

Applicable business models in Russian and Ukrainian football

Author: Denis Sablin

Institution: Coventry Business School

E-mail: denisque@volgar-gazprom.ru

The collapse of communism in Eastern Europe and removal of communist structures accelerated a shift from state control and support for sport generally and football in particular towards private, commercial sport (Gammelsaeter & Senaux, 2011) in former Soviet Union countries. Both in Russia and Ukraine the structure of property of sport clubs and the mechanisms of governance are approximately the same, with the involvement of oligarchs' and government funding. Both countries have invested hundreds of millions euro in football for several last years and achieved some success in European cups. Thus Russian and Ukraine teams celebrated three UEFA Cup successes over last 7 years.

Obviously, unlike a typical business unit, success for a football club is measured not only in terms of financial figures. The business is built around the world's most popular sport and success for a club is measured in terms of the team's success on the field (Surana & Nanduri, 2006). But like any business a football club has a revenue and cost side too. From this point of view Russian and Ukrainian clubs can brag about their growing revenues and frequently the presence of profit as well. But the dark side of this is that major part of this revenues are direct injections of owners (or other controlling institutions as local governments), veiled as sponsorship funding or other sort of deals.

The other measure of a success is spectators' interest. In Soviet Union, where sport was really considered as a part of national pride, the average Highest Football League attendance was about 35 000 spectators per game. Whereas nowadays this indicator is about 12000 in Russia and 9000 in Ukraine. And what is really notable is that this figure didn't increase for the last 10 years, while the investments in football increased in more than 10 times. TV ratings of national leagues are also rather low despite of purchasing such attractive players as Eto'o, Jadson, Bangoura etc.

With the fact that due to the huge investments in last years these clubs perform better in Europe, there are doubts that this funds work effectively. Today all big European professional clubs have adopted a MCMMG model of finance where most significant source of finance is TV revenues (Andreff, W., 2008). But in considered countries there is a low spectators' interest, lack of social function, unwillingness to earn money from TV rights or real

sponsorship deals. This means that the strategies, chosen by football managers don't work. There is also an ethical issue within this. Since most clubs are sponsored by government bodies or public companies it finally means that the public money, the money of taxpayers, is used ineffectively.

The research question is whether the strategies of football business in Russia and Ukraine are viable in a long term. And if current strategies are ineffective, what are the ways for changes? This field of science haven't been researched properly before and so the article can be useful as a theoretical basis for further researches.

The research is done in two steps. The first is based on analysis of aggregate figures of football clubs' performance such as UEFA coefficients, league attendance, aggregate gate receipts etc. The data is analysed in dynamics to determine the influence of increased injections into sport on the results and economic performance as well as attendance and TV ratings. This figures are also compared with aggregate figures of Netherlands and Portugal, which have comparable sport success, but focusing on the "breeder" and "trader" clubs business models.

Another phase is microanalysis of economic performance of particular clubs – big ones and a smaller. It helps in understanding which business models are really applicable at a current place at a current time. The source is information collected directly from clubs, such as financial reports and surveys. The paradox of high survival rate in conditions of soft budget constraints (Storm, Nielsen, 2012) and its application is also reviewed. The consumers' behaviour is also analysed through questionnaires and attendance figures. Hopefully this research can be applicable for usage in practical field. The limitations of work are related with restricted data access.

References:

- Andreff, W. (2008) *Globalization of the sports economy*. Rivista di diritto ed economia dello sport. Vol.4[online] available from <http://www.rdes.it/RDES_3_08_ANDREFF.pdf>[2008]
- Gammelsaeter, H., Senaux, B. (2011) *The Organisation and Governance of Top Football Across Europe: An Institutional Perspective*. Routledge
- Surana C., Nanduri K. (2006) *Business Model of a Football Club: Manchester United*[online] available from <http://www.managementcanvas.iimindore.in/icanvas/index.php?option=com_content&view=article&id=64:business-model-of-a-football-club-manchester-united&catid=34:marketing-and-branding&Itemid=56>[22.03.2006]
- K. Storm, K. Nielsen (2012) *Soft budget constraints in professional football*. European Sport Management Quaterl.Vol.12 No2