

The Impact of COVID-19 on Soccer Economy

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ABSTRACT

2020 originally was a year for sport games, Europe Cup in June and July, Olympics in August. However, everything stopped all of a sudden. In the beginning of the year, coronavirus, also known as COVID-19 hit China and soon spread to all over the world. Soccer, the largest sport game in the world was hit violently, especially in the field of economy. The author's research mostly based on the data and some phenomenons from the result that the soccer economy got a setback because of the serious pandemic. And this situation was caused by combined reasons and the income of clubs was greatly reduced. However, their expenditures are almost fixed according to the contrast they have sighed already. And that made 2020 a really tough time for the teams to face. As a result the author found that their was a great setback in the field of soccer economy.

Keywords: COVID-19, soccer economy, soccer clubs' recent situation, reduction of investment on soccer

1. INTRODUCTION:

Since the virus started to spread, the soccer world has been attacked a lot. According to Qiu Hui: the think of COVID-19 exerted on soccer, in today's world, not only the economy is globalized, but also the outbreak and spread of COVID-19 are globalized. The sports industry has also been affected by COVID-19, with China taking the lead in closing stadiums and suspending or postponing sporting events. With that came the shutdown of the four major professional leagues. According to DATA from iiMedia Research, European sports industry ranks among the top 10 pillar industries of national economy, and sports tourism has become one of the fastest growing areas of sports consumption in Europe. At present, the epidemic in Europe has changed the sports events, taking empty, postponed, cancelled and other measures, Italy a official announced that the league has been suspended, the specific start date will be notified. The English Premier League, Bundesliga, La Liga and Ligue 1 also chose to play empty matches. The European Championship, which has attracted much attention, has been postponed at the same time. The clubs still face huge losses from the empty games, with the Italian financial press estimating that only three empty games can make Juventus lose 12.3 million euros. And the purpose of this research is that hoping the research can make the public comprehend that the teams are in a tough time that people should not require them to spend too much on investment

like purchasing players because the condition of soccer economy is not as positive as it was before.

2. INCOME STRUCTURE OF A PROFESSIONAL SOCCER TEAM

According to the financial statement made by Manchester United on its official website, they divided their income into 3 parts, firstly is the match day income, secondly is the Media income and the third one which is also the last one is the Commercial income. Match day revenue include revenues from events relating to the match held at its home stadium, the Old Trafford Stadium, including tickets, box fees, concessions, parking and sales of brochures [1]. It also includes income from participating in some other cup games that are not played at the Old Trafford and from pre-season tournaments. it also includes revenue from other events held at its stadium. Media revenue includes all media deals in and out of the UK, including Premier League broadcasts and UEFA broadcasts. The Premier League's broadcast share is negotiated and distributed uniformly by the English Football Association, while UEFA's broadcast share is paid out in the form of prize money. What's more, the media income also includes the revenues from the Internet or mobile apps. Commercial income mainly consists of sponsorship fees and other commercial contract income from sponsors, including minimum guaranteed sponsorship income, income from meetings or other events held at Old Trafford on non-match days,

and other franchise licensing fees. And moreover, in addition to the membership of the club, there is a special membership dues income, such as the financial statements of Barcelona has this one. Privately owned clubs like Manchester United do charge a membership fee of 50 pounds per person per year. But it is not detailed in the financial statements. The actual situation varies from league to league, but this is generally the case. So from this, it is obvious that most of the income of a club is from Media and Matchday income. As a result, when COVID-19 came, the games were stopped and the TV station had nothing to present. So they did not have over 70% of their original income. The rest 30% could not afford their daily cost, like salaries for player and the fee to maintain the clubs facilities[2].

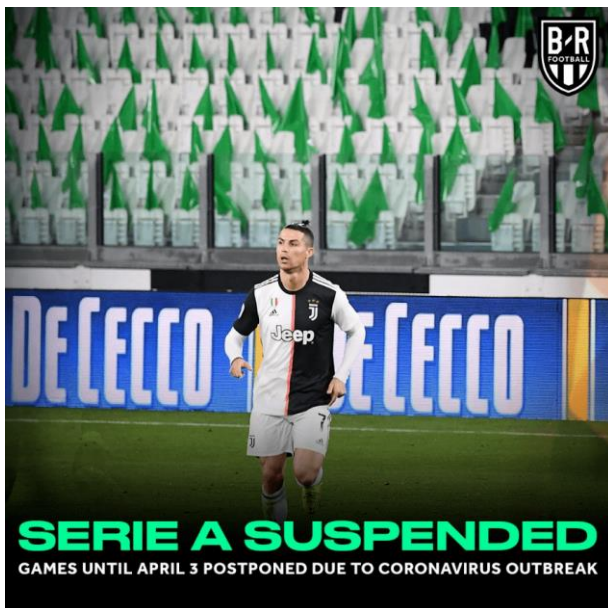


Figure 1 League suspended

3. ANALYSIS OF THE REASONS FOR SUNING BEING SHUT DOWN

3.1 Chinese people have low enthusiasm for football

In this era, the reason why Suning was shut down has aroused heated discussions among people. Many people claim that it was because of that its parent company Suning.com find it unnecessary to run a soccer club anymore because in Chinese soccer condition is quite bad. They stated that there are hardly any people want to send their kids to be a professional soccer player when they grow up and use it as their job. Also, in China people are not willing to watch a soccer match and the stadium would be never full of people. In some regions, the stadium even does not have half of the people it can contain. However, Suning is in Jiangsu province, the most developed province in China and the court attendance in its home stadium is always the top two all over China. And others might hold an extreme claim that

the reason is that suning.com lost hope while investing Jiangsu's soccer because the player could not do as good job as they want. However, Jiangsu Suning was the champion in the season 2020 in Chinese super league, and in the past years, Suning was always the top 5 except season 2017 after Suning started to invest 100% on the club[3]. So this could not be the reason of shutting down the team. To be honest, the condition of the parent company might affect the sport team a lot. During COVID-19, the parent company would have a deficit and met a trouble. Suning.com, the parent company of Jiangsu Suning and Inter Milan. On July 31, Suning's semi-annual results show that the company's revenue in the first half of the year will decline 12.78%, operating profit down 144.32%. suning.com is a company like amazon in America, it sells things online and when it initially began in years before, it sold home facilities[3]. But during the COVID-19, the demand of citizens for those things has been greatly reduced. However, the supply in Suning's storage is sufficient. As a result, it had to sell them in a lower price or even throw expired food away. So from this, it shows that the company who invest the club had met a huge trouble on money. And they did not even have many to pay the players salaries. And Suning.com decided to give up Jiangsu Suning in order to deal with the serious financial problem. Although it was the champion in China, it still disappeared in China. The richest province in China, Jiangsu lost its soccer club because of the extreme financial problem of its parent company. As we can see, COVID-19 could even destroy some teams that was initially rich and had a strong power by making its parent company get into a financial trouble. COVID-19 became the analyst of the submerge of Suning, it was quite sad for their fans.

3.2 decrease in investment related to football

The total value of the European sponsorship market fell by 23% from a record high of 30.69 billion euros in 2019 to 23.63 billion euros in 2020, the lowest figure since 2010, according to a joint report by the European Sponsorship Association (ESA) and Nielsen Sports. Throughout the market of sports sponsorship at the time that COVID-19 was the most serious. Most sponsors did not show a strong difference in the attitude between the past and present[4]. They mostly stayed with the clubs, and tried to find a compromise if possible. Such changes and method has been proved to be a useful approach to make the company stable in a relatively stagnant market environment. Occasionally, there are real shocks and financial difficulties for certain industries, which could affect the growth of the sports sponsorship market in the coming years. Because of the unexpected condition for a lot of companies all over the world, the companies that could initially offer a big sponsorship might reduce the amount of money they spend on sponsorship. For example, during the COVID-19 airlines have been affected a lot. They even haven't recovered to the size

before the virus came because many flights were cancelled between countries till now. U.S. airlines are expected to cut sponsorship support for U.S. sports leagues, according to Global Data. Globally, international airlines originally planned to spend about 737 million US dollars on sports sponsorship in 2021. However, affected by the epidemic, many airlines suffered huge losses. In order to reduce expenses, these companies may choose to withdraw sponsorship, which may lead to sponsorship losses of 300 million US dollars for the global sports industry. So it is certain that, as an important segment in the field of sponsorship, companies like airlines will be more cautious in their investment in soccer or other sport games. A study made by Sports Marketing Agency Two Circles shows that global sports sponsorship spending will decrease from \$46.1 billion last year to \$28.9 billion because of COVID-19 in 2020. It was a decrease of 37% year on year. The report also points out that most of the new sponsorship agreements have now been stopped, because those cannot find hope in the next season[5]. However, there are many existing agreements are stopped because the companies are having plans in order to reduce the cost of a big amount and some of the companies even cannot maintain their regular running in this situation. Among them, the expenditure of financial service companies has deduced about 45% this year. Those companies are expected to spend only \$6.9 billion this year. And the number of this last year was \$12.6 billion. This year, industries such as automobiles, energy, and aviation have also been affected by the epidemic, which will certainly reduce sports sponsorship expenditures. So this is obvious that the sports economy was affected because their potential sponsorship was reduced or even cancelled due to COVID-19.

3.3 epidemic causes all summer business games to be cancelled

In regular years, there is a game called International Champions Cup. It is an annual club association soccer friendly exhibition competition, the holders would invite some outstanding teams in Europe to play abroad. The clubs can benefit a lot from it, since through playing this game, they can not only make the player that were newly signed corporate with each other better but also get some extra income by attending the games and some sponsorship activities for companies in the local countries. In 2016, Real Madrid got 15 million pounds for attending the matches, Manchester United get 12 million pounds for attending two games in China. Then, most other teams like PSG, Chelsea and Liverpool get approximately 6 or 9 million pounds. And the least Borussia Dortmund still get 5 million pounds only for the appearance fee except other potential income in China or the USA. All of the money that the club can get in summer can help them a lot in the coming season. They can use the money to buy a player they want or use it to purchase for players' salaries. But when COVID-19 came,

the games are all banned and the teams are even not able to go abroad in summer to play a game with teams from other countries. And because of the epidemic International Champions Cup was cancelled last year and this year[6]. There were no games given by European clubs in America or China. As a result, the local people cannot watch a match between two high level teams without going out, and the clubs lost a major way to get some income when it is not during the season. And the clubs may meet some economical problems like lack of money to invest on more players and they may not be able to afford some regular cost of their club. So in this way, COVID-19 made the world of soccer have less income by stopping extra games and sponsorships in summer when they are not in the season. COVID-19 made the soccer world have less money spend on investment and had to save money as well.



Figure 2 ICC in Summer

3.4 the problem of the player's own illness

The clubs also have problems because the effect that led by COVID-19 directly. To be more specific, when there are some players in the team catch COVID-19, they will be immediately stopped playing. If too many people in the team catches it, the game will be delayed. But if the number isn't that big, the game will keep, and in this way, there is no doubt that the result of the team will be affected. For example, in this season, in many countries' clubs, many players kept catching COVID-19, and there was even some teams like Valencia, almost everyone in the team caught it, including officers, players and workers[7]. And the team was soon unable to take part in the games, that made the it should play more frequently in the future, because every team complete the season in the same day, the team needs to play more in the future in order to make up the time they stopped. And some team might lose some really important players before a game that can decide the champion. This phenomenon was very evident in Serie A. Inter Milan had a extremely serious condition. Bastoni, Skriniar, Young and other three player caught COVID-19 before their game with AC Milan. This massive infection for Inter Milan was

very serious, and some other players are physically hurt. That made the Inter very difficult in this season. Although Inter Milan is the Champion in Italy this year, we can suppose that if there was no COVID-19, they would win this cup more easily[8]. Also, when a player gets COVID-19 and gets isolation, people who consider them as their hero will not have much desire to watch the game or buy some product to support and show their love to the team. And the most important is that, one game's result is not as small as we think, it can even affect the rank of the team in that season. And the lower rank will make the team get less at the end of the season. So this is a negative cycle and will lead the team into a bad condition. So, as a result, the economical situation of that soccer team will get worse.



Figure 3 Players with COVID-19

4. CONCLUSION

So, in conclusion, because of the COVID-19, everything still remains unknown nowadays. Some games should be stopped immediately when there's someone proved to catch this disease. And the economical loss in the soccer world could not be counted by number. And because of the violent effect it gave, we might not see a flourish soccer world like before. We might not find so many teams fighting for one champion and a lot of fans shouting and running on the street to cheer for the team winning a champion. What's more, for the teams, we may not find a team full of stars and have crazy trade between teams and countries. The passion that soccer offers will be disappear for a while. So it is obvious that COVID-19 made soccer economy setback for a few years. But we are willing to see it recover some day! And as we haven't bit the COVID-19 completely right now, there's a lot of work left for us to do. And in the future, I will keep tracking the further result and trend that soccer goes. Then get a better conclusion.

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