
Different shaped ball, same financial concerns; the financial health of rugby union in England.

Abstract ID: EASM-2015-105 - (620)

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Date submitted: 2015-03-19

Date accepted: 2015-04-01

Type: Scientific

Keywords: Rugby Union, Financial Health, profit maximisation, utility maximisation

Category: 6: Sport Economics and Finance

Synopsis:

Abstract:

AIM OF PAPER

The aim of this paper is to establish the current financial performance and future prospects of elite English rugby union clubs.

THEORETICAL BACKGROUND

Principally, professional team sports are linked to the concepts of uncertainty of outcome, competitive balance and profit and utility maximisation (e.g. Vrooman, 2015). Economists make reference to the differences between the North American and European models of professional team sports (Szymanski, 2003) and while the European model remains unique there is convergence on certain features (Andreff and Staudohar, 2000). However, differences remain regarding revenue generation and the ability for clubs to compete. American sports operate a draft system, apply salary caps, share television revenue and compete exclusively in domestically structured leagues. In place of promotion and relegation, evident throughout the European model, changes in American leagues come from adding new franchises and relocating franchises to another city.

Rugby union is one of the top four professional team sports in England. To date, the sport appears under-researched from an academic perspective particularly as rugby union, in England, displays elements from both models of professional team sports. Promotion and relegation exists and revenue is not exclusively shared equally but there are salary caps in place and there have been instances of 'franchise-like' relocations of clubs to different regions of the country. Rugby union was the last major team sport in England to adopt professionalism, limiting the financial development of the game in general

(Williams, 2012). In summary, rugby union in England has experienced significant change since 1987 when a structured league system was first introduced. Key stages in its development relevant to the study are identified as: professionalism and the Heineken/Challenge Cup (1995); the introduction of a salary cap (1999); the addition of a bonus point system and end-of-season play-offs (2000) and changes to the labour market for professional rugby players (2003).

Like many professional sports, clubs have been troubled off the pitch, most recently at Sale and London Wasp. As such, it is perhaps time to ask how rugby union clubs are doing in terms of their on and off pitch performance?

METHODOLOGY

Data for this research was obtained by dissecting the annual accounts of 9 clubs between 2006 and 2013. Analysis was performed using the Performance Assessment Model (PAM) which is developed from the ExPAM (see Plumley, Wilson and Ramchandani, 2014). The PAM analyses both financial and sporting areas of performance, devised through statistical analysis procedures (factor analysis) to provide a holistic measure of overall performance of professional sports teams.

RESULTS, DISCUSSION, IMPLICATIONS

Initial findings indicate that there is financial disparity amongst clubs which has widened over the period of the study. Total average revenues have risen from £8.4m to £10.9m (an increase of 29.7% in total). However, total debt has also increased by 235.7% during the same period (increasing from £4.2m to £14.1m). The debt figures are inflated by certain clubs, notably Harlequins, Saracens, London Irish and London Wasps but in 2013 only three clubs made a pre-tax profit, the highest of these only amounting to £329,000 (Northampton Saints). Average wages/turnover figures are stable at 71% in 2013 (because of the salary cap) although average wage costs have almost doubled since 2006 rising from £4.4m to £7.1m. Overall performance and the economic debate around profit and utility maximisation, points to the best performing clubs were Leicester Tigers and Northampton Saints. No club displayed characteristics of profit maximisation although Saracens, London Wasps and to a lesser extent Bath Rugby showed characteristics of a utility maximisation approach. The caveat here is that all clubs were closer together in terms of their sporting performance, something that is less evidence in other professional team sports in the UK such as football and rugby league. When correlating overall performance over time, 8 of the 9 clubs showed an improvement in performance although only one of these (Northampton Saints) showed a significantly strong correlation (0.75).

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Abstract report - EASM 2015