

A New World Post COVID-19

Lessons for Business, the Finance Industry and Policy Makers

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European Football After COVID-19

J. James Reade

University of Reading, UK

Carl Singleton

University of Reading, UK

Abstract The European football industry has suffered an unprecedented shock from COVID-19. In this chapter, we reflect on how the sport's administrators responded to the initial outbreaks and what lessons can be learned. We also look ahead to what football in the post-COVID-19 era could look like. We conclude that this largely depends on the decisions now facing the sport's administrators and the powerful owners of the biggest football clubs: will they prioritise football as the inclusive and diverse game, at the heart of local communities? Or will their intrinsic financial interests dominate?

Keywords Soccer. Sports Economics. Sports Finance. Coronavirus. Sports Management.

Summary 1 Introduction. – 2 Finishing the 2019-20 Season. – 3 How Could Football be Different in the Post-COVID-19 Era? – 4 Concluding Remarks.

1 Introduction

A deadly airborne virus means social distancing and threatens the entire business model of European professional football – sport normally involves large gatherings of people, where an airborne virus can spread.¹ Following the outbreak of COVID-19, by April 2020 practically all major professional sports had ground to a halt worldwide. Football leagues were suspended, ei-

¹ See Stoecker, Sanders, Barreca 2016 and Cardazzi et al. 2020 for evidence from North America that sports events can increase the mortality from influenza in local areas. See Parnell et al. 2020 for a discussion of the implications of COVID-19 for mass gatherings and major sports events, such as the previously planned 2020 UEFA European Championship.



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ther by themselves or by governments, from the elite level, normally played in front of tens of thousands of fans, to the bottom levels, or 'grassroots', played on local parks and recreation grounds.

Football has become an economically important business. In 2018-19, the twenty highest earning football clubs in the world, all in Europe and eight of them in England, generated a combined income of €9.3 billion (see Deloitte 2020). The growth in European football over the past three decades has been remarkable. The most prosperous league over that period, the English Premier League (EPL), had broadcast rights for 2019-22 valued at £9.2 billion, with around 46% of that from overseas (see Svenson 2019). Figure 1 shows how the value of the domestic TV rights for the English Premier League increased from £61 million per season in 1992 to £1.7 billion by 2016 [fig. 1].

In this chapter, we discuss how this growth industry has been affected by the COVID-19 global pandemic. First, we summarise how European football responded to the initial shock and disruption caused by the outbreak, mainly focusing on what happened in England. Second, we contemplate how football and its business could be different in the post COVID-19 era. Finally, we offer some concluding remarks, suggesting that the immediate future of European football very much depends on the vision and priorities of its principal decision makers.

2 Finishing the 2019-20 Season

As COVID-19 spread globally, sports events that could be postponed were postponed, e.g. the Summer Olympic Games and the UEFA European Football Championship. Annual events that couldn't be postponed were cancelled, e.g. the The Championships, Wimbledon, the Boston Marathon and the Formula One Australian Grand Prix.

The wrangling that took place in the suspended European football leagues during the spring of 2020, concerning their resumption or otherwise, has made clear that the two most fundamental influences are government and money.² In France and the Netherlands (both countries with a rich footballing heritage), the football seasons were cut short due to the intervention of the respective governments. The bans on sports in these countries reached far enough into the summer that a resumption would be impractical, without affecting the start of the next season.

² Safety played a role too, primarily affecting the timing of resumptions though, rather than the decision between cancelling and continuing. In the immediate weeks around the peak levels of infection, leagues determined that they could not justify using scarce national COVID-19 testing resources to ensure the virus was not spreading among the players and other people involved in putting on football matches, even if they were resolved to return.

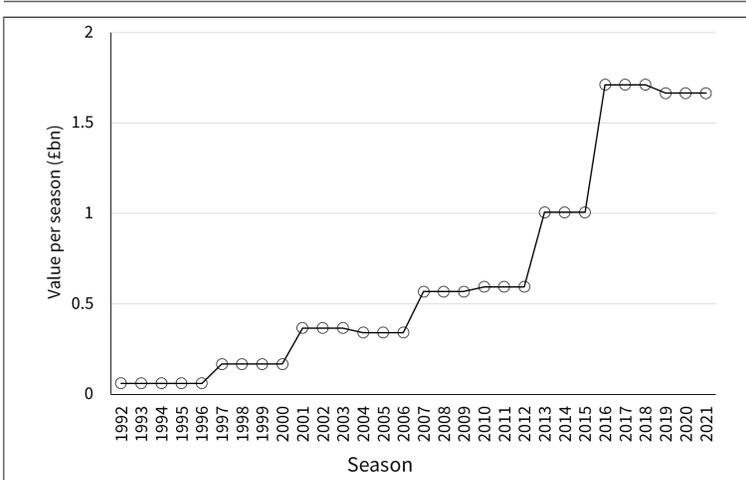


Figure 1 Nominal value of domestic broadcast rights for the English Premier League 1992-92 to 2021-22; author calculations using SportsBusiness Media Rights Tracker, accessed May 2020

Other seasons were cut short, such as in the English lower leagues, arguably because the decision makers were able to impose particular outcomes (usually applying points per game before the season was suspended), to determine the champions, promotion and relegation, without fear of significant adverse financial repercussions from legal action.³ Between 2012 and 2015, a club relegated from the EPL, in the best case, suffered a £20 million loss in revenue, and, in the worst case, £50 million.⁴ Conversely, the minimum revenue gain to a club from promotion to the EPL in this period was £33 million, and the maximum gain was £76 million. Because of these large sums in English football that depend on the outcome of a season, the EPL and the EFL Championship, the second tier, could not be decided in 2019-20 by some arbitrary measure, or even a forecast of likely outcomes.

The financial model of football in Europe, but especially in England, has changed dramatically in the last thirty years, following the formation of the EPL as a breakaway from the English Football League. In 1990, average revenues within the English Fourth Divi-

³ Although not all leagues have avoided this issue. Heart of Midlothian F.C. have begun legal action against the Scottish Professional Football League after they were relegated from the top division when it was cut short (<https://www.theguardian.com/football/2020/jun/15/hearts-legal-action-spl-relegation-scottish-premierhip>).

⁴ These and the following financial values are author calculations using the annual reports filed by football clubs at Companies House, the UK's registrar of companies (<https://www.gov.uk/government/organisations/companies-house>).

sion (now League 2) were 12% of those generated by clubs in the First Division (now EPL). But in 2015 the equivalent figure was 2%.

Football has operated on a professional basis for almost a century and a half, and yet at no point in that time has a set of circumstances arisen such as those imposed by COVID-19, where it was financially unviable, and in some cases legally impossible, to complete seasons. One lesson from the crisis is that a set of revised rules and regulations regarding the cutting short of seasons is required. Sports leagues will need procedures in place that determine the exact method by which a season will be cut short, if a particular threshold of matches has been played, or will instead be abandoned, if too few have been played.⁵ If it is known in advance that points per game, weighted or otherwise by other factors (e.g. goals scored, home or away form, uncertainty), will be used to decide the season outcomes, then leagues can be cut short without fear of legal repercussions.

The increased concentration of money at the top of the game has had significant impacts further down the leagues too, since little of the revenues coming into the game make their way down to the grassroots level. Liberalisation of football's labour market has resulted in a larger proportion of immigrant labour at the top of the game over the years, rather than local players making their way up the leagues (see for example the Taylor 2007). Opportunities for local young men and women to succeed in the game are reduced. In England, the Football Association has responsibility for the grassroots, and, along with many small town and village clubs, it has lost out on significant sources of revenues in the summer of 2020 because of COVID-19. Festivals on football pitches and music concerts at stadiums are not only part and parcel of the British summer but also the financial viability of football outside the elite levels.⁶ These patterns are not unique to English football. Without substantial support from governments or a fairer redistribution of wealth in the football pyramid, it seems unlikely that the rich ecology of association football, down to its grassroots, with all its attendant mental and physical health benefits, will look the same post COVID-19.

3 How Could Football be Different in the Post-COVID-19 Era?

The future of European football in the post-COVID-19 era largely depends on how soon it will be safe for the fans to return to stadiums, and whether they will come back. To the best of our knowledge, there

⁵ This happened with the 1939-40 season in England, abandoned after only 3 matches.

⁶ In June 2020, England's Football Association announced 124 job losses and expected losses of £300 million (see <https://www.bbc.co.uk/sport/football/53222021>).

is not yet any conclusive evidence regarding how easily the virus is transmitted at a large outdoor public gathering such as in a sports stadium.⁷ But regardless, common sense in the ongoing public health emergency dictates that fans should not be returning soon.

A vast literature has looked at the effects of crowds on football match outcomes (e.g. Garicano, Palacios-Huerta, Prendergast 2005; Buraimo, Forrest, Simmons 2010). Along with the familiarity of playing at home and the fatigue from travelling away, the impact of the home crowd has been suggested as a factor in accounting for the substantial home advantage in professional team sports (Schwartz, Barsky 1977), i.e. teams tend to win more often when playing in their own stadiums. Two studies of the rare instances when professional European football was played behind closed doors, before COVID-19, have found evidence that home advantage was disproportionately eroded in these matches (Pettersson-Lidbom, Priks 2010; Reade, Schreyer, Singleton 2020). Figure 2 describes the differences between matches with fans and without in the latter of these studies, showing that on average the normal home advantage was approximately wiped out, accounted for by fewer goals scored by home teams [fig. 2]. Referees also punished players on the away teams significantly less without the pressure from the crowd. However, these results were generally based on one-off games behind closed doors. It is not clear whether they were driven by the familiarity factor rather than reduced referee bias. Further, rules have been changed for the football which has returned since COVID-19, such as an increased number of substitutions, which could also plausibly affect match outcomes.

Nonetheless, it has been widely noted that home advantage has not only disappeared but even reversed in the first major European league to complete its domestic season.⁸ In the German Bundesliga *geisterspiele* (ghost games), from the post-COVID-19 resumption up to the end of the 2019-20 season, home teams won just 32% of the matches played (26 of 82, compared with 43% in the same season before March). Away teams, however, won 45% (37 of 82) of the post-shutdown matches, compared with 35% in the season beforehand. Figure 3 summarises the trends of home advantage in professional football since 1890, as well as what has happened generally since the European virus-induced social lockdowns [fig. 3]. When football returned behind closed doors in May, home advantage looked to have disappeared, but this has partly

⁷ There is some preliminary evidence from North American Sports that the different severity in local areas of the initial US outbreak was related to sports events. Ahammer, Halla and Lackner (2020) found that NBA (basketball) and NHL (ice hockey) games in early March 2020 significantly increased the rate of COVID-19 confirmed cases and deaths by the end of April 2020 in the areas surrounding the venues.

⁸ See for example *ESPN*, 9th June 2020 (<https://www.espn.co.uk/football/german-bundesliga/story/4107639/>).

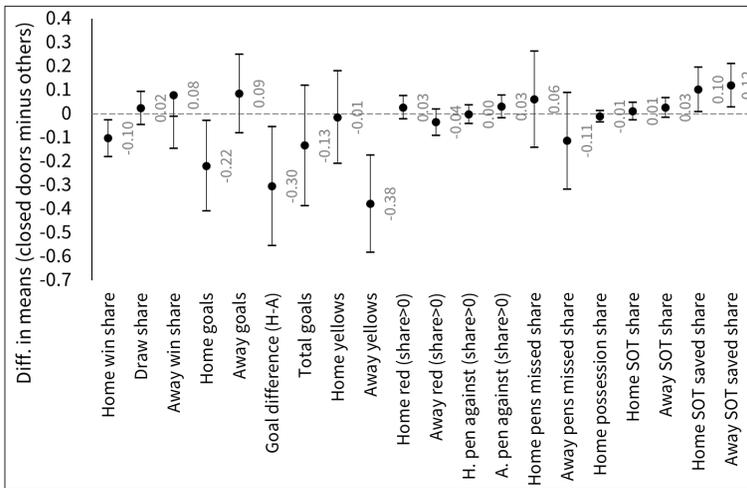


Figure 2 Differences in sample means of football match outcomes: closed doors vs with fans, 2002-03/2019-20. Uses all matches in the UEFA Champions League, Europa League, Italian Serie A, Serie B, Serie C, Coppa Italia and French Ligue 1 since the beginning of the 2002-03 season. SOT is Shots on Target. See details in Reade, Schreyer, Singleton 2020

recovered throughout June, perhaps as teams have become more familiar with the lack of fans in their stadiums.

Why does home advantage matter in football? Home advantage ensures that a weak team in its own stadium has a good chance of beating a strong visiting team (Forrest et al. 2005). If the reduction in home advantage without fans is greater for weaker teams, then stronger teams will win more often, and the competitive balance of leagues will be reduced. Studies have found that the demand for football on television is increased by the uncertainty of the match outcome (e.g. Buraimo, Simmons 2009; Cox 2018; Schreyer, Schmidt, Torgler 2018a, 2018b). This suggests that TV audience demand for European football could be affected if matches remain behind closed doors. Reduced home advantage should increase the attractiveness of matches featuring a strong home team and a weak away team, and vice versa when those relative strengths are reversed. In addition, there could be a second effect on demand, as changes in home advantage that are not equally distributed over team strengths would tend to affect the competitiveness of overall league championships and the interest of fans.

It is also not clear that matchday revenues will recover quickly when fans can return to stadiums. One argument is that there will be a pent-up demand effect, that could offset or override the negative demand effects from any ongoing risk of COVID-19 infection. Two of the most sustained attendance increases in the history of English

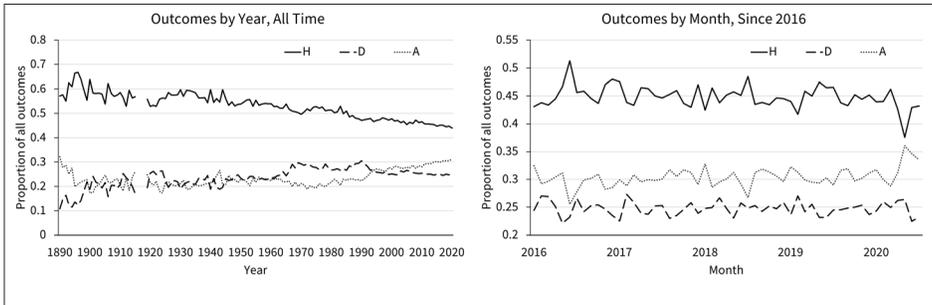


Figure 3 Professional football result outcomes since 1890 (left panel), and between January 2016 to June 2020 (right panel). H refers to home wins, D refers to draws and A refers to away wins. Uses all matches in the top leagues of 108 countries or regions since 1890, 82 countries since January 2016, and 29 in May and June 2020. Author calculations using <https://www.worldfootball.net/>

football came after the suspensions brought about by each World War (e.g. Dobson, Goddard 1995). But this is a tentative parallel at best. Reade and Singleton (2020) found that in the initial stages of the European COVID-19 outbreak there were already substantial negative demand responses, suggestively because of the implied risk of infection, even when the significance of the disease and its implications were being widely played down.

The elite European football clubs are likely to survive the outbreak financially, given their continued access to substantial funds besides match-day gate receipts. But professional football below that level still relies on ticket revenues. By studying the 2018-19 accounts of professional football clubs in England and Wales, Szymanski (2020) found that the majority of these businesses were already on the verge of insolvency before the loss of revenues and write-down of assets, i.e. player valuations, due to COVID-19.⁹ If the present structures of professional football are to survive, then some consolidation will be needed. Szymanski (2020) notes that much of football club debt is owed to other clubs, in the form of delayed player transfer payments. Therefore, if any club goes bankrupt it has knock-on effects for others, both domestic and foreign, potentially leading to financial contagion. He suggests that the consolidation of the national football business model should involve assigning the valuable future broadcast rights from the top league to a collective fund, from which those unable to collect unpaid debts can make claims, including for delayed transfer fees and player wages. In other words, the only way to save

⁹ This research was presented at the Reading Online Sport Economics Seminars (ROSES) on 17 April 2020. See here for a public recording: https://www.youtube.com/watch?time_continue=4006&v=viPqe93rW2c&feature=emb_logo.

the existing professional football pyramids today is to leverage the future value of football after COVID-19.

4 Concluding Remarks

The financial pressures facing most firms in the European football industry will be acute unless drastic collective actions are taken. The benefactor club owners have deep but not bottomless pockets, nor endless patience. Major football clubs and national associations will need to prioritise their resources. The women's game has been an area of substantial growth in participation and interest in recent years.¹⁰ Given the potential for further growth in this area and others, football's decision makers could find opportunities within any consolidation. By diverting some of the resources held by the powerful elite leagues, which currently feather superstar players' nests and tickle billionaire owners' egos, such as in the EPL, they could make longer-term investments in the health of the European football industry. The football labour market is also overdue for reform. In the 2019-20 season, EPL clubs paid £263 million in fees to the agents representing players.¹¹ The influence of these agents should be curtailed, as it represents next to nothing in added value to the sport, but sees large sums of money exiting it, which could be used to prop up the rest of the pyramid and invest in the women's game. Given the public good that football can deliver, in terms of public health and social cohesion, there may be a case for state intervention, not only to support the industry financially but also to force a re-evaluation of whom the beautiful game ultimately serves.

¹⁰ For example, in England, 11.7 million watched England's defeat to USA at the 2019 FIFA Women's World Cup, compared with a peak of 2.4 million four years before in the previous World cup (see <https://www.theguardian.com/football/blog/2020/jan/02/womens-football-decade-of-progress-2020>).

¹¹ See for example *BBC Sport*, 24 June 2020; <https://www.bbc.co.uk/sport/football/53170215>.

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