

[Voiceover]

With the World Cup in Qatar kicking off at the end of November, the global impact of the football tournament will be significant to the sport and fans, of course, but also to the numerous business interests involved in the Beautiful Game.

[Kieran McGuire]

I think we need to look at all the different stakeholders.

[Voiceover]

Kieran McGuire, football finance lecturer at the University of Liverpool

[Kieran McGuire]

FIFA itself will be well remunerated for this because they've already sold the TV rights and the commercial rights. Individual countries will have some benefits, depending upon how far through the tournament they progress.

With regards to Qatar, it's going to be a case of how much money are they going to lose? The costs of putting on this tournament are very significant, and those costs are not going to be recouped. Two of the stadiums have already been sold, because they've been built in modular form, but that still leaves a very high infrastructure spend as far as the country's overall investment is concerned.

[Voiceover]

But it's not all about finance; there are gains to be had elsewhere.

[Kieran McGuire]

Qatar is hoping that the soft power benefits and the exposure that the FIFA World Cup brings in November and December will help it as it tries to move away from being a natural resource-dependent country into one which is more based on services and tourism. And, therefore, the long-term benefits will outweigh the costs of hosting the tournament, which are likely to be significant.

[Voiceover]

We all know that football is big business at anytime and anywhere, not just for the World Cup, and interest from investors is just increasing.

[Kieran McGuire]

Football is now a multibillion-pound industry. The Premier League alone generates over £5bn on an annual basis. And while it's the biggest, it's not the only football authority in the world. What we are seeing is an increased attraction by private equity, by US investors, in trying to turn football from what is in the main a loss-making business, because of the trophy asset mentality of some existing club owners, into one which is more focused on generating a financial return rather than an emotional or a soft power one.

This will come at a cost for some of the other stakeholders in the game. It's likely to drive up prices for fans; it's likely to drive up the amount of commitment that the players have to make in terms of the number of matches that are being played.

And we've already seen individual players and trade unions in representing players pointing out that we could end up in a situation similar to cricket, where players start to pick and choose which tournaments they're willing to play in. And that will go completely against the grain of what we've traditionally had in terms of every club trying to put out its best team for every match.

[Voiceover]

Investors believe the sector has huge potential for returns from a number of activities.

[Kieran McGuire]

Private equity companies believe that football is significantly undervalued, especially when compared to US franchise sports, such as the NFL and the NBA. Part of the reason for this is that there is the issue of jeopardy in football, which doesn't exist in US sports. But what we are seeing in football is that some clubs realistically have close to zero if not zero chance of being relegated, so that particular risk is now being removed.

The private equity companies genuinely believe that if you can't get the fans to football – and we've got clubs such as Manchester United, which claims to have 1.1 billion followers, but has a stadium with a capacity of only 75,000 – we can get the football to the fans in alternative ways.

This could be through streaming, through the use of VR or the increased engagement through the likes of fan tokens and NFTs. And they see this as a new revenue stream, which if tapped could be very lucrative and provide significant financial returns for private equity investors.

[Voiceover]

There's a growing split between the top performers and the rest, creating the cycle whereby the rich clubs get richer and the poor get poorer.

[Kieran McGuire]

What we are seeing is an increased polarisation in terms of the wealth that is being concentrated in the hands of a handful of clubs in individual countries. And this is having an impact upon competitive balance.

We're now seeing dynasties in terms of clubs winning trophies. We've only got to look at Germany, with Bayern Munich having won the Bundesliga for the last 10 years. Juventus are on the back of a significant number of consecutive victories. We've got Paris Saint-Germain in France and so on. And because these clubs benefit from qualifying for European competition, it gives them more money, which allows them to recruit the best players, which reinforces the existing gaps financially within the game.

[Voiceover]

With such large sums at stake, it's perhaps not surprising that some more unscrupulous players are taking advantage.

[Kieran McGuire]

Football is regulated on a global sphere by FIFA. And then we have regional representation as well. But the temptation to take the rewards of bribery and corruption in the game can be significant, especially if you drop into the lowest tiers of football.

What we are seeing is that many betting and gambling organisations are now taking bets on matches, which perhaps many people would consider to be peripheral to the game itself. And some unusual scores and results are being produced on the back of this.

I think what we will have to see is the authorities being willing to punish those who are found guilty for significant periods of time to act as a deterrent to prevent this type of activity. There are some countries where you know the result of the match before it takes place.

That's not healthy for the sport, because it does have a reputation historically as being an honest sport. And that helps to attract broadcasters and viewers, both on television and to the matches themselves.

[Voiceover]

Ensuring that investment in football at club level is carefully monitored is vital for the reputation of the sport.

[Kieran McGuire]

What we're seeing in football these days is an incentive to overspend. For most clubs to get to the Premier League you need to spend a lot of money; to stay in the Premier League you need to spend a lot of money, as well as for qualifying for Europe.

Therefore, those clubs that are owned by high-net-worth individuals or, effectively, sovereign states do have a financial benefit here. But it also does bring increased scrutiny from those people who want to look at the level of investment and the backgrounds of the people involved, especially in relation to human rights on a broader social scale.

[Voiceover]

There may be many professional accountants who think they'd love to be involved in football finance, but there are a whole host of headaches to keep you awake at night.

[Kieran McGuire]

If I was the finance director of a football club, I would never sleep, because the nature of the work is that you're only 24 hours away from the next crisis. That could be something that could happen on the pitch where one of your players gets injured, the fact that there is increased scrutiny of the game and, therefore, there are social issues outside of the game that are involving perhaps the players private lives, or the fact that you're trying to negotiate a new transfer deal or a new sponsor deal, or you're wondering why matchday revenues are not hitting the budgeted targets.

It's a very demanding job because practically every club in English football is losing money. Therefore, you're constantly spinning plates and trying to pull rabbits out of hats to ensure the financial survival of your club.

Football is unique. It's like a moth to a flame in terms of attracting talent. The financial rewards, with the possible exception of those at chief executive level, are relatively modest. People love football, it gives them a buzz, which you don't get in many other industries. It gives you a certain cachet if you can say that you work at a football club. That's why people are still willing to work long hours for relatively modest financial rewards.

[Voiceover]

So spare a thought for the football financiers as the 2022 season and the World Cup tournament kickoff.

If you enjoyed this podcast, please like subscribe and share it with colleagues who might also find it useful. For more insights from *Accounting and Business* magazine, visit abmagazine.accaglobal.com.