

Never mind the Debt - Feel the Revenue.

Debt is the single most problematic issue facing football today. Or so you would think if you read the newspapers. The media are in a frenzy about Portsmouth entering voluntary administration, the Glazer family jousting with the Red Knights and the rival warring partners at Anfield briefing their respective PRs against each other. These stories make good copy and bring new readers to those sections of the papers traditionally turned two pages at a time by sports fans. However, they do so on a false premise. Debt is not necessarily a bad thing in itself. The key questions to be answered when assessing the long term viability of a sports club are not how much debt is carried in the balance sheet, but:-

- what is the cause of the debt and
- how much cash can be generated to service it

Compare the relative positions of Portsmouth FC and Manchester United. Although many of the players at the club are on loan and so have incurred no transfer fees, Portsmouth has borrowed over £60m to pay the salaries of these players who otherwise could not have been added to the team. In the case of Manchester United, the club can easily accommodate their player wage bill from record revenues of £271m in 2009. Their debt is a consequence of their owners using club assets as security on loans raised to purchase the club in the first place. The key to both situations is cash. That is, whether the cash generated is enough to service the debt. For Manchester United with their global fan base and average gate of 75,000 and Portsmouth with its ground capacity of 20,000, the answers are very different.

So what should sports clubs do to make sure they don't fall into the debt trap? They should follow the advice of their grannies and not gamble on future success or spend more than they earn. Specifically, they should set a reasonable ratio of players' wages as a proportion of club revenue (50% seems a reasonable figure) and manage within that budget. "But if we do that, we won't be able to compete in our league", chant the recalcitrant chairmen. Again, the answer is simple. Increase your revenue. Not every club has a global fan base to exploit, but then again how many clubs can claim to have genuinely worked their local fan base to its full potential?

There are several key revenue generating opportunities outside of the traditional ticket and hospitality activity that seems to occupy many clubs to the exclusion of all other commercial initiatives. These are:-

- Sponsorship activation - many clubs have sponsors, but how many work with them in a true spirit of partnership to ensure that both sides get real added value from the relationship? This approach will reap rewards at renewal time.
- Affinity marketing - most football clubs offer a branded credit card but how many really understand the key profit drivers of acquisition cost, cross-sell and retention. These can be leveraged to deliver incremental revenue.
- CRM - well-managed customer data has a value. This can be unlocked through attracting more lucrative sponsorship opportunities or by using it sensibly to promote products and services to fans in a timely manner.
- Membership and loyalty programmes - most clubs pay lip-service to loyalty and their fans resent being taken for granted. A well executed membership and loyalty programme can help solve both problems.

Increasing revenues is the best way to protect sports clubs against the dangers of debt. Let Star Sports Marketing help your club to identify and deliver these new sources of cash. Visit www.starsportsmarketing.com and start the journey today.