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**THE PRINCIPLES OF POSITIONING OF PROFESSIONAL SPORTS CLUBS:  
AN ATTRACTIVE INVESTMENT CASE****ALIAKSANDR MATVIYENKA**  
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*The article is devoted to the problem of investment attractiveness of professional sports clubs. The author notes a number of problems affecting the stability of investment processes in the industry of professional sports of the Republic of Belarus. The author analyzes professional sports clubs investment activities in the Republic of Belarus and abroad by giving an example of the situation with football. The author suggests developing methods to increase investment attractiveness of professional sports clubs as a tool for sustainable functioning of business processes in professional sports.*

Professional sport in the world stopped playing only a competitive part, today it is a real business in which success depends directly on the financial status of professional sports clubs.

In recent decades, most professional sports clubs have demonstrated high rates of economic growth and indicators of economic stability, thus getting the status of economically independent commercial organizations. The high rates of economic growth are due to the development and the reorganization of the professional sport clubs management system, increase of supporters, who are potential consumers of goods and services sold by professional sports clubs, contribution to the expansion of existing range of services, capabilities of long-term relationships with athletes, sponsors and foreign partners, and strengthening of the economic status of the professional sports clubs.

At the present stage each kind of professional sport is popular with many stakeholders, namely professional sports clubs play and earn, fans actively participate in the life of their favorite teams, sports products manufacturers significantly increase the rate of sales growth of their products, sponsors have the opportunity to promote their brands through sports events, teams and professional athletes, mass-media and TV channels – cover and broadcast the most popular events in the industry of professional sports. The algorithm of successive actions of the above mentioned subjects of economic relations aim at gaining profit to sports organizations and the enhancement of their investment attractiveness.

The majority of professional sports clubs in the Republic of Belarus today do not have any adequate commercial success; many of them are funded from the state budget. Professional sports teams almost do not get any income from their commercial activities and they exist mainly at the expense of the state budget and sponsorship of business entities, which is not so easy to attract when these organizations are not popular with investors.

The industry of professional sports is subjected to the laws of market economy. And constantly growing competition in this environment necessitates professional sports clubs to use a more sophisticated approach for the organization of activities in the modern business environment.

The planning and organization of commercial activity in professional sports can be characterized as a system of economic relations, with the ability to generate income. To transform sports events from the category of Pro Bono representation to a full business project that is based on self-sufficiency and income growth, the functionaries making managing decisions need to find new creative and pragmatic approaches, based on eventual opportunities and the determinants of production in the industry of professional sports.

Financial and investment activities of a professional sports club include the inflow of monetary funds by the current, financial, investment activity, profit before tax, the cost of remuneration of athletes and reflects the result of current activities of the professional sports club in total and separately for major profit segments, such

as income from sales of merchandise and other goods with the name of the player (team), increasing ticket sales and season tickets, increasing the rating of TV coverage, and also signing a new media rights for the implementation of products, signing sponsorship contracts, use of resources, sports facilities, PR-events performances in the European cups and the FIFA Club World Cup. Indicators of financial and investment activities are the monetary value achievements in sports of professional sports club, which reflect the result of financial and investment activities of the team. The high profit before income tax provide a professional sports club with an additional opportunity to invest in intangible assets, infrastructure, etc.

More than a half of the budget of a professional sports club is spent on wages and taxes, remaining funds are spent on the development of the team. The size of the investment to the development of the team during the reporting period is determined by the amount that a professional sports club is ready to invest in the ongoing transfer policy, and PR-technologies. Professional sports clubs spend a large portion of the invested funds on the latter.

It is not a secret, that football has long gone worldwide beyond the purely sport activities, professional football clubs become profitable, and sometimes unprofitable business projects.

But the essence of every business is to gain a profit, and owners of football clubs hope to get profit from their investments at the end of each season [3, p. 147].

Over the last decade football has gained a rapid progress. The budgets of the best professional football clubs in Europe account for hundreds of millions of euros. In countries which hold the first five positions: England, Spain, Italy, Germany and France they have learnt to turn a sports product into a profitable business [4, p. 89].

The effectiveness of the activity of any professional football club is first of all proved by its sporting results. However, it is evident that great victories and commercial success are connected. Professional sports clubs, which are seeking the right to participate in the prestigious European tournaments, such as Champions League, Europa League and UEFA Super Cup, receive automatically large bonuses from the European Federation of football associations (UEFA), and it should be noted that the bonus rises depending on the success of the team in these tournaments [4, c. 89].

Most foreign leading professional football clubs in Europe are open joint stock companies according to their legal form, shares are sold at the auctions at London, Milan, Manchester, Munich stock exchanges and are listed high enough [4, p. 91].

One of the important aspects is that stadiums are the first thing that can significantly affect the financial attractiveness and effectiveness of the clubs. One can recall the European experience: the resettlement of London Arsenal to the new Emirates stadium caused significant changes in the number of revenues of the professional sports club, after that Arsenal got the sixth position in the ranking of the most profitable professional clubs in the world by Deloitte [4, p. 92].

It should be noted that any professional sports club is eager to have in its team the best players in the world, trying to prepare students for their football schools or buy from them, but selling their best players professional sporting clubs are trying to get the maximum possible amount of money for them [3, p. 147].

Look at how revenues are generated in the structure of the budget of professional sport clubs on the example of major professional football leagues UEFA (Fig. 1).

The structure of earnings in the Championships of England, Spain, Italy and France is characterized by the high percentage of the profits from the rights to broadcast, which can be explained by the fact that a large number of professional athletes of world class are involved in these Championships. Professional athletes of world class are able to attract mass consumers; this strategy is effective but has a significant risk, as this item of income in Europe is not always stable. It can also be noted that the lowest percentage of income in the revenue structure in all the Championships of the analyzed countries can be traced according to the article by the total revenues on a match day, due to the fact that the main emphasis in this article is not on the increase but on gaining profit from the media.

The main element of stability in economic policy of a professional sports club serves as a balance by object profits. Practical experience shows that the higher percentage in the budget of a professional sports club's total revenue on a match day, the more stable it is in the terms of economics.

The German Bundesliga is often considered to be an example of correct management. The System of this league was recognized as one of the best in the world in preparing young people to be in charge of the club's economy, in transfer operations, relationships with government and sponsors. But even with all of the described figures, professional sports clubs of the English Premier League still earn more, the Italians, French and Spaniards have already fallen behind two of the above leaders by revenues. In Spain there is quite an unfair principle of decentralized sale of television rights. In England, Italy, Spain cash gaps close infusions from the rich managers and shareholders, and in Spain and England it is possible to take loans from banks. Each of these approaches is regularly criticized, and in the example of the German system, where there are no rich shareholders and doubtful debts [5, p. 102].

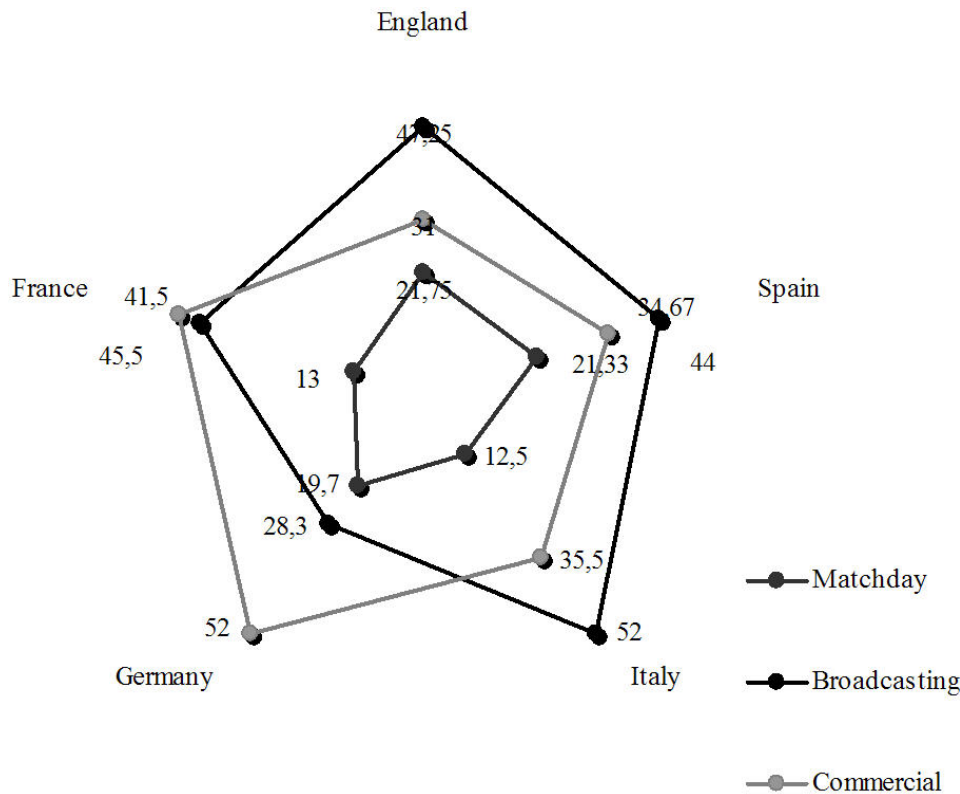


Fig. 1. The structure of revenues in the major European football Championships, %

Source: own elaboration based on data [2].

According to the research by marketers, the strength of any championship is based on three indicators that brings profit. This is the sale of television rights, sponsors and proceeds from ticket sales to the stadiums. Naturally, to the latter it is possible to add more income from merchandising that is growing during important matches. According to the Deloitte data the German league is more financially stable than the English Premier League or Series A [5, p. 102], in Germany they will never afford to spend more than they earn. They consistently invest in new players, preferring to work with their old ones. A successful school is one of the conditions for the existence of the professional sports club, which is administered under the strict supervision of the German football Union.

The policy of the football club "Manchester United" may be regarded as one of the best examples of investment activity.

According to the report of Deloitte Football Money League 2015, despite the shortcomings in the season, "Manchester United" showed tremendous revenue growth, almost 100 million euros, ahead of Barcelona and Bayern, and losing only to real Madrid, despite the fact that the deal with General Motors began to operate only with the reporting season and the contract with Adidas for 10 years and Chevrolet for seven years will start in the next season. Also new deals with investors in emerging markets such as China, South Korea and Nigeria were added to the sponsor's portfolio. Revenue from broadcasting increased by 34%, thanks to new contracts to broadcast the Premier League and performances in the UEFA Champions League [2].

"Manchester United" income in the main fields for the period is totaled as following (Fig. 2): total revenues on a match day – which is 129,3 million euros, broadcasting – 162, 3 million euros and Commerce, which includes revenue from merchandising and sponsorship contracts – 226,4 million euros, the club budget accordingly amounted to 518 million euros. According to Deloitte forecasts "Manchester United" in 2017 will already be back in first place in the Money League [2].

The gap between the rich and very rich professional sports clubs over the last ten years practically has not changed in relative values: the first and tenth places showed practically the same growth rate of income, about 100%, the twentieth – a bit less, the presence of British professional sports clubs at the top of the rankings continues to grow.

Comparing income and accordingly the budgets of clubs of the higher League of the Republic of Belarus on football for the same reporting period it is clear that they are significantly lower, the total budget of all the teams amounted to 34,1 million US dollars [1] which is 17,3 times less than the budget of "Manchester United".

As you can see from this opposition, budgets and items of income of a Belarusian professional sports clubs lag far behind the foreign ones.

To summarize, a relevant tool for solving the defined problems will be the development of methods to increase investment appeal of professional sports clubs, which will allow:

- to improve the system of sponsorship of professional sports clubs with all the requirements as a sponsoring party and the sponsored;
- to consider all possible instruments for the regulation of investment activity of professional sports clubs, and consequently, to increase operating profit;
- to increase the profitability of the activities of professional sports clubs regardless of th forms of their functioning;
- to justify the need for transformation of economic policy priorities of professional sports clubs;
- to develop recommendations for improving partnerships for all functionaries of the business environment of professional sports clubs, mainly investors.

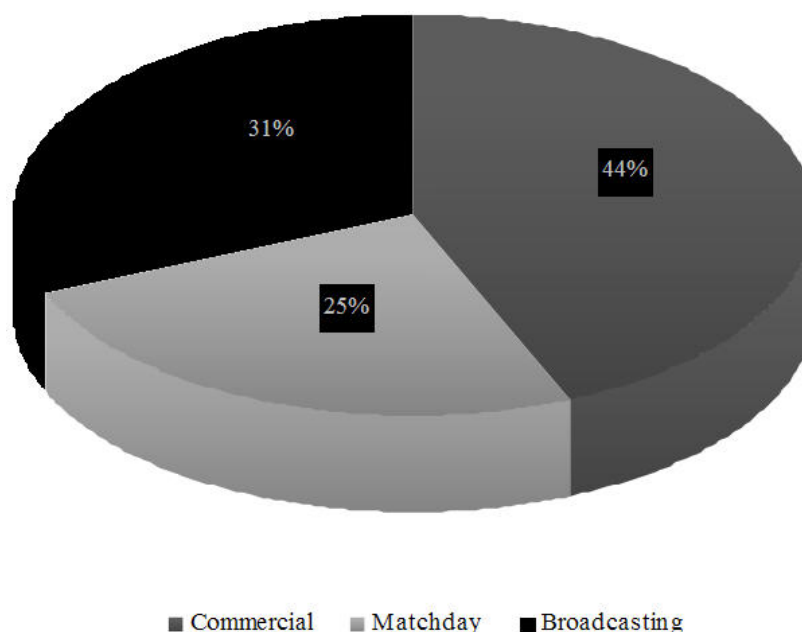


Fig. 2. Income structure "Manchester United" on the main directions

Source: own elaboration based on data [2].

This technique can be used by managers of professional sports clubs and managers of professional athletes, as well as the main functionaries in the industry of professional sports.

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