

## MASTER OF SCIENCE BY RESEARCH

### Revenue sharing in Major League Soccer

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Coventry University

Faculty of Business, Environment and Society

# Revenue Sharing In Major League Soccer

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This research is submitted in partial fulfilment of the  
requirement for the degree of MScR Strategy and Applied  
Management

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## Abstract

The existence and practice of competitive balance in professional sport is arguably what makes the industry stimulating and like no other, especially in North America. Due to the vast number of publications on competitive balance and its effects on sport, it all but confirms the concepts importance in professional sport. With the noticeable increasing attention that Major League sports are receiving from the global audience, an investigation in to exactly how certain sports operate competitive balance in their league is a fascinating topic, especially in Major League Soccer. When recognising the mechanics of competitive balance and the additional strands that make up the concept in Major League Soccer, it is obvious that the extreme growth rates that the sport and the league is experiencing is not down to luck. The league formed in late 1993 and hasn't experienced any plateaus in their growth rates – this is reflected in the increase in attendances and the number of franchise expansions. This research pays specific attention to Major League Soccer and one of the strands that contributes to competitive balance - revenue sharing. Revenue sharing's importance is discussed in this study, along with the effects that the mechanism produces. Its use on a global scale is also studied, and in particular the methods that European football and the English Premier League implement, offering insightful comparisons from 'the other side of the Atlantic'.

In order to collect primary data for this investigation, the researcher conducted semi-structured interviews with those who possess significant knowledge of Major League Soccer and/or European football and how both manage their competitive balance. Following the interview analysis, key areas for discussion were identified to help build the main body of this research regarding revenue sharing. Where possible, the researcher has provided theoretical suggestions with substantial support from participants in aid of answering the given research question.

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# **1 Chapter One - Introduction**

## **1.1 Chapter Overview**

This chapter will begin to mould the context for the investigation, covering the makeup of certain sporting bodies. Measures of competitive balance and revenue sharing in the professional sport industry will also be introduced. The structure of the study will also be declared; research question, aims, objectives and a overview of the methodological approach.

## **1.2 North American Sport – The Big Four**

Following this passage, profiles of professional sporting leagues will be introduced. The way in which these leagues operate will be explained allowing the reader to understand the context of the study and the subjects involved. The leagues that will be highlighted reside in the continent of North America and are called the Big Four. The reason behind this is due to the extreme popularity of the four sports that dominate the sport industry in North America.

The nature of North American Sport is distinctly different to that of European sport. The number of sports that are dominant in North America is known as the ‘

noticeable differences of North American sport to European sport is the absence of promotion and relegation systems. This system allows teams to only enter the league through an expansion application that me be accepted or denied dependent on if a certain criteria are met, provided by the league. Conversely, it is rare that teams will exit the league, but are more likely to rebrand from the bottom up if performance on the field, or off the field is not sufficient, for example making a loss year on year. One example is in the NBA, New Orleans Jazz were formed in New Orleans, but due to financial issues off the field they were forced to move elsewhere and rebrand as Utah Jazz. A second aspect of North American sport is the reliance that is put on the college system to produce top professional sportsmen, something that is not even remotely as important in Europe. The top quality performers from the college system in the respective big

four sports are then transferred to professional teams through a transfer system called the draft, this will be discussed later on in this study among other systems put in place in North American professional sport.

The functionality of Major League Soccer is not abnormal in comparison with other professional sports in North America. However, due to the rapid expansion of the league in its early years and to date, the number of teams in the league has increased. Upon formation of the league, there were 10 founding clubs, of which five still remain in their entirety with no name changes or relocations. To put this in to context, when the Premier League formed the league was made up of 22 teams, due to the already established football pyramid in England. Since Major League Soccer's forma

due to compete in the league in 2016. Post the 2016 season, a total of three teams have been awarded permission to expand that will take the league to a total of 23 teams. Miami have also been heavily linked with the potential of being another expansion team, however this is yet to be confirmed. Out of the 20 teams, there are two divisions, the Eastern Division and the Western Division, both with 10 teams in with a total of 34 fixtures in one league season, minus cup competitions.

### **1.2.1 National Football League**

The National Football League, otherwise known as NFL, was founded in 1920 and *"consists of 32 teams divided into two conferences"* and these conferences are *"based largely on geographical location"* (Alder, 2014). Teams play 16 games during the season, with a play-off format that follows for the six highest placed teams in each conference. *"The playoff tournament eventually results in just two teams left standing"* (Adler, 2014) with one from each conference who compete in the end of season Super Bowl game, resulting in one winner. According to The Richest (2012), American Football is the most popular sport in North America in terms of the most visits to the sports website.

### 1.2.2 Major League Baseball

Major League Baseball (MLB) is made up of 30 teams competing in two leagues, The American and The National Leagues. Following the regular season, *“the baseball playoffs begin after the 162-game season, typically in the first full week of October”* (Kendrick, 2014), with the two winners of each league competing in The World Series, the sports equivalent of The Super Bowl. The sport itself has been ever popular in North America since it was founded in 1869 and still is today and is often *“known as the national pastime of the United States”* according to The Richest (2012). The Richest (2012) states that MLB is second most popular sport in North America.

### 1.2.3 National Basketball Association

The National Basketball Association (NBA) consists of 30 teams distributed in two conferences – the Eastern and Western conferences that began in 1946. After the regular season, *“the top eight teams in the NBA's Eastern and Western Conferences, based on regular-season record, qualify for the playoffs”* (Zegers, 2014a). NBA is the third most popular in North America, behind NFL and MLB, according to The Richest (2012). The sport *“is mostly popular in the eastern and the northern regions of the United States”* (The Richest, 2012).

### 1.2.4 National Hockey League

The National Hockey League is often referred to as NHL in North America and has 30 teams competing – including seven from Canada, and was established in 1917. *“The NHL is divided into two conferences and each conference has three divisions”* (Fitzpatrick, 2014a). The season concludes with The Stanley Cup, of which two teams compete following the playoffs and the regular season. NHL is considered the fourth most popular by The

Big Four sports.

## 1.3 Major League Soccer

Major League Soccer was introduced in 1993 and is more commonly known as the MLS and is the sporting body for soccer in North America and includes 20

teams in 2015, with the introduction of the highly publicised New York City FC and Orlando City FC. Of the 20 teams, there are three located in Canada in the cities of, Montreal, Toronto and Vancouver with the 20 teams being geographically separated in to two conferences; the Eastern and Western conferences. The regular season runs from March through to October with the season lasting 34 games with the Major League Soccer playoffs preceding this. The Major League Soccer playoffs involve 10 teams, five from each conference in an attempt to reach the season finale, the Major League Soccer Cup Final.

According to The Richest (2012), soccer and the Major League Soccer is the fifth most popular sport in North America. However, this may have changed in more recent times due to the success of The United States of America national soccer team performing well at the recent 2014 FIFA World Cup held in Brazil. This is reflected in the fact that Gaines (2014) states, *“the popularity of professional soccer will continue to grow”*.

#### **1.4 European Football – Top Five Leagues**

In Europe the most popular sport is football, known as Soccer in North America. *“Soccer is clearly the most popular sport in terms of fans. The FIFA World Cup held every four years has a huge TV audience”* (Top End Sports, 2014). The popularity of European football is down to many factors, such as the leagues infrastructure (Hogg, 2013). Another contributing factor is the high viewing figures of five European football leagues – The Eng  
División, Italian Serie A, the French Ligue 1 and the German Bundesliga.

The five leagues listed in the previous paragraph are formed of 20 teams apiece, with the exception of the German Bundesliga, with 18 teams. These leagues are not divided in each nation by their geographical position, but by their success through promotion and relegation from the respective league below. Promotion and relegation in European football could be another reason for the popularity of European football. The concept of open and closed leagues will be discussed in a later section of this study, as it is a significant difference between North American and European sport leagues. Each of the five leagues co-ordinate their

regular season with each league coming to an end within weeks of one another. At the end of each regular season, the most successful clubs in these leagues qualify for next season's international competitions – The UEFA Champions League and The Europa League, which are contested between European football teams. The five most popular European leagues and UEFA Champions League are often dominated by a certain selection of clubs year on year. For example, in Spanish football, since 2004/05 on only two occasions two clubs (Atletico Madrid and Villarreal) have finished in the top two due to the dominance of Real Madrid Football Club and FC Barcelona. Meanwhile in the German Bundesliga, Bayern Munich has won the title 11 out of the past 17 seasons.

UEFA is an abbreviation of “the Union of European Football Associations” and is also “*the governing body of European football and is the umbrella organisation for 54 national football associations across Europe*” (UEFA, 2014). UEFA is responsible for enforcing the well-publicised Financial Fair Play Regulations that will be highlighted in the next section.

## **1.5 Balancing Measures in Professional Sport – An Overview**

The main methods that the Big Four sports in North America and European football implement in order to competitively balance sports will be highlighted below. A balance in sporting contests is essential to maintain consumers' interest to contribute to the growth of sport and make it such a valuable industry and unlike no other.

### **1.5.1 North American Balancing Measures**

The Big Four North American sports tend to operate using incredibly similar concepts, but adapting them to cater for certain problems in their individual sport. A prime example of this is the salary cap level currently in place in the NFL to limit the amount that is spent per club on salaries – “*The NFL has notified clubs that the salary cap for 2014 will be \$133 million*” (Hanzus, 2014). Each sport individually collaborates to produce an agreement, otherwise known as a collective bargaining agreement. The NHLPA (2014) defines their collective bargaining agreement as “*the*

*agreement sets out the terms and conditions of employment of all professional hockey players playing in the NHL as well as the respective rights of the NHL Clubs, the NHL and the NHLPA” and “the Agreement is set to remain in effect until September 15, 2022”.* Ultimately, the concept of collective bargaining agreements is the same for each sport, with the content of each agreement being slightly altered.

There are a number of elements that are focused on in every collective bargaining agreement to ensure the sport is competitively balanced as much as possible. Elements that are heavily focused on in every agreement are revenue sharing, the draft system and salary caps – these aspects will be focused on in more detail in the next passage. Other elements that are included in collective bargaining agreements are; lockout terms, specific contract terms, squad size details, pre-season camps, discipline, injury terms and sport governance issues.

As mentioned previously, of the elements that are included in collective bargaining agreements, the ones that carry the most value for this research are; revenue sharing, the draft system and the salary cap. To begin with, revenue sharing involves many forms of revenue that are associated with professional sport teams in the continent of North America. Regarding what elements are classed as ‘revenue’, there are numerous streams that can contribute to the income of each club. These elements include ticket sale revenue from general sale, executive boxes and suites, broadcasting revenue from regular, pre-season or playoff fixtures, merchandise sales, programme sales, leasing the stadium and revenue generated from non-sporting events, such as concerts. The previous elements differ very little from sport to sport that implies there is a unique state of collectiveness and consistency between the Big Four North American sports.

The revenue sharing agreements vary from sport to sport. For example in the NFL, ticket revenue is split up differently to others: 60% for the home

side and 40% for the visiting side. Meanwhile, in MLB dependent on how much revenue the franchise generates depends how ticket revenue is distributed. In addition in the NFL, the revenue sharing agreement is *“that income is shared equally among all teams”* (Zegers, 2014b) and this includes *“the bulk of the league's revenue - approximately \$4 billion in 2011 - comes from broadcast deals with NBC, CBS, Fox, ESPN and DirecTV”* (Zegers, 2014b). Where as in MLB *“all teams pay 31% of their local revenue into a shared fund, which is divided equally among all teams”* and with *“more of the money coming into the league from national sources - network TV contracts and such - goes to lower-revenue clubs”* (Zegers, 2014c). *“MLB also has a luxury tax system, which forces teams with high payrolls to pay a dollar-for-dollar penalty”*. However *“the luxury tax funds do not go to lower-revenue clubs; those receipts go into a central MLB fund - the MLB Industry Growth Fund”* (Zegers, 2014c) – yet another more complex aspect of MLB’s revenue sha .

Meanwhile, NHL revenue sharing system includes some more complex factors, such as *“the top ten money-making teams contribute to the pool. The bottom 15 money-making teams are eligible to collect from it”* (Fitzpatrick, 2014b). Furthermore, *“Teams in markets with more than 2.5 million television households cannot qualify for revenue sharing”* (Fitzpatrick, 2014b). Finally, the NBA has had issues in recent years with revenue sharing and some aspects of collective bargaining agreements. This is because *“much of the money is collected by the teams themselves. Any revenue-sharing plan will need to take money from the teams like the Lakers, Knicks and Celtics and distribute it to the Hornets, Kings and Pacers of the league”* (Zegers, 2014d). This suggests that it is known revenue sharing needs to take place due to the clear divide of richer and poorer clubs, and will also address the issue of the sports well publicised financial problems.

The second element is the draft system, this is the closest equivalent of the European football transfer window and is heavily commercialised due

to the popularity from the public. The draft system can be difficult to grasp for those who are familiar with a more European transfer system, and is one of the significant differences between particular European and North American sports. Firstly, the draft occurs every season before the regular season begins and *each of the 32 teams gets one selection per round (there are seven rounds) to select a player*" (Love, 2009). The NFL draft is extremely popular and has *"increased in popularity in recent years at a rate that outpaces any other major event in the sporting world"* (Gagnon, 2013). Each franchise whereby they can choose the player they would like to sign, much like the European transfer window, but less emphasis on transfer fees. Draft picks are ordered in relation to their previous season finishing position, with the most successful team being allocated the last pick, and the lowest successful having the first pick. Teams are also allowed to make combination trades of players and picks, which can become very complex. One major benefit for college athletes is that the American draft system is the solely reliant on college sport due to the number of players who are supplied to the draft, forming an excellent pathway for college athletes in to professional sport. This reiterates the fact North American sport relies on North American colleges to source quality athletes, something that does not occur in European football. When compared to Europe, the equivalent of the North American college system is the European university structure – it is clear the emphasis and importance of sport is much heavier in North America than Europe.

After looking at Revenue sharing and the draft system, the third and final element of collective bargaining agreements that the researcher will focus on for the purpose of this research is the salary cap. The salary cap can cause some confusion at times when looking at the cap in different sports. For example, in MLB a luxury tax policy is in place where by any salaries over a certain amount, tax must be paid directly to the league. Alternatively hard caps are in place where no franchise is allowed to exceed the limit, and soft caps have some exceptions such as if a franchise

were to keep a player on the team, the salary cap may be exceeded. However, in its simplest form, the salary cap concept aims to *“impose a cap on the amount of money teams can spend either for players individually or their roster as a whole”* (Rosner & Shropshire, 2010). NFL has a very well-known salary cap, possibly due to the commercialised and televised NFL draft and is currently set at \$133 million (La Cafora, 2014). Meanwhile, the NBA’s *“salary cap has increased by 7.5 percent to an all-time high of \$63 million for the 2014-15 season”* (NBA, 2014). MLB is somewhat unique when compared against the other North American sports as there is currently no salary cap in place and is often disputed between many individuals. Finally, NHL’s salary cap come . million (NHL, 2015).

### **1.5.2 European Balancing Measures**

As mentioned previously, UEFA are the governing body for football in Europe and enforce several regulations to govern the sport in Europe. The most recognised of UEFA’s regulations are the Financial Fair Play Regulations that aim to control aspects of revenue expenditure. Two of the most noticeable aspects of football clubs revenue expenditure from the researchers perspective is the extreme amount of transfer values for certain players in the tens of millions, and the weekly wages of players participating at the top of the professional game. A prime example of this is the transfer of Angel Di Maria from Real Madrid Football Club moving to Manchester United Football Club in the summer of 2014 for an immense £57.9 million and earning approximately £280,000 per week. Following the great increase in the lucrative state of European football as seen in the huge transfer fees that are being agreed, such as the above, clubs have been attempting to earn revenue by almost any means. This includes branding one of their most valuable assets, their home stadium. For example, it is known that Manchester City Football Club and Arsenal Football Club took part in this money-spinning activity of naming their stadiums the Etihad Stadium and Emirates Stadium respectively.

Due to the state of revenue expenditure and revenue maximising in European football, UEFA, have intervened by implementing Financial Fair Play Regulations that aim at making the sport more sustainable. UEFA (2014) simply state, *“Financial fair play is about improving the overall financial health of European club football”*. More relevant aspects of Financial Fair Play to this study is the section that focuses on revenue and relevant income. UEFA’s (2012) states, *“Relevant income is defined as revenue from gate receipts, broadcasting rights, sponsorship and advertising, commercial activities and other operating income”*. Furthermore BBC (2014) understands *“clubs need to balance football-related expenditure - transfers and wages - with television and ticket income, plus revenues raised by their commercial departments. Money spent on stadiums, training facilities, youth development or community projects is exempt”*.

Despite the questionable mechanics and success of Financial Fair Play, it appears success is being achieved; *“when we put it in place, we looked at the cumulative losses of European clubs: 1.7 billion euros two years ago, 800 million euros now”* (Traverso via Holyman, 2014). This calculates to a 47% decrease in two years which is a great achievement for those involved, however, the losses still stand at approximately 800 million euros which

## 1.6 Rationale for the Study

There has been a rise in popularity of soccer and Major League Soccer in north America : *Major League Soccer and its fans have bragged about the rise of soccer and the rise of MLS over the last few years*” (Rollins, 2015). Amid the rise in popularity, there have been many suggestions that Major League Soccer is challenging to become apart of the Big Four sports in North America, which would form a ‘ . The researcher believes that there are many influences on this, including the finer aspects such as competitive balance and the revenue sharing agreements that are in operation.

All research has those that are considered to be the main contributors to knowledge, and it is the same with this research. Major League Soccer in particular contributes significantly due to their sport governance mechanisms they have in place, such as the collective bargaining agreements that are enforced. In addition, with contributions from the Big Four North American sports, a more developed understanding of the concepts discussed can be made. The main focus of this research is on revenue sharing in Major League Soccer, however, professional player associations also contribute significantly to the collective bargaining agreements, are a key source in this study contributing to the bigger picture.

A significant volume of research has been carried out in the field of competitive balance and its effect on professional sport, mainly on a North American based context. Those who have contributed considerably are; Rottenberg (2000), Kessenne (2001) and Szymanski (2001). With a more European based focus, academics including Healey (2012) and Gammelsæter & Senaux (2011) have offered a different perspective using a European context, especially on governance issues.

As previously touched on, there are clear needs for comparisons to be made between the two geographical areas due to the importance and sheer emphasis that is put on professional sport in their cultures. Secondly, both MLS and the Premier League are of similar age, at just over 20 years old. This should contribute to a balanced comparison between the two leagues, with one league clearly more dominant in the realm of world professional football.

Due the focus of this study, there is an outstanding prospect for the researcher to contribute knowledge mainly due to the fact that Major League Soccer, North American sport and European football is ever changing, forming a gap in existing research. This allows this study to provide a valuable insight to the relationships and links between the different parties involved at this current moment in time. Finally, this specific research area is of extreme personal and professional

interest to the researcher as in previous years studies related to this area have been completed.

### **1.7 Research Question, Aims & Objectives**

The following focuses on several imperative research elements that guides the research. A research question will be established that will be answered as a result of thorough investigation. In addition, aims and objectives will contribute significantly to the research being fulfilled, also acting as a checklist throughout the study.

The research question for this study is:

**Should Major League Soccer adopt a more European approach to revenue sharing, rather than maintaining the North American model?**

The aims and objectives for this study are as follows;

Aims:

1. To thoroughly investigate competitive balance in North America Sport and Major League Soccer
2. Research and study the main revenue sharing concepts in European professional football
3. To study if a European style of revenue sharing would fit in the North American professional sport industry of Major League Soccer

Objectives:

1. Identify what competitive balance is
2. Identify the state of competitive balance in Major League Soccer
3. Identify the state of competitive balance in European football
4. Begin to understand what competitive balance means to Major League Soccer

5. To explain revenue sharing in detail
6. Identify the value of revenue sharing in Major League Soccer
7. Identify the value of revenue sharing in European Football
8. Compare revenue sharing in Major League Soccer and European football
9. To understand the culture of sport in North America comprehensively

## **1.8 Overview of Research Design**

This research will focus on qualitative data for the approach of theory development to investigating this subject. As a result of limited academic resources and material on competitive balance and revenue sharing in Major League Soccer, this study will look at means of developing theory to offer those heavily involved with the league reasonable suggestions. The researcher will be collecting data through the use of semi-structured interviews within a single case study (Yin, 1994). The grounded theory as an approach will be drawn upon during the study, with considerations of current academic literature being kept in mind at all times.

## **1.9 Limitations to this Study**

One of the main limitations of this study is the focus on an organisation that is recognised worldwide in the form of Major League Soccer. This makes it difficult when gaining access to certain documents and individuals that may not be accessible to the general public, however there are still ways around this to make this study significantly credible. The researcher will attempt to overcome this by asking permission to talk to credible and knowledgeable individuals who work within the realm of Major League Soccer, especially its franchises.

Secondly, the literature on what is still a relatively young organisation, Major League Soccer, is somewhat limited. This could prove problematic for the researcher, as resources that focus mainly on the area of study may have no relation to Major League Soccer and may leave a significant area of uncertainty. However, with the use of academic material from other North American sport, a worthy and significant understanding can still be made. Additionally, there are

also time and financial constraints to this research that may limit various aspects of the study, such as during the data collection phase.

### **1.10 Thesis Structure**

This thesis is made up of key sections that make the complete study. The passage at the beginning of chapter one begins to introduce the key concepts and background of this research. Later in chapter one, the researcher established the research question of which the study will focus, as well as the aims and objectives that will ultimately help the research come to a conclusion.

Chapter two focuses on the main collection of theoretical research already published on the number of concepts that the study focuses on. This allows the researcher to gain an in depth understanding of the fundamental concepts from a different sources, resulting in a credible study. Chapter three highlights the methodological approaches that are most appropriate for this study and later identifies those that will be used after consideration of many designs.

The fourth chapter concentrates on the investigation process of the research. The findings will be presented in this chapter along with any data that will contribute to this investigation. The fifth chapter brings a close to the study with a conclusion of the investigations' events, following on from a selection of recommendations directly related to the results of the study.

### **1.11 Chapter Review**

Chapter one has laid out the fundamentals of the research and builds the structure of which this research will work on. The essential concepts that have been underlined in this section will be used to elaborate in the following chapters.

## 2 Chapter Two - Theoretical Background

### 2.1 Chapter Overview

This chapter will introduce and elaborate on the fundamental areas of this investigation using a wide range of resources from many perspectives to support the study. Descriptions from a variety of authors will be compared against each other that will result in a deeper understanding in each area of this research. A comprehensive understanding of the literature that is currently available in the academic sphere is vital when filling a gap that is present in order to provide a foundation for additional research to be carried out by academics.

### 2.2 Economics in Sport

The economic environment of any organisation is *“the external sphere of influence on an organisation from macro or micro economic forces”* (Beech & Chadwick, 2007:530) and the sport industry provides many excellent examples of t

individuals and bodies that have an authoritative impact on certain sporting operations, or teams within particular sports. Furthermore, this can differ dependent on what end of the scale of sport is focused on – amateur activity, or professional activity. This study will concentrate on the professional scale of the sports involved in this study. *“Professional sports are distinguished from non-professional sports by the event that players for professional teams are paid for their services”* (Rottenberg, 200

the context of this study as both are focusing on the top-end of sport and is covered extensively, and would not be appropriate for sport on an un-commercialised level. Commercialisation is an external factor on sport that

As with every industry, some form of a product must be produced in order to generate revenue and ensure the organisation continues to operate. In the majority of industries, a product or physical merchandise is manufactured for sale purposes. However in sport this is not the case, the m

available for purchase is not a physical product, excluding team merchandise. The product of the industry is a form of entertainment and the revenue received by the industry is the measure of the level of entertainment it produces (Rottenberg, 2000

is provided by professional sport and *“consumers of the product of the professional sports industry are those who buy the right to watch games directly and those who watch indirectly by the way of television and radio broadcasting of games”* (Rottenberg, 2000:12). Furthermore, consumers of professional sport itself may be large commercial firms who broadcast media on a mass scale, *“television and radio networks buy the right to broadcast from leagues and teams and recoup their costs by selling advertising space to commercial firms during short and frequent intervals when games are interrupted”* (Rottenberg, 2000:12).

Professional sport is followed by an extraordinary number of individuals who possess an interest and is commonly for the unique form of entertainment that sport provides and is sparsely available in other industries – in The United Kingdom alone the sport industry was estimated to be worth £23.8 billion in 2013 (Onrec, 2013). This a fitting statement for professional football, especially the interest in the sport found in Europe. The European Parliament notices that professional football is an extremely unique industry and states, *“professional football clubs cannot operate under the same market conditions as other economic sectors, because of the interdependence between sports opponents and the competitive balance needed to preserve the uncertainty of results”* (European Parliament in Runkel, 2011:256). This supports claims that professional football and professional sport in general is exceptionally unique in the economic environment – *“Sport’s unique nature and context have been highlighted by Mangan and Nauright (2000), and developed in Hess and Stewart’s (1998) book”* (Smith & Stewart, 2010:2). Again, supporting this unique claim for professional sport and professional football, Runkel (2011:256) claims, *“sports sectors like soccer leagues are often not seen as typical economic sectors”* and *“the so-called competitive balance may be beneficial for the league as a whole since it is widely believed that closer competitions are more exciting to potential viewers and more*

*interesting for sponsors, so a high degree of competitive balance may contribute to the economic success and stabilization of the league”.*

Due to the unique state of professional sport, it is not out of the ordinary that occurrences that could be considered controversial in other industries are calmly accepted in the sport industry. Competitions and leagues are often formed in sport, such as the popular Indian Premier League (IPL) cricket tournament for purely commercialised motives. Agarwal (2014) supports this: *“the huge fan following and love for the game has given many opportunistic people a chance to make big bucks out of the game - be it the introduction of Twenty-twenty cricket or the formation of the IPL”*. Evidence for commercialised activities are also present in professional football and the believed to be revenue spun Cham

professional football clubs - *“one of the most striking changes was put into practice in the 1999-2000 season: an increase in the number of participating teams from 24 to 32 and a large increase in payments to the participating teams”* (Pawlowski et al, 2010:187). This supports claims that individuals in sport often develop commercial ideas in order to bring extra revenue to the respective sport.

Sport is can be known as a results business, as the team’s results have a direct influence on the interest or enthusiasm of a supporter. The fan experience is commonly associated to competitive balance, which will be covered later in this document, however there are other aspects that affect the economics of sport in general. Rottenberg (1956:242) claims that *“the nature of the industry is such that competitors must be of approximately equal size if any are to be successful; this seems to be a unique attribute of professional competitive sports”* and this is a key aspect of sport economics. Additionally, Akerlof (1976:599) suggests *“contests between poorly matched competitors would eventually cause fan interest to wane and industry revenues to fall”*. Sanderson & Siegfried (2003:260) develops Akerlof (1976) statement further by expressing *“the more evenly matched two opponents are, the higher the probability that a random element—a poor call by an official, a bad bounce, a key injury, or pure luck—will determine the outcome”*. This provides more evidence that there are multiple aspects that can

affect the outcome of sporting contests as a result of sport economics. It is no

attendance due to the significant and extensive research that has been carried out in this area. Sanderson & Siegfried (2003:265) summarise the link between success and attendance in a very simplistic, yet effective manner: *“it is well established that home attendance rises when a team wins more games or matches and declines when it loses. Winning teams also attract more fans when they play on the road”*.

The organisation of sports leagues can also have a bearing on sport economics, especially when there are limited or numerous teams in each sport. Governing bodies that oversee the sport can influence the playing numbers in a sport at the professional level dependent on their sport specific objectives. Andreff (2011) discusses the potential differences between two classifications of sports leagues – open and closed. Andreff (2011:6-7) states *“a North American professional team sports league is an independent organization which is closed. In a closed major league the number and the identity of the teams are fixed”*. On the other hand, *“a European league, like in soccer, is integrated in a hierarchical structure where the national soccer federation supervising the league is itself dependent on an international federation”* (Andreff, 2011:6) – an open league, and *“relies on a promotion/relegation system”*. Andreff (2011:7) later suggests *“competitive balance is looked for in both closed and open leagues”* but later states *“open leagues cannot compare to closed leagues with regards to financial variables”* (Andreff, 2011:24).

### **2.3 Competitive Balance**

In order to operate like any other business, sporting fixtures must be attractive to the consumer in order to generate revenue. Pawlowski (2013) states that *“increasingly imbalanced sports competitions have the potential to negatively influence fan interest and, consequently, stadium attendance and TV viewership figures”*. Fort & Maxcy (2003:156) focus on the fans and supporters aspect and state that the best measure of competitive balance *“would be the one to which fan behaviour showed the greatest sensitivity”*. This suggests that there is a definite

link between the competitive balance of a sport or match, and the fans. Despite this Kuypers (in Szymanski, 2001:74) suggests competitive balance concentrates on more than one aspect and proposes that *“competitive balance has three senses: the balance of attractiveness of a match, the closeness of a championship race and the absence of long run domination”*. The previous statement emphasises that there is more than one measure of competitive balance, due to the more elaborative statement from Kuypers via Szymanski (2001) that therefore implies it is a more accurate definition of competitive balance.

When thinking about the competitive balance in a sports league or competition, Kesenne (2000) puts forward a logical proposition arguing that *“the competitive balance in a sports league, which depends primarily on the distribution of playing talent among teams, is an important element affecting public interest and the financial health of the industry of professional sports teams”* (56). This statement not only concerns the reasons for competitive balance, but also puts forward additional implications of competitive balance on a certain matter, in this case a sports league. Despite Kesenne (2000) implying a distribution of talent is vital to competitive balance, there are often circumstances where a significant imbalance is noticeable. Sanderson & Siegfried (2003:261) state, *“we have strong identifications with and sympathies for the true underdog. We want David to knock off Goliath, at least on occasion, unless of course Goliath plays for us”*. A prime example of this occurs in European football leagues where domestic cup competitions are held with lower league teams are drawn against those placed drastically higher. This is also expressed by ESPN (2011) when reporting on the English FA Cup *“in the early rounds it is giant-killing exploits that fans anticipate above anything else”*.

The impact of competitive balance can also have an influence on the perceived attractiveness of a sports team, as suggested by Szymanski (2001:69) who stated that *“it is widely accepted that a degree of competitive balance is an essential feature of attractive team sports”*. However many authors, including Szymanski, tend to question competitive balance and its link with the contest between teams in competition. *“It is presumably the competitive balance of a competition which is*

*most important in the long run*" (70). This suggests that competitive balance is a long-term mechanism that can have a fluctuating effect on making competition more equal. Other industry professionals also believe that making competition more equal through competitive balance is essential *"the particular practice, designed to modify the distribution of player talent or industry revenue across clubs, is intended to make clubs more equal in terms of playing and/or financial resources"* (Forrest et al, 2005:439), which is also a similar view as Kesenne (2000). Additionally, Forrest et al (2005:439) also propose that *"this will, in turn, make for better competition on the field with closer contests at both the individual match and seasonal championship levels. Finally, it is argued, this improved competitiveness in the sport will stimulate public interest"*.

Further research in to the mechanics of competitive balance has been focused on by a collection of industry experts, especially the effects on match attendances. Following on from Sanderson & . statement in the previous section on attendance rates in sport, *"one would conclude that increases (or decreases) in a league's competitive balance would have a positive (or negative) impact on league attendance"* (Schmidt & Berri, 2001:146), this seems to be a very obvious claim when associating competitive balance and attendance rates. However, this obvious claim has been supported by many individuals, including Forrest et al (2005:445) who also echo this statement and suggest *"it is commonly asserted that measures to promote competitive balance in sports leagues will raise attendances"*. Additional research published by Kesenne (2001:210) further solidifies the link between competitive balance and attendance; *"the competitive balance between sports teams in a league is one of the important determinants of match attendance and public interest in league championships"*.

Competitive balance is closely related to the outcome of games being on or near a level pla . Due to the significant in roads that have been made in to the understanding of uncertainty of outcome and its established close relationship with competitive balance, many academics suggest proposals that cover the two concepts. Schmidt

& Berri (2001:151) propose that Thomas (1988) and Borland & Lye (1992) *“found that uncertainty of outcome had a positive impact on fan attendance”*, both studies from Thomas (1988) and Borland & Lye (1992) concentrated on various sporting leagues that provide their findings with noteworthy levels of validity. This finding from Schmidt & Berri (2001) almost identical to a statement from Szymanski (2001:69): *“without at least a degree of competitive balance, fans will lose interest in a competition. However, it is less clear that every decline in competitive balance will lead to a falling off of fan interest”*. Both authors focus on uncertainty of outcome and competitive balance respectively, yet found that without a lack of either would affect fan interest or attendance, and the same vice-versa.

Further research into the unpredictable and uncertain outcome of a sporting event is sourced from Rottenberg in the 20<sup>th</sup> century. Rottenberg (in Chang & Sanders, 2009:409) proposes *“a sporting competition is more entertaining and of higher quality when the game’s outcome is more unpredictable”* and further states *“the highest degree of uncertainty occurs when the probability that any given team will win in any (two-team) game is 0.5”*. This suggests that Rottenberg is confident of a link between the uncertain outcome of a sporting event and also its entertainment factor. Rottenberg (2009) statement is supported to a somewhat overwhelming capacity through comprehensive research carried out by Bowman et al (2012).

*“If sports leagues become sufficiently unbalanced, with playing talent concentrated in just a few teams, perennial losing teams will be unable to attract fans and eventually, even the fans of dominant teams will lose interest in the sport. In other words, fans prefer sports events in which the final outcome is exciting because it is uncertain. Because fans prefer uncertain outcomes, it is useful to measure their perception of the degree of competitive balance within a league”*

(Bowman et al, 2012:499).

However, this is heavily dependent on other contributing factors in certain sports, for example an economic issue.

The main objective in a league or region can potentially have an influence on competitive balance. In win maximization leagues such as those located in Europe, competitive balance takes a different stance to North America *“win maximization implies all surplus income is reinvested in talent. Under these circumstances, income redistribution from large to small clubs will tend to improve competitive balance”* (Szymanski, 2001:71). This suggests that the income that is redistributed will be invested in playing talent, for example spent on transfer fees. For example, in North American sport transfers do take place between franchises, but in Europe the transfer windows are a huge opportunity for clubs to strengthen their side before the transfer window closes. This statement from Szymanski

leagues) and closed (North American leagues) leagues cannot be compared regarding financial variables, due to European league teams reinvesting all surplus income in to playing talent. On the other hand, North American teams are though to focus on profit maximization, supported by Taylor & Gratton (2002:200) *“in North America, profit maximization is the clearly established objective”*.

## 2.4 Governance in Sport

*“Governance in its simplest form is the way that an organisation is directed and controlled”*

(Healey, 2012:39)

This is applicable in the majority of industries, including sport, where at times it can be very temperamental through actions of players, or controversial decisions made by governing bodies. In particular, governance in sport can be somewhat difficult to describe - *“many sport leaders tend to consider governance a question about preventive measures”* (Pedersen, 2011). Despite this initial classification of governance *the level of effectiveness in detecting and sanctioning breaches of preventive measures”*. Despite Healey focusing on a general definition of governance, and Pedersen focusing on sport governance, it is clear there could well be many separate strands to governance

and governance in sport and they entail different factors. Ultimately, both authors focus on the controlling element that is an objective of governance of those associated with the respective organisation.

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governance in sport, stating that *“in the context of sport it also encompasses the development and maintenance of practical and ethical self-regulation to achieve diverse objectives such as enforcing the rules of the game, implementing anti-doping policies and disciplining athletes”* (39). Despite a more thorough description of governance in sport, the underlying message matches Healey (2012) and Pedersen’s (2011) pre supporting a widespread understanding of governance in sport from an academic perspective. This understanding is also presented by Pawlowski et al (2010) with sporting examples of governance in sport and the possible impact on another matter, competitive balance - *“sports-related regulations such as the promotion and relegation system, the point score ranking system, and the number of opponents in a league might also have an impact on competitive balance”* (Pawlowski et al, 2010:189).

Healey (2012) also focuses on additional areas of sport that could potentially be affected by governance in sport, and also touches on those that affect governance itself, for example commercialisation - *“commercialisation has changed sport over the last 30 years. There is now a substantial sports industry. A larger sponsorship pool, increased broadcasting revenues and more consistent government funding have all contributed to a larger sporting economy”* (Healey, 2012:39). Healey (2012) suggests there is a continuous need for governance in sport to be somewhat flexible to adapt to the dynamic sporting environment.

#### **2.4.1 Governance in North American Sport**

In terms of governance in sport itself, there are distinct differences between the organisation of sports governance in North America and Europe. In North America, there are also clear differences between professional and the collegiate level. At the collegiate level in North

America, there is a national body that take care of all administration issues called the NCAA, where as in Europe, there is no such equivalent. This is supported by Healey (2012:42); *“in the United States amateur and professional sports are quite separate, and are subject to different laws. Amateur sports are made up of community leagues, school athletic associations, state and national regulatory boards, the National Collegiate Athletic Association (NCAA) and other supervisory organisations”*. Different laws for the professional game are far more extensive than collegiate level, as expected, and come in many formats through the use of collective bargaining agreements. For example, at collegiate level athletes in American football and basketball must not be financially rewarded, in addition athletes are restricted from endorsing products.

Collective bargaining agreements are enforced in North American sports for a number of reasons, as Bowman et al (2012:500) also suggests, *“it is of interest that there were collective bargaining agreements that purported to address competitive balance issues”*. It is also proposed that collective bargaining agreements are in place to settle disputes, such as lockouts where by players or coaches boycott training sessions or games until a dispute is settled, that may occur in professional sport. As such *“the agreement between management and labor and how they will conduct business between themselves as well as resolve disputes is set forth in their collective bargaining agreement”* (Rosner & Shrops . . . .). Another much debated feature of collective bargaining agreements is to generate wealth, yet only some sport leagues are seeing this benefit, such as the NFL. Madland & Bunker (2010) believe *“through collective bargaining agreements and strong league institutions, the NFL boasts a system that creates wealth for all of its owners and players”*, which shows the NFL is seeing results that collective bargaining agreements facilitate wealth in a sports league.

We know that one aspect of collective bargaining agreements are salary caps and they bring about the control of salaries in North American sport

as are revenue sharing and the draft system. Dietl et al (2011:8) states *“salary caps are now an integral part of the system of labor relations in the U.S. major leagues. The maximum (and sometimes minimum) amount of league revenue that should be devoted to player salaries is negotiated between the players' unions and the team owners and is fixed in so-called Collective Bargaining Agreements”*. This statement begins to highlight the importance of collective bargaining agreements and governance in sport today. Dryer (2008:292) also believes the application of collective bargaining agreements has been influential in the success of North American sports and that *“throughout most professional sports history, collective bargaining has done a brilliant job of calculating the interest of teams, players and fans and carrying the sports forward to successful, profitable ends”*.

#### **2.4.2 Governance in European Sport**

Unlike North America, European sport does not have the organizational capacity to rely on the college sport system for a constant stream of professional players as the university system is not set up to facilitate such a role. Recruiting playing talent in Europe relies on the structure of sport and the integration of amateur and professional players under the same governing body, domestically or internationally. Healey (2012:42) states, *“in Europe, for sport is integrated at all levels of the community, with amateur and professional streams conducted by the same sporting organisations in a pyramid structure”*. This state of governance is reflected in all European professional football leagues that operate under one governing body – UEFA. Garcia (in Gammelsæter & Senaux, 2011:42) considers *“the new governance of European sport is characterised by a network structure”* and further states the inclusion of the European Union, in close cooperation with UEFA, need to be involved as future role in the years to come, especially with the development of governance in European sport.

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competitions, it is suggested that *“the Champions League might have a lasting impact on the competitive balance in domestic leagues, because the clubs participating in the Champions League are able to invest more money in talent (salaries, transfer fees) compared with other clubs in the domestic league”* (Pawlowski et al, 2010:187). Garcia (in Gammelsæter & Senaux, 2011

development of commercialised club competition and states *“the introduction of the UEFA Champions League facilitated the commercialisation of European club competitions, hence creating an attractive level of revenue for the richer clubs”*. This can also have an effect on some aspects of sport governance in Europe where clubs are involved with the Champions League competition and furthermore affect some elements of balancing measure

air Play Regulations. Vopel (2011) believes that Financial Fair Play may change the future of European club football by bringing changes in competitive balance as well as a new competitive equilibrium. Vopel (2011) also believes that in the long-term, well-established clubs are unintentionally protected by Financial Fair Play due to tighter regulation and only confirms their status in an already unbalanced competition, rather than ma

states competitive balance and European football leagues have been analysed in a number of studies with results of a decline in competitive balance in some leagues due to a number of different factors. Despite this, there is no evidence that increased value of payouts from European competitions have an effect on competitive balance in the domestic leagues.

As mentioned previously, there is a perceived gap in certain European domestic leagues between those who participate in the Champions League and those who don’ statement is also supported by Gammelsæter & Senaux (2011:275) who believe *“that the enormous*

*income gap between the few best teams and leagues and the many small ones partly derives from the success of the Champions League*". Despite the smaller teams being on the inferior side of the income gap, they still are catered for using other methods. *"UEFA are probably the only body that can guarantee some distribution of revenue across European nations"* (Gammelsæter & Senaux, 2011:275).

## 2.5 Revenue Sharing

### 2.5.1 Revenue Sharing as a Concept

Revenue sharing is a vital element and its resulting effect on competitive balance on the professional side of sport. This is supported by Runkel (2011:256), *"among the instruments that aim at improving competitive balance, revenue sharing mechanisms are perhaps the most prominent ones"*. In addition, *"revenue sharing is supposed to enhance competitive balance by transferring funds from strong to weak clubs, allegedly a vital feature of many sporting contests"* (Feess & Stahler, 2009:255). This suggests there is an emphasis on the importance of revenue sharing in today's sporting environment. The general acceptance of revenue sharing is also mentioned again by Runkel (2011:257) who states that *"despite the fact that, in practice, there seems to be a general presumption in favor of revenue sharing mechanisms, the economic literature has some difficulties to prove the positive effect of these mechanisms on competitive balance"*. Runkel (2011) further suggests that it is somewhat challenging to prove the effectiveness of revenue sharing in professional sport, however there is still substantial literature supporting the concept.

To extend the support of revenue sharing as a whole, Hunt (2012:174) believes *"revenue sharing models, if equipped with the proper spending restrictions and performance incentives, should continue to exist in professional sports"* and *"that revenue sharing accomplishes competitive balance in professional sports if allocated properly"*. Hunt (2012) suggests revenue sharing contributes to the achievement of competitive balance in a sports league, yet Chang & Sanders (2009:426) suggest other *pool*

*revenue sharing negatively affects the competitive balance in the league because the variance of expected winning percentages for a match increases. We find that competitive balance in a sports league cannot be isolated from the mechanism that redistributes revenues among its teams”.*

From Chang & Sanders’ (2009) statement

balance is not fully achieved through revenue sharing, however it is clear that revenue sharing does contribute, as Hunt (2012) and Runkel (2011) echo.

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called weaker teams, which have a smaller potential of raising revenue are allowed to reinvest revenue sharing funds in their quality of players and reduce the gap between so-called stronger teams. Again, this appears to support the concept of revenue sharing, but the implementation of revenue sharing can be questioned. *“But the bigger question is whether those monetary effects have helped to solve the problem of competitive imbalance that was the original reason for shifting around billions of dollars between teams. Again, the answer is unclear”* (Jacobson, 2008). Jacobson (2008) suggests the concept of revenue sharing simply circulates income around teams on a yearly basis, and also questions the effect of the concept on competitive balance.

When looking at the revenue sharing in context, Kesenne (2015) puts forward some reasonable statements. To begin with, a sweeping statement is made regarding revenue sharing and the talent investment in professional sport: *‘Every economist will agree that revenue sharing discourages talent investment because teams have to share their return on investment with opponent teams’*. This suggests that economist driven individuals will lean towards talent not being invested in as revenue is split between competitions, allowing improvements to be made due to their own revenue generating means. Further additions to Kesenne (2015) findings include *‘revenue sharing brings about a more efficient allocation of talent’*. This begins to suggest some form of a benefit to

revenue sharing as a system related to competitive balance, especially where it currently exists, in North America.

Staying with Kesenne (2015), a statement related to leagues as a whole and their levels of revenue is touched upon as being an important factor - *'It is reasonable to assume that the absolute quality of a league can be approached by total league revenue, being the sum of the budgets of all teams'*. Kesenne (2015) suggests that the higher a leagues total revenue, the better quality a league should be, however this is not an aspect that can be worked out easily and is very subjective, especially related to the perceived quality of a league.

### **2.5.2 Revenue Sharing in North America**

North American sport is among the most lucrative on a worldwide basis and *"in the 2010-2011 seasons the Big Four generated over \$21.6 billion in revenues"* (Hunt, 2012:139). This figure alone suggests that there should be a concept or mechanism in place in the sport to control and monitor the financial state of sport in the region, and comes in the form of revenue sharing. Hunt (2012:139) further explains the reasons for the implementation of revenue sharing *"every league acknowledges that the purpose of a revenue sharing agreement is to allow a closer range of payroll spending that might otherwise not be accomplished, preventing large market teams from controlling the allocation of high-priced free agents"*.

With regards to revenue sharing in MLB, Kesenne (2000) stated that at the time revenue sharing had already become common practice. Chang & Sanders (2009:410) state *"each team in a sports league contributes a certain percentage of its locally generated revenue to a pool that is then redistributed equally to all teams."* It is clear that the mechanics of revenue sharing can vary between sports dependent on their economic and financial state. It is also highlighted that there is a significant difference between the so-called stronger and weaker teams in the league and this is highlighted in the amount of the clubs revenue is shared.

*“Revenue sharing makes some franchises significant payers and others recipients. For example, in 2005, the Yankees reportedly paid out about \$76 million. Meanwhile, the Tampa Bay Rays, Toronto Blue Jays, Florida Marlins and Kansas City Royals each received \$30 million or more”*

(Jacobson, 2008)

Alike MLB, the NBA need to implement the revenue sharing mechanism to cater for a number of issues in the sport, such as the significant level of revenue sharing that some teams receive from the league, and others do not, possibly due to the lower level of revenue they generate.

*“The NBA lacks a method for locally generated revenue to be shared, which means lucrative regional TV deals and gate receipts from large-market teams are not shared with owners in smaller markets. The Lakers earn about \$150 million a year from their regional television deal, while the Grizzlies receive less than \$10 million annually from theirs”*

(Dosh, 2011)

This already gives those with higher regional deals an advantage over those who generate lower amount of funds though regional deals and furthermore affects competitive balance. Due to the perceived gap between the more successful teams and unsuccessful teams, eight small-market teams, measured by attendances and approximate fan bases appealed for revenue sharing in the NBA to be re-developed in coordination with the collective bargaining agreement negotiations. Despite this appeal for re-development, Lombardo (2012) suggests, *“some team executives said that while the system does not completely close the financial gap between high- and low-revenue teams, it is the most progressive form of revenue distribution in the league’s history”* (Lombardo, 2012). Additionally this supports the concept of revenue sharing in the NBA has been effective, generating positive results.

It is suggested that the NHL has a revenue sharing scheme in place that is not as extensive in comparison to other North American sports.

*“A broadened revenue sharing program designed to help the half dozen or so N.H.L. clubs in financial trouble. This is most likely due to “Under the N.H.L.’s current revenue-sharing plan, less than 15% of revenue is estimated to be shared among clubs. Compared with other major professional North American sports leagues, the N.H.L.’s revenue-sharing plan is less extensive”* (Klein, 2012)

This provides the NHL with potential to expand and develop the revenue sharing scheme that the sport provides in North America due to claims that many teams, particularly in the south of the USA, are financial instable and losing money. *“Nearly all of the franchises located in the Southern United States consistently lose money. It is safe to say that the farther South you go, the worse the hockey market gets”* (O’Connor, 2013). O’Connor (2013) that, *“NHL franchises cannot fail year after year without being held accountable. If the league continues down the path it is on, over half the league will be losing money. If they do not act fast, revenue sharing is going to destroy the league.* This suggests that revenue sharing could well be a negative contribution to the leagues potential demise. Despite this, *“revenue sharing is a great idea if done correctly. We increase revenue sharing to save these teams”* (Bettman in O’Connor, 2013). Bettman (2013) additionally supports the concept of revenue sharing in North American sport, however a collective effort must be made in order for the failing teams in the league to succeed. In summary, there is not a collective opinion that the league will succeed; *“as of the 2011-12 season, nearly half of the league’s franchises were failing to make money. I agree that the league must help out teams through rough times, but many of these teams have never been profitable, nor will they ever be”* (O’Connor, 2013).

As in MLB, the NFL had already implemented revenue sharing as part of the league's collection of revenue. Revenue sharing is a fundamental component of how the league is structured (Kessenne, 2000). The association between revenue sharing and the NFL is widely known to be efficient and successful, with Hunt (2012: 139) suggesting that *"the NFL's model is highly regarded as the most successful revenue sharing model, thanks to strong national, evenly shared television contracts and extremely profitable league-driven entities"*. The lucrative media deals signed by the NFL due to the sports popularity often involves vast amounts of money per season and contribute to the implementation of revenue sharing.

*"The most significant jump in revenue will happen next season, as new television deals with each of the league's partners, along with the new CBS Thursday Night package, pushes the league's media revenue from the networks alone to an average of more than \$5 billion a season"*  
(Rovell, 2014)

In addition to the media deals involved in revenue sharing, ticket income can also contribute to the league's revenue.

*Many major leagues have introduced arrangements to share revenue among clubs, for instance the NFL has a sharing arrangement that gives the visiting club a 40% share of the gate receipts"*  
(Kessenne, 2001:210)

Despite the known success of revenue sharing in the NFL, its future has been carefully considered. Kaplan (2013) suggests, *"the prospect of eliminating the program, though not immediately on the horizon, ironically could revive the old debate between high- and low-revenue teams despite the well-documented financial health of the league"* (Kaplan, 2013). The debate between successful and unsuccessful teams could be reignited, much alike the situation in the NHL.

### 2.5.3 Revenue Sharing in Europe

Revenue sharing in European sport has occurred on a significantly lower level in comparison to North American sports due to the organisation and governance of individual sports. This is because Financial Fair Play has only recently been enforced in European football, where as in North America, revenue sharing has been apart of the culture of sport for decades. Revenue sharing in European Football is most associated with the Champions League with the sharing of sponsoring and broadcasting rights being distributed between the participating clubs in the competition (Kessenne, 2001). It is logical that the further teams progress in the competition, the higher amount of funds they receive from the revenue sharing that is in place. The total that was given from UEFA to participating clubs, which includes performance related bonuses, totaled €904 million in 2014 (UEFA, 2014). In the 2012/13 Champions League, the

total revenue was €1.36 billion that was calculated in coordination with the competitions revenue sharing concept (Arshad, 2013). As mentioned previously with accounts from Gammelsæter & Senaux (2011), UEFA guarantee some revenue distribution to European nations, but not to clubs directly.

From a domestic perspective, funds from broadcasting revenue are distributed accordingly to the national football associations (Fess & Stahler, 2009). However, higher performing clubs tend to collect higher amounts of broadcasting revenue due to the increased airtime they receive on television. Furthermore, revenue sharing can differ between nations and is heavily dependent on their popularity on a domestic and international basis. For example, if a nations domestic football league is not as popular internationally, this will more than likely affect levels of revenue that are be shared between clubs.

The English Premier League is among the most popular in the world due to the extraordinary level of broadcasting revenue that is paid each

season. In the 2013/14 season the English Premier League accumulated approximately £1.5 billion in broadcasting revenue (Phillips, 2014). The Premier League decided in 1992 the percentages for sharing revenue. The Premier League (2014) states, *“50% of UK broadcast revenue be split equally between the 20 clubs, 25% paid in Merit Payments (depending on where a club finishes in the final League table), and the final 25% paid in facility fees each time a club’s matches are broadcast in the UK”*. Phillips (2014) suggests *“this television revenue sharing system is designed to even the playing the field in terms of exposure to the public”*, that implies there is a conscious effort to maintain the balance in the league. In addition, *“proponents of collective sales on the other hand claim that it is a convenient way to redistribute revenues from the rich to the poor clubs in the league”* (Peeters, 2012), which again supports the effectiveness and popularity of the Premier Leagues revenue sharing concept. Furthermore, The Premier League (2014) claims it is the most equitable television revenue sharing deal in all of Europe. To conclude, Phillips (2014) declares *“the shared revenue maintains the competitive balance in the English Premier League as best as possible and contributes towards a better product to attract more fans to the league”*. Peeters (2012) also echos this by suggesting that *“this should help to increase the competitive balance in the league”*.

Meanwhile, Spanish domestic football is known for a duopoly in the league consisting of Real Madrid Football Club and FC Barcelona, until recently where Atletico Madrid have challenged the two sides.

*“It seems La Liga is heading for three-way tie. After years of duopoly, football fans around the world have finally got to see a three-way title-fight in Spain”*

(Oinam, 2014)

However, this duopoly is still evident when it comes to the two clubs that appear on television – Real Madrid Football Club and FC Barcelona. This

results in the two clubs receiving a drastically larger amount of broadcasting rights when compared to others in the Spanish Primera División. Real Madrid Football Club and FC Barcelona both received £100 million, where as Valencia received £34 million, a significantly lower amount (Wallace, 2015). *“Barcelona and Real Madrid are not prepared to cede to demands for an English-style system of sharing income from audio-visual rights as they want to protect their status as dominant powers in Spanish and global soccer”* (Faus in Rogers, 2011

between so-called weaker and stronger teams increasing year on year. It has been suggested the future of the league is in jeopardy for this very reason. Mashayekhi (2013) supports this statement suggesting *“one of the major reasons why many Spanish clubs are bleeding dry is the economic inequality brought about by how they negotiate their broadcast television rights”*. The Villarreal President, Fernando Roig Alfonso, (in Rogers, 2011) further suggests the big two teams are killing Spanish football through the broadcasting dispute.

#### **2.5.4 Profitable or Non-Profitable**

When investigating the profitability of both the Premier League and Major League Soccer, there are some staggering differences between the two when statistics are taken at face value. To begin, look at the Premier League and the fact that it is renowned for being among the top for commercialisation in the world of professional sport. Wilson (2015) states that 19 out of the 20 Premier League clubs in the 2013/14 season made an operating profit, suggesting a somewhat stable and efficient financial model. Looking forward to the 2016/17 season whereby a huge TV rights deal has been agreed will inject enormous sums of money in to the league and the clubs competing in the league. Both Sky and BT have paid a combined figure of over five billion pounds for their TV packages (Tyers, 2015) for the next three seasons, with clubs set to earn approximately £30 million more per season from TV rights.

On the other hand, Major League Soccer is somewhat unlike the Premier League. As touched upon previously, the league structure is slightly different in North America to Europe, however this structure does not affect the financial aspect of other North American sports as it does with Major League Soccer. *“On a combined bases, MLS and its clubs continue to lose in excess of \$100 million per year”* (Abbott via Szymanski, 2015). This suggests that year on year the league itself will be making a financial loss, something that should not be sustainable in any form of business whilst also bringing success to the stakeholders. Furthermore, Smith (2013) brings forward the fact of ten of the leagues 19 teams are making a profit in a year. This calculates to 52% of teams generating a profit in the league, something that is not sustainable in many forms of business.

## **2.6 Chapter Review**

This chapter has introduced and collected the significant academic literature required for this study in order for this research to be supported thoroughly. The following sections will be linked back to chapter two to allow comparisons between published literature and this study. The following chapter, research design, will display the way in which this study will be controlled and operated.

### 3 Chapter Three – Research Design

#### 3.1 Chapter Overview

Chapter three introduces the methodological approaches that have been considered and those that are most appropriate to carry out the study. Various approaches will be compared to one another to decide which methods are the most suitable for this study.

#### 3.2 Research Philosophy

Flowers (2009) underlines the importance of research philosophy and states the one of the common views in research in that it is that perceptions, beliefs, assumptions and reality that can influence research and the way it is undertaken. Saunders et al (2003:83) also believe there is an element of the researchers input on the philosophy of a research area and states that it *"depends on the way that you think about the development of knowledge"*. Saunders & Lewis (2012:129) further state that *"research philosophy helps you to think about thinking"* and that *"it would be nice to think that our own personal values play no part in our research. Even the choice of research topic as well as the decision about the research methods to adopt is a reflection of our values"* (Saunders & Lewis, 2012:106).

James and Vinnicombe (2002) argue that all researchers have innate preferences and they can have a significant influence over the way research designs and philosophies are developed. Saunders & Lewis (2010:2012) also consider personal assumptions and attitudes have an influence on the way we conduct our research philosophy and design.

*"The research philosophy you apply contains important assumptions about the way in which you view the world around you. These assumptions will underpin your research strategy and the data collection methods you to use as a part of that strategy"*

(Saunders & Lewis, 2012:104)

In addition, Bryman & Bell (2015:30) believe that *"the philosopher should bracket out preconceptions in his or her own engagement with that world"*. Both statements agree that personal assumptions have an influence on research, but Saunders & Lewis suggest that assumptions should be used in research, where as Bryman & Bell do not. Although this may be simple to understand that researchers must overlook their own values, it can be difficult to put aside these principals either consciously, or subconsciously.

There are two p in the business and management research area: positivist and interpretivist.

The positivist philosophy relies heavily on the testing of a hypothesis developed through existing literature and theories, manipulating variables whilst observing the reactions of those variables and for the researcher to manage the controllable conditions (Saunders & Lewis, 2012). Cause and effect relationships are also commonly associated to positivism.

The foundation on which a hypothesis is built needs to achieve a certain degree of validity in order for subsequent research to be worthy. It is acknowledged by Byrne (2002:14) that positivism usually uses quantitative methods argues that *"we do have to know what positivism is because it matters in the history of quantitative research and because most social research that uses data to generate stories about a cause is still positivist"*. Byrne (2002) further states the close link and association between the two aspects of research and claims positivism and social research have a ‘

and facts enable the approach to commonly have significant levels of validity through the use of quantitative methods. Saunders & Lewis (2012:127) think *"research can be affected by different kinds of factors which can render your findings invalid"*. Validity can be defined as *"the accuracy of a measure of the extent to which a score truthfully represents a concept"* (Zikmund et al, 2013:658) and Saunders & Lewis (2012:127) agrees and states: *"put at its simplest, validity is concerned with whether the findings are really about what they appear to be about"*.

Additionally, Myers (2013:38) believes *"positivism is the most dominant form of research in most business and management disciplines"* and is the style which business scholars are most familiar with. Moreover, positivism is *"a research philosophy similar to those used in the physical and natural sciences with highly structured methods and are applied to facilitate replication"* (Saunders & Lewis, 2012:104).

An alternative to positivist is the interpretivist philosophy, and Cohen & Crabtree (2006) state this approach relies heavily on naturalistic methods, such as interviews, observation and analysis of existing texts. It is also believed that these methods ensure an adequate dialogue between the researcher and who they interact with to construct a meaningful reality (Cohen & Crabtree, 2006). Goul *it is important to recognise that enquiry is always context bound and facts should be viewed as both theory laden and value laden"*. Further evidence in the support of developing theory generated through the interpretivist philosophy is supplied by Brown (1995) who states that with *"its emphasis on multiple realities, the researcher and phenomenon as mutually interactive, the belief that causes and effects cannot be separated, that research is value laden and that the outcome of the research is socially constructed"* (294 are often built from valuable social research as Flowers (2009) states *"in the social world it is argued that individuals and groups make sense of situations based upon their individual experience, memories and expectations"*.

In further attempts to define the interpretivist philosophy, Saunders et al (2007) collectively believe that the focus of the researcher is to understand the meaning and interpretations of certain phenomena of the social environment by understanding the world from the par point of view. However this allows for wide variations in opinion, resulting in low levels of generalisation. In support of Saunders et al's (2007) claim that a variety of different perspectives are collected, Flowers (2009) states the interpretivist philosophy needs time to

constantly adapt and understand participants opinions between interviews to

In summary, Saunders & Lewis (2012) believe the interpretivist perspective is very relevant in business-like situations due to their unique complexity. This provides substantial support for the use of the interpretivist philosophy in this study. In addition, the ability to identify themes through the naturalistic methods of data collection as Cohen & Crabtree (2006) identified to generate meaningful context and data is further support of use of this philosophy for this study. In addition, this research will also adopt the use of qualitative methods. Eriksson & Kovalainen (2008:298) state *“there is no definite consensus over the right or best ways of doing qualitative research”*. Eriksson & Kovalainen (2008) further state that depending on the method, some methods have longer traditions compared to others, which explains why some are more favourable on a wider scale, such as using qualitative methods with the interpretivist philosophy.

After consideration of both philosophies, the most appropriate for this research is interpretivist philosophy. As Saunders & Lewis (2012) state, is it a very relevant approach used in business-like studies, such as this one. In business and management-based studies, it is important to appre

social phenomena that is the subject of research. However, this requires constant adaption and use of an iterative process to constantly adapt the understanding of the themes that are identified through data collection for reliability purposes. This will be highlighted in further depth later on in this chapter. In addition, the use of naturalistic methods, such as interviews, as this study will implement, are often used in co-ordination with the interpretivist philosophy, as Cohen & Crabtree (2006) stated earlier on in this chapter. The use of interviews in studies allows a dialogue to be constructed between interviewer and the participant through interaction and the use of semi-structured interviews allows that interaction to be more specific and thorough, without losing the ability to be flexible to participant responses in order to seek greater depth of data.

### 3.3 Research Approach

There are also two approaches that are collectively considered for research: deductive and inductive.

Deduction can be defined as *"a research approach that involves the testing of theoretical proposition"* (Saunders & Lewis, 2012:108). There is also further support of Saunders & Lewis (2012) definition of deduction from Zikmund et al (2013:649). *"The logical process of developing a conclusion about a specific instance based on a known general premise or something known to be true"*. Eriksson & Kovalainen (2008) elaborate further on why the deductive approach is used in research – to explain phenomena - *"deductive reasoning is concerned with the formulation of hypotheses and varies from which particular phenomena can then be explained"* (21). Eriksson & Kovalainen (2008:22) comment further on the use of deduction in research and state *"the idea of deduction is by far been the strongest way to build up a theoretical knowledge base. Deduction rests on the idea that theory is the first source of knowledge"*. They agree that collecting theory on the subject that is being investigated is essential for a deductive approach. and further add that due to the strict nature of the deductive model, it means that it is not considered suitable for most qualitative business research studies (Eriksson & Kovalainen, 2008).

The second approach that will be evaluated for its appropriateness for this study is the inductive approach. Saunders & Lewis (2012) consider inductive reasoning to focus on broader generalisations and theories through *open-ended and exploratory where the main purpose is theory building"*. Zikmund et al (2013:44) also agree to some extent: *"The logical process of establishing a general proposition on the basis of observation of particular facts"*.

In addition, the understanding of the current context and position of the research area is essential. Saunders & Lewis (2012) suggest that *"with induction the emphasis is on a close understanding of the research context... [and] possesses a more flexible structure to omit changes of research emphasis as the research*

*progresses"* (109). Therefore this approach is known to be a more flexible, as certain aspects and design features may be adapted throughout the research process dependent on the data that is collected to assemble higher quality data in the long run.

After paying attention to both approaches that have been highlighted as possible frameworks for this research to follow, it has been decided that the inductive approach is the most suitable. The main reason for this is due to Zikmund et al (2013) statement that focuses on observation of particular facts through a logical process. This is particularly important when focusing on such a unique industry - sport. As covered in the introduction phase of this research, sport can bring about many different and fascinating results in different circumstances. This is noticeable in North America where sports can be adapted to suit the nature of the nation – fast pace, high scoring and very fan orientated. In addition, the nature of the subject that is being studied needs to be fully understood and then follows data collection through observation and interviews. Following this, the theory can be developed and is commonly referred to as the 'bottom-up' approach. Additionally, this approach works efficiently with the grounded theory and a more interpretivist research philosophy can be utilised.

### **3.3.1 Introduction to Grounded Theory as a Design**

This research will be adopting a grounded theory approach that focuses on building theory as the study develops and collects data. Saunders & Lewis (2012:119) define the theory more thoroughly: *"The grounded theory belongs principally to the inductive approach to research because you develop theory from data generated by series of observations or interviews"*. Eriksson & Kovalainen (2008) also take a similar perspective when defining the theory *"The grounded theory approach is developed for theorising from the data with the help of a highly formalised and descriptive methodology (coding)"*. As both Saunders & Lewis (2012) and Eriksson & Kovalainen (2008) mention, the adaptive process of the grounded theory needs constant attention to developing theory from the data that has been collected. This is otherwise known as an iterative process which is

repeating a process or activity over many attempts in order to improve the result when working to a particular goal or objective. This iterative process is further reiterated by Myers (2013) and believes the grounded theory has a specific approach to theory development and suggests there should be a continuous development through data collection and analysis. As mentioned, the iterative process is adopted in the data collection phase and often works particularly well with the flexible interview technique known as semi-structured interviews. This research will be adopting a semi-structured interview technique allowing questions to be adapted depending on the answers or understanding of the previous participant that in turn should improve the quality of the data that is being collected.

Myers (2013:106) summarises the use of the grounded theory as a design in research. *"The grounded theory is not really designed for hypothesis testing. Rather, the concept and the theory are supposed to emerge from the data".*

Many individuals use the grounded theory in research for its flexibility and the parameters that it uses. More researchers are beginning to use the grounded theory approach during business and management studies.

*"The grounded theory probably represents the most influential general strategy for conducting qualitative data analysis, though how far the approach is followed varies from study to study"*

*(Bryman, 2012:575)*

Eriksson & Kovalainen (2008:154) have a similar opinion: *"The grounded theory approach has wide use and applicability and it has established its position within business studies. Grounded theory refers both to the method and the end result of the research process specific procedures are used in order to develop theory during the research process".* Myers (2013) focuses on the theory's place and emphasizes its use when coding interviews as a way of theory

development. *"Many qualitative studies in business and management use grounded theory solely as a way of coding. As the coding technique grounded theory is certainly very useful"* (Myers, 2013:104). This offers robust support of this theory being applied in this research. Myers (2013) mentions qualitative data and its use when using the grounded theory. Qualitative data is information that is not numerical and has not been calculated, it focuses on data that cannot be measured and describes certain phenomena. This is an aspect that this research will be adopting as it is most suitable when attempting to answer the research question and using along side the selected research methods.

A benefit of the grounded theory is the promise that it will help to develop new concepts and theories of business related issues (Myers, 2013) – providing yet further justification for the use of the approach in this research. Despite the benefits of the grounded theory, such as its flexibility, *"there are practical difficulties with grounded theory. The time taken to transcribe recordings of interviews can make it difficult for researchers, for example, especially when they have tight deadlines"* (Bryman, 2012:574). This is especially relevant for this study due to the time restrictions of this research.

Further concerns regarding the grounded theory are that *"the idea of grounded theory has been targeted to criticism partly because of the intuitivist principal"* (Eriksson & Kovalainen, 2008:155). This is also related to the researcher having underlying beliefs, commonly seen in the adoption of research philosophies. Again, this is supported by Myers (2013:106): *"A grounded theory researcher must be careful to avoid having preconceived theoretical ideas about what he or she might find"*.

In summary of the grounded theory, its credibility is potentially concerning as the researcher or research team must have significant knowledge of their research area. *"It questions the researchers own familiarity with the research topic and setting sufficient data for the claims*

*are made in the research*" (Eriksson & Kovalainen, 2008:170). In addition, the development of the categories that have been formed can be questioned. However, the support in favour of this theory with business and management research is somewhat overwhelming.

### **3.4 Research Design**

As highlighted in earlier sections of this research, there have been suggestions in to the foundations of where this research lies. There has been significant focus on the governance of football on a global scale but more specifically in North America (Major League Soccer) and Europe (English Premier League). Due to the genetic makeup of sport in both continents, there are some significant differences in the way the sport is managed at a professional level, as seen in the first chapter of this research. In particular, the mechanics of each respective revenue sharing model differ and this research will explore further in to the reasons behind these decisions and whether lessons can be learned for named organisations heavily involved in this study. This is the main focus of the study that is reflected in the research question earlier in this study.

#### **3.4.1 Case Study Design**

The use of a case study has been selected for this research, as several similar cases will be observed within the same parameters (Football leagues from different nations). Robson (2002:178) defines case study as *"a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence"*. Robson (2002) mentions the use of 'real

– as highlighted in section 3.3, research design. Major League Soccer will be the researchers primary focus, but a European perspective will also be implemented to offer a form of comparison, both real life contexts with geographical differences.

With a more theoretical approach, Saunders et al (2003:93) focus on the benefits of using case studies in research: *"A simple, well constructed case study can enable you to challenge an existing theory and also provide a source of new hypotheses"*. Due to the lack of existing theory in this specific

area, challenging existing material will be difficult, however the development of new hypotheses and theory will be more realistic and is what the research will aim to do upon its conclusion. The researcher will also have various unanswered questions and queries regarding the research area and can be answered using the concept of case studies. Saunders et al (2009:146) states *“the case study strategy has considerable ability to generate answers to the question ‘why?’ as well as the ‘what?’ and ‘how?’ questions”*. In order to answer these questions proposed by Saunders (2009), the process must be planned logically, as Eisenhardt (1989:534) advises: *“Case studies typically combine data collection methods such as archives, interviews, questionnaires and observations with the data either being qualitative or quantitative”*.

must be selected from the figure below when carrying out an investigation.

This is an unabridged version of the thesis can be found in the Lancaster Library, Coventry University.

***Figure 1 – A diagram to visually display Yin (1994) case study design***

T – single embedded case design.

The adoption of a single-case design is *“to observe and analyse a phenomenon previously inaccessible to scientific investigation”* (Yin, 1994:40). With regards to Yin (1994) statement, it is very difficult to compare M

league, such as the Barclays Premier League. Despite this some aspects

are still comparable. Major League Soccer has previously been inaccessible due to the lack of academic material that has been developed, but with extreme growth in the last decade more material has been published. There is still scope for significant research to be carried out around Major League Soccer in its current state, which is what this research will attempt to do.

On the other hand, the embedded design allows the research to focus on and analyse a number of different units. The careful selection of different case studies within the same parameters will allow for a number of different comparisons to be made by the researcher throughout the research process. In addition, by selecting similar case studies a number of consistent themes should be identified, allowing the reliability, validity and generalisability of the study to be enhanced. However, it is essential to select the case studies that are appropriate and relevant to this research, if they are not a true reflection is not guaranteed.

Due to the specificity of some case studies, they are unable to be generalised to other circumstances in a similar position. Bryman & Bell (2015) put forward evidence that case studies do not consider external validity as much as they possibly should. Additionally, it is not in the research design that generalisations should be made to other cases or other populations beyond that certain case. However, as this research is specific to a certain subject, it gives an extremely detailed insight in to how the selected case functions – a huge positive for using case studies when highlighting a certain subject that needs significant explanation and clarification. When considering using any case study design, it must be kept in mind that there are many different perspectives on the benefits and drawbacks of using case studies. It is also important to remember when case studies should and shouldn't be used depend on the type of research that is being carried out. The researcher must be certain on the approach that they are selecting when using case study design as it must be justifiable and fit in line with the research.

The case study will incorporate two cases in a single embedded case design:

- **The USA's Major League Soccer** – America's professional football league that has experienced vast growth in the previous decade allowing high profile players to participate in the league such as Steven Gerrard, Frank Lampard, David Villa, Andrea Pirlo and Kaka.
- **England's Barclays Premier League** – The most popular professional football league in the world based on viewing figures with some of the most lucrative finances in world football. Many of the world's greatest players and clubs participate in this league.

One key influence that affects the decision making for the selection of leagues is the volume of literature and research that the two leagues were the principal subjects. This allows the research to be positioned correctly when using other studies for support and evaluation.

### 3.4.2 Interview Design

In order to collect data for this study, the researcher will implement parameters in mind, the researcher will carefully select the most appropriate interview method for this study. This research will employ a semi-structured interview design that allows an element of flexibility for the data collection process.

*"In a semi-structured interview, you or the researcher will have a list of topics to be covered and questions to be asked, although the order in which you ask them may vary from interview to interview depending on the responses from the participant"*

(Saunders & Lewis, 2012:151)

Interviews are often built around the type of questions that will be put forward – open or closed questions. Evans et al (2007) simply state closed ques

very straightforward ques

identify missing information, or used when gauging a participants understanding of a certain topic and whether it is understood or not.

On the other hand, Ivey et al (2009:114) state that open questions are *“those that cannot be answered in a few short words, such as yes or no. They encourage others to talk and provide you with maximum information”*. From a researchers point of view, participants are given the freedom to answer your questions with their honest and or open interpretation of the subject that is being proposed, commonly providing the researcher with wider sources of data for research. By using open-ended questions, the researcher is provided with a higher quality source of data, which in turn adds to the quality and validity of the research as a whole. Both Evans et al (2007) and Ivey et al (2009) agree on both the understanding and use of open and closed questions in research. In addition, leading questions can also be a cause of concern of researchers as it is common for researchers to structure a question in a way that results the participant answering in a way the researcher would like, either intentionally or unintent

good for Major League Soccer, why do you think this is. – this is not necessarily the case as the participant may not agree that revenue sharing is good for Major League Soccer, forcing the participant in to giving data that is not 100% reliable or valid.

To build on this, Saunders & Lewis (2012:151-152) also suggest *“you may decide not to ask some of your questions or not to cover one or two topics if they are not relevant to that participant”*. In addition, *“you may also decide to ask additional questions to find out further details, or to explore your*

*objectives in more depth, or, alternatively to check that your understanding of what the participant is telling you is correct".* Bryman (2012:212) further matches the views of Saunders & Lewis (2012) and adds, *"the interviewer usually has some latitude to ask further questions in response to what are seen as significant replies"*.

The interview process was carried out with another researcher who was studying a similar area within the North American sport context. The data collection and analysis processes have been done in coordination with both researchers present to ensure reliability. Reliability can be defined as measurement of internal consistency and a measure is reliable when the same results are gathered after different attempts of the same study (Zikmund et al, 2013). The previous statement fits in with the common mind-set that reliability is directly about the consistency of findings. Additionally, a lack of inter coder reliability is often an issue that arises through the research process and commonly the coding process can initiate complications related to reliability and this will be highlighted in further depth later on in this section.

### **3.4.3 Sampling Methods**

The sampling methods that are employed by an investigation can have different levels of impact on the quality of data that is collected. As the researcher is aiming to collect high quality data from the participants, it is important to focus on those individuals who are relevant and knowledgeable of the subject. This study has an international sporting perspective that requires knowledgeable individuals in order to collect quality data.

The sampling method that this research will use is the convenient method - *"convenience sampling is selecting the sample by including participants who are readily available and who meet the sampling criteria"* (Lewis-Beck et al, 2003:993). Zikmund et al (2012:648) also agree with the previous classification of convenience sampling - *"the sampling procedure of*

*obtaining those people that are most conveniently available*". Bryman (2012:201) further consolidates the understanding of this sampling method and state, *"a convenience sample is one that is simply available to the research by virtue of its accessibility"*. Weathington et al (2012) also echo this belief and explain that the researcher uses particular members of the population who are most accessible. It is clear that convenience sampling is all about the access that is available to the researcher at the time of data collection.

Conversely, an issue with this sampling method is that it is impossible to generalise the findings due to the fact we do not know what population this sample is representative (Bryman, 2012). This means the research may not represent 100% of the population - this is a concept known as generalisability. Generalisability is universally understood in the academic domain and is often defined using similar key words and themes. Gratton & Jones (2010:274) suggest that *"your theory should be able to be applied to other situations"* where as Saunders et al (2009:592) understand that *"the extent to which the findings of a research study are applicable to other settings"*. The main themes and key words in both statements above are as follow ·

standard of generalisability, along with validity and reliability, the higher quality the study.

Further to this, Weathington et al (2012:166) considers *"convenience sampling can bias the results and interpretation of the data"* due to the underlying attitudes that a researcher may have when approaching or developing their research philosophy and design, as mentioned at the beginning of this section. Despite all of this, Weathington et al (2012:166) consider that *"there are times when a convenience sample may be the only realistic sampling strategy"*, but it is essential to investigate other means of sampling before selecting on the most suitable.

Nevertheless, this sampling method is somewhat acceptable for this research as it represents an opportunity that is the most appropriate to this investigation and will provide a foundation for further research (Bryman, 2012). Furthermore, other successful research that has been carried out has used this sampling method. Bryman (2012:202) supports this and states: *“social research is also frequently based on convenience sampling”*. Despite their concerns, Weathington et al (2012) acknowledge that convenience sampling is the most common type of sampling. When investigating a specific research area, it becomes imperative that the correct people are targeted for the purpose of data collection in order to gather the greatest quality of data. Lewis-Beck et al (2003) further believe saturation of sampling may occur during a study where the selected samples are adequate and appropriate, as well as when the study has a narrow focus just like this study.

#### **3.4.4 Approach To Sample Selection**

The approach that the researcher takes to selecting the sample mainly stems from the sampling method that is employed in the research, however there is also a further element to sampling that must be considered – how to select those who ‘  
method. This study focuses on gaining contacts through the researchers professional contacts gained whilst working with a professional football club, located in Europe.

For this study it is essential to select those who have a working knowledge of professional football to a significant extent, especially in Europe and/or North America. Participants should be selected based on the basis that they have worked in the professional football industry within the past five years to ensure the knowledge of the individual is up to date, especially due to the dynamic and every changing environment of the industry. On the other hand, if the selected participants had an older knowledge of the research topic, this may prove that the data collected

would not be valid and have a negative effect on the outcome of the study, especially as Collective Bargaining Agreements can change year to year.

Factors that also need to be catered for by the research include the participants being approachable and contactable via email and/or over the telephone to ensure good recording of the data for the study. The calibre of the participants may also be a challenge to the researcher as it may not be entirely possible to contact those towards the top of organisations hierarchy, such as those involved with the governing bodies UEFA, FIFA or MLS.

Of the four participants that were selected by the researcher, two were selected from a European background, and two from a North American based background. The main reason this was done was to ensure that a balanced level of data was collected from both climates and cultures, allowing validity of the study to increase and also reduce the likelihood of bias in the study. In previous studies the researcher realised it often proves difficult to put forward a balanced analysis whereby one focus group outweighs another. It was also felt by the researcher that a well-rounded study would prevail.

### **3.5 Data Collection and Analysis**

Following the data collection process through semi-structured interviews discussed in the previous section, the data must be analysed to identify themes and collect the vital data for the investigation process. The interview data is analysed through a process called coding and this can be defined as *“rules for interpreting, classifying and recording data into the coding process”* (Zikmund et al, 2013:647). Eriksson & Kovalainen (2008:160) strongly believe that the bond between the theory and coding of data is essential *“the essential element for the grounded theory methodology is the coding process of the data”*. In contrast, Saldana (2012) believes *“coding is just one way of analysing qualitative data, not the way”*. Saldana further advises to be wary of those who solely focus on this

method. When informing further on coding as a process, Saldana (2012) also recommends that data will often have to be recoded for reliability and validity purposes as many researchers don't get co .  
to the qualitative nature of coding and this research, recoding may have to be done several times over, thus increasing the quality of the research as a whole.

Again, the grounded theory research was highlighted previously and is related to a process called open coding and they are descriptive, and categorise, identify and name phenomena found in the text (Myers, 2013). A grounded theory methodological approach suggests a multi-stage coding process – open, axial and selective coding. Open coding allows for codes to be descriptive: categorising, identifying and naming phenomena in the text. Furthermore, Myers (2013:107) states *"open coding involves the analysis of the text and summarising this text by the use of a succinct code"*. Considering the philosophies and approaches that have already been discussed, Saunders & Lewis (2012) focus on the inductive and deductive approaches.

*"If you are using a deductive approach your categories will be based on terms used in the literature, often being drawn from existing theory. In contrast, if you're using an inductive approach your categories will emerge from your data"*

(Saunders & Lewis, 2012:194)

However, there are weaknesses in any coding processes as Eriksson & Kovalainen (2008) state *"the formal coding process and the ways to proceed with data analysis as evoked a lot of criticism from many quantitative method users (e.g. Melia, 1996)"* (157). In addition a criticism of coding is this is related to how and in what way is the researcher arrives at the interpretations made during the qualitative research (Eriksson & Kovalainen, 2008).

Throughout the duration of the research process there are several delays that may be encountered, on many different levels. The major, and most obvious is the lack of immediate access the researcher would have to collect primary data from individuals who hold a significant status, as highlighted earlier in this

chapter. As the research focus lies in the continent of North America, there may also be difficulties travelling due to time and financial restrictions in which case, telephone or video calls may be the next best alternative with time differences being accounted for.

As mentioned previously, the researcher has worked with another professional on this research who is also studying a similar area. Together, both researchers conducted the data collection and analysis process. In turn this contributes to the reliability of the study through what is known as inter coder reliability. Vital to any study where codes are sought, inter coder reliability is the process in which two or more individuals analyse the data and arrive at the same conclusions. In this case, the data from the interviews have been analysed by both researchers involved in the study and the key themes have been highlighted and selected. The outcome of this process therefore adds to the overall quality of the research.

### 3.6 Additional Considerations

#### 3.6.1 Validity

Van der Auwera & Lewis (2012:127) believe that *"research can be affected by different kinds of factors which can render your findings invalid"*. Furthermore, validity can be defined as the extent to which the findings of a study are true and reliable. This is determined by whether the results and also if the findings of the study are really what the concept entails. Earlier on, Bryman & Bell (2015) suggested that case studies do not consider external validity as much as they possibly should, a recurring problem when using case studies for research purposes.

Data collection phases of a study may also throw up validity issues, especially with question structure. In particular, by using open-ended questions, it is believed that better quality data is to be gathered as the participant will be giving their true interpretation of the question rather than the researcher offering a leading question and providing data that may not be 100% sound and valid. Further to the data collection phase

comes the analysis. Earlier, Saldana (2012) commented that researchers don't often get coding correct the first time. Coding can be a very repetitive process and often one that researchers do on many occasions to get the best coding possible that can be essential for later discussions in the research.

### **3.6.2 Reliability**

Alike validity, reliability is also closely related to the data analysis process of coding that is known to be repeated multiple times. With data analysis comes intercoder reliability as mentioned earlier on in chapter three. This is a vital component for reliability as it limits the level of bias in a study if more than one researcher takes part in this stage of the research with more than one perspective being taken on the data, thus improving the quality of the study. To reduce bias in this study, the use of open questions and also to avoid using leading questions, this provides a solid foundation if another researcher wants to repeat the study. Finally, as Zikmund et al (2013) mentioned earlier on in this chapter, reliability is related to the measurement of internal consistency and whether identical or similar results are gathered when the study is replicated.

### **3.6.3 Methodological Considerations**

As with every research there are a variety of aspects on which the researcher would like to repeat to increase the quality of the research, thus improving the quality of understanding in the industry of the selected phenomena. Firstly, given more time to collect further data would have been ideal, however, the low number of participants that have been focused on in this study could well have been increased. Ideally, another six participants would have provided extensive data and would have provided further opportunities to use additional data during the discussion phase of this study. However, in order to still give a balance of both views from Europe and North America, participants would have to have been selected carefully and selectively. As well as providing more data on a level playing field, this would have given the researcher more

time and opportunity to supply in-depth and thorough comparisons between Europe and North America.

### **3.7 Core Coding Themes Collected**

There were several key themes that were identified after analysing the data that the researcher collected from the interviews that were conducted. They are as follows:

- North Americans positive attitude towards revenue sharing
- North Americans keen to discuss and praise competitive balance
- Europeans more reserved towards the concept of competitive balance
- Neither North Americans and European interviewees want to change revenue sharing as a concept
- North Americans knew of the competitive imbalance in European leagues

The themes identified above will help the researcher develop discussion points in the next section.

### **3.8 Chapter Review**

This chapter has discussed the research design of this study and justified decisions made throughout the research process. The following chapter discusses the findings of this study in relation to the research question, aims and objectives and begins to draw on the implications of results.

## **4 Chapter Four – Research Findings**

### **4.1 Chapter Overview**

The fourth chapter investigates the research question in thorough detail and depth. A discussion of the findings of this study has taken place with the researcher beginning to draw on the implications of the results of the investigation process.

### **4.2 Research Findings Introduction**

This chapter relies heavily on building an image and displaying the findings that are a result of the investigation. To begin with, this chapter develops a foundation for the findings to position themselves on – this involves generating a cultural understanding of the two areas in which the case studies from the previous chapter rest. The following section begins to understand how and why Major League Soccer is experiencing such an enormous rate of growth. Next up brings the investigation and analysis in to what are considered to be the key mechanisms of competitive balance with support from earlier sections of this document. As a result of all the previous work in this document up to this point, the final section of this chapter looks at revenue sharing and whether it should change to a more European perspective, or whether it should not – this section relies heavily on primary data collected from participants. The use of primary data gathered during the data collection phase of this research will also be used in order for good practice of validity, generalisability and reliability, of which all three are key to generate reputable research.

This section will portray a wide variety of views that will account for a number of different interpretations and discussions regarding revenue sharing and competitive balance in both North America and Europe. A number of participants share the same views, whilst others contradict one another that give the researcher opportunities to discuss potential reasons behind this.

### 4.3 Understanding the Cultural Situation

In both North America and Europe, culture can vary on a substantial scale that can have significant effects on the make-up of professional sport. In particular, the way a certain sport or league is regarded by the population may influence de

game, competition or league. Over the following paragraphs the researcher will decipher cultural elements of North America and Major League Soccer, as well as Europe and The Premier League.

As previously mentioned in the introduction of this research, it is clear that the methods that are utilised to balance sport competitively are similar to some extent. However, it is the enforcement of these methods and the results that are substantially different, hence the detailed analysis in chapter 1.3 and it is clear in the responses given by participants utilised for this study that will arise later on. Focusing on North American sport initially, there seems to be a unified approach to the league in each sport and the financial state of that league in many occasions' result

Hockey League, being founded in 1917, suggesting certain financial elements must've been managed effec prolonged history of the league. This is also reflected in Major League Soccer as all teams belong to the league with huge opportunities to grow both on an individual scale, and together as one – this is echoed in a statement from a participant who focuses on the unified approach to the league and professional football in North America.

RS2 *“As the teams belong to the league, all the revenues of the league are shared by the teams, giving more opportunities for each teams markets to grow and making investments within the league to benefit all, not just one team”*

It is clear that this approach to sport and Major League Soccer in particular, has bee

this approach seems to be common knowledge to those involved with the league on a daily basis that has seen the sport grow at a tremendous rate. Major League Soccer also employs an attitude whereby investment into the league as a whole

is essential. The way in which this is carried out is through the Collective Bargaining Agreement that is agreed and reviewed on a four-year cycle basis, as mentioned in section 2.4.1. However, this is uniformed behaviour throughout the major leagues of North America and is not unique to Major League Soccer. As previously discussed, NHLPA (2014) defined what the collective bargaining agreements included and the overwhelming importance of having this measure in place within North American sport. Overall, it is understood that in North American sport that the concept of collective bargaining agreements are the most financially viable mechanism that can be implemented in to professional sport on a vast scale.

RS1 *“So, there is a salary cap in the CBA agreement that they felt was a good financially viable model. The league also pays the majority of the salaries”*

RS1 *“The league will pay his salary to a certain amount”* – A participants comments on Steven Gerrard’s move to LA Galax .

The statements from RS1 above show undisputed evidence for the support of the financial state of North American sport and the help that is provided by the governing body of the league. On the other hand, it would be an interesting situation if the European football leagues and governing bodies were to provide European clubs with financial support for the wages of playing staff. This suggests that the European leagues are not set up in a way that Major League Soccer is as there is an increased focus in to investment in to the league as a whole, not just the successful teams in the league.

With the data that has been collected through interviews with participants for this study, there is a collective understanding that North American sport and Major League Soccer in particular, has an unwritten rule and mentality that the sport is very much focused on as a single unit. In section 2.4.1, Madland & Bunker (2010) stated *“through collective bargaining agreements and strong league institutions, the NFL boasts a system that creates wealth for all of its owners and players”*, this further demonstrates the fact that Major League Soccer see

themselves as a collective unit and working together to produce positive results for all involved. This stems from the approach to finance in Major League Soccer, touched on in the previous paragraph.

RS1 *“You’ve got some great ownership groups with some deep pockets, with knowledge and resources who make really large investments to really grow the sport in the right way”*

RS1 *“The league will take its baby steps and grow the league strategically and make sure it fits with the long term vision and being in the right markets that can be successful”*

The understanding of RS1 from a North American perspective of the league progressing as a collective unit could not be clearer. From the two statements above, there is no hesitation to think about what the league do and why they make the choice they do towards the growth of Major League Soccer as a whole. Again, in section 2.4.1, it is understood by the researcher that collective bargaining agreements have done a good job by carrying the North American sports forward resulting in substantial growth.

On the other hand, many of the participants seem to agree that European sport and football has a distinctively different attitude. A vital cog in the governance of European football is UEFA, and its pressure to provide the most glamorous football and deliver what is argued to be the highest quality football around the globe. This is potentially an underlying pressure on UEFA who are responsible for managing the finance of European football. As mentioned in section 1.3.2, the Financial Fair Play Regulations are a mechanism that attempts to handle the finances in Europe. Despite this, there are many teams already well financially established and there are clear questions of a competitive imbalance between all teams in the Premier League for example. This generates further speculation that only several teams are almost made a priority over other clubs, purely because they provide more success on behalf of UEFA. This statement is supported by

RS2 below by the suggestion that larger teams with a higher turnover and fan base are a priority for organisations, such as UEFA.

RS2 *“Power in three or four teams of each league, especially in Spain and England”*

The Premier League does not currently operate a revenue sharing system to the extent that Major League Soccer does. Working on the foundation of Kesenne (2015) statement that revenue sharing brings about a more efficient allocation of playing talent, this is potentially accurate when analyzing the Premier League. As mentioned in the earlier stages of this study, teams in the Premier League often record a profit and some are very healthy profits. On the other hand, Major League Soccer operates slightly differently with a revenue sharing system in place that allows a more balanced level of playing talent, which is arguably the case in North America. Despite this, the profitability of the league and those teams within, only 52% of teams actually made a profit in 2014, suggesting a lower total revenue for Major League Soccer and lower than the Premier League.

The total revenue of the Premier League is somewhat more substantial when compared to Major League Soccer. This supports Kesenne (2015) statement relating to the total revenue of the league and its overall quality; again this somewhat supports the Premier League. However, this is still an extremely subjective area for the researcher to touch on, therefore only limited conclusions can be made with little support.

As mentioned at the beginning of this section, understanding the culture of where both case studies lie is extremely vital in generating an accurate outcome to this study. In turn, this helps the researcher and industry professionals to understand the context of the study and allow developments to take place in the forthcoming sections. It is important for researchers and academics alike to understand that culture differences can influence the decisions that are made by governing bodies of leagues in sport as outcomes may depend heavily on the cultural situation.

#### 4.4 The Growth Of Major League Soccer

In 2015, East (2015) reported that shirt sponsorship deals for the 2014/15 season in Major League Soccer generated approximately \$3 million more compared to the Dutch Eredivisie – circa \$50 million. When looking further in to the landscape of shirt sponsorship in professional football and Major League Soccer in particular, Houston Dynamo signed a deal in 2007 with Amigo Energy for \$7.5 million over a four-year deal. More recently in 2010, the franchise signed an extension on the deal for \$12.7 million, approximately a 70% increase in just three years. This emphasises the growth in the shirt sponsorship aspect of Major League Soccer amongst other growths. In order to offer a comparison of shirt sponsors

League, Manchester United signed a four-year deal with AIG an American insurance firm, for approximately £56 million. Concluding the deal with AIG, AON a financial firm, signed a deal for £80 million with the club. This calculates to a 42% increase that is significantly lower when compared with Houston Dynamo, however a vast difference in the amount of the two deals is noticeable.

Despite the growth in the shirt sponsorship area of professional football explained above by the researcher, franchises of Major League Soccer are viewed to be of equal size in order to maintain competitiveness in the league. As anticipated, this fits in with the culture of the continent and nation, unlike Europe as RS2 states below.

RS2 *“I think its severely lacking in comparison to MLS. In Europe the competition is not balanced because it depends on a lot on the money each team has to buy players and in every league there are big teams and small teams competing, something which doesn’t exist in MLS. Most teams are of similar size”*

RS2 also brings in the question of the size of a team or franchise in the culture that it operates. In Europe, the size of a team can vary massively to one another in one individual league. For example, in the Barclays Premier League where relegation and promotion to and from the second level of English football occurs,

Manchester United or Chelsea will be larger in almost every aspect of the club when compared to the likes of Norwich City or AFC Bournemouth, both promoted in 2015. Aspects that could potentially be compared can range from; the capacity of the stadium, financial turnover, wage budget, or even the number of trophies won on a domestic or international scale. All of the above may have some sort of influence on the competitive balance within a league – just as RS2 mentions. In contrast, it can be argued that the size of a franchise in Major League Soccer is a lot more consistent, or a lot closer when comparing the competitive balance due to measures taken in professional North American sport as discussed in section 1.3 and also in the cultural situation discussed earlier in this chapter.

When investigating the size of clubs in England in comparison to North America, there is further support from a participant in this study who focuses on late history in English football with success from a team on both a domestic and international scale. Nottingham Forest won the first division and in the following two seasons won the European Cup – a great achievement for what is considered a smaller team and today are in the second tier of English football. This is reflected in the statement below from RS3.

RS3 *“Back in the era when you had a small Midlands club, Nottingham Forest, who actually won the league and then follow that with two major European cups will probably never be repeated, ever!”*

Another aspect that has already been briefly touched on in this document is the lure for top quality professionals to come and play in the league. There has already been some debate to the genuine reason for these players to sign for a Major League Soccer franchise. Common justifications from many suggest it is one of two reasons - whether it is the growth of the league and the fact it is becoming on a major force in world football, or to simply for a significant financial reward for the individual player. Players such as Kaka, David Villa, Frank Lampard, Steven Gerrard and Andrea Pirlo have recently joined the league and are considered to be top quality professionals and have been at the top of

the industry at some point during their long and successful careers in Europe. Regardless of the reason that the players are accepting offers to play in the fast-growing Major League Soccer, it is attracting a noteworthy following of Major League Soccer as a whole, or to individual fan bases of participating franchises. Either way, the outcome for Major League Soccer as a whole is being exposed to huge benefits on a financial scale and potentially a vital factor in to the growth we are seeing in the league today. With the leagues financial state improving through higher attendances or shirt sales for example, some have suggested a slight change to the structure and in particular, the salary cap. For example, a RS2 suggests below that the salary cap should be increased to encourage higher quality players to Major League Soccer.

RS2 *“I think the salary cap should be higher and the players need to have a bigger share of that money. As a result, it would be possible to see more foreign players of a high quality in the league. Look at the likes of Gerrard and Lampard, I would like to see players of this calibre going to play in MLS”*

Section 4.4 looks intensely in to the growth of Major League Soccer and its potential affects on the mechanics of the league, especially revenue sharing or where finances are involved. Throughout this document, there are constant comparisons between European and North American contexts with this section being no different. By the researcher examining and understanding the recent growth of Major League Soccer, it allows relevant and realistic comparisons to be made to some extent. With the support and understanding of some knowledgeable participants who are extremely familiar with the growth of Major League Soccer, it allows the study to be put in to comprehensive context.

#### **4.5 Mechanisms Working In-Sync**

It is known that North American competitive balance is made up of three main mechanisms – revenue sharing, draft system and salary cap. Competitive balance in North America would potentially be under scrutiny if one mechanism function as intended. This poses a controversial question: Do all three mechanisms need to be in place for the optimum level of competitive balance in

Major League Soccer? This will not answer the research question, but may give the researcher some degree of understanding when forming an argument when suggesting potential solutions to answer the research question. This section will decipher the three mechanisms and their obvious links to one another with competitive balance as the prime objective.

#### 4.5.1 The Draft System

In terms of being associated and working in coordination with other competitive balancing mechanisms, the Draft System is arguably the element that almost sits alone and works independently. Section 1.3.1 identified that the growth and popularity of the draft system is overall successful and is reflected in a statement from Gagnon (2013). The draft system, again in section 1.3.1, focuses on the fair distribution of playing talent within the North American leagues and Major League Soccer. Many understand the element of the draft system and can describe how the system works in a basic format when compared to describing the process of revenue sharing for example. Due to the nature of the research process and coordinating interviews with a fellow researcher, certain elements of this research share an extremely similar focus.

RS1 *“The draft itself is made up of two days, where the first day has two rounds, each club has their picks that they make, and then there’s an additional two rounds whatever players don’t get drafted again you can find as a free agent”*

RS1 *“The draft is just one of the platforms and ways that clearly MLS clubs are able to get talent, but I think you are seeing a lot more recruiting that is taking place round the world to try to tap into talent pools elsewhere”*

As mentioned in the previous passage, many understand the basics of the draft system and when interviewed display knowledge that it has a significant role to play for competitive balance.

The effectiveness of revenue sharing as a mechanism is slightly questionable and how much impact revenue sharing has on Major League Soccer. A possible explanation into the reasoning behind the draft system being more recognised is due to the commercial element of the draft. The National Football League in North America hosts an internationally televised event that is immensely popular among sport fans. One participant when asked about the draft system produced the following:

RS1 *“The draft itself is televised just on the first day and the first round, I don’t think they do the second round. There is some different networks that are picked up, but it isn’t as if ESPN are broadcasting it”*

This provides substantial support that the commercialisation of the draft process in Major League Soccer is more popular when compared to another element – revenue sharing. Not only is the draft process and event popular among Major League Soccer fans, the NFL draft is an annual event that is televised over a number of days, with phenomenal viewing figures. In addition, the introduction of the National Football League Scouting Combine being televised first in 2004 has further commercialised and increased awareness of the draft system as a whole on a multi-sport basis in North America.

#### **4.5.2 The Salary Cap**

The salary cap element of mechanisms that contribute to competitive balance is indisputably associated to revenue sharing, where this research focuses. A small number of the participants when asked about revenue sharing quickly began referring to the salary cap, which further emphasises the already well-known link between the two elements.

Interviewer *"So what do you consider the main mechanisms are for competitive balance in US sport?"*

RS1 *"...the reason why I think the league has been able to grow is because of the salary cap. So, there is a salary cap in the CBA agreement that they felt was a good financially viable model"*

RS1 primarily considers the salary cap as the most significant element of competitive balance that has allowed the league to grow. This is also supplemented by the element of financial support and the use of collective bargaining agreement – revenue sharing clearly has a part to play in competitive balance, especially where finances are involved. Additionally, RS4 suggests that the salary cap has a key role to play when looking at the sponsorship revenue that is collected and generated by franchises. This all but confirms the link between the salary cap and revenue sharing with the short and simple statement below.

RS4 *"The salary cap provides a degree of balance in coordination with the sharing of central sponsorship revenues"*

#### **4.5.3 Revenue Sharing**

After looking at both the draft system and the salary cap as elements of competitive balance in Major League Soccer, the final element to study is revenue sharing. Throughout the entire research process there has been a significant thread of the management of finance in Major League Soccer, and this was also apparent when collecting data from participants. Without doubt, many professional sport industries rely heavily on financial management in order to succeed and grow, and Major League Soccer is no different, but the method in which it is managed does vary (Section 1.3.1).

Under the more recent collective bargaining agreements, many believe that revenue sharing is very simple, yet effective in order to benefit both the league and the franchises. The strict financial discipline of North American sports leagues has the potential for a successful sporting business model, thus allowing sports to thrive. In particular, one participant noted that the previous professional soccer league in North America was not remotely as disciplined financially, despite being over 30 years ago in 1984.

RS3 *“This also allows the franchises to have a strong financial discipline that had not been present during the previous professional soccer league in the USA, the NASL”*

RS3 *“The MLS model empowers its members Club’s to operate a self-sustainable business model through fair revenue sharing practices and cost controls in the labour space. MLS is operating a version of the UEFA Financial Fair Play model”*

RS3 also suggests that the strong financial discipline that is encouraged through the collective bargaining agreements by the league, players and franchises as explained in section 1.3.1, gives the franchises more freedom and financial flexibility. The participant also discusses and recognises the fact that UEFA are operating a financially binding agreement – the only participant that actually recognised the Financial Fair Play Regulations. The financial flexibility in Major League Soccer is provided by the factor of local revenue opportunities to grow the franchises commercial space – this will be elaborated on further in to this discussion.

RS3 *“Clubs are beginning to retain more commercial revenues on a local level than ever before. The current league commercial guidelines offer both the league and its member Clubs significant opportunities to grow its commercial revenue and income”*

RS1 *“Multi-billion dollars that are going to back to the leagues which then at that point teams within those leagues are getting a percentage of that money, which obviously is a critical revenue stream and resource for them to be able to be successful and run their businesses, and do what is necessary”*

In chapter one Zegers (2014) brings the factor of local revenue distribution to the discussion when talking about MLB, and how they deal with the division of local revenues. This highlights the fact that not all professional North American sports operate in the same or similar manner, despite all having very similar aims and objectives on a commercial level. We know that some North American sports are more profitable and lucrative compared to others due to the format of games – for example the high quantity of MLB games that are televised and played throughout a season. When comparing MLB to Major League Soccer, there are a smaller number of games in the football season, suggesting the game time and commercial exposure should be of a higher commercial value to sponsoring businesses. In addition, the level of gate attendances can also play a part in the revenue sharing system of Major League Soccer and other North American sports. RS1 begins to highlight how complex revenue sharing can be from sport to sport and what support is provided by soccer’s M .

RS1 *‘...I touched on ticket sales and revenues that are generated there. The club level, a percentage of that goes back to the league, there is also some commercial and sponsorship rights, but again the league also picks up various operating expenses...Like I said on the revenue side you know you have got money that is coming and going”*

Moreover, RS4 shows a significant level of knowledge regarding the revenue sharing situation and circumstances in Major League Soccer. As explained in the previous passage above with the reference to MLB, every

sport in North America handles their collective bargaining issues separately, but all with a common goal – a competitive balance. RS4 raises the point that clubs or franchises agree their own shirt sponsorship at a taxable rate. However, where local sponsorship revenues are concerned tax will be at a lower rate or almost 0%, possibly due to the almost insignificant values of the local sponsorship revenues compared to the far superior value of a shirt sponsorship deal.

RS4 *“MLS has a central sponsorship and broadcast rights strategy creating a shared revenue model. Clubs can, subject to deductions such a tax on a shirt sponsorship, can sell their own local sponsorships”*

Earlier in this section, the researcher briefly touched upon a comparison with European football, and there are a small number of additional discussion points. It must be noted that although the participants were not directly asked about European football in some questions and its approach to competitive balance, there was only one reference made between Major League Soccer and European football. When prompted to discuss European football further, there were some interesting statements. RS3 commented on how many decisions are influenced by some of the larger clubs in European football controlled by UEFA, dependent on the clubs turnover or perceived popularity.

RS3 *“I also think too many decisions are based on the size of a clubs fan base which in turn drives European, international and overseas TV contracts”*

The researcher considers that the statement made by RS3 above is related to the lucrative competition which is the UEFA Champions League that is held annually

to compete for the desirable title. This can be supported by the prize money gathered by the winners of the tournament in 2015, Barcelona

collected €50 million (\$64.4 million/£40.6 million) according to Total Sportek2 (2015). In addition Total Sportek2 (2015) also found clubs who enter the UEFA Champions League during the group stage of the competition collected €9.4 million (\$12.1 million/£7.6 million), rising to €12.1 million (\$15.6 million/£9.9 million) for the 2015/16 season. These values are almost equal to, or more than some franchise TV sponsorship deals in Major League Soccer, as discussed with Houston Dynamo earlier. This allows clubs that know they will be guaranteed a place in the group stages of the competition some form of prize money that therefore contributes to their revenue for the season – creating some form of competitive imbalance on a domestic scale. RS1 appreciates that every league operated differently and how revenue sharing can change, however TV rights and prize money are almost 100% guaranteed every season.

RS1 *“Every league is different regarding the makeup of how the revenue share works, regarding how those revenues and expenses are shared or are rolled through one another, you know so the one consistent thing is when it comes to the TV broadcast rights and prize money”*

Further comments were made on revenue sharing in European football when RS4 was asked if they think European football is competitively balanced. The response was:

RS4 *“Well, I think it's competitive, but not entirely balanced. You only have to look at the TV revenues of Premier League clubs of any stature against the Championship clubs to see just one example of a lack of competitive balance... Its best illustrated when parachute payments are compared to the revenues of non-parachute payment clubs in the Championship. Its very easy to see the difference on that side of things, but not so much when teams get relegated from the Premier League they aren't guaranteed to jump straight back up, look at Wolves and*

*Wigan they've both recently been in League one, but Norwich have most recently jumped straight back up"*

RS4's statement above not only touches on the revenue and aspects of both the Premier League and the second tier of English football, the Championship. Moreover the participant also mentions the promotion and relegation system – something that is not present in North American professional sport. This factor alone provides huge elements of doubt that competitive balancing mechanisms, such as revenue sharing are unable to cross-pollinate from Europe to North America. However, it does pose the question – can Major League Soccer learn anything from revenue sharing in Europe?

#### **4.6 Revenue Sharing – Does It Need To Change?**

After analysing each of the three elements that are considered to be a part of competitive balance, and their relation and importance to contribute to the competitive makeup of Major League Soccer, this section will directly consider the research question and begin to tie together substantial evidence for the forthcoming chapter. It must be remembered that the research question refers to whether Major League Soccer should take a more European approach, not to change or adapt the North American current system for improvements that do not occur in European football.

##### **4.6.1 No Change?**

To begin with, the researcher will look at a response made regarding the structure of the league and its impact on revenue sharing in Major League Soccer. As we all know, Major League Soccer does not employ a promotion and relegation concept that can potentially affect the level of competitive balance in a league. For example, the European leagues employ promotion and relegation, and have a complete different attitude to competitive balance. RS4 comments that the leagues structure allows the league to grow and develop – as seen in section 4.4. It allows room for growth, especially when the number of franchises has vastly grown over the past 10 or so seasons.

RS1 *“I like where it is at, I like the structure of the league. I mean again I think it’s a model that has been able to grow and I think it has been a viable business model so I wouldn’t change it”*

Earlier in this document, the researcher investigated the current state of revenue sharing as a whole over many different sports and found it is generally well received. Not only this, it can also claim a certain degree of success that contributes to competitive balance in North American sports, including Major League Soccer. RS1 brings up a valid and noteworthy point that is surrounded by the well-known and popular phrase: *‘if it ain’t broke, don’t fix it’*. RS3 also firmly states that no change is necessary with little further explanation. When looked at as a whole, the league operates efficiently to some extent and things seem to run relatively smoothly in what could be a potentially volatile

professional sporting world. This point also takes in to account the fact that the two leading leagues of Major League Soccer operate on both a parallel basis – the Eastern and Western conferences.

RS1 *“You know are there some tweaks here and there, some smaller things, yeah maybe, but I mean all in all when you take a look at the big picture, you know why change things up if it its working?”*

RS3 *“No, the current MLS model works! No change is necessary in my opinion”*

RS1 later makes further remarks that support the general thread and views that the participant considers accurate. The participant was questioned on the long-term sustainability of the current system in Major League Soccer, especially with more and more teams being potentially added to both the Eastern and Western conferences in the coming years. The participant also refers to the early stages of development of the leagues structure pre-2000’s whereby owners of franc

correct views and attitudes of where the league needs to position themselves for the coming years, especially in the position of where the league is today. The impression that was gathered by the researcher is that new owners of the new franchises that are being installed in to Major League Soccer over the next few years need to have the same, or similar mind set to the league as a whole to allow future growth. This future growth and evolution of the league is an issue that is on the agenda of all those involved with Major League Soccer.

RS1 *“You know the model that is setup has been working, it worked when the league was new, you know when there was a limited number of teams back then, to where it is at today and getting the right owners and being in the right markets has been critical to the success that the league has had, and as the evolution of Major League Soccer and the growth of it is continuing to improve”*

With reference of this particular area to European football or Premier League football, all teams who wish to become a part of the top division (s) must work through the substantial and comprehensive non-league structure. In England the non-league structure is somewhat overwhelming and would take a huge time and financial dedications to even be anywhere near the heights of the Premier League. On the other hand, Major League Soccer has only one level of professional football so it is more straightforward to enter in to the professional leagues – presumably once all applications and criteria are met. Thus this area is very difficult to compare between European football and Major League Soccer.

When looking at closing the arguments for not changing the revenue sharing concept in Major League Soccer, RS4 brings this section to a justified close. The participant states that Major League Soccer is currently in a strong position and progresses year on year. Not only the value of certain sponsorship deals has increased, as discussed earlier in

chapter four, RS4 brings in the fact that attendances at Major League Soccer games have increased rapidly compared to seven or eight years ago. The interest and exposure of the league increases with these higher attendances, as does the turnover of the franchises and the league. Despite this vast increase, the league and those involved have still managed to maintain the competitive balance to a reasonable and effective level that still upholds interest in the league and attracts new supporters, generating growth.

RS4 *“The MLS is currently in a strong position all round, and its only improving year on year – look at the viewing figures and interest in the league now, compared to seven or eight years ago. It’s changed massively! At the moment there is a high degree of parity ensuring the collective remains as solvent as possible, so all teams are almost equal”*

Again, when comparing to European football and Premier League football in particular, this is very difficult for the researcher to compare. Due to the extreme growth rates of Major League Soccer in recent years, it would be unrealistic to compare the two, however this is not to say that the Premier League is not growing – as it most definitely is, just not at the rate Major League Soccer is. As discussed in previous chapters, the Premier League and European football are far superior on many levels – take a look at the levels of prize money as touched on in section 4.5. With the Premier League television rights deal that kicks in at the beginning of the 2016/17 season, where growth of the league is expected to grow immensely again, the researcher would suggest that Major League Soccer keeps a keen eye on the effects the injection of funds has on the league and its mechanics. It would not be surprising to see Major League Soccer grow at a similar rate in the coming years and there may be potential lessons to be learnt for the league.

#### 4.6.2 Change?

As stated in section 1.5, it is understood that all three competitive balance mechanisms work together resulting in the optimum level of competitive balance. Section 1.5 began the formation of the argument that all three mechanisms need to work individually, as well as together. This leads to the following statement – If the mechanics of revenue sharing change, there must be some alteration to the draft system and salary cap also, almost fine tuning of each element.

Changes to the revenue sharing system, and in particular the way local revenues are distributed, there may be a need to change for the other mechanisms. Local revenues are often retained by Major League Soccer franchises in order to meet sufficient profitability levels for what is at the end of the day, a business. Some of the larger franchises, such as Seattle Sounders generate vast levels of revenue of which the majority is shared among Major League Soccer's franchises. Seattle Sounders will have larger local revenue streams than others, such as DC United. This larger revenue stream from local revenues may potentially come due to the interest in football as a sport, or the franchise most popular in the area – otherwise known as commercialisation in its most developed form. This can be seen in the English Premier League where clubs retain their local revenues and shirt sponsorship deals that are commonly in the millions of pounds. In turn, this would allow Seattle Sounders to have a higher salary cap compared to DC United. In the short-term, the competitiveness gap between the two franchises will not widen significantly to notice, however in the long-term, an unwanted gap in competitiveness will begin to form, as seen in the English Premier League and the well renowned 'top clubs'. However, this is presuming that higher wages increase the ability to attract higher quality players, such as Clint Dempsey of the Seattle Sounders. Despite this, RS3 states that:

RS3 *"I think it's effective and has fair levels of distribution in its current form"*

With the talent and skill level that is on show in the Premier League, it is clear it is among the top leagues in the world for a product that is offered, especially with the larger teams, such as Manchester City, Arsenal, Chelsea and Manchester United, recruiting the worlds top talent every transfer window. This is almost what makes the league what it is and provides an identity that is known to many as the most watched league in the world. This is an aspect that Major League Soccer can potentially compete with European football in the coming years, especially with the financial solidarity of the league improving. Furthermore, the league can also learn a few lessons from the top European Leagues as world-class players ultimately provide the leagues product on the pitch, and also what sells tickets to the public. However, as Major League Soccer is still relatively young and financially stable, it may be worth implementing changes to the salary cap mechanism slowly, as a large increase to players' wages will more than likely prove financially inefficient.

Changes in the revenue sharing system, such as the above, may form friction on other mechanisms, such as the salary cap. This may result in essential changes being made to the mechanics of the salary cap. Changes have previously happened in former Collective Bargaining Agreements with fine-tuning taking place, due to the natural development and growth of Major League Soccer and football as a sport in North America. Two changes in particular; the percentage of revenue that is distributed equally to the franchises and the league, and the second is the vast increase in the salary cap threshold – being increased to attract more high profile professionals. However, these changes have been made for natural reasons, such as the sports growth and not to benefit the franchises as a business, something seen in the English Premier League. This is reflected in the statement below from RS1:

RS1 *“So there will be changes and there will be those key critical issues that will be addressed, and they will come up with a solution that*

*works for both sides. If we don't make those changes, you could potentially impact the ability to get the top talent from around the world to come over and play here, because they are going to feel like there are limited resources"*

In contrast, clubs in the Premier League are not publically encouraged by the league to operate as efficient businesses, as it is almost a given. However it is considered by many, and even the researcher that the leagues image is the most important. This is for the Premier League to display an irresistible product through high league attendances and offer fantastic atmospheres at fixtures. This is the complete opposite to what appears to be instilled in Major League Soccer owners and the hierarchy.

Furthermore, RS1's pre supports decisions based around revenue sharing and the Collective Bargaining Agreement of Major League Soccer are based on what is best for both parties – the franchises and the leagu

the fact that a smaller wage in Major League Soccer may not be as attractive as elsewhere, despite the growth and ever improving quality of football. There has been huge debate in to the genuine reasons why players such as Steven Gerrard have the desire to play Major League Soccer – the quality, or the money? Many suggest the latter, including Awosiyon (2015) *"He (Gerrard) is just coming to MLS for a big family vacation and a huge payday"*. This is reflected from the data collected by the researcher from RS1 who agrees that players often join Major League Soccer for a 'payday :

RS1 *"I think the perception originally started to happen years ago was that it was players that were kinda at the tail end of their career, and wanted to come over to the United States for them to be able to get paid well for the success that they had previously earlier in their careers"*

To further add to the discussion, players who have previously had huge success at larger European clubs are often targeted to join the rapidly growing league. RS2 (below) believes that there should be potential changes to the salary cap, resulting in changes to the way revenue sharing is calculated. As mentioned earlier in chapter four, if one element of competitive balance were to change, there may be scope to change or make slight changes to the other elements, purely because they all work in coordination.

RS2 *“I think the salary cap should be higher and the players need to have a bigger share of that money. As a result, it would be possible to see more foreign players of a high quality in the league. Look at the likes of Gerrard and Lampard; I would like to see players of this calibre going to play in MLS”.*

Another discussion point that was raised by one of the participants was the operation whereby the franchises agree their own kit manufactures – or the fact they don’

giants, adidas, who primarily focus on football in Europe, would manufacture all kits for Major League Soccer franchises through till 2018. RS4 suggests that franchises should be offered more flexibility in arranging and agreeing their own kit manufacturing deals, rather than having a central kit supplier in the form of adidas. However, this contradicts the culture that is instilled in those associated with Major League Soccer that all franchises should be treated as equal. Furthermore t

profitable franchises as they could potentially generate more of a financial gain compared to others, as discussed at the beginning of this section.

RS4 *“I personally think its effective to a degree – ensuring smaller franchises, receive support from the larger markets, but I would allow clubs more flexibility. More flexibility in the sense of securing their own*

*kit deals and manufactures, rather than having one central kit supplier – which is currently adidas till 2018”*

Where as in European football and the Barclays Premier League, clubs are completely free to do as the please with regards to kit manufactures. This may potentially be down to the powers of the larger clubs who bring in significantly more revenue compared to the smaller clubs, for example a

Bournemouth’s deal

Soccer, where a deal with a sportswear brand has been agreed from the outset or very near to the start of the leagues formation, the Barclays Premier League has given clubs complete freedom since the inception of the Premier League in 1992. This offers two completely different instances in to the agreement of kit manufactures for competing clubs, potentially where cultural factors have a part to play – more so in North America.

Further on in the interview with RS4, the participant brings up what is believed to be an ‘outstan

ajor

League Soccer that is understandable. The fact that all franchises regardless of the size must contribute their revenue to the league, only be shared with their rivals is potentially perplexing. Although this is impossible to avoid, some franchises may have a better internal system in place, or be more attractive when purchasing or persuading new players to join their franchise over another. However, this view may prove difficult to find any form of evidence and it is very subjective and requires further investigation. Overall, the researcher believes that the point that the participant puts forward is not something that can be changed without some overwhelming adjustments to the system that will not come in the near future, especially with the growth rates that are currently occurring.

RS4 *“Despite the positive, there is also one outstanding weakness in my eyes. The franchises see discouraged from driving their businesses harder as the benefits must be shared with their rivals – not always a good thing. This is something that could possibly be changed, but I’m not 100% sure on the way to go about it”*

#### **4.7 Chapter Review**

This chapter has gathered together the research findings for the specified research question through investigation of many aspects and is a crucial phase in this study. The next chapter will focus on bringing the study to a close with a selection of recommendations and closing comments.

## 5 Chapter Five - Conclusions & Recommendations

### 5.1 Chapter Overview

Chapter five brings the study to its close with concluding statements being made on the findings established in chapter four. Following this, a variety of recommendations and proposals will be offered in response to the research question, as well as how this research has contributed to academic knowledge.

### 5.2 Researchers Conclusions

When looking at the growth rates of both Major League Soccer and the English Premier League, it has been suggested that Major League Soccer is growing at a greater pace compared to the highest English league. However, this is not based on a revenue perspective due to the enormous TV rights deal coming in to play for the 2016/17 season in the Premier League. In addition this research has understood the position of the English Premier League – it is exceptionally established on the world football scene. Due to both leagues being in very different positions in terms of growth and how established they are, the researcher has found it difficult to find strategies that are in place in Europe that can be transferred appropriately to North America. This is not to say that in the future, when, or if, Major League Soccer gets to a well-established form in world football that strategies that are in place in Europe can be transferred to North America. When looking at growth and how well established a league is, this could potentially be re-visited in the near future.

Regarding the importance of revenue sharing to Major League Soccer, the researcher found that it is essential to the make up of the sport. This is an exact copy of what many academics state in chapter two. One of the most clear and concise comes from Runkel (2011):

*“Among the instruments that aim at improving competitive balance, revenue sharing mechanisms are perhaps the most prominent ones”*

Runkel (2011:256)

This is in line and follows the researchers results for how valuable revenue sharing as a concept is to North American sport and Major League Soccer. During chapter two, the researcher also mentioned the lack of support for use of revenue sharing in professional sport. The researcher believes this study has begun to strengthen the academic understanding of revenue sharing in Major League Soccer. Furthermore, the participants that took part in this study echoed the importance of revenue sharing and support Runkel's (2011) statement above. In particular, RS3 who compared the current state of revenue sharing to that of the previous professional soccer league.

RS3     *"This also allows the franchises to have a strong financial discipline that had not been present during the previous professional soccer league in the USA, the NASL"*

Another interesting factor when looking whether Major League Soccer can learn anything from European football and the English Premier League, is the cultural differences, as investigated in section 4.3. In this section, the researcher found that both North America and Europe operate at almost complete opposite ends of the spectrum. To recap, North America has several mechanisms in place to maintain competitive balance as they view a balance as essential in professional sport that maintains fan interest. On the flip side, in Europe competitive balance is not as highly valued and is easily explained by the existence of the dominant six sides in the English Premier League. The researcher found for this straightforward reason it would prove extremely difficult to transfer mechanisms that are in place that maintain competitive balance and keep fair levels of revenue sharing to either region.

A further point to be made on the cultural differences in both regions is the organisation of professional sports and how they are designed, particularly in North America. One of the more obvious differences is the non-existence of a promotion and relegation system in North American sports, not just in Major League Soccer but also in MLB, NBA, NHL and NFL. Whether the incorporation of

the promotion and relegation system has a positive or negative effect on revenue sharing, it is important to note that each context is approached differently. For example, as mentioned in section 4.3, the difference in Europe and English football in particular is gigantic. The value of the Premier League to clubs who aspire to reach the pinnacle of English football has enormous financial benefits; hence the English Championship play-off final is known as the most expensive game in football, purely for the financial benefit the winners receive. As a result of this investigation, the researcher stresses that before any proposals are made for changes to revenue sharing, the cultural position of any league must be 100% understood.

As RS1 mentioned during the data collection phase of this research, there are a number of new franchises that have been confirmed for expansion of Major League Soccer. Atlanta and Los Angeles, confirmed for 2017 and 2018 respectively, will expand Major League Soccer to 22 franchises. There have also been franchises confirmed, but no dates set in for franchises in Minnesota and Miami, taking the count to 24. Don Garber, the leagues commissioner believes that the league is almost at its limit for the number of franchises competing and states *"30 seems like too many"* Garber (via Prince-Wright, 2013). This suggests that the league is verging on its limit for franchises and further growth for the league will have to come from the existing teams in the league – something that would be more than feasible.

Following the investigation, the researcher firmly believes that the concept of revenue sharing should stay the same with Major League Soccer in its current state – steady growth and expansion. Despite this, when the league becomes larger than its current state, the researcher believes that certain aspects of the leagues makeup have potential to be altered to drive further growth and become a leader in world football and a leading sport in North America. They will be discussed in the following section in depth.

### 5.3 Recommendations & Proposals

Throughout this research, there have been several thought generating proposals regarding the future of Major League Soccer and its revenue sharing structure. The following section will highlight the main recommendations and proposals that the researcher has generated through the investigation until this point. Each suggestion that is put forward by the researcher will be evaluated in terms of its positives and drawbacks on Major League Soccer.

To begin with, the first recommendation would be to alter the limit in the salary cap. The researcher understands that this recommendation is not directly regarding revenue sharing, but the system and involvement of the salary cap will influence the way in which revenue sharing operates, as looked at in section 4.5. The expected question with a suggested increase in the salary cap would be – ‘who or wha

cap systems are enforced and implemented by the league and due to the fact that the league currently cont

the funding would be provided from the top – somet

European football. Additionally, franchises could be put under more pressure to compete with one another on a commercial level, thus generating more revenue and funds for the salary cap. This view is also similar to a participant:

RS2 *“I think the salary cap should be higher and the players need to have a bigger share of that money. As a result, it would be possible to see more foreign players of a high quality in the league. Look at the likes of Gerrard and Lampard, I would like to see players of this calibre going to play in MLS”*

The researcher feels that the main positive of increasing the salary cap would be higher quality players would be encouraged to join the league, thus a higher level of talent and skill would be on show. In turn, the researcher predicts with current stars of Pirlo, Gerrard, Lampard, Villa and Kaka the growth of the league would only increase, thus generating more revenue and exposure to a larger fan base of Major League Soccer globally. It can be argued that the introduction of

world-class players would only have a positive effect on the league regardless of the financial impact, as seen when David Beckham joined LA Galaxy in 2007.

The second recommendation focuses on altering the way in which franchises retain or contribute to the central revenue sharing pot organised by the league itself. The current system allows franchises to generate their own local revenues and agree the principal shirt sponsorship deal with the revenue going to the league, however it may be over interest to the league to generate a degree of healthy competition. Despite Major League Soccer wanting there to be an equal balance between all franchises over both conferences, it is inevitable that there will be an imbalance to some degree almost regardless of what measures are put in place. A participant reinforces the view that all teams are considered equal:

RS2 *“in every league there are BIG teams and small teams competing, something which doesn’t exist in MLS. Most teams are of similar size”*

In order to manage the suggested alteration to how and the quantities that franchises retain of their revenues, the researcher would suggest allowing franchises to keep a small percentage of their revenues. Although the first thought to many will be that this will create more of a perceived gap between franchises in Major League Soccer – something that is not wanted by the leagues hierarchy. However, it must be noted that all other revenues should still be distributed as in the current form to maintain levels of competitive balance to an overwhelming extent. The researcher believes that this suggestion would stimulate further growth for the sport in North America, as well as increases to the leagues turnover through this form of healthy competition. Despite this, one participant noted that franchises are discouraged from driving their businesses harder as all benefits and financial gain must be shared with their rivals, not necessarily a positive of the current system in the eyes of the researcher.

RS4 *“The franchises are discouraged from driving their businesses harder as the benefits must be shared with their rivals – not always a good thing”*

In contrast, the researcher understands and knows that all franchises in Major League Soccer are considered equal to one another, so this may not be entirely feasible. A participant also echoed views of this that not just one team is given the opportunity to grow.

RS2 *“As the teams belong to the league, all the revenues of the league are shared by the teams, giving more opportunities for each team markets to grow and making investments within the league to benefit all, not just one team”*

When this proposal is linked back to the European model of football, it is something that is currently implemented, purely because all European teams focus their clubs with a business minded view and a means to generate revenue. However, this may be something that is due to the genetic make up and cultural differences of sport as a whole in that nation or continent, as discussed thoroughly in section 4.3.

#### **5.4 Contribution to Knowledge**

This research focuses heavily on the comparison of North American and European perspectives of football. First of all this provides an insightful comparison on arguably the worlds biggest sport of an upcoming region, North America, and the most powerful region in world football, Europe. At the beginning of this investigation, the researcher noted and found that there was a lack of comparisons between two of the largest sporting regions in the world. The researcher believes that this research gives a solid and fair evaluation of a comparison between the two regions, and potentially can act as a platform for other academics to carry out further research involving both North America and Europe. Despite this, the four sports that dominate North America are nowhere near as popular in Europe, which generated some issues for academics in order to provide what could be called a level playing field.

When looking more specifically at the contribution that this research has made to academic understanding of competitive balance and revenue sharing in a

North American context, the researcher has contributed significantly. We saw in chapter two the extensive research that has already been completed surrounding competitive balance and the many aspects that surround the concept. One of the more notable findings is in line with everything the researcher has found in this research, is the sheer importance of competitive balance in Major League Soccer found below. Forrest et al (2005) and Kesenne (2001) also found identical results.

*“it is widely accepted that a degree of competitive balance is an essential feature of attractive team sports”*

(Szymanski, 2001:69)

Again from an academic perspective, there are limited resources available in to the investigation of revenue sharing with its effect on a league and in-depth mechanics. This research has allowed academics to understand how revenue sharing operates in professional sport, with examples from different professional North American sports. Furthermore, the addition of the European context to help the reader understand the how's, why's and what's of revenue sharing from a different perspective is a great addition to this investigation.

From a European perspective, there may be a lack of understanding surrounding competitive balance as a concept, based on the fact a huge amount of research on the concept has been based on North American professional sport. Alternatively, it could be because competitive balance is not as highly valued in European professional sport. In contrast, this research allows academics and industry professionals alike to gain a clearer understanding of competitive balance, with a revenue sharing focus with relevant examples from both North America and Europe. This allows a contrast of two differing contexts in the professional sports industry. Additionally, due to the extreme finances that are involved in North American sport

competitive balance are playing a significant role. This suggests that the North American model, regarding competitive balance along with the assistance of revenue sharing, is second to none. The researcher con

model to be partly based on lessons that have been learnt in North America to contain and manage competitive balance in the professional sports world. On the contrary, this is not to say that there aren't any improvements that can be made to the North American approach to competitive balance and revenue sharing, as suggested in the previous section.

Due to the researcher recognising the absolute importance of revenue sharing to Major League Soccer, this research has provided yet further evidence for the concept to be involved in sport. With an overwhelming quantity of evidence from participants on many levels, it would be fair to say revenue sharing is here to stay for a number of years yet in Major League Soccer.

## **5.5 Future Research**

As with any research, there are always multiple ideas and potential research projects that spring to the mind of the researcher throughout the process. Due to the lack of comparative research pieces between North American sports and the European equivalent, the researcher feels investigations that encourage comparison between two huge sporting regions in the world may prove beneficial and worthwhile to industry professionals and academics. As highlighted in chapter four, there is a distinct difference in the culture that may be a key insight in to why there has not been significant comparative research involving the two regions. However, it is clear there must be some elements of professional sport that can be compared and prove constructive.

Throughout the investigation process, the researcher consistently found three major flaws with the research project that limited research findings. Firstly, certain time constraints that occurred throughout the project has limited the extent of which the investigation was be carried out. With additional time, the researcher would have been able to carry out further and more comprehensive interviews with the already secured participants. This would provide greater depth in to some of the data that was collected by holding follow-up interviews and questioning certain responses that were provided first time round by the participants. Additionally, the researcher would have had more time to recruit

and target §an increased number of participants that would aid the research process, and inevitably improve the quality of this research, thus adding to the reliability, validity and generalisability of this investigation.

Secondly, the limited financial aspect of this research proved somewhat difficult to manage at times. As this research focused on North America, it would have been a great opportunity for the researcher to visit the region on multiple occasions for a prolonged duration of time in order to gather greater quantities of data and understand the North American sports culture further. This would have provided the researcher with additional opportunities to interview participants and add to the value of this research. Despite this, the researcher had limited access to those who would have provided extremely valuable data and views of this research. This is not to say that the data that was collected by the researcher was not of high value to the investigation, however it could have been done in enhanced detail with additional data.

Finally, as this research focuses on the comparison between two areas in professional sport, the integration of quantitative data along with qualitative data may have proved useful for the researcher. More comparisons would have been able to take place, especially where finding or demonstrating the growth of Major League Soccer. In particular, growths of attendances, social media followings, and financial turnover amongst other aspects could have been compared with those from European football. This would have provided the research with an extra dimension on which to provide recommendations that may have stemmed from quantitative statistics. Again, the use of qualitative data was sufficient enough for the researcher to complete the investigation thoroughly and to a high level of quality.

In terms of looking at more specific rotes for future research, the researcher could focus heavily on the commercial side of either Major League Soccer, North American sport, European football or Premier League football. As touched on in the previous paragraph it would be fascinating to compare the commercial aspects of clubs and its effect on the club or league itself. Along with the revenue

sharing element of this research, the shirt sponsorship or local revenue aspects could be heavily investigated and would support this piece of research fantastically.

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## 7 Appendix

### 7.1 Interview Statement

The

competitive balance and how certain mechanisms are operated in the league. In particular, the revenue sharing concept will be of interest and how it can potentially be improved. Analysis will involve the use of European football and how revenue sharing is managed and operated within Europe.

I am talking to you as an expert and practitioner in the field of sport management and feel that your insights are important in this area of research.

This interview forms part of a research project a Masters through research being completed at Coventry U  
faculty and should take up to an hour.

I am going to start recording now, unless you have any o ...

I understand that this information may potentially be sensitive. Therefore, may I assure you that the contents of this discussion will be kept firmly confidential and the recording and transcripts are demolished post-analysis.

Coventry University has a strict code of ethics. All interviews that are conducted as part of this research project will comply with this code of ethics. If you would like to receive a copy of this code, I will arrange for one to be sent to you.

If you would like any additional information regarding this project, please do not hesitate to ask at the end of the interview. Similarly, if you have any concerns or questions during the interview, please do not hesitate to ask.

Once I have completed this stage of my research, if you wish I will provide you with a short summary of findings.

## 7.2 Interview Schedule

1. Can you tell us about Major League Soccer and how it is structured?
2. What do you consider the mechanisms are for competitive balance in sport?
3. Can you tell us what you know about European sport is governed?
4. Do you take an interest in the European football/soccer governance system? If so, what in particular?
5. Do you believe the international competition, such as UEFA Champions League & CONCACAF Champions League, has an effect on domestic competitive balance?
6. Which of the other big 4 US sports do you believe the MLS revenue sharing system is most comparable to – do you think MLS will follow patterns of that sport?
7. Do you think the current revenue sharing system in MLS is effective - To what extent & why?
8. What improvements, if any, would you make to the current MLS revenue sharing system & for what reasons?
9. Do you think US sport would benefit from adopting a more European style of governance – or would Europe benefit from a North American way of doing things?
10. Do you think US soccer would benefit from a more European style of governance?

### 7.3 Interview A – Interview Transcript

*SG – Dr. Samantha Gorse*

*RS1 – Interviewee*

*MT – Matt Taylor*

*LW – Luke Whitworth*

#### RECORDING STARTS

SG I understand that this information may potentially be sensitive. Therefore, may I assure you that the contents of this discussion will be kept firmly confidential and the recording and transcripts are demolished post-analysis.

Coventry University has a strict code of ethics. All interviews that are conducted as part of this research project will comply with this code of ethics. If you would like to receive a copy of this code, I will arrange for one to be sent to you.

If you would like any additional information regarding this project, please do not hesitate to ask at the end of the interview. Similarly, if you have any concerns or questions during the interview, please do not hesitate to ask.

Once I have completed this stage of my research, if you wish I will provide you with a short summary of findings.

RS1 Yeah sure  
can move on to the next question.

MT Yeah sure, no problem.

MT Cool, so can you tell us about Major League Soccer and how its structured?

RS1 Yeah, I mean er .. ..  
system? Or, just overall regarding the business structure?

MT Just overall about the business structure.

RS1 So, you know, Its er ..  
ownerships with a club collaborate and support one another regarding the er ..  
started up almost 20 years ago, the focus at that p  
the sport, soccer, was particularly big here, in the united states, due to the world cup that had taken place was a good time for the league to venture in. Clearly there have been previous leagues in previous years that have then.  
of the success that the United States had at the World Cup here and the support that they got came from the fans and the er ...  
people in the United States but also on the corporate side. You know, it ended up being the most successful world cup to date regarding the number of people that attended games and the corporate support. That clearly continues to grow years in year out, especially with the new TV deal that was negotiated and what ended up happening was you had 3 primary owners that came on board with the league to make an investment to buy teams. So you have Lamar Hunt, who was the owner of the Kansas ...  
the investors and partners of one of the whole rollout along with Phillip Anschutz, who is our owner, and his primary company AEG, and then the last owner wa .. .. – New England Patriots  
owne ....

SG Kraft?

RS1 Yes, thank you – Robert Kraft. You know, its been a long morning already.

\*Everyone laughs\*

RS1 So Mr Kraft, Anschutz & Hunt come aboard and they own multiple teams and the way the structured everything with the whole financial make up of the league was to make sure they had a model that could sustain and grow. The long term vision was the market would become successful by building strong fan bases and foundations and those particular markets and the owners and the leagues would sell to specific interest groups and ownership groups to grow that business, year in, year out. So if you fast forward to where we are at as of today, you now have very viable markets with very compelling stories with great success, great growth, great fan base that's really taken place. And data shows us that soccer in the united state

happening on the commercial side of the business, with the partners, not only at the club level, but at the league level and they're breaking in to this property end of the sport an ...

that you take the other revenue making opportunities and other revenue properties at the business side – its very substantial, I mean Major League Soccer just negotiated an 8 year TV agreement and the grown of the previous bill to this deal was the largest TV deal in American sport in recent history. With Fox Sports, ESPN and UniVision coming aboard as the official TV partners, and going back to the clubs as these markets, some of these clubs succeed, some

new markets that came in to play through expansion that had great success and great stories and so, you take a look at the two new expansion teams – a second team in New York, and the new expansion tea

going to be rolled out and it includes the great growth and the great stories that are involved with the sport. And so again, as these markets began to succeed, and create strong foundations the three individual

owners along with the league started selling off to these private interest groups and a lot of them are owners of other American sports teams. I mentioned about the Atlanta team coming up, in to play next year, so Arthur Blank, the owner of the Falcons NFL team, or Kraft, not only owns the patriots, but owns the New England Revolution, Mr Anschutz who owns AEG and our parent company, also owns multiple other sports franc

some great ownership groups with some deep pockets, with knowledge and resources who make really large investments to really grow the sport in the right way, in those in particular markets. And so, where the leagues at today, is ironically about the plan today was always to get the point where each team has an individual owner.

SG Mhh ...

RS1 They wanted to go away from having those original 3 primary owners who owned all the clubs, but right now Mr Anschutz of AEG, owns both us and LA Galaxy, so within time at some point in time, with the right owner, our club and organisation will be sold off to another interest group – yeah there's been a number of erm a number of people that have enquired about the opportunity to buy the franchise here locally. But things have more doubt becaus

LA Galaxy as their primary team that they would invest in. So, the league is heading in the right direction, when you take a look at the draft and the competitive side of things, I think you guys probably know this better than I do, I've bee

professional sport and the sports marketing business, both on the team, corporate and fa

three primary sectors. What I can tell you is, I started in the NBA, spending 3 years there, spent 7 years in professional hockey, and then ended up moving to professional soccer because of the growth, and where the sport was going in the United States, but also because of the success

that the Dynamo had in this market here. The competitive side and the make-up here – I'm not that knowledgeable regarding over an EPL or in Europe. One of the big things when it comes to the draft, that's always been a platform for the MLS to have a pool of talent and the development to get in to this league, but what I think is happening is as the league continues to grow and you can really see a much larger international presence of players that are now playing in this league. I mean you see what's happened during in to 2015, with the number of top international players, from Kaka, to Gerrard and others that have made the move over to MLS, I think the perception originally started to happen years ago was that it was players that were kinda at the tail end of their career, and wanted to come over to the United States for them to be able to get paid well for the success that they had previously achieved in the league at an earlier stage in their careers, because they see the success that they had achieved in their previous league. In 2003, we ended up signing what was considered the top Mexican young national player, with our franchise paying a very large transfer fee for his rights and to have him coming to pay for our club for a 5 year contract involving a multi-million deal to secure his rights. We bought in 2 other solid players that had very good careers over in Argentina and Spain in the top leagues over there. These are the stories across the board and throughout the league.

SG Mhh ...

RS1 And so, er ... platform because we have so many players at a youth level that play competitive soccer and the numbers are mind-boggling compared to hockey or maybe some of the other sports.

SG Yeah

RS1 And so you've got a lot of kids playing, but what happened in previous years

aspire to end up being a professional sports man. So they might start playing in their elementary years at a young age, but once they get older, they get exposed to what was considered the top premier sports, ie. Basketball and baseball

competition is the level of the players that is being developed is of a higher scale and you start to see US players that are having great success. Not only here, but internationally – players are going overseas and having professional soccer careers. So I think it's now more of a regular mind set and commitment to see things through. I also think it's important to see how you develop the sport, that you see kids now can look at these professional athletes in soccer and instead of not seeing these role models in soccer, but it was easy for you to see a Michael Jordan or a Jack Nicklaus in Golf and say, hey that's what I wanna be

MT & LW Yeah ...

RS1 The only common theme I can see is

getting exposed to it and are trying the sport out. The number of international games that are shown here has grown leaps and bounds here in the past 5 years. The EPL content and those games that are shown here on a daily basis. As well as Spain are getting coverage. Like you see 10 years ago, you wouldn't have seen any of that. There are so many things that are coming in to play to show the sport is heading in the right direction. The only challenge, ok maybe challenge is the wrong word, maybe how we're structured is more competitive, but there's a larger talent pool that can potentially come in to, but I feel my lack of knowledge of how it's handled over in Europe, I

don't know how  
they even have a draft in England?

MT & LW     \*Laughs\* N ...

RS1    I mean I know the academy system is huge and acts as a feeder system to hopefully develop playing talent and playing in the first team at some point. That seems to be apart of the whole model to help the sport sustain its growth and be successful.

SG      Right. So could you just tell us a little bit about the structure, in terms of how many teams there are, is there a geographical divide are there more teams in the north than there are in the south? – Those kind of things.

RS1    Yeah, so, we have 21 teams no ...  
erm. We have 11 teams that play in the western conference, which are made up of ...  
need that?

SG      If you could?

RS1    Sure. Let me pull up my schedule so I don't ...  
the western conference we have LA Galaxy, Colorado Rapids, Seattle Sounders, Kansas City, FC Dallas, San Jose, Portland Timers, Vancouver, Real Salt Lake andddd ..  
n the western conference, with the two new franchises, we have Orlando, the two New York teams; DC United, New England Revolution, Chicago, Toronto, Montreal and I t ...

MT      Yeah, that sounds about right.

RS1    So what happened right now with the league, and clearly its unbalanced, once Atlanta come

to the western conference. And again, they do that geographically, to divide the United States in half and try to do it that way. So, Kansas City is the furthest East team that plays in the West if that makes sense. So what happened is that last year we had 19 teams and Houston and Kansas City were in the eastern conference but once these two new franchises came in to the fold, they moved us over back to the western conference, and that's the way

SG You mention the Beckham franchise in Miami, are there any other teams that are looking to be developed?

RS1 So out in Sacramento, there's a legitimate claim in getting a new franchise over the next 5 years. So you have Sacramento, as I mentioned who has a very successful minor league team and they average like 13,000 fans per game. One other important thing to know is there is a big variance between EPL and the size of the stadiums can vary. I know places like Manchester United and Arsenal and Chelsea have larger venues. Then you have clubs like Crystal Palace and stuff like that who have smaller venues. But what was important for the league was not to sit there, when they first started the league a lot of these teams we're playing in a 70-80,000 seater stadium, 30,000-40,000 people, even though that's a decent number, it's not great, good, especially on TV or to the people that are attending those games. When the league was founded, they wanted to make sure they built soccer specific stadiums for those particular new teams that have come in to the league, that was one of the requirements that you have to have a stadium plan, you have to have a specific stadium plan or lease that's put in place.

got approval for a new stadium that will open up next year which will end up having 19,000 or 20,000 seats. Our stadium, as an example has 22,000 which is a little bit larger than average, I think the average is around 20,000 but its important for the league to sit there and build a strong foundation and fan base that can sell out those venues, for people to expe

out and driving revenues in all areas of the business and you're get good ratings on your products and stuff like that, it all goes in to the story of trying to grow the sport to have successful franchises in MLS. So, there's currently a handful of teams that are s

plans – DC United have been around since day 1, they play in the old RFK sta

the best set up, it also limited their ability to have commercial areas, due to revenue rights and have opportunities to grow their business financially. But all those original teams are, you know, have a major focus on getting their stadium deals done so they can control all the commercial revenue rights in those venues. But also they can set them up in a way they can build that fan base and hopefully have the demand that is sustaining but growing business. So we originally started in 2006, when we moved from San Jose to Houston. We originally played for several years at the University Houston, which is a college institution and we played our games in their football stadium that is called Robertson Stadium. Then the team moved here, and it was always the plan for the

goes in to that – finding the right location, finding the right financial support

private side of things. So, back in 2012, we were able to bring a soccer specific stadium for the Dynamo, and we own the stadium and we made that investment and we were able to make a deal out with the City of Houston, and it was very important for our franchise to also make sure it was located in the right location. That right location was to be right in the middle of the great

opportu .  
catalyst for us to grow our business with great relevance with the club  
and the sport. We have been very blessed and fortunate to receive great  
fan support. We are very optimistic about what the future holds for us.

SG Yeah. So you mentioned that Sacramento could have a team-

RS1 Yeah – so there are a couple of other teams that could be in the mix.  
Originally there was Las Vegas, and we thought that they were going to  
get on

..  
to be an option. But some of the other locations that are being considered  
as viable options are St Louis, Minnesota, clearly what Beckham is trying  
to do down at South Flo ... Antonio  
or Aus  
to San Antonio.

SG And what impact would a San Antonio or Austin team have on you?

RS1 I'm sorry, I couldn't hear yo .

SG What impact would a San Antonio or Austin team have on you?

RS1 I t ..  
we first moved the franchise to Houston, we were originally in the  
western conference and FC Dallas we're als  
knowing we were playing them 3 times a year and we can develop that in  
state rivalry. When you take a look at the residents of Houston and Dallas,  
there has always been a very competitive fan base is a good way to put it,  
in all sports. Like the Texans are playing the Cowboys. The fans get in to it  
and football when Texas played up in Cowboys stadium this year; it was

like a home field advantage, because the Texans fans that went up there. We then moved in to the Eastern conference so we were only able to play them once a year, but we were able to create that rivalry and it was a big deal ther

Like when the Galaxy are playing Chivas or San Jose, they get a lot of their fans going to support their team. If we could add San Antonio, I think it would be great, as it would add additional excitement and have a great story line when those clubs are playing one another. But also rival market, which has great potential – for us its just to see growth. The league has a plan where they want to be by 2026 when it comes to expansion. They have a lot of great ownerships that would make an investment, but the leagu – the league will take its baby steps and grow the league strategically and make sure it fits with the long term vision and being in the right markets that can be successful.

SG Ok then. So what do you consider the main mechanisms are for competitive balance in US sport?

RS1 Lets see – Can you elaborate for me?

SG In Europe for example we don't have anyt competitive balance of a league. What UEFA are trying to do, the European governance organisation for Soccer, are trying to bring in FFP. This design is for clubs not to go in to too much debt and so clubs can sustain themselves and hopefully try and protect competitive balance.

RS1 Yeah. The reason why I think the league has been able to grow is because of the salary cap. So, there is a salary cap I the CBA agreement that they felt was a good financially viable model. The league also pays the majority of the salary' each club is allowed to bring in, currently, up to 3 designated players. So when you have Gerrard who is going to the Galaxy – The league will pay his salary to a certain amount. Once it exceeds that number, the club will

then be responsible for paying the difference of that. This sort of handcuffs some of the larger markets for owners that have deeper pockets to ... in MLB for example, or the EPL where some franc

competitive, and for them to have a higher chance of success and winning cham

... a minimum that sustains a good foundation to see the league grow – and that's where t . Because of the salary cap parameters, it creates a lot of competition amongst all the club . field when it comes to making competitive clubs. I think at the end of the day where one team is more successful than another it related to their ability to recruit and find good talent both here domestically and internationally – this enhances your competitive balance by recruiting better talent.

SG What happens in the Premier League, you can almost sit down at the start of the season and pretty much predict whose going to be in the top four, whose going to be in the bottom three.

RS1 Right

SG There's always that shock team – Like what Southampton playing so well this season.

RS1 Right, Right.

SG For us, the European league is quite predictable. So the mechanisms that you use to protect this competitive balance is really interesting for us because we don't do it.

RS1 Sure.

SG So you mention the salary cap, but are there other mechanisms such as revenue sharing, such as the draft that Matt and Luke can draw on for their study?

RS1 Well, on the player compensation to play. But the other hand, the overall business model the clubs help fund different pieces of the financial structure of the league. As an example, when we sell tickets for games we have some of that money, there's a percentage of that money that goes back to the league to help with its operation. The league is an avenue that is able to provide the necessary financial resources for it to be able to grow and do what it needs to be successful and in the right way. That happens on the ticket sales side, happens on the corporate side or commercial side. It comes back to the league when it comes to TV deals or other league wide corporate deals. Where there is revenue streams where it comes back to the club. So there is a different level of support that comes to and from the league to the clubs.

LW Hmm.

SG So you mentioned before about how much, or not particularly knowing about how the European or EPL system works for Football in the UK – sorry proper football works in the UK.

LW \*Laughs\*

SG I am interested in looking at, or is it something you try and take note of?

RS1 Well that's more o ..  
sport for 20+ years. But, I focus my responsibilities here as the chief  
operating officer. I focus on making sure we're ma

to be successful. Not only, at a club level, but what we can do for the  
league in terms of the top tier initiatives. Yes, its important to have that  
knowledge of what's g

organisation that have been in the sport for 20+ year .  
got more knowledge regarding how the other leagues around the world  
are structured. What things they do well and what maybe, not necessarily  
more related back to me and the sport.

SG One of the things that happened in European football and this will  
help contextua a little bit for you, although I'm  
going to hand it over to talk to Luke a bit more about it. We had a  
ruling back in the 90s, the Bosman Ruling, made by the European court,  
that basically allowed players free movement, which led to quite a  
substantial shift in how the recruitment of players worked across the  
European leagues. As a result of that we've now the fact  
players could move at any time of the season, but what they wanted to try  
and stop teams from doing is building teams to play the next team at the  
weekend.

RS1 Yep.

SG So we now have this process in English football is the Transfer Window,  
and we have two transfer windows every year, one across the summer,  
and then one across the Christmas period.

RS1 Right.

SG And Luke's g .

LW (LAUGHS) Thank you. Yeh I mean, transfer windows over here are a bit of a free for all to be honest with you. Normally the Christmas window will last about four weeks and the summer one runs from the close season until about two weeks into the season, and one of the things obviously in my part of the research, is could you ever see the MLS transforming their trading system from a draft to maybe a transfer window, or do you think that is very much an integral part of the structure of the league?

RS1 .

discussions about it, I also know there has been discussions about you know, does it make sense for Major League Soccer regarding our schedule, you know when we're pla .

look at going to the same model and schedule that the other leagues have around the world that was actually a very in depth conversation and topic when Major League Soccer was renegotiating the new TV agreement, because what we have to keep in mind is, you know, we've got other m sports leagues that have been around for a hundred plus years that have a lot of equity and relevance here in the United States.

LW Yep.

RS1 With football, basketball and baseball and with us kind of being the new .

compromise the long term growth ability for this league, when we make a move and let's say we try to compete and run our schedule the same as let's say what is going on over in Europe, and then we're g .

that, maybe what could end up theoretically happening is that could end up impacting our ability to get the best possible TV deal done, because as they prioritise their programming schedule with these other leagues, they would end up not putting us up at the top of the one property, and work their way down, that could be an issue that t to make sure that, if we were to look at doing something like changing the time of the league schedule to have it be consistent with major leagues around the world, that compromise other areas that are obviously very critical for our success, our both club and league success. The transfer window I think is maybe a little bit easier of an issue to maybe be addressed, but you know there hasn't been any consistent comments to say yeh that's a long term plan of somet going to work towards I will have to defer that back to the league and the people within the league that are making that type of decision, but like I s e sense of information and whatsome of the comments and thoughts are but you know I don't know if there is a consistent or strong thought one way or the other.

LW Yeh. Do you think, if for example the league did decide that a change to a transfer window was the way to go, do you think teams in league could actually attract better quality players?

RS1 Yeh, without a doubt, you know like I said you are starting to see a movement of players in their prime at younger points in their careers, are starting to make the move over here. So if you are seeing that movement now, I think the transfer window piece I t something that could be worked out and could end up working and wouldn't be a det current structure of what we have been able to do, I mean again if we can do it within the current circumstances structure what we have now.

LW Yeh.

RS1 I don't know, getting the right types of players to come over here to play in Major League Soccer. I think these players see the growth of the sport and the league here, and I think they also as they evaluate this opportunity, clearly they see they can make some good money, there's probably some, some advertisement opportunities that they can take a look at just living here in the United States, the cost of living and some of the kind of personal things that they might be evaluating as they consider you know an opportunity over here with the league, and I just think there is a combination of things there that make it of value and interest and you know I would think that you know the types of movement that you have seen on the players is going to stop, I think that is only going to continue to grow and I think you will continue to see that level of player coming over here and playing in Major League Soccer.

SG It's a schedule of the league, because your league is scheduled over the summer months, it could actually play massively into the U.S. market. It's a disadvantage when it gets to Qatar 2022.

RS1 Right.

SG With them now saying they are going to move it to the winter, its going to completely screw with European leagues.

RS1 Right.

SG Do you think Qatar 2022 is going to be really important for Major League Soccer the more successful the American team is, out of season?

RS1 Yeh, I mean I think there is definitely a correlation there, you know I've read some of the comments that have been made from some of the chief executives, with some of the EPL clubs and talking about what kind of conversations are going to be coming back to, you know their leagues and stuff and their clubs because of how that is going to impact their schedule, and the way things are currently structured there.

SG Yep.

RS1 So with that being the off-season and our guys being specifically focused on not having a compromise of competing with the league schedule, I do believe that is a big advantage. Now to the other side of it, if you take a look at the makeup of the U.S national team, with this past World Cup, I don't know what the percentage breakdown is, but clearly there is a large number of U.S players that have played internationally.

SG Yep.

RS1 So there is still going to be an impact on those U.S players, you know when you've got Howard ( Geoff Cameron and you know so on and so forth. So I do believe there will be a benefit there, you know I just think the whole Qatar issue is complete separate extra issue in itself, just the way that country ended up getting awarded the games.

SG Oh yes!

RS1 You know actually the United States was, as everybody kind of looked at it, no different to what happened with London, I mean it was you know United States trying to get the World Cup in 22 and I guess London was trying to get it in 2018.

SG Yes

RS1 And I think both of our countries were very much shocked about the decision by FIFA to go to those other countries, so you know when the ruling came out about them agreeing to move the games to the Winter window, I never thought that was going to happen. But then again, because of the issues and challenges that country going to have during that particular time, I mean I guess it makes sense, but I thought there was just too many things with the other league schedules that it would be difficult for them to make that decision. But I guess they did it right!

SG Yes. Do you think then that the Major League Soccer would benefit from a U.S hosted World Cup?

RS1 Oh without a doubt, yeah without a doubt. I mean again that was the platform for us to get the league, Major League Soccer rolled out, back in the 90s. You know the more that people are seeing and hearing, you know about the World Cup and the sport of soccer and all that stuff here is, it is tremendous. You take a look at the infrastructure and the resources that our country has, no different to what England has, you know you've got some great venues, stadiums and infrastructure transportation, and rail and all that stuff that is in place and hotels and everything else, to be able to put on a very successful event, and you know the U.S. had any issues or challenges when it comes to staging the largest sporting event.

SG Yeh.

RS1 But then you also take a look at the commercial opportunities that reside here, I think that is also another major plus, and I know FIFA takes a look at that, but I'm sure when the World Cup go back around again that U.S soccer will end up submitting a bid and wan

come along with hosting an event like that, you know in your country.

SG So you mentioned there about the sort of facilities, revenues and things like that, that are available for U.S sport. Could you talk to us a bit about revenue sharing and how that works?

RS1 The revenue sharing with Major League Soccer?

SG In general if you could provide us with a bit of contextual information outside of soccer, and talk about it in soccer as well.

RS1 Yeh, so let's see, fo revenue streams is going to be the TV rights.

SG Yes.

RS1 You know that's mammoth back to the leagues which then at that point teams within those leagues are getting a percentage of that money, which obviously is a critical revenue stream and resource for them to be able to be successful and run their businesses, and do what is necessary. Every league is different regarding the makeup of how the revenue share works, regarding how those revenues and expenses are shared or are rolled through one another, you know so the one consistent thing is when it

comes to the TV broadcast rights and prize money. Every league and sports organisation or club is always getting a percentage of that money, and I know that some of the other leagues, for instance the NFL for my understanding this could have changed, previously I know that when the league had league wide sponsor deals, or like NFL sponsors, the league was retaining a 100% of those revenues.

SG Right.

RS1 Like I said it is from league to league but like I said the one is on the TV broadcast side and after that I have to be honest with you I don't know what currently those other leagues are doing, because some of it is confidential and a lot of it is hearsay, how people say you know how the revenues and expenses are shared.

SG Ok, so how then does it work in Major League Soccer?

RS1 Well you know as I mentioned to you, you know there is various revenue streams that the league retain, some of it goes to the clubs, or the clubs pass on to the league.

SG Right.

RS1 I touched on ticket sales and revenues that are generated there. The club level, a percentage of that goes back to the league, there is also some commercial and sponsorship rights, but again the league also picks up various operating expenses, so from the player's salaries to team travel, which is a big deal, you know at the other clubs you know they are picking up their own travel. What else could be applied to that? Team travel, player salaries, those are really the two primary expenses that the league ends up picking up, and then like I said on the revenue side you know you have got money that is coming and going.

SG

this or talk about it in any great detail, is that likely to change or is that likely to be shifted a little bit with the new Collective Bargaining Agreement?

RS1 There very well could be, you know the big thing that the players are looking for, from everything we have been hearing is about some changes when it comes to free agency, you know the league is pretty firm, the owners are pretty firm regarding their expectation when it comes to free agency or not having free agency. But there could be some adjustments that are made, that helps us to try and meet in the middle on that to those meetings with the owners to know how flexible they are going to be on that, and I also know on the players come out to say that if free agency and the salary cap is not addressed and changes that they will strike. I hope that is not the case because I think that will be a big black eye for the league and I think that all the success and growth that this league has had, especially over the last five to ten years, I think it would hurt everybody; players and the owners, so at the end of the day I think it would be a bad thing for the fans for some reason games being cancelled, if there is some kind of lockout.

MT So, sort of, if you were like to make improvements, what would you say you would focus on mainly, and for what reasons?

RS1 Say that again sorry.

MT What improvements if any would you make to the current MLS revenue sharing system?

RS1 I like where it is at, I like the structure of the league. I mean again I think a viable  
bu there some

tweaks here and there, some smaller things, yeh maybe, but I mean all in all when you take a look at the big picture, you know why change things up if it its working? You know again I understand when it comes to free agency and the salary cap issues and stuff like that, the players sit there and see that the league's securing these huge TV rights and all these clubs are really growing and doing well, selling out games and so they are correla

he day, the players are the primary product that people are coming to see, and if the clubs and owners are making money so why shouldn't they be able to shar

owners get that to. So there will be changes and there will be those key critical issues that will be addressed, and they will come up with a solution that works for both sides. But what magnitude or size of scope those changes will be made and how they will impact t

will change on that side, by no means is the current structure of the CBA agreement and the way its been the last several years, I can not foresee it staying the same way. Hey listen, the other piece of it you can look at, is how you can take a look at how you continue to get top talent from around the world to come here, I mean there is another correla

could potentially impact the ability to get the top talent from around the world to come over and play here, because they are going to feel like there are limited resources to be able to capitalise on, based on what they could for a club or this league. So you know ag  
know at what level.

SG You mentioned there about the fact you like the way the current system works, do you think it is sustainable long term with more and more teams being added to the league?

RS1 Yes.

SG Ok.

RS1 Yes without a doubt. You know the model that is setup has been working, it worked when the league was new, you know when there was a limited number of teams back then, to where it is at today and getting the right owners and being in the right markets has been critical to the success that the league has had, and as the evolution of Major League Soccer and the growth of it is continuing to capitalise on and grow with it, without there being any hindrance or road blockage, because of current policies or stipulations that are key critical items of the structure of the league. I mean that hasn't been any structured that it has held us back, at this point.

SG Ok, you mentioned about, just them about picking the right markets for the teams to be established, appened with Chivas, because they have gone haven't they.

RS1 Yeh, I think it is a variety of issues there, number one it was an ownership issue, you know I think he had Chivas Guadalajara coming to the league, and thought that they could implement a kind of same approach and because of the success they have had in Mexico, that would correlate over here in the United States, and Chivas clearly has such a huge fan support and following down there, and of course when you take a look at United States, the number of first and second generation of Mexican residents that reside here now, they thought ok, we have around two million expanding population in just Houston alone, and so they probably thought that there would be a lot of that fan support that would end up supporting their team and brand there in LA. But one of the other stadium that they could call their home, I mean they were playing

their games out in StubHub where the (LA) Galaxy play, clearly that's their home, and you know its funny because if you take a look at Basketball with the Los Angeles Lakers and Los Angeles Clippers, they both play in the same arena, and for years the Clippers were a complete after thought but now that the team has gotten competitive there is no issues or challengers to be able to sell it out or being able to take advantage of sponsorship opportunities for their games and within that venue, even though people always look at Staples Centre as the home of the Lakers. You know 'core C' where you play your games, but they've been able to be successful, but I also think its because the club has improved and they now have got a competitive team. Chivas has never been that good, e a hard-core fan base supporting you whether you are winning or losing, its going to make it much more challenging, so, I think again not having their own venue, I think the ownership issue was a challenge and the third piece of it is, just the business model and approach to the previous regime that the orga think it worked in that market.

SG Ok.

LW We spoke briefly about the draft earlier, can you tell us exactly how that works?

RS1 The college draft?

LW Yeh, please.

RS1 Yeh, so no different than any other American sport here, what happens is there is a college combine, where guys that are coming out of college, you know they have hopes and dreams to play in Major League Soccer, so they go to the combine in Florida, all the coaches and scouts from all the

clubs in the league will go down there and they will scout the talent, have their individual meetings and stuff and see who possibly would be of value in their particular clubs. The draft itself is made up of two days, where you the first day has two rounds, each club has their picks that they make, and then there's an ad

drafted again you can find as a free agent if the club wants to bring you along to try-out

and ways that clearly MLS clubs are able to get talent, but I think you are seeing a lot more recruiting that is taking place round the world to try to tap into talent pools elsewhere, just because of the success all these other clubs have had around the world and have been doing for hundreds of years. So, again you have seen some good college players come out through the draft, but I think the other thing you are starting to see a bit is these kids that are American born will start playing soccer at a very young age, they start developing, they start get a lot of these kids will end up going elsewhere around the world, and getting into these academies with other clubs and try to develop their talents elsewhere, hopefully be seen and end up playing internationally, some of them actually end up making their way back to the United States to play at college level a

consider the college pool, the primary pool of being able to get the right talent, the best talent, that's clearly not the case mechanism and one place clearly clubs are able to tap into.

LW So, what are your thoughts on it then, do you like the inclusion of the draft or do you think it would be better to stay away from it?

RS1 I like it at this point, because you have had some good players that have come up through the system at the college ranks that have had very good success here within Major League Soccer and elsewhere. But I still think with the most successful or best path is

going through the academy structure with what all the clubs have around the world year to help develop those kids because you think they have the potential ability to eventually be on the first team and if that wasn't a viable tool or resource to do it, I don't think I'd be investing as much as they are.

SG So you mentioned there about the combine, obviously the NFL combine is going on right now or has been in the last couple of days. Is yours televised?

RS1 The draft itself is televised just on the first day, and the first round, I don't think it's on any of the networks that are broadcasting it. Unfortunately the league also doesn't have a network like NFL network and things like that, so if at a point in time that ends up coming into place, you would see that content being brought on that platform.

SG Is that part of the league's long term plan do you think, to have their own network?

RS1 Oh, I'm sure that's the whole thing with the CBA agreement of course has been a big focus and probably anybody wanted to wait until the eleventh hour to try and have this stuff resolved and get to the place that we are at. But long term wise, without a doubt that's going to be another critical focus of the league to be able to grow and build.

SG When does the combine take place?

RS1 It took place in January, so it is held a week before the MLS draft, so they go down the third week of January and then right after that they go straight to whatever city is hosting MLS draft.

SG Is it hosted by cities that have got franchises?

RS1 Correct. So this year it was at Philadelphia.

SG Just when we were talking about expansion and where the franchises are and whatever, do you think Major League Soccer teams are more successful if they are in cities that have already got an existing sport fan base? So with you being in Houston, have you benefitted with having the Texans there and the Rockets and the Astros?

RS1 That's a good question. I would say that the market would have its opportunity and challenges, I think it would be difficult to have a clear cut answer across the board, because there is different circumstances and things that come into play that would change your opinion or view one way or the other. For us, again we have good success and our business has grown immensely, so us being in a large market and having other professional sports teams here and other entertainment options for people to consider where they want to spend their entertainment dollar. We love the support we are getting, we love the growth of the business, but our opinion might be different then Philadelphia, then again they do well! A lot of the teams have got very positive stories to be told.

LW Just another thing from me about the draft, do you think it has a positive effect on competitive balance?

RS1 Do I think the college draft is important? Yes, in terms balance wise, again the types of players that are coming out of that talent pool, yes there has been successful stories, but is that the most viable platform to get there, if you take a look across the country within the NCAA and the number of college and universities that have soccer programmes, there is a large majority that do not carry soccer programmes, because either the markets that they are in just because of the funding that comes along with it, with funding an athletic department being a soccer club college soccer programmes have the ultimate resources that they need to really develop the players at the right level, but again there is good stuff the top talent then there is probably competitive imbalance right? Because then again to be getting your talent pool elsewhere, that's the reason why getting players either through their academy programmes, where they develop them themselves and these college or they get in outside the United States. For instance this year we drafted four kids out of the college draft and actually all four of them we ended up signing contracts to, but that is a rarity. You know you're drafting you have two of them that actually end up signing a contract, there just not at the competitive level to play in this league. The other piece of it is a lot of clubs here now are investing into USL Pro which is a minor league here in America and U.S Soccer, and it is similar to Major League Baseball where they have their minor leagues, where they have got three or four minor league teams, class A, double A, triple A all that stuff, so all the clubs now are investing into these.

(Put On Hold)

SG We've answer them for us?

RS1 Sure, go ahead!

SG You mentioned there about the recruitment of players, what kind of impact or effect do you think agents have?

RS1 I think it depends on each particular agent, I mean some of them have more experience than another. Some of these agents have been around for many years and do things the right way, I do think there is a lot of other agents depending on who players are aligning themselves .  
accurate information that maybe where an agent can mislead them or not provide them with the more appropriate details or feedback on t  
possibly the best consultation, again there is so many agents now that are representing players, that is a very tricky and delicate issue, because we have had incidences where we have had a player we want to sign, and we get contacted by multiple agents saying they represent a player, so who are we meant to be tal . an interesting business.

SG And you mentioned just now about the quality of players coming through the draft system or the college system, do you think the NCAA and Major League Soccer need to work more closely together to facilitate the development of better players?

RS1 Ye  
that to what extent and what specifically they are talking about and how is it that Major League Soccer, U.S soccer can help support that type of development at colle  
thoughts and discussions are being had on that, but my opinion would be yes, that would make some sense and be of value.

LW Last one from me, do you fear that European giants such as the big team

some of the implications of the league, so like the salary cap, probably not being able to make as much money, and maybe the quality of football?

RS1 Yeh without a doubt that could happen, also listen, a lot of these kids especially in their earlier years, when you had a Landon Donovan that was coming up, he had aspirations to play internationally, and clearly he tried to do that, made the decision or t

are talking to, and ended up making his way back here and had a great career not only with his time here in Major League Soccer but on the national team, but I would be naïve to think that players as they are co

go and play in the EPL, or you know go play in Spain, or go play in the top leagues around the world, because again clearly you can make more money and be on the biggest stage is there, it is not here right now. It would be nice to be there, and we are happy with the the EPL we know that, so and that's ok,

to grow and be considered at that stature and level, but again if we can continue to tell positive stories and see growth within the league and have clubs that are successful, I think we have a bright future and a good foundation as we move forward.

LW So do you think in the future the MLS can compete with the likes of, maybe just yet but the Premier League, maybe LA Liga, Serie A?

RS1 Well yeh eventually, sure because I think we have just as many resources that are available to us that we can use of value and could use to sell to make things attractive but again we need to continue to develop the players and have more competitive players, where you've got a

strong player pool across the board, it can't be that you have four or five strong call them top tier players at a club and then the rest never even come close to ever being on a first team elsewhere, so it is just going to take time, but can we actually get there? Sure without a doubt, again just because I think there is a lot of things that Major League Soccer and what the United States can end up bringing to the table to help to continue to develop and grow things and provide good viable opportunities for players around the world.

SG We have to ask about  
much of a role has David Beckham played in the recent development of Major League Soccer?

RS1 Huge about  
Major League Soccer until he came over to this league, I mean there was a platform because of the success of the World Cup back in the 90s, but once you have brought somebody in like that, because of the novelty of the support and the sport and just not having soccer as a primary point of discussion for people day in to day out, like being around the water cooler and coming in on Monday morning and talking about the results from NFL football, you weren't doing that. When people did think about soccer, there is big names that people can identify with, David Beckham, so once he came over here there was so many benefits that came along with it, he was instrumental and plus he was such a great ambassador to help grow the sport. I mean I have had the privilege to meet him a couple of times, with him playing for the Galaxy and us being owned by the same group, any time he came into Houston you could count the game being sold out, it was tremendous. I remember the very first time I was with the club in 2012 and he came to play here, you know after the game he is coming out of the locker room, a kind of private backhouse area was packed with fans and he was gracious providing his time to

do those extra things and even though he is David Beckham and all the success he has had and notoriety around the world, I think he recognised the role he needed to play to help Major League Soccer be able to grow, to make it relevant. So he was instrumental.

SG It is interesting when you talk about multiple team ownership, in our soccer leagues people can't do that, they can't own more than one club as there is a fear that it is going to impact competitive balance.

RS1 Sure.

SG One final question for both Matt and Luke, do you think Major League Soccer would benefit from perhaps taking on some of the elements from European or the English Premier League?

RS1 Yes, speaking at this point, all I can say is it is no different than what we do just to try and break it down, if I was to sit there and look at the Texans, Rockets and Astros do in my backyard here, if there specific initiative, promotions or things that they do that are successful, I'm more than happy to steal those ideas, if they can help correlate over to me, my business and help us to be successful, again if there are things that EPL is doing or other leagues are doing that we can adopt or implement to help us in form of fashion or any level, absolutely, I don't think we've got everything figured out or we do everything great, there's a lot of things we need to do to continue to improve and grow and if there's things that other leagues around the world are doing, we would be more than happy to do that.

SG Well thank you very much for taking the time out this morning to talk to us, it is much appreciated.

RS1 Absolutely, and if there is anything after the call that we could maybe address, or additional information feel free to give me a call or shoot me an email, and I wish you guys the best on this project.

SG Thank you so much for your time.

## 7.4 Interview B – Interview Transcript

MT – Matt Taylor

RS2 – Interviewee

MT I understand that this information may potentially be sensitive. Therefore, may I assure you that the contents of this discussion will be kept firmly confidential and the recording and transcripts are demolished post-analysis.

Coventry University has a strict code of ethics. All interviews that are conducted as part of this research project will comply with this code of ethics. If you would like to receive a copy of this code, I will arrange for one to be sent to you.

If you would like any additional information regarding this project, please do not hesitate to ask at the end of the interview. Similarly, if you have any concerns or questions during the interview, please do not hesitate to ask.

Once I have completed this stage of my research, if you wish I will provide you with a short summary of findings.

RS2 Yes that's .

MT Ok cool. What do you think about the competitive balance in Major League Soccer?

RS2 Yes, I do. The opportunities given by the organisation of the league are equal for all teams and try to fulfil all roster with quality players.

MT Yeah sure.

- RS2 Plus almost all the young players are put on to the draft after college which gives more chances to any team to choose good talent, very similar to the talent in the Premier League.
- MT Yep I see. What about the competitive balance in European football?
- RS2 I think its severely lacking in comparison to MLS. In Europe the competition is not balanced because it depends on a lot on the money beach team has to buy players and in every league there are BIG teams and small teams compe .  
teams are of similar size.
- MT Yeah in Europe we have a lot of big teams with many smaller teams. What do you know about revenue sharing in Major League Soccer?
- RS2 As the teams belong to the league, all the revenues of the league are shared by the teams, giving more opportunities for each team markets to grow and making investments within the league to benefit all, not just one team. Apart from that, my knowledge is limited.
- MT No, that's great for the purpose of t .  
effective and what would you change?
- RS2 With the growing publicity and television revenue, I think the salary cap should be higher and the players need to have a bigger share of that money. As a result, it would be possible to see more foreign players of a high quality in the league. Look at the likes of Gerrard and Lampard, I would like to see players of this calibre going to play in MLS.
- MT Yeah, it would be great to see MLS compete with European football leagues. Do you think Major League Soccer should take a more European approach to revenue sharing in terms of the percentage of revenue that is retained by the Club/Franchise? And why?

RS2 I don't t  
teams, the European giants and concentrates power in three or four  
teams of each league, espe  
reason for me.

MT I see yeah. Is there anything else you would like to add on this subject?

RS2 No nothing.

MT No wor  
your view and opinion on this subject.

## 7.5 Interview C - Interview Transcript

MT – Matt Taylor

RS3 – Interviewee

MT I understand that this information may potentially be sensitive. Therefore, may I assure you that the contents of this discussion will be kept firmly confidential and the recording and transcripts are demolished post-analysis.

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Once I have completed this stage of my research, if you wish I will provide you with a short summary of findings.

RS3 Yes, if there are any questions or topics that are included in the league confidentially guidelines I will let you know and not answer them.

MT No wor .

RS3 Sure thing.

MT Do you believe Major League Soccer is competitively balanced? If so, why?

RS3 Yes, despite having teams that are sometimes more likely to win, more often than not you can't pre

MT Yeah.

RS3 The model to establish competitive balance in MLS was initially created to allow growth in the franchise businesses in both the football and commercial areas. This also allows the franchises to have a strong financial discipline that had not been present during the previous professional soccer league in the USA, the NASL.

MT Prior to the MLS being founded?

RS3 Yes that's correc

MT Yeah sure, it makes sense. On the other hand, do you think European football is competitively balanced? And why?

RS3 In my personal opinion, clearly not. Back in the era when you had a small midlands club, Nottingham Forest, who actually won the league and then follow that with two major European cups will probably never be repeated, ever! \*Laughs\*

MT \*Laughs\* I would agree, not any time soon.

RS3 The UEFA  
into too much detail about that – I'll probably end up ran  
also think too many decisions are based on the size of a Clubs fanbase  
which in turn drives European, international and overseas TV contracts.

- MT Yeah, I see your point. The EPL has been discussed previously and they are always subject of a debate about European football's sustainability. In MLS, what do you think of it as a concept?
- RS3 I do think the current levels of distribution in its current form.
- MT Good good. In its current form, why do you think its effective? What would you change?
- RS3 Changes have been made over the years in MLS. Clubs are beginning to retain more commercial revenues on a local level than ever before. The current league commercial guidelines offers both the league and its member Clubs significant opportunities to grow its commercial revenue and income.
- MT I see. Do you think Major League Soccer should take a more European approach to revenue sharing in terms of the percentage of revenue that is retained by the Club/franchise?
- RS3 No, the current MLS model works! No change is necessary in my opinion.
- MT Why?
- RS3 The EPL is clearly driven by its reliance on national and global TV deals. Player budgets would obviously be slashed if the Sky Sports bubble ever bursts. The EPL is not a sustainable business model through fair revenue sharing practices and cost controls in the labour space. MLS is operating a version of the UEFA Financial Fair Play model, without the politically driven influence of the big European clubs.

- MT I see your .  
can be operated over different continents, for example in Europe and North America. In my opinion MLS is such a unique subject purely because of the culture and environment it is played in. Anyway, that concludes my questions I have left to ask you regarding this subject. Is there anything further you'd .
- RS3 Not specifically, it has been a pleasure talking to you this afternoon. If you need any further information or need to ask me further questions, please do not hesitate to contact me as I would be delighted to help you further.
- MT Likewise, thank you for that opportunity and for your time, take care.

## 7.6 Interview D - Interview Transcript

MT – Matt Taylor

RS4 – Interviewee

MT I understand that this information may potentially be sensitive. Therefore, may I assure you that the contents of this discussion will be kept firmly confidential and the recording and transcripts are demolished post-analysis.

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Once I have completed this stage of my research, if you wish I will provide you with a short summary of findings.

RS4 Yes, I'm sure there are some issues, but if there are I will let you know.

MT  
competitively balanced?

RS4 Yes, but only to a certain degree.

MT Why to a certain degree?

- RS4 The salary cap provides a degree of balance in coordination with the sharing of central sponsorship revenues. But, allowing teams to select Designated Players somewhat undermines the salary cap even through a charge is made against the cap – I t  
cap which you can then be charged extra for having designated players.
- MT Yeah, I see that does seem a little strange. Saying that, it seems to be cost effective currently.
- RS4 Yeah definitely.
- MT On the other hand, do you believe European football is competitively balanced?
- RS4 Well, I t  
look at the TV revenues of Premier League clubs of any stature against the Championship clubs to see just one example of a lack of competitive balance.
- MT Yeah, I guess so.
- RS4 Its best illustrated when parachute payments are compared to the revenues of non-parachute payment clubs in the Championship. Its very easy to see the difference on that side of things, but not so much when teams get relegated from the Pre  
been in League one, but Norwich have most recently jumped straight back up.
- MT Yeah, one of only a few to have done that I believe. What do you know about revenue sharing in Major League Soccer?

- RS4 MLS has a central sponsorship and broadcast rights strategy creating a shared revenue model. Clubs can, subject to deductions, such a tax on a shirt sponsorship, can sell their own local sponsorships.
- MT Yes  
finer details. What do you think about revenue sharing in its current form – is it effective? Would you change anything?
- RS4 Yeah sure, I personally think its effective to a degree – ensuring smaller franchises, receive support from the larger markets, but I would allow clubs more flexibility. More flexibility in the sense of securing their own kit deals and manufactures, rather than having one central kit supplier – which is currently Adidas till 2018 I think.
- MT Yep I see, that could be interesting, but could affect the rigid structure of the league currently. Ok, as European teams agree and negotiate their manufactures, do you think Major League Soccer should take a more European approach to revenue sharing in terms of the percentage of revenue that is retained by the clubs or franchises?
- RS4 Er ...  
strong position all round, and its only improving year on year – look at the viewing figures and interest in the league now, compared to seven of  
  
degree of parity ensuring the collective remains as solvent as possible, so all teams are almost equal.
- MT Yeah, that's one huge factor I have no  
their very very proud of, almost like a USP.
- RS4 It is, I noticed that when I was closely involved with a franchise, its almost instilled in every franchise. Despite the positive, there is also one outstanding weakness in my eyes. The franchises see discouraged from

driving their businesses harder as the benefits must be shared with their rivals – not always a good thing. This is something that could possibly be changed, but I'm not 100% sure on the way to go about it – that would have to be looked in to further – possibly by yourself? \*Laughs\*.

MT    \*Laughs\* It will be interesting to see the results of this research that include that. Some interesting views there, of which are very understandable from a first-hand experience of MLS from a franchise perspective. That also concludes my questions I have to ask today, is there anything you would like to add on this subject?

RS4    Not currently, but if I think of anything further I will definitely email them through to you, and hopefully it will add further context to my answers.

MT    Yeah of course, that would be great – Thanks!