

# ECONOMIC ACTIVITIES IN PROFESSIONAL SPORTS (FOR EXAMPLE IN PROFESSIONAL FOOTBALL)

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## Abstract:

Through the necessary scientific research method, the research team analyzed the issues related to the actual situation of business activities and revenues of professional football leagues, clubs in the world and Vietnam, on that basis, propose some solutions for professional sports development in general and football in particular in Vietnam.

**Keywords:** Professional sports, football, economy.

## INTRODUCTION

Professional sports is a typical phenomenon of the commodity economy, in line with the rules of sports development aimed at the market, conducting fair price exchange between competitions, fighting and public appreciation. Professional sports is an industry that receives great attention and sharing from the media, businesses, sponsors and fans. For its part, professional sports, when reaching a certain level, will contribute to social and economic development. On the other hand, professional sports can only be formed in the context of commodity economy and market economy, operating under the conditions of sports market and football market (labor football characteristics transfer market, football competition business service market, football stock market). Thanks to the sports market in general and the football market in particular, professional sports have the environment to form and develop. Therefore, in order to develop professional sports in Vietnam, including Football, it is necessary to study the actual situation of economic activities in professional sports domestically and internationally.

## RESEARCH METHODS

During the research process, we have used research methods such as: Method of analyzing

and synthesizing documents; method of interview, seminar; Statistical mathematics methods.

## RESULTS AND DISCUSSION

### 1. Actual situation of business activities of professional football clubs in the world

#### 1.1. Methods to create financial source of professional football clubs

The study results show that the main financial sources for foreign professional clubs include: 1. Borrowing capital from banks (Syndicated loan); 2. From the stock market; 3. Commercial credit capital source; 4. Athletes mortgaging; 5. Capital issue.

#### 1.2. Principles of business activities of professional football clubs

*Principle 1:* Ensure both good competing performance and good business performance.

*Principle 2:* Expand the club revenues and increase the income of each.

*Principle 3:* Continue to improve the business model of the club.

#### 1.3. Actual situation of income of some professional football leagues and clubs in the world

According to the latest statistics of Deloitte Tomche Tohmatsu, the total revenue of European professional football competitions has increased by many times each season (chart 1).

The research results also showed that the

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Revenues Top 5 leagues in € bn

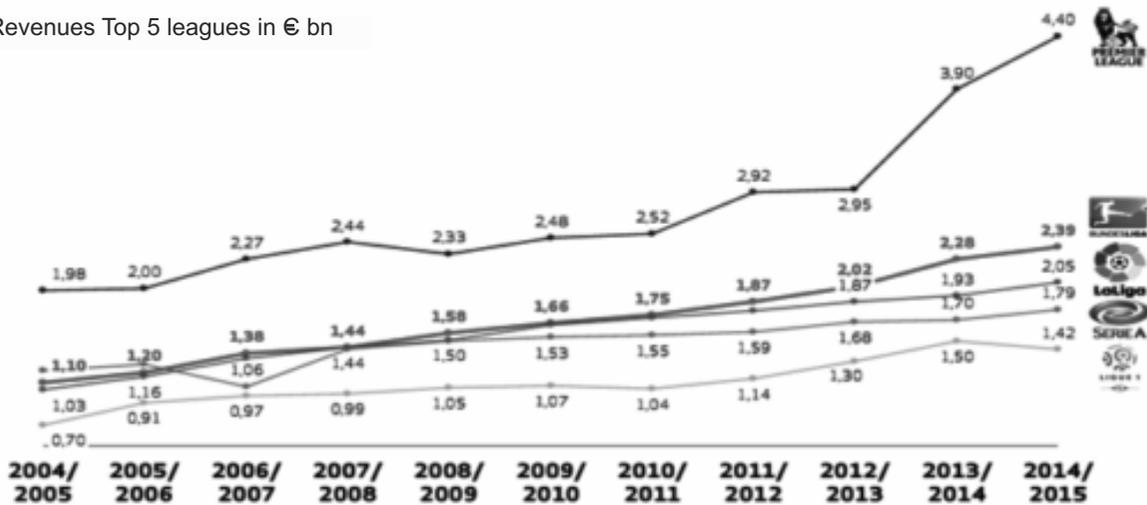


Chart 1. Statistics of total revenue of European professional football competitions

revenue of each club also increased sharply. For example, comparing the revenues of some of Europe's top clubs in the 2005 - 2006 season with the 2013-2014 season shows: Manchester United: from 310 million euros to 502 million euros; Real Madrid: from 374 million euros to 650 million euros; Barcelona: from 331 million euros to 613 million euros; Bayern Munich: from 262 million euros to 468 million euros ... The brand values of the clubs also grow very strongly, namely: Manchester United: from 1,453 to 3,165 billion euros; Real Madrid from 1,036 to 3.3 billion euros ; Barcelona: from 513 million Euro to 2.6 billion euros; Bayern Munich: from 838 million Euro to 1,309 billion euros ...

**2. Actual situation of business activities of professional football in Vietnam**

**2.1. Business performance of professional football clubs in Vietnam**

At the beginning of the process of professionalization, the operating budgets of the clubs are mainly based on the following revenue sources: 1. The State investment budget or support from agencies, organizations or enterprises which are currently operating, managing clubs; 2. Selling clubs' franchise rights; 3. Sponsorships, contributions and supports of domestic and foreign individuals and organizations; 4. Collected from the profit-

sharing contract with the fields through the sale of tickets for matches played by clubs' teams; 5. Television rights of matches; 6. Other revenues from football activities and services in accordance with the provisions of the Professional Football Regulations.

**Total revenue:**

- In the first two seasons of 2001-2002: Mainly due to the local state budget or investment of enterprises with the fluctuation of 3 -5 billion VND.

- From 2013 up to now: Some localities support from 25 to 40 billion VND / year; Business football clubs (DTLA, HAGL ...) operating expenses are mainly deducted from the annual advertising expenses of about 5 billion VND (Since 2007 this source has increased sharply (HAGL: 33 billion years in 2010).

The total revenue of each club: The first period (2001-2005) is about 6-8 billion VND / year; Period (2006-2010) increased rapidly: SHB Da Nang (60 billion and 49.411 billion), The Vissai Cement Ninh Binh (40 billion and 46 billion), HAGL (37 billion and 40.962 billion), Hoa Phat Hanoi (30.639 billion and 29.06 billion), DTLA (30 billion and 35 billion) ...

Revenue from ticket sales: Average from 1.5 to 2 billion / club; Some fields such as Lach Tray (Hai Phong) in 2010-2012, Thanh Hoa in 2012-2013, Nghe An in 2011-2013 reached over



**Vietnam team won the AFF Suzuki Cup 2018 championship  
(Image source: <https://bongdaplus.vn>)**

VND 7 billion in revenue.

Revenue from selling franchise: In the first 2 seasons is 1.6 billion / year / club; In the 2003 season, the business clubs average is 3 billion VND / year; In the fourth season (2004) a number of clubs managed by the Department of Physical Education and Sports gained about VND 3 billion to 4.5 billion per year. After the V.League tournament was run by Vietnam Professional Football Joint Stock Company (VPF), the sponsorship of businesses for clubs made a big breakthrough: SHB Bank for SHB Danang team; FLC for FLC Thanh Hoa is about VND 50 billion / year; Bac A Bank gives the SLNA team about VND 25-30 billion / year.

## **2.2. Actual situation of financial resources to run professional Vietnamese football**

In 2001 and 2002: Average of USD 2 million / year (VND 30 billion / year).

In 2013, exploitation of commercial rights faced many difficulties, reaching only VND 4 billion per year.

From 2004 to 2009: VND 7.2 billion - VND 8 billion, only ensure the minimum.

In 2010: Exploitation of tournament name's rights has achieved 11 billion; In 2011: VND 36 billion; In 2012: VND 40 billion; In 2013: VND 47 billion; In 2014: VND 40 billion; In 2015: VND 65 billion and in 2016: VND 75 billion.

By the season 2010, the commercial value of

the league has reached a record of VND 500 billion and the following years (2011 - 2014) reached an average of VND 700 billion / year.

For clubs, at the beginning, it was difficult to find sponsors. Up to now, most clubs have been autonomous and dynamic, exploiting many sources of funding, including advertising for their own brands.

The issue of television copyright is having many positive changes: The clubs have a revenue of between VND 100 million and VND 500 million per year. From 2005 to 2009, each season the organizers collected about 900 million VND and in 2010 this revenue reached over 4 billion VND and was divided equally between VFF 50% and Clubs 50%. When Vietnam Professional Football Joint Stock Company came into existence, the revenue from television rights reached a record of VND 30 billion in the season 2012; VND 18 billion (season 2013 and 2014); VND 22 - 24 billion (season 2014 - 2015).

Therefore, it can be seen that the financial performance of VFF since moving to operate under a professional mechanism has been increasing. VFF has been independent in finance to ensure nearly enough revenue to cover the activities of the national team, youth teams, human resources training and apparatus.

### **3. Solutions to develop professional sports in Vietnam**

Although certain achievements have been made, however, in order to develop professional sports in Vietnam, we'd like to suggest some solutions as follows:

#### **3.1. About organization**

- Develop professional sports development orientations to suit Vietnam's economic and political institutions.

- Submit professional sports development proposal to the Government for approval

- Train human resources to meet the requirements of professional sports (managers, entrepreneurs, coaches, professional athletes ...)

- Establish professional sports organizations to organize, manage and run professional sports tournaments in the form of companies operating under the Enterprise Law.

- Organize sports teams, clubs in the form of professional sports enterprises.

#### **3.2. About finance**

- The support, sponsorship and investment of the State (central or local) for professional sports clubs in the initial stage is very necessary (land, facilities, stadiums, gym, operating budget or mechanism to generate financial resources).

- Build the image of the tournament and the image of the clubs through mass media (especially television). Work closely with broadcasters to build the image of the tournament and exploit television rights.

- Develop a strategy to create financial sources for professional sports based on the principles of effective business operations:

+ Ensuring that both competitions achieve good competition results and achieve good business results.

+ Expand the revenues for tournament organizers and clubs, increase the income of each.

+ Continue to improve the business model of tournament organizers and clubs.

- Change the sponsorship method of business owners or sponsors by investing in deep and long-term investment in clubs to create a stable and sustainable financial source.

- Build a system of commercial partners of professional sports (organizers of tournaments, clubs ...) with economic groups, large enterprises and sign financial support contracts for development goals of professional sports, ensuring benefits for trade partners.

- Diversify the revenues of professional sports clubs such as sponsorships, television copyrights, ticket sales, state sponsorship, football lotteries (or football betting), television services, private sponsorship, membership fees, capital issues ...)

- Continue to research and propose to the Government to allow the implementation of football betting activities or to forecast football results for prize to generate revenue for professional sports activities.

- Diversify types of professional sports development funds at various levels to invest in developing human resources (coaches, athletes) for professional sports.

### **CONCLUSION**

We have learned how to create financial sources for professional football clubs in the world which are from 6 sources and operate according to 3 business principles. At the same time evaluate the financial performance of the Vietnam Football Federation in recent years.

Proposed 13 professional sports development solutions in Vietnam, including 5 organizational solutions and 8 financial solutions.

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