

Regional Leagues as a Model for Success: The Cost-Benefit Analysis of Resurrecting the Yugoslavian Football League

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Abstract

The purpose of this article is to show the financial potential of the old Yugoslavian league. Besides the sporting motive and improving competition, this league has a considerable financial potential. Football clubs receive revenues, mainly through three main activities: match day revenues, broadcast revenues and commercial revenue. Competition and creating a larger market will lead to an increase in all three types of revenues. By improving the competition, this league will attract larger finances. We look at stadium capacities, infrastructure, similar projects and the financial potential of this football league to determine the growth potential. Currently the clubs inside this potential league are operating in a much smaller market. This will increase the number of potential customers up to 20 million people. Methods: In addition to theoretical research and application considerations, the author uses a meta-analysis to conduct a comparative study based on historical and statistical data from electronic and printed media. During the preparation of the paper sources from universities, national data banks, and newspaper articles and other available data and statistics were also used.

1. Regionalization in sports

Regionalization in sports is not a new phenomenon. What was previously only a Canadian league became regional when the Boston Bruins were admitted in the National Hockey League (NHL), in 1924. (The People History, 2015). In recent years this trend is conquering European sports. Many smaller countries that have leagues with only one or two premier clubs are looking at regional leagues as a key for success and a way of increasing the quality. Especially in the area of ex-Yugoslavia there are several different regional leagues that we are witnessing.

The introduction of leagues into non-mainstream sports has increased since the turn of the millennium. In 2001 the Adriatic Basketball league was the first regional league that was formed. The league at this moment has 14 clubs from seven different countries (League History, 2012). In addition, a more interesting league introduction is the Balkan International Basketball League. The league has nine clubs from six countries. Now we are witnessing the expansion of regional leagues. Besides, the previous mentioned basketball leagues, clubs in this region are playing in Regional Handball Leagues (SEHA League), Regional Hockey Leagues (EBEL and CHL), and there were clubs that entered other nations leagues (Water-polo).

These leagues are definitely improving the quality and are increasing the quality of individual sports. With the increase of interest it increases the business perspective of these football leagues. The introduction of significant sponsorships by renowned brands, the input of finances into training, scouting and development has resulted in measurably increased results in not only league tables but also the exposure of non-mainstream sports as mentioned above. They have world recognized sponsors; they are improving their player roster with quality players, for instance Gazprom is the most significant sponsor of the handball league in south eastern Europe.

However, the same trend cannot be recognized in the development of football in the Balkan region. The missing link in this situation is the regional football league, but with the prospects of European football, a regional football league is a necessity. For years people from several regions are looking of how to attract more consumers, from stadium crowds, through TV and merchandising. In the past years several countries are looking at regionalization of football leagues in order to increase the quality of their sports. Historically, looking the ex-Yugoslavian league will bring more quality for the participants. The Ex-Yugoslavia is the only country that gave an intercontinental club champion from Eastern Europe. As most important this league wouldn't have just sporting logic, it will have also financial logic.

In financial terms, smaller countries have less scope for development than modern European giants in European football. The modern football era, has only place for league five teams (England, Spain, Germany, Italy and France). Thus the future of football in Europe is regionalization. These proposals included the forming of an Atlantic league, which would have teams from Holland, Belgium, Scotland and Portugal (The Guardian, 2009). Also we had several attempts of constructing a Baltic league with clubs from Estonia, Latvia and Lithuania. The first initiative was the Royal League in Scandinavia. In the past years we have been witnesses of proposals for forming several different football leagues. In countries where football is lower on the table of popularity, leagues such as the Royal League in Scandinavia are less successful than those major leagues.

So far regional leagues have shown success in individual countries. Thanks to the participation in these leagues Macedonian handball and Basketball has entered a renaissance. The national teams were 4 and fifth respectively in the European championships. The Slovenian Hockey team entered in to the quarter finals of the

Olympic Ice hockey team, with players playing in the EBEL league, KHL and only one star player form the NHL. A possible Balkan football league has been talked for years. Mostly due to the lack of quality leagues, these clubs are now on the margins of European football. The proposed football league would be a necessity in order to improve the sport. This league will increase the revenues and interest in sports in the Balkan area (Nikolic, 2012). What is more important is that these leagues, besides quality, would bring additional income for the clubs, whether through TV rights, Ticket sales, merchandise etc.

2. Finance of Football

Football clubs generate income in three different ways match-day revenues; broadcasting revenues and commercial revenues. They can be mainly connected to these three activities (Mnzava, 2011, p. 181): Match-day revenues include money from gate receipts and stadium activities. In the past these activities made the largest part of income of football clubs. In 2014 top ten world clubs are generating income in amount of 0.9 billion of Euros (Deloitte, 2015). Brand development and supporter following plays a significant part of increasing match-day revenues and goes hand in hand with the popularization of teams within regional leagues. Secondly, broadcast revenues are connected to selling of TV and broadcasting rights. Top ten football clubs receive 1.5 billion euros from broadcasting rights (Deloitte,2015). Finally, commercial revenues include sponsorship deals bring substantial revenue, especially to football clubs: big companies tend to use football clubs for direct marketing. Money brought from these activities should not be underestimated. Top ten clubs receive 1.9 billion euros from commercial revenues (Deloitte, 2015).

Thus in the case of the Ex-Yugoslavian Football League, we see that revue is disproportionately smaller than that of the major leagues. The table shows (table 1 below) the income of three of the bigger football clubs in the region. On the average their income is around 10 million of Euros. The generate revenue from several resources. UEFA prize money and football transfers usually combine for more than 50 % of the income that is generated. In the case of Maribor NK UEFA prize money has steadily increased in the past few years and now encompasses 40 % of total revenue. Maribor NK is the most successful regional club in the past 3 years (Poslovno Porocilo NK Maribor Branik za leto 2013). On the other hand this income in the case of Red Star Belgrade is only 1.72 % of the total income the club generates (Terzic, J., 2014). This also shows the success these clubs had in international competition in the previous year.

Table 1: Income distribution

	Maribor		Hajduk		C Zvezda
	2012	2013	2012	2013	2013
Tickets income	924,443	692,125	1,039,555	1,066,684	694,023
Transfers	3,433,700	1,824,800	6,464,287	3,517,930	5,720,511
Sponsorship deals	1,170,099	1,314,035	1,373,628	1,535,213	7,319,291
TV rights			470,829	311,136	50,885
Merchandise income	204,888	171,982	360,866	864,843	

Source: Author's table based on Clubs financial statement

In addition to the three modes of income, the sale of players, or transfers, also contribute to a significant source of revenue. Most of the clubs in the region benefit mostly from the money they receive from transfers. They are selling their best players in order to survive and continue working properly. The largest part of the revenue in these countries comes from selling their star players. Partizan Belgrade and Dinamo Zagreb are the recorders here (table 2, below). They receive 11 million and 9 million euros from transfers on the average every year. Players that they have sold in the past few years include Mateo Kovacic who was sold to FC Inter Milan for 11 million Euros, Mario Mandzukic who was sold to FC Wolfsburg for 7 million euros (both by Dinamo Zagreb), while Partizan Belgrade sold Lazar Markovic for 10 million euros to Benfica and Stefan Savic to Manchester City for 12 million Euros (Transfermarket).

Table 2: Income from Transfers per year

	2014	2013	2012	2011	2010	Average (in million €)
Dinamo Zagreb	3.95	13.3	20	0.42	8.7	9.274
Hajduk Split	3.75	1.22	7.64	2.65	9.64	4.98
Red Star	3	6.51	0.6	6.55	4.66	4.264
Partizan Belgrade	1	22.8	1.5	21.35	8.43	11.016

Source: Transfermarket.com

Looking at average attendance in every individual league doesn't show remarkable attendances (table 3 below). Average attendance is only 1576 spectators per match and the highest clubs average is only 5627 spectators per match. The increase in quality and the historic rivalries would increase the audience. Last match between Partizan Belgrade and Red Star Belgrade had 30.000 spectators (Soccerway, 2015 par...). The last Croatian derby between NK Hajduk and Dinamo Zagreb was also in front of 20.000 spectators (soccerway). In addition, the lack of quality and interest is the largest problem in these leagues. As seen in the record attendance of other sports, such as the record Belgrade holds for a single-game an indoor basketball game in European club (22 567 spectators), it is plausible that by increasing the popularity of football through introducing a strong regional league, the match-day revenue will also increase significantly (Euroleague.net., 2009).

Table 3: Football Attendance in the Ex-Yugoslavia Region

	Bosnia & Herzegovina	Macedonia	Croatia	Slovenia	Montenegro	Serbia	Average
Average attendance	1280	1164	2782	1039	473	2718	1576
Highest club average attendance	3743	5111	8750	3573	950	11632	5627

Source: European Football Statistics (<http://european-football-statistics.co.uk/attn.htm>)

3. Cost benefit analysis of the Ex-Yugoslavian football league

The most serious regional football league has been the Royal League. This was a football league where teams from Norway, Denmark and Sweden participated. This was a league that was dominated by Danish teams and the project lasted for 3 years (football.com). Every year 12 teams participated, in three groups of four teams each group. What is more important is the financial part. Every team was guaranteed a sum just for participating plus bonuses for every accomplishment. Every point brought a sum of 150.000 euros, going in to the next round brought additional financial benefits. The even gave money for increase in spectators. At the end the winner of the league could have gained around million Euros, which is a nice amount of money. (Novakovic 2014).

This league will easily increase the match day revenue. While in normal countries these represent second largest source of income, they depend on ground capacity. In UK, they can be between 30 -40 % of the income and they depend on ground capacities. Ground capacities in the ex-Yugoslavia league are in the region of 25.000-30.000 spectators. This can easily increase the average attendance to over 12.000 spectators and bring revenues of at least 2.5 Million Euros per club. Also, clubs would have to change the approach to the attendance. In order to make more profit they will have to change ground boxes and turn from average spectators to more lucrative spectators, by creating lounges and offering services for corporate clients.

The largest problem of current teams in this league is the lack of finance from Broadcast revenue. Not having interest from spectators and not having a product worth selling is showing in the revenue from this department. In UK, this is the largest part of revenue generated by football clubs. The lucrative TV rights deal is the motor behind the rise of the English Premier League.

As mentioned previously, money from TV rights is the engine behind the rise of the English Premier League (table 4 below). With the money from TV constantly rising, this represents the largest share of income for English Premier Clubs. By estimation, the new football league can expect that the income generated by the TV rights deal would be in the region between the Polish Ekstraklasa and the Greek super league. Thus this can bring to clubs income in the reign of 33 to 54 Million € in total - the Greece deal doesn't include TV rights deal of Olympiacos and Xanti who are not part of the collective bargaining.

Table 4: Broadcast revenue

Football League	TV rights deal	Duration	Annual TV Rights value
English Premier League	3538 million €	3 seasons	1556 million €
Italian Serie A	1822 million €	2 seasons	911 million €
French League 1	2672 million €	4 seasons	668 million €
German Bundesliga	1648 million €	4 seasons	412 million €
Turkish Süper Lig	1041 million €	4 seasons	260 million €
Dutch Eredivisie	300 million €	3 seasons	100 million €
Greek Super League	162 million €	3 seasons	54 million €
Portuguesa Liga	Porto, Benfica and Sporting Lisabon agree combined 24 million a year		
Polish Ekstraklasa	101.5	3 seasons	33.8 million €
Romanian liga 1	85 million €	3 seasons	28.3 million €
Belgian Jupiler League	44.7 million €	3 seasons	14.9 million €

Source: football-marketing.com (<http://www.football-marketing.com/2010/03/29/ranking-of-european-tv-broadcasting-rights-for-2010/>)

The value of this clubs is extremely low compared to top 5 leagues. And here are clubs that have won their leagues several times in the last 20 years. The ground capacity of these football clubs is on average over 30.000 attendances. Creating a quality product will bring the interest of the spectators, will increase the revenue and increase the value of the clubs.

In accordance to Transfermarket reports (table 5, below) the value of Dinamo Zagreb is the largest of the Balkan clubs. And their value is several times less than a top 5 average clubs. On the other hand, this clubs value is twice as much as all other clubs that would enter this potential league.

Table 5 – Club Value and Ground capacity

Club	Dinamo Zagreb	HNK Hajduk Split	HNK Rijeka	Maribor	Partizan Belgrade	Red star Belgrade	Average
Stadium Capacity	37,168	35,000	12,600	12,994	32,710	55,538	31,002
Value (000)	48,150.00 €	21,950.00 €	25,900.00 €	15,530.00 €	22,850.00 €	19,050.00 €	25,572.00 €

Source: Transfermarket.com

(<http://www.transfermarkt.com/schnellsuche/ergebnis/schnellsuche?query=Red+Star&x=9&y=5>)

4. Conclusion

The introduction of a regional football league would benefit all concerning parties. It will increase the revenue easily. This will bring competition and make the clubs be more self-sufficient. There are several problems the clubs would be facing. Most of the clubs in these countries are currently facing large debts. Most of the clubs in these leagues are publicly owned and government sponsored. This is why some of them are facing large debts. Both Belgrade clubs owe 63 million of Euro (Teleskovic, 2014). In order for this league to start functioning it has to make sense both financially and competitive. The clubs that are in must have quality teams and must be able to support themselves financially. Theoretically this league, if set properly can bring increased revenue in all three categories. What would be the initial drive in this situation, besides the financial meaning would be the traditional rivalries these clubs had.

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