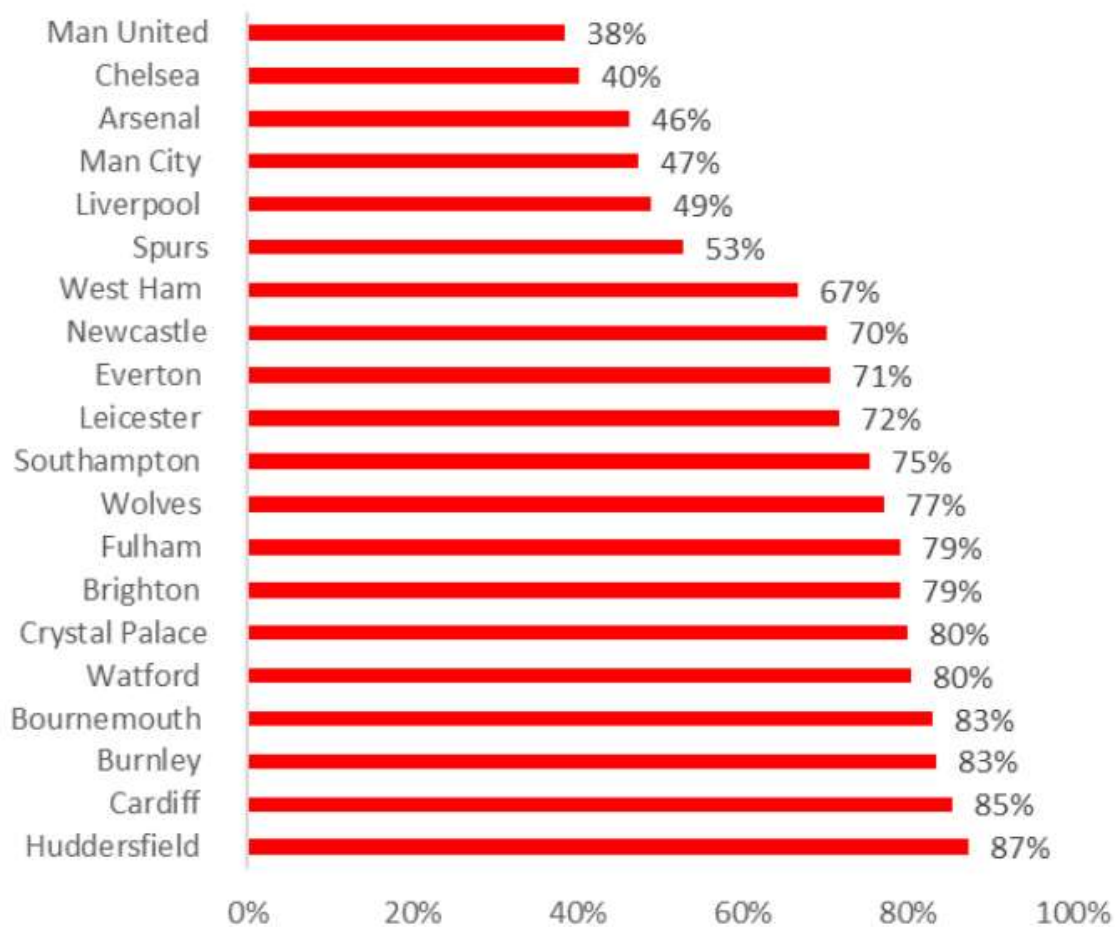
Generating revenue is the lifeblood of sports organisations, as it enables them to pay athletes, staff, and fund programmes (Philippou and Maguire, 2022). However, many sports organisations struggle to generate consistent revenue streams. This is particularly true for grassroots sports, in which funding is often limited, and sponsorship deals are hard to come by. Many grassroots sports organisations rely on volunteers and donations to keep running, which is not a sustainable model eventually.

Professional sports organisations also face revenue challenges, particularly after the COVID-19 pandemic. Many sports events were cancelled or postponed, resulting in a significant loss of revenue for sports organisations, as it will be discussed later on in this module. Even before the pandemic, however, many sports organisations were struggling to generate consistent revenue streams, as sponsorship deals and ticket sales were declining.

The particular challenge noted within it is the lack of diversity in revenue streams. To this day, many sports organisations rely on a single revenue stream, such as broadcasting rights or sponsorship deals. While these revenue streams can be lucrative, they are also vulnerable to external factors, such as economic downturns or changes in consumer behaviour (Philippou and Maguire, 2022). If a sports organisation is overly reliant on a single revenue stream, it can quickly find itself in financial trouble if that revenue stream is disrupted. As such, and as we argued in the previous module, sports organisations need to diversify their revenue streams to ensure financial sustainability. This can include exploring new sponsorship deals, launching merchandise lines, and investing in digital platforms to reach a wider audience.

The lack of diversification of income sources can be illustrated in the following figure, which shows the broadcast revenue as a percentage of the total revenue of that Premier League clubs received in 2019 (Philippou and Maguire, 2022). As it can be seen in the figure below, broadcasting rights sales represent more than 80% of the total revenue generated for six clubs, including Huddersfield, Cardiff, Burnley, Bournemouth, Watford, and Crystal Palace. This would then suggest that any fluctuation in this revenue stream would affect these clubs significantly, potentially obstructing their operations and ultimately challenging their ability to achieve and maintain financial sustainability.

Figure 1. Broadcast Revenue as a Percentage of the Total Revenue of Premier League Clubs in 2019



Source: Philippou and Maguire, 2022, p. 5.

However, and despite the wider call for strategies to improve revenue generation, until now, one of the biggest challenges sports organisations are facing remains the generation of revenue. Still, as industry reports argue (e.g. Deloitte, 2022), most sports organisations rely heavily on revenue generated from ticket sales, merchandise, broadcasting rights, sponsorships, and advertising to finance their operations. Nevertheless, fluctuations in revenue streams can create challenges for financial sustainability.

For example, if ticket sales decline due to a decrease in fan interest or a recession, the organisation may struggle to meet its financial obligations. Similarly, if broadcasting revenues decrease due to declining TV ratings or the emergence of new media platforms, the organisation may struggle to maintain its financial sustainability.

In addition, sports organisations face increasing competition for revenue from other sources. For example, with the rise of online gaming and esports, numerous young people are choosing to spend their leisure time and money on these activities instead of



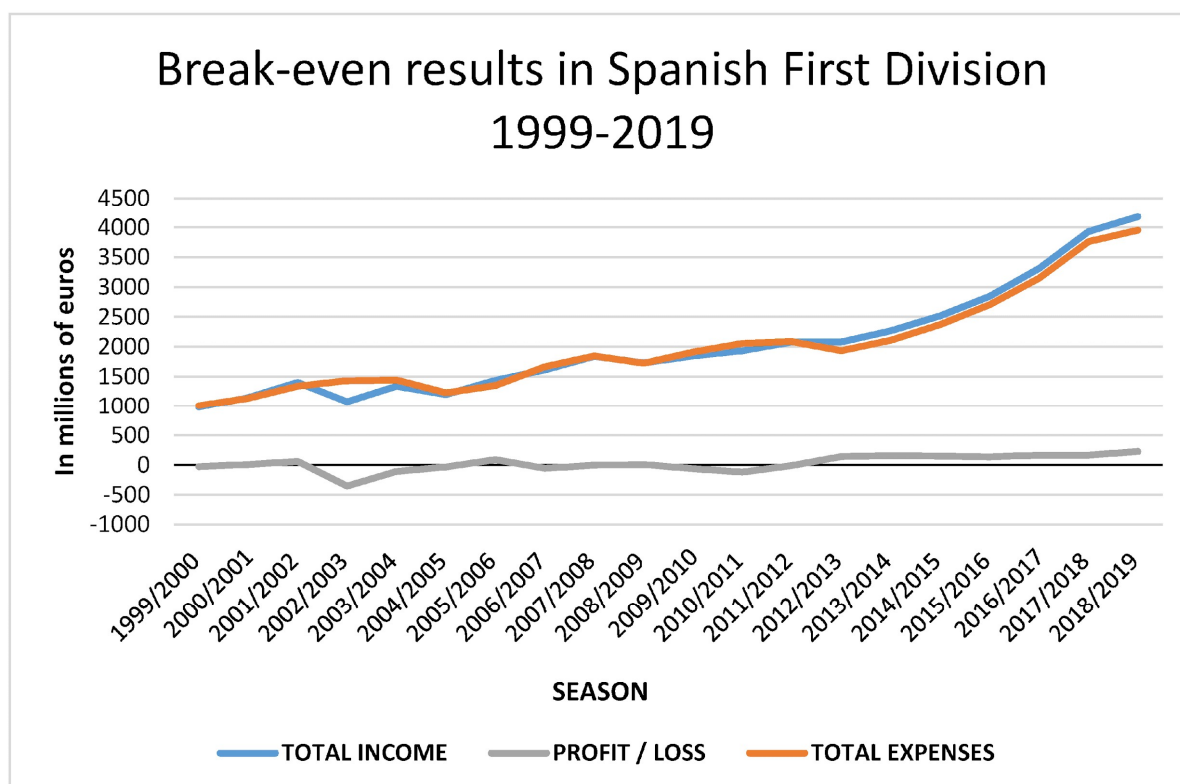
attending live sporting events (Deloitte, 2022). This is a major challenge for sports organisations, which must find new and innovative ways to generate revenue.

Unit 2.3 Rising Costs – Player Wages

Another major challenge facing sports organisations is rising costs. Sports organisations face increasing costs in several areas, including player salaries, travel expenses, facility maintenance and upgrades, and other operational costs. These costs can quickly eat into revenue, making it difficult for organisations to remain financially sustainable.

The difficulty in remaining financially sustainable can be illustrated clearly in the figure below, in which the break-even results in the Spanish first division are shown over the period of 1999-2019 (Urdaneta *et al.*, 2021). As we can see below, even though there is a notable increase in the total income generated, so is there in the total expenses created. As such, the profit or loss generated remains consistently close to zero, suggesting that the break-even point is often not met. It is worth noting that a small increase can be noted in the creation of profit, with some—albeit very little—profit noted from the season 2012/13 onwards.

Figure 2. Break-Even Results in the Spanish First Division, 1999–2019



Source: Urdaneta *et al.*, 2021, p. 5.

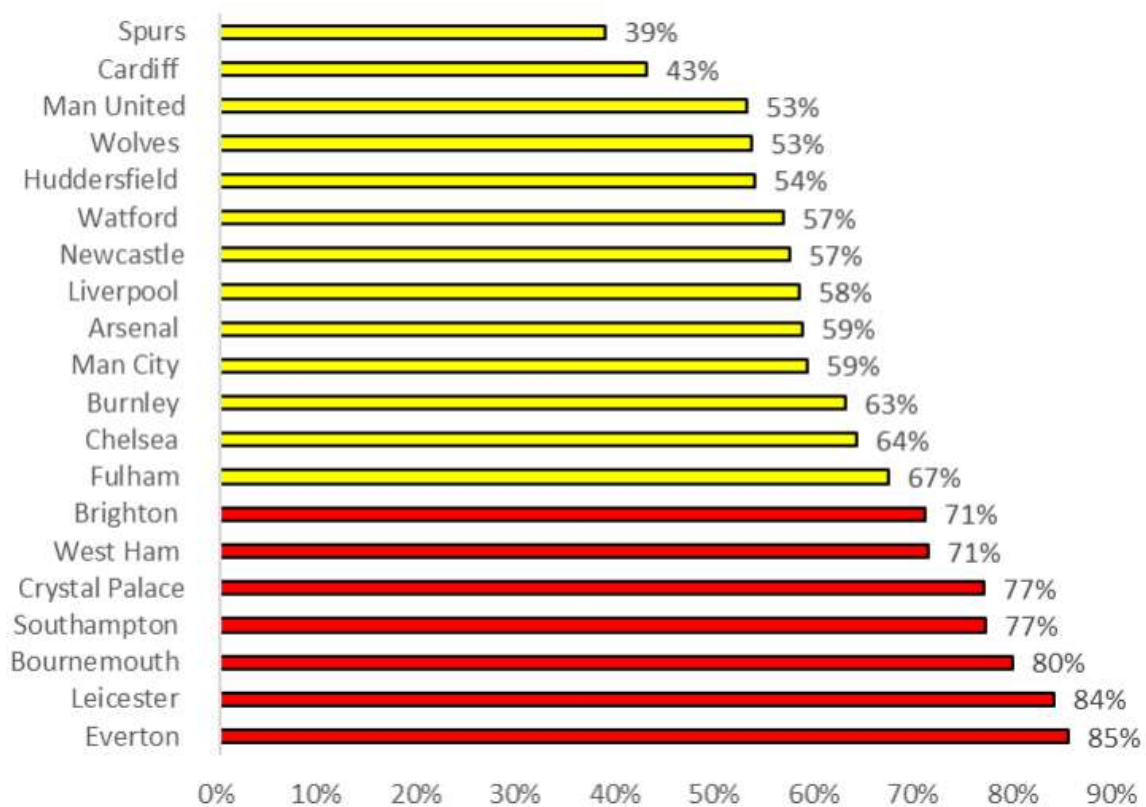
One of the main drivers of rising costs in sports is player salaries. In many sports, players are paid huge salaries, often running into millions of dollars per year. While this can help

to attract and retain top talent, it can also create significant financial challenges for sports organisations. For example, if a team signs a high-priced player, but fails to perform well on the field, the organisation may struggle to recoup its investment in that player.

As such, the wider rise of player salaries constitutes today one of the most significant challenges the financial sustainability of sport is facing. In recent years, the salaries of professional athletes have increased dramatically, with many earning millions of dollars per year. For example, in football, player salaries have been increasing steadily over the years, with some players earning millions of euros per year.

This can be better illustrated in the following figure, in which the player wage to income ratio in all Premier League clubs for the 2018/19 season is shown (Philippou and Maguire, 2022). As the following figure shows, seven of these clubs appear to have a player wage to total income ratio of more than 70% for the season, suggesting that clubs such as Brighton, West Ham, Crystal Palace, Southampton, Bournemouth, Leicester, and Everton are spending most of the income they generate to cover only one single cost. This, in turn, suggests that little money from the income generated in this season can be spent on any other cost, potentially leading the clubs to the creation of a loss for that accounting year. As a result, financial sustainability cannot be created, potentially damaging the future of these clubs.

Figure 3. Premier League Wage to Income Ratio in the 2018/19 Season



Source: Philippou and Maguire, 2022, p. 7.



While this may be good news for the players, it can be challenging for clubs to keep up with the wage demands, particularly if they are not generating enough revenue. This increase in salaries has led to a widening gap between the rich and poor clubs, with top teams able to afford the best players, while smaller teams struggle to compete.

The rise in player salaries is partly due to the increasing revenues generated by sport. The popularity of sport and the revenues generated by TV rights have grown, as well as sponsorships and merchandise sales. As a result, some clubs have more money to spend on players, leading to an inflation in salaries, thus creating a vicious circle in which big clubs are becoming bigger (or rich clubs are becoming richer) and small clubs are becoming smaller (or poor clubs are becoming poorer).

The challenge for clubs then is to balance the need to attract top talent with the need to maintain financial sustainability. Some clubs have attempted to implement salary caps or revenue-sharing agreements, but these measures have proven controversial and difficult to enforce.

Unit 2.4 Rising Costs – Salary Cap Implementation

Therefore, it is important to appreciate any mitigating strategy implementation as another challenge to financial sustainability. This will be explored in this section. As it was seen recently, for example, the effort to implement a salary cap in the English Football League's League 1 and League 2 failed, so the third and fourth tier of professional league football in England came to an end in 2021 (De Marco, 2021). This effort to control one—if not the main—cost that has risen in recent years illustrates how challenging it can be to implement a strategy to control the rising costs of the sport industry.

The effort to implement a salary cap was deemed by most to be unsuccessful. At the beginning of the 2020-2021 season, the EFL introduced the Salary Cap Rules, aiming to limit the amount each club could spend on player salaries to £2.5 million (which accounts to approximately 2,900,000 euros) per season for League 1 clubs and £1.5 million (which accounts to approximately 1,750,000 euros) for League 2 clubs (De Marco, 2021). Most of the clubs included in these leagues had voted in favour of the overall controversial new rules, possibly due to the financial issues and pressures they were facing due to the COVID-19 pandemic and its impact on football.

But the salary cap itself had a number of fundamental issues. First, it was introduced in a rather rushed way, with little to no consideration or consultation with the key actors involved, the players themselves. The Professional Footballers Association, the official player's union in the country, was thus not consulted and was, instead, rather ignored, despite their numerous efforts to contact the EFL (De Marco, 2021).

A second issue in the salary cap implementation was the fact that it was set to be at the lowest level in each league. Instead, this prohibited clubs that could afford to spend more on players while still conducting effective financial management—and thus covering all their costs from doing so—effecting penalising the clubs that had achieved some form of financial sustainability. This decision resulted in dragging player wages down to the lowest possible level, while simultaneously dragging the spending of each club down to better mirror the income of the lowest income-generating club (De Marco, 2021).

This, in turn, almost unsurprisingly led to a significant influence on the competition between each club within the two leagues, overall disturbing the balance of the clubs between the leagues. In other words, this created and increased the gap between the clubs playing in League 1 and the Championship, the division in which the clubs that get promoted end up playing in. As a result, the League 1 clubs that would be promoted at the end of the season would struggle to compete on equal terms with the clubs of the Championship they would find themselves playing against, while the clubs of the Championship that would be relegated would have a clear advantage over the clubs of League 1 they would be playing against.

The Professional Footballers Association went against the EFL for the implementation of the salary cap, arguing that they were in breach of trade union and labour relations law: the Trade Union and Labour Relations (Consolidation) Act 1992 (the 1992 Act). That is because the EFL, the Premier League, The Football Association (The FA), and the PFA had all agreed to a “collective bargaining agreement” as defined by the 1992 Act (De Marco, 2021).

This disagreement was raised in the Professional Football Negotiating and Consultative Committee (PFNCC), a body that holds regular meetings and includes representatives from all the above-mentioned bodies: the Premier League, the EFL, The FA, and the PFA. The Professional Football Negotiating and Consultative Committee (PFNCC) is the body that agrees to the terms of the mandatory standard playing contract between the clubs and players, as well as other related matters. As part of their membership to this body, each of the participating organisations had previously agreed that no major changes to the regulations of the Leagues affecting a Player’s terms and conditions of employment” without full discussion and agreement in the PFNCC could be made (De Marco, 2021).

Using this, the PFA argued that the salary cap proposed and ultimately imposed by the EFL on the clubs participating in the two leagues was a major change to a regulation that fundamentally affected the terms and conditions of employment between the players and the clubs. Despite the EFL’s counterarguments, the Professional Football Negotiating and Consultative Committee sided with the Professional Footballers’ Association’s claims. As a result, the salary cap introduced and imposed by EFL was scrapped immediately, in the middle of the season in which it was first set in place (De Marco, 2021).

This case allows us thus to draw a number of conclusions on why this strategy to mitigate the rising costs of sport failed to be implemented. First, due to the international nature of the sport in question, different legal and regulatory systems exist that might hinder the implementation of any strategies should they be found to be incompatible to any extent with the already set rules and regulations of sport and the wider competition and employment law (De Marco, 2021).

Second, unlike closed leagues in which salary caps have been implemented before, European football operates under an open league system, in which the phenomenon of relegation and promotion at the end of each league occurs. As such, competitive balance and the distribution of talent needs to exist, not only within each league, but also between different leagues, allowing thus the overall movement of clubs up and down the football 'ladder' (De Marco, 2021).

Third, the existence of transfer fees which remain unregulated even under such a proposed salary cap scheme, would allow clubs to overcome the barrier of limitations in the amount of money they could pay the players through the inclusion of high transfer fees to entice players. That is because, as FIFPRO's General Secretary, Jonas Baer-Hoffmann, has said, salary caps are philosophically and economically incompatible with a transfer fee system. This, in turn, would suggest that a wider and more radical change would be required in order for such a strategy to be implemented (De Marco, 2021).

Fourth, a salary cap strategy implemented on its own would be unable to control the wider financial sustainability challenges professional sports face. Instead, a wider consideration of the structure of leagues that are facing issues with their overall financial management should be taking place. This would allow for a more collective thinking approach that could consider other potential options, such as revenue sharing in terms of sponsorship income. Such more radical and wider options are to be considered before a stand-alone strategy to mitigate costs is considered (De Marco, 2021).

Fifth, before any strategy to mitigate costs is considered, all key parties should be addressed and included in any potential discussions and negotiations. Involving all key actors would then allow for their input to be shared and for a common agreement to be reached, in the hopes of a collective and well-supported strategy to mitigate costs to be identified and adopted (De Marco, 2021).

Unit 2.5 Rising Costs – Cost of Infrastructure

Apart from player wages, sports organisations face increasing costs for travel, facility maintenance, and other operational expenses. For example, many sports teams now travel extensively, playing games in different cities and even different countries. This can create significant travel costs, including airfare, hotel stays, and transportation. Similarly, sports organisations must invest in the maintenance and upgrading of their facilities to

keep them up to date and competitive. This can create significant costs, including the cost of building new facilities or renovating existing ones.



Indeed, the cost of infrastructure is considered to be another significant challenge facing the financial sustainability of sport. The construction and maintenance of sports facilities, such as stadiums and arenas, can be extremely expensive, and many clubs struggle to cover these costs.

The cost of infrastructure is particularly challenging for smaller clubs, which may not have access to the same financial resources as larger clubs. In some cases, clubs have been forced to rely on public funding to cover the cost of infrastructure, leading to concerns about the use of taxpayer money for private enterprises. But even in the case of bigger sports organisations, the significant costs of infrastructure have been often blamed for the creation of debt, and are considered to this day one of the biggest challenges to financial sustainability.

Such an example can be seen in the stadium currently used by Tottenham Hotspur football club. As the following figure shows, the London club is currently playing in a 62,000 seated stadium that opened in 2019 and cost 920 million euros (Football Benchmark, 2019). If we were then to calculate the development cost per seat, we could see that, for the Tottenham Hotspur Stadium, each seat cost approximately 14,800 euros.

The funds spent on building this stadium are widely believed to be the reason behind the increased debt the club has had, with additional bonds and loans issued to the club to allow for the stadium's completion. This, in turn, has resulted in a different financial management style adopted by the club, that has been since struggling to control their spending and reduce, in any way possible, their future costs (Hytner, 2019).

Table 1. The Most Expensive Stadia to Develop

Top 10 stadia with highest development cost per seat						
 Stadium name	 Country	 City	 Capacity	 Development cost (EUR/m)	 Opening year	 Development cost/seat (EUR '000)
Tottenham Hotspur Stadium	UK	London	62,062	920	2019	14.8
VTB Arena*	Russia	Moscow	26,319	593	2019	14.8
Krestovsky Stadium (Zenit Arena)	Russia	Saint Petersburg	68,134	853	2017	12.5
VEB Arena (Stadion CSKA Moskva)	Russia	Moscow	30,000	281	2016	9.4
Puskás Arena	Hungary	Budapest	68,000	610	2019	8.9
Rostov Arena	Russia	Rostov-on-Don	45,335	371	2018	8.2
Nacyjanalny Alimpijski Stadion Dinama	Belarus	Minsk	22,246	180	2018	8.1
Mordovia Arena	Russia	Sarańsk	44,149	332	2018	7.5
Stadion Kaliningrad	Russia	Kaliningrad	35,212	265	2018	7.5
Parc Olympique Lyonnais (Groupama Arena)	France	Lyon	59,286	410	2016	6.9

* VTB Arena also includes a 13k-seat indoor hall

Source: Football Benchmark, 2019, <https://bit.ly/3AebxDm>.

To address this challenge, some clubs have explored alternative funding models, such as public-private partnerships or revenue-sharing agreements with local governments. However, these models can be complex and may not always be viable for smaller clubs.

Unit 2.6 Competition

The sports industry is highly competitive, and organisations must constantly adapt and innovate to stay ahead of the competition. Failure to do so can result in declining revenue and a loss of financial sustainability. Driven by the need to respond to the competition, many sports organisations focus on short-term goals, such as winning championships or increasing revenue in the current season, rather than on taking a long-term view of financial sustainability. This can lead to unsustainable practices and financial instability eventually.

One of the primary ways that competition impacts financial sustainability in sport is through increased costs (Müller *et al.*, 2012). As teams try to outdo each other, they may feel pressure to invest more money in player salaries, infrastructure, and other areas. This can lead to a bidding war for top players, which can drive up salaries and create financial strain for clubs. Competition can also create pressure to perform, which can impact on

financial sustainability in sport. Teams that are not performing well may struggle to attract sponsors or maintain fan support, leading to decreased revenue. This can create a vicious cycle, where poor performance leads to financial strain, which—in turn—leads to poorer performance.

For example, in the United States, Major League Baseball has a revenue-sharing system in which the top teams contribute a portion of their revenue to a fund that is distributed to smaller teams. This system is designed to promote competitiveness and financial sustainability in the league. However, some critics argue that it can create a disincentive for teams to invest in improving their performance, as they can still receive revenue from the fund regardless of their performance.

Competition can also create inequality in sport, which can impact on financial sustainability. The most successful teams may attract the most fans and generate the most revenue, while smaller teams may struggle to compete. This can lead to a widening gap between the rich and poor clubs, making it difficult for smaller teams to survive (Müller *et al.*, 2012).

For example, in European football, there are concerns about the growing dominance of a small group of teams in competitions like the Champions League. These teams have access to more financial resources and can often attract the best players, which can make it difficult for smaller clubs to compete. This may create a lack of competitiveness in the sport and lead to financial instability for smaller clubs.

The existence and importance of competition in sport nowadays can therefore prove detrimental to its financial sustainability, since it can push for the wrong decision-making to occur, while obstructing more long-term and carefully designed strategies to be adopted. It can also result in the creation of a wider division between sports clubs, separating them into big and small, while entering them all in a vicious circle—that can make big clubs bigger and small clubs smaller, further obstructing the latter from achieving financial sustainability.

Unit 2.7 Inadequate Governance

Another major challenge facing sports organisations is inadequate governance. Poor governance can lead to financial mismanagement and unsustainable financial practices, including overspending, lack of transparency, and corruption. This may lead to financial instability and even bankruptcy.

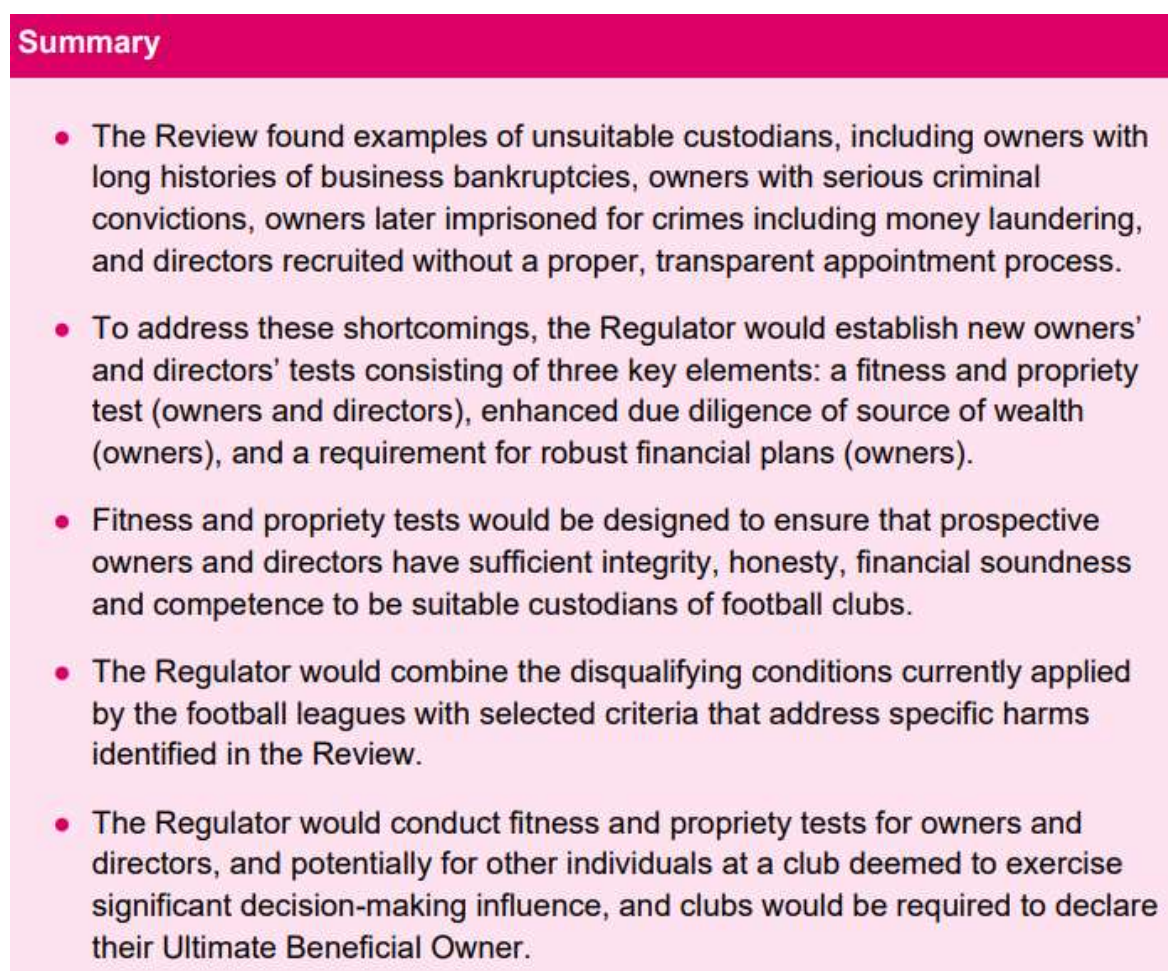
One of the main drivers of poor governance in sports is the lack of accountability and transparency. Many sports organisations are run by a small group of individuals who may not be accountable to the public or to their stakeholders (Digital, Culture, Media and Sport, 2023). This can create opportunities for corruption and financial mismanagement, which can have significant negative impacts on the organisation's financial sustainability.

In addition, some sports organisations may prioritise short-term gains over long-term financial sustainability. For example, a team owner may choose to spend heavily on player salaries to win a championship in the short term, even if this creates long-term financial challenges for the organisation (Digital, Culture, Media and Sport, 2023).

As such, the selection of the appropriate individuals to own and manage sports organisations comes into the forefront of the wider challenges that sports organisations face in achieving and maintaining financial sustainability. This is addressed in the recent report the UK Department for Digital, Culture, Media and Sport (2023) issued, in which the introduction of a new independent regulator to help prevent repeat of financial failings is proposed.

As the following summary shows, the careful and independent review the UK Government conducted on the individuals who are involved in the running of football in their country, identified a number of issues. This included the identification of a number of unsuitable individuals involved in the highest rankings of football in the country, who had been—in their previous career—involved in business bankruptcies and even serious criminal activities, including money laundering. It was thus found that a proper and transparent appointment process was—at times—absent in the system, identifying the need to introduce such a system to better protect and safeguard the future and financial sustainability of the sport. As such, a new system to better control the individuals who engage with the football industry is being proposed, to better assess the suitability of new owners and directors. It is suggested that the system would include three fundamental aspects: a fitness and propriety test (owners and directors), enhanced due diligence of source of wealth (owners), and a requirement for robust financial plans [owners] (Department for Digital, Culture, Media and Sport, 2023).

Figure 4. Owners' and Directors' Tests Summary



Source: Department for Digital, Culture, Media and Sport, 2023, p. 46.

Inefficient financial management can then materialise in different ways. Many sports organisations, for example, struggle with financial management, particularly those at the grassroots level. The lack of financial expertise and knowledge can result in inefficient financial management, leading to financial instability and potential bankruptcy.

Inefficient financial management can take various forms, from overspending on player salaries to poor budgeting and accounting practices. Sports organisations need to have a solid financial management system in place, with clear policies and procedures for financial planning, budgeting, and reporting (Digital, Culture, Media and Sport, 2023).

An example of inefficient financial management can be seen in the famous case of the English football club Leeds United. A summary of the case study, as it is reported by the UK Department for Digital Culture, Media and Sport (2023), can be seen in the figure below.

Figure 5. Leeds United Case Study of Financial Mismanagement

Leeds United - financial overreach

“Should we have spent so heavily in the past? Probably not, but we lived the dream.”

In 2003, [Leeds United Chairman Peter Ridsdale made a statement](#) to the media regarding the club’s financial situation, which included this now infamous line.

The club’s fragile position was built on several years of high transfer spending, financed by borrowing from financial institutions. When the club’s gamble for Champions League football failed in successive seasons in the early 2000s, it was laden with an £82 million net debt. Even revenue from the growing Premier League broadcast deal could not cover the spiralling debts and wage bill, and in 2003 Leeds posted net losses totalling £49.5 million.

The mass sale of players to reduce the wage bill led to Leeds’ relegation from the Premier League in the 2003-04 season. Following relegation, the sale of players continued and the club was forced to sell its training ground and stadium in 2004. Leeds entered administration in 2007, with the ensuing ten-point deduction guaranteeing its relegation to the third tier of English Football.

Leeds was ultimately saved from liquidation, and has now risen back to the Premier League under new ownership. However, the years of hurt for its fans, the city of Leeds, and the club’s creditors could not be reversed.

Source: Department for Digital, Culture, Media and Sport, 2023, pp.13-14.

Financial mismanagement by sports organisations is considered a key challenge to financial sustainability, since it incorporates overspending, misusing funds, and creating excessive debt. For example, the collapse of the Scottish football club Rangers in 2012 was largely attributed to financial mismanagement, with the club accruing over £100 million in debt and being unable to pay its bills (Williams, 2022).

Unit 2.8 Corruption and Financial Mismanagement

Corruption and financial mismanagement are significant challenges in the sports industry, particularly at the professional level. The temptation to engage in corrupt practices and financial fraud, such as embezzlement or bribery, can be significant, particularly in sports in which there is a lot of money at stake.



Financial mismanagement can also be a significant challenge, particularly in countries where there is a lack of transparency and accountability. In some cases, sports organisations may mismanage funds or engage in fraudulent practices, leading to financial instability and potential bankruptcy.

A number of examples can be seen in professional sport, in which financial mismanagement has occurred, often due to sports organisations' higher administration and owners' ulterior motives.

When looking into Spanish football, we can see that, in 2014, Valencia CF, the professional Spanish football team, was the subject of a financial scandal involving its owner, Peter Lim. Lim was accused of manipulating the club's financial statements to conceal his diversion of funds, and of using the club's resources for personal business ventures. The club was also accused of owing millions of euros in unpaid taxes and debts to other clubs and players (Schlachter, 2023). At the same time, Racing Santander, another professional football club in Spain, was the victim of financial embezzlement by its owner, Indian businessman Ahsan Ali Syed, in 2013. Syed had promised to invest millions of euros in the club, but instead diverted funds to his personal business ventures. The club was left with massive debts and was forced to sell many of its top players (Shields, 2020).

In the case of English football, Portsmouth FC filed for bankruptcy in 2010 due to massive debts and financial mismanagement. The club's owner at the time, Alexandre Gaydamak, was accused of using the club's funds for his personal business ventures, and of neglecting the club's infrastructure and player development (Beardsmore, 2017). Similar accusations were also made against the owner of Leeds United FC. At the time in which the football club was experiencing financial difficulties in the early 2000s, accusations were made against its owner, Peter Ridsdale. These accusations of embezzlement against Ridsdale suggested he had not only overspent on player acquisitions, but also taken out loans in the club's name to finance his personal lifestyle (Butler, 2018).

Unfortunately, such instances of financial mismanagement due to corruption are some of the most serious challenges to financial sustainability in sport. They are also encountered in various sports around the globe, further highlighting the complexity and difficulty behind achieving financial sustainability in sport.

Unit 2.9 Impact of COVID-19

The COVID-19 pandemic has had a significant impact on the sports industry, with many clubs struggling to maintain financial sustainability in the face of reduced revenues and increased costs. The pandemic has forced many sports events to be cancelled or postponed, leading to a loss of ticket sales, merchandise sales, and broadcasting revenue (European Commission, 2020).



The impact of COVID-19 has been particularly challenging for smaller clubs, which may not have the financial reserves to weather the storm. Some clubs have been forced to lay off staff or reduce salaries to stay afloat, while others have gone bankrupt.

In a recent study, focusing on the impact of COVID-19 on the sport industry in European Union member states, it was estimated that the UK was to experience the second-largest fall in sport income out of all the twenty-eight countries covered in the study (European Commission, 2020). The UK was expected to see a fall of 9.5 billion euros (£8.6 billion), nearly 17% of the total decline across Europe. At the same time, it was suggested that the total losses of sport-related jobs in the UK would be around 250,000, representing about 23% of all sport job losses in Europe. The biggest drop in sport-related GDP in 2020 was expected to be in Germany, which would have lost almost 23 billion euros, representing 40% of the EU total.

The total impact of COVID-19 on the sport sector, as it was estimated in 2020, is better depicted in the table below.

Table 2. The Impact of COVID-19 on Sport

EU level	Scenario	Sport-related GDP		Sport-related employment	
		Million Euros	Percentage of sport-related GDP	Employees in persons	Percentage of sport-related employment
EU-28	Higher	56,930	15.7%	1,099,526	17.0%
	Medium	49,635	13.7%	961,997	14.9%
	Lower	45,596	12.5%	883,912	13.7%
EU-27	Higher	47,430	15.3%	844,773	16.2%
	Medium	41,404	13.3%	740,529	14.2%
	Lower	38,100	12.3%	681,588	13.1%

Source: European Commission, 2020, p. 10.

Across the whole of the EU, it was estimated in the same report that a drop of almost 60 billion euros would be seen in the sport sector in the GDP of the countries, paired with a loss of over a million of jobs. It is worth clarifying that the study adopts a wide view of the sport industry, including not only the cancellation of sport events, but also the closure of stores, sport clubs and gyms. Interestingly, within it, they also examine the indirect, negative financial consequences for sport services, such as tourism, transport, accommodation, and sport media (European Commission, 2020).

Through the analysis, they emphasise that the loss of revenue from membership, licensing, participation, ticketing, broadcasts, sponsorship, sales, and subscriptions will be major, resulting in issues with the cash flow that will emerge and intensify, especially



in regard to paying wages of playing and non-playing staff, as well as paying rents and various contracts (European Commission, 2020). It is also argued that COVID-19 had a direct effect on the lack of employment security and income, as well as job cuts and loss of skills among staff, athletes, coaches, and freelance workers, and an indirect negative effect on volunteering—with unpaid staff unable to participate in events even after lockdown—due to continued restrictions on movement.

To address the impact of COVID-19 on the sports industry, some clubs and leagues have explored new revenue streams, such as virtual events and esports. However, these new revenue streams may not be enough to replace the lost revenue from traditional events.

In terms of public authorities, governing bodies, national federations, and sporting organisations, a number of steps were taken, followed by a wider guidance to assist sports organisations in surviving this challenging time and overcoming the challenges that COVID-19 brought to their financial sustainability (European Commission, 2020). These included various financial support schemes to allow the retaining of some employees, while additional funds were being sought and often given in the form of loans to better support smaller sports organisations in the first years after the COVID-19 pandemic and consecutive lockdowns were over.

Summary

In this second module of the Sustainable Financial Investment Strategies course, we focused on the challenges financial sustainability faces in sport. As such, we covered the reduced and limited revenues of sport that are often characterised by a lack of diversification. We then moved on to discuss the rising costs of sport, an issue often blamed as the primary reason why financial sustainability is challenged in the world of sport. In more detail, we discussed player salaries and how they monopolise the expenses of the clubs, as well as the challenges that any strategies to mitigate this obstacle have been faced with. We then moved on to cover the cost of infrastructure and how this is creating barriers to financial sustainability in sport. Then, the wider issue of competition and how it influences the decision and strategy-making of the sports organisations was examined, before we focused on the issue of inadequate governance and corruption—both of which have been often blamed as important challenges to financial sustainability. Finally, we looked into the effects of the unexpected crisis, and, in particular, the challenges that COVID-19 brought upon sport, and how that impacted on its financial sustainability.

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