Sustainability Management in Sports: The Effects of the Pandemic Crisis and Future Perspectives

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Abstract: In the current context generated by the pandemic crisis, even the most profitable of professional sports have suffered huge losses. The very future existence of professional sport is threatened from a financial point of view, and after the end of the pandemic crisis there will certainly be voices that will call into question the profitability, if not the whole sustainability of professional sports. That is why managers need to rethink the importance of sports and the presentation of the positive effects it can have, so as to increase the interest and involvement of all stakeholders. This article is designed to support managers so as they can emphasize the importance of sports in the new global context from the perspective of sustainability.

Keywords: *pandemic crisis, sports ecosystem, sustainability of professional sports, sports stakeholders.*

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1. Introduction

What started as an unknown pneumonic epidemic in Wuhan province, China, soon became a global pandemic, closing down businesses and forcing the whole world to stop and think only at saving its people. The sports industry shot down also, and for more than two months no sports event was held. Even a year later, broadcasters, owners and advertisers still try to solve questions regarding the depth of the financial impact these cancellations or modifications of events have produced over their businesses. One might argue that the whole sports ecosystem has been affected by this. Thus, the main scope of this article should be to underline the potential impact the COVID 19 pandemic will have over the sports industry, and this impact should be research on a multi-level scale, so that its results may be comprised in a way that generates a scenario analysis over the future. In order to do so, researchers should use both sustainability management skills and risk management knowledge as well.

2. Methodology

The main questions researchers must ask are:

a) To what extent has been sports affected by the pandemic crisis, and thus, the economic crisis that comes with it?

b) Will this impact the long-term development of sports?

The first question involves understanding the links between sports stakeholders, fans, sports organizations and other companies involved in the sports industry. This must be done in order to understand the challenges the pandemic crisis has had over the sports system. Thus, literature review, and cause effect analysis over the impact of pandemic crisis in sports are imperative to use, as qualitative research measures.

The second question involves understanding the long-term effects this crisis will have over sports, and, thus, there needs to be put in place a scenario analysis over the ways the sports industry will evolve over the next years if the crisis situation continues. This will allow researchers to use risk management tools to prevent the possible negative impact on the long-term existence of the sports industry.

3. The sports ecosystem and how it works

The sports ecosystem as a concept was first used in the 90s to describe the complex system of relationships between sports stakeholders (Bădina Rădulescu & Iacob, 2019). Many authors have used different

approaches to describe this complex system of relationships, however, the sports ecosystem model proposed by Joe Bailey in 1996 is one that best gathers and summarizes the relationships between the private actors involved in sports. The model he proposed regarding the complete sports ecosystem, needs more clarity, due to the fact that it only identifies the “governments” important role in the complete sport ecosystem outside the US. Because his analysis focuses on the US market, the author fails to detail the important role public authorities play in sports outside the US. (Bailey, 2014)

The Joe Bailey model of sports ecosystem is a business-to-business sports ecosystem model that emphasizes the importance of the links between distribution channels, content providers and goods and services providers.

Figure 1. The complete sports ecosystem – the Joe Bailey model (Bailey, 2014)

Source: Authors` elaboration based on the Joe Bailey model of complete sports ecosystem

In its quest for clarifying the business aspect of sports, the author ignores however the support public authorities offer to the sports system, especially when it comes to financing sports infrastructure and promoting it in sports.

Figure 2. The complete sports ecosystem based on the Joe Bailey model

Source: Authors` elaboration based on the Joe Bailey (2014) model of complete sports ecosystem

By comparing and summarizing all legislative systems relating to sport in Europe, we can observe some similarities, namely that the regulation in the field of sports respects, in principle, four major directions (Mihail, 2007):

a) promotion of sports in educational institutions (regulation together with physical education, school/ college and university sports clubs);

b) state financing for sports (either through central or local authorities or from the funds of the national lotteries → funds directed to the financing of the International Olympic Committee (ICO) national members (either associations or sports clubs) or funds directed to the financing of national team representatives for different sports, or for promoting sports development in general;

c) providing facilities so that the private environment (private entities) can invest in sports (fiscal, legislative facilities as well as help for local authorities through lease of sports bases, etc.);

d) application of principles of non-discrimination, non-violence as well as for a healthy sport (anti-doping rules).

Another observation that needs to be made regarding the complete ecosystem model promoted by Joe Bailey is that what the author considers as being sports consumers (Figure 2), are in fact unrecognized sports stakeholders. At the same time, what he considers as being members of the business-to-business sports ecosystem are in fact more or less its recognized stakeholders (Figure 1).

Thus, philanthropic foundations, public authorities, the public and sports participants should have the right to influence sport governing bodies since all of them have a bigger impact on sports than its normal stakeholders. Without their support, the future of sports looks unpromising, due to the fact that most of club owners will not be willing to support the costs the COVID-19 pandemic has had over the sports, football in particular.

Football is the most viewed sport on the planet and the sport that generates the biggest outcomes from an economic point of view. It also has a major impact in most of the societies with very few exceptions. The football industry has the most advanced governance system and the most advanced and complex sports ecosystem in the world. Thus, it is normal that due to the fact the football industry offers more data than other sports, the current article will use data provided by the football industry.

4. The effects of covid-19 over football and other sports

Since March 2020 all sport events have been cancelled for a number of months, with most of the football teams resuming their games in mid-June. The 2020 Olympic Games have been also suspended until 2021 as well as all the competitions in the traditional American sports (American football, hockey, baseball, basketball). The only sporting events that continued to be held in the US where the mixed martial artist (MMA) competitions organized by the UFC, the company organizing these events in their own headquarters at the UFC Apex in in Las Vegas behind closed doors. (Evans et al., 2020)

UFC also held the first sports events outside the US, the company been supported by United Arab Emirates public authorities into securing the

so-called UFC Fight Island in Abu Dhabi. The Abu Dhabi government managed to secure a 10 square mile safe zone where fighters and staff were safely transported with charters and private planes and could train and take part in the UFC events. They also organized the first sports events with spectators at the end of June 2020, with more than 2000 people taking part in the UFC 251 event. The popularity of the mixed martial arts sport grew so much in the UFC during this time, that it even managed to receive prime air time in cable TV within the ABC network at the beginning of 2021, the undisclosed deal between the two companies rumored to be even bigger than the previous 2.8 billion dollars deal with FOX sports network.

Football leagues slowly started to resume public events at the end of the 2020 summer, with some football leagues allowing a maximum 10% of the maximum number of spectator possible, for each football game, enabling social distancing rules.

From a sustainability point of view the whole sports system has been affected, even though the pandemic has helped conserve and protect natural ecosystem and resources due to the fact the most of the planet has virtually stopped from working for a couple of months. However the crisis did stop people from being connected through sports and has all but ruined the sports economy and might even affect its long-term stability. Partnerships and engagement were put on hold, accountability was put to test and transparency was questioned when it comes to all sports activities. (Barbosa & Lima-Junior, 2020)

From the business-to-business sports ecosystem the effects of the pandemic crisis could be summarized such as:

a) distribution channels – broadcasting providers were the first ones to withdraw from their financial commitments with football leagues, which is strange since everyone was sitting in front of a TV or a computer in order to watch a game streamed online. Ligue 1 (the French main national football league) had its deal with Mediapro group cancelled, with the broadcaster missing payments. Some have called the broadcasting companies as being in the same boat and playing a bluff game over the future of sports, with them trying to reduce the ever-increasing broadcasting costs for the main 5 football leagues (England, France, Germany, Spain and Italy), thus creating an artificial crisis, since none of them could provide data regarding the reduce of channel subscribers.

b) content providers - football leagues were thus affected mostly by seeing their broadcasting deals renegotiated, but also federations and associations were affected by the same thing, as well as due to the fact that they saw their competitions being suspended. Football clubs were the most

affected by the pandemic crisis, seeing their normal 20 up 40% of their revenues brought in by matchday revenues being cancelled. Football clubs also saw a loss in their broadcasting revenues and also in other marketing revenues like sports equipment revenues (that were mostly sold in matchdays).

c) goods & services providers – retail, sporting goods, food & beverage and manufacturers that invest in sport also have suffered huge losses, with the same going for sports agencies and player representatives that suffered losses due to the low transfer activity within the football system. Corporate sponsors have also reduced their support for sports due to the lack of live audiences that can visualize their brands.

5. Results

As a result:

- Football clubs from La Liga (Spain) have estimated their losses at over 1.8 billion euros;
- Football clubs from Serie A (Italy) have estimated their losses at over 800 million euros;
- Football clubs from Ligue 1 (France) have estimated their losses at over 1.3 billion euros;
- Football clubs from Bundesliga (Germany) have estimated their losses at over 2 billion euros;
- Football clubs from Premier League (England) have estimated their losses at over 2 billion euros;

The chairman of Juventus FC and also the chairman of the European Club Association (ECA), Andrea Agnelli has stated that Europe's elite football clubs will lose over 8.5 billion euros across the 2019-2020 and 2020-2021 seasons because of the Covid-19 pandemic crisis.

Another major loss for the football system can be the withdrawal of China from its football developing policies, both national and international. Chinese companies own over 20 clubs in European football and there were less than 3 football clubs that didn't have a Chinese company as a sponsor in the first Spanish football league (La Liga). If club owners have difficulties, then so do football clubs. In the English lower football leagues, football clubs pay wages that sometimes exceed their revenues, which makes them highly vulnerable in this crisis. But it's the same with the Premier League clubs from England, that have an average wage to income rate of 50%. (Keshkar & Dickson, 2021)

The drying up of matchday revenues (especially for the clubs that have season ticket holders) is another blow to football finances. Matchday income for smaller clubs represents a larger share of overall income than it does for Premier League, it can amount to more than 30 % for a League 2 club, while higher up the food chain the percentage for a club that recently has been to the PL and has been boosted by parachute payments could be less than 20%. Manchester United earned more than 100 million pounds/season, Arsenal London more than 96 mil pounds/season, both clubs having the biggest reliance from the Premier League's (25 % in the 2018-2019 season).

Lower league clubs that are more reliant on smaller businesses and community backing are even more exposed to financial crisis.

Thus, there can be generated a scenario analysis regarding the future of the sports, through understanding how the football system has been affected by the pandemic crisis.

Figure 3. Scenario analysis regarding the future of the football ecosystem
Source: Authors` elaboration

POSITIVE SCENARIO – involves (positive variables) the ending of the pandemic in the near future (or the vaccination of enough people so that sports can resume in a normal matter with large crowd events), a stable (if not growing) economy system that will allow China to reinvest in sports and rethinking global sports governance in a way it allows public actors to be accepted as stakeholders of sports and part of the sports leadership.

1-P - public authorities are given more credit for supporting sports and some sort of power influence within the sports governance system and thus, they will continue to finance sports;

2-P - sports content providers will manage to persuade (either amicably or through legal action) broadcasters to respect their initial agreements, and thus recover some of the loss;

3-P - sport federations, associations and clubs will manage to hold (or take part) large crowd events in the near future so that they once again prosper from having matchday income;

4-P - with sponsors willing to invest in sports again due to the reopening of arenas and with third parties sport entities profiting again from an active football transfer-market.

NEGATIVE SCENARIO – will most likely happen if the pandemic crisis will continue and countries will not manage to find a way to vaccinate enough people so that the virus can be neutralized, and, thus reopen large crowd events. I will also happen if China does not reinvest in sports and if global sports governance does not find a way to keep public actors interested in investing in sports.

1-N - the longer the extent of the pandemic crisis, the longer it increases the economic crisis and, thus, it increases the possibility that public actors cut their public expenses and their investments in sports.

2-N – if the pandemic crisis will continue fort the third football season in a row (which will kick-of at the end of august in most of the top leagues) there will be a clear path for broadcasters for fully renegotiate their deals with football leagues, which will forever change the power balance within professional football clubs, and most of the lower league clubs might even go bankrupt due to not being able to pay their players.

3-N - if the pandemic crisis will continue fort the third football season in a row (which will kick-of at the end of august in most of the top leagues) and professional clubs won't be able to hold large crowd events, most of the

lower league clubs will go bankrupt due to not being able to secure their finances with the most important matchday revenues (as shown above)

4-N - if the pandemic crisis will continue for the third football season in a row, most of the sponsors will probably decide to invest in other areas such as e-commerce or other social activities of fields of interest, delivering a final financial blow to the sports ecosystem.

6. Limits and discussions

Since the pandemic crisis is ongoing and we are witnessing evolutions day by day, there is not enough quantitative data that can fully support a quantitative research when it comes to evaluating the damages that the pandemic crisis has over sports. Thus, qualitative analysis based on either scenario analysis or cause-effect analysis should be best recommended for such research.

The current research offers an important unanswered question regarding the future of the pandemic crisis and its effects over sports: *“What will be the response of public authorities and sports federations and associations if the pandemic crisis will continue to block professional sports clubs from increasing their revenues?”*

7. Conclusions

The future of sports depends now more than ever on the professionalism and capacity of sports federations and associations to persuade public authorities to support sports on more than one level.

For decades sports organizations have promoted the idea of public authorities not having any kind of power or influence within the sports system. Yet, public authorities were the stakeholder that usually financed all the sports infrastructure and sometimes even professional sport clubs directly. Their voices were ignored by sport leaders, yet sport leaders were the ones that in the newly pandemic context were asking public authorities to make exceptions when it comes to social distancing or other prevention regulations.

The sports ecosystem is more fragile than ever, and with the withdrawal of China from investing in the sports market there needs to be a clear action plan on behalf of each federation and association to pledge for respecting the civil law system and giving up their extend autonomy demands in favour of the support of public actors. Private actors like sponsors and club owners will be the first ones to cut their loses and turn their backs on sports, and thus sport leaders will need to acknowledge that

the only support they will need to rely on is public founding, or else the whole sports ecosystem might be destroyed in the coming years.

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