

Assessment Task A1: 2500 words Audit

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Introduction

The Indian super league or the ISL as it is popularly known was founded in 2013 it is the top-tier football league for men in India. When the league began it consisted of 8 teams as of 2022 which is the 9th year of the ISL it comprises eleven teams. In football or any other Sporting League audience or drawn in by the quality of matches. Having one world-class team and the rest being average does not make the game entertaining the teams battling it out in the league need to be equally matched which creates unpredictability and tension which Asia of the seat and thereby increases view worship. A good example of the above-given scenario in world football is the English Premier League in which there are around 6 clubs which are always able to win the league. This unique advantage is what makes the Premier League the most watched sports League in the world even when other European League matches the Premier League in terms of quality. But creating an ideal situation is easier said than done. Most leagues contain teams with varying market powers, leading to unfair competition. The Indian Super League follows the American model in which the league is closed, where teams participating permanently stay in the league while the European Model is performance-oriented and includes a system of relegation in which the worst performing three teams are relegated to the subsequent division. Since European teams follow a football in the pyramid a team playing in the top division over the years poor performance can be relegated down to the lowest division which consists of amateur teams, do this is highly unlikely it is still plausible. The system is designed in such a way that always keeps the leaks competitive.

In the current era sports especially football is more popular than ever before since it is accessible to buy a wider segment of the population. Football is currently categorised as an entertainment business success of the businesses measured by the success on the pitch.

The Indian Super League Structure

The case of the Indian super league as mentioned before is a closed League which eliminates the threat of promotion and relegation the 11 teams participating must pay a franchise fee every season as buy-in. From the start of ISL in 2013 till the 2019-20 season ISL has collected a total of 777.44 INR from the participating team (Mondal, S., Plumley, D., Wilson, R., 2022). The ISL also follows the US model of distributing broadcasting revenue, in which revenue is distributed equally and as of 2019-20 net total of 538.59 crores among the participated teams.

Since the ISL is in its infancy most of the stadiums the teams play in own by the state or central government. Out of the 11 teams, only Jamshedpur FC has complete ownership over its stadium. Since the other teams have to pay rent for playing in their home stadium this affects the revenue generated by the franchise. This is currently a hotly debated topic in Indian football as the ownership of the stadium ensures greater profitability and it is a long-fixed asset for the franchise.

Table 1. Owners of Indian Super League franchisees and primary activities of majority shareholder.

Team name	Company name	Majority shareholder	Primary activity of majority shareholder
ATK Football Club	Kolkata Games and Sports Pvt. Ltd.	RPSG Group	Industrial services
Bengaluru Football Club	JSW Bengaluru FC Pvt. Ltd.	JSW Group	Infrastructure development
Chennaiyin Football Club	Chennaiyin FC Sports Pvt. Ltd.	Vita Dani	Sports promoter
Delhi Dynamos Football Club	Delhi Games and Sports Pvt. Ltd.	GMS Incorporated	Cash buyers of ships
FC Goa	Goan Football Club Pvt. Ltd.	Akshay Tandon	Manufacturing and Real estate
FC Pune City	Wadhawan Sports Pvt. Ltd.	Wadhawan Group	Financial services
Jamshedpur Football Club	Jamshedpur Football and Sporting Pvt. Ltd.	Tata Group	Automobile manufacturers
Kerala Blasters Football Club	Magnum Sports Pvt. Ltd.	Nimmagada Prasad	Pharmaceutical industry
Mumbai City Football Club	Mumbai City FC Pvt. Ltd.	City Football Group	Global football organisation
NorthEast United Football Club	Ja Football Pvt. Ltd.	John Abraham	Actor

Table 2. Stadiums used by Indian Super League teams.

Name	Location	Ownership	Ownership mode	Owned by franchisee
Yuba Bharati Krirangan	Kolkata	Indian Football Association	State FA	No
Rabindra Sarobar Stadium	Kolkata	Government of West Bengal	State Government	No
Sree Kanteerava stadium	Bengaluru	Karnataka Athletic Association	State Sports Body	No
Jawaharlal Nehru Stadium	Chennai	Government of Tamil Nadu	State Government	No
Jawaharlal Nehru Stadium	New Delhi	Sports Authority of India	Central Government	No
Balewadi Stadium	Pune	Government of Maharashtra	State Government	No
Fatorda Stadium	Goa	Sports Authority of Goa	Central Government	No
JRD Tata Sports Complex	Jamshedpur	Tata Steel Ltd	Private Owned	Yes
Dr. DY Patil Stadium	Navi Mumbai	Dr DY Patil Academy	Private Owned	No
Mumbai Football Arena	Mumbai	Brihanmumbai Municipal Corporation	Local Government	No
Jawaharlal Nehru Stadium	Kochi	Greater Cochin Development Authority	Local Government	No
Indira Gandhi Athletic Stadium	Guwahati	Government of Assam	State Government	No

Table 1

Analysis

OPS in a modified version of the FOrNeX model proposed by Andrikopoulos and Kaimenakis (2009), is used. The forex model is itself derived from the Balance Scorecard model of Kaplan and Norton (1996). Plumley, Wilson and Shibli (2017) tweaked this approach to make a Performance Analysis Model (PAM). It is structured specifically for insight into both financial and Sporting performance of sports teams. The PAM has been proven to be a relevant method of analysis as it was earlier used to show the Holistic performance of rugby League and rugby Union by the same researchers who developed it.

The PAM is comprised of three Sporting indicators and eight financial indicators as shown in the table given below

Indicator	Calculation	Interpretation
Turnover	Total turnover in a given year	Higher score is more desirable
Profit	Total post-tax profit in a given year	Higher score is more desirable
Profit (%)	Post-tax profit as a percentage of turnover	Higher score is more desirable
ROCE (%)	Post-tax profit as a percentage of net assets	Higher score is more desirable
Current Ratio	Current Assets / Current Liability	Lower score is more desirable
Debt Ratio	The absolute amount of debt divided by total fixed assets and current assets put together	Lower score is more desirable
Gearing Ratio	Total amount of borrowings both short and long term. Calculated as gearing percentage of shareholders' funds	Lower score is more desirable
Wages/turnover (%)	Total wage costs as a percentage of turnover	Lower score is more desirable
Win ratio	Percentages of games won during a season	Higher score is more desirable
League points	Number of league points won during a season	Higher score is more desirable
Capacity utilisation	Average attendance for a season/Capacity of the stadium	Higher score is more desirable

Table 2

The method of reaching these variables has been determined by the current UEFA Financial Fair Play rules (FFP). The FFP rules must be followed by clubs registered under UEFA. According to FFP regulations, wages shouldn't go above 70% of turnover and debt stays below 100%.

Debt ratios are very important in football since there is a huge reliance on the owners by the teams playing in the ISL the weightage for the debt ratio is fixed at 20%. For the case of this study, the revenue ratio has been given a 30% weightage since ensuring that the clubs are not spending beyond their means as it's the most important way of sustaining a club in long run. 5 to 10% weightage has been given to the rest of the financial indicators depending on the perceived fit requirement.

In the case of Sporting, variables percentage is given the most weightage as the win ratio gets better it might translate into gate receipts and thereby increasing turnover. And hence win ratio is given 70 per cent weightage.10% weightage is allocated to League points which are heavily linked to the above-mentioned win ratio. The final sporting factor is the utilization of capacity which is given 20% weightage as it affects the club's profit and turnover (Plumley, Wilson, & Ramchandani, 2017a). Although it is a financial indicator for the study it is considered a Sporting indicator.

The table given below is the hypothetical ranks and scores of an imaginary Football Club during one of its playing seasons. The table has two dimensions financial and Sporting and those two dimensions have different indicators. Each club has a score and rank for each indicator and then the overall rank it's also given to the football club.

Dimension	Indicator	Sub-domain			Dimension		
		Hypothetical rank	Weight	Score	Score	Weight	OPS
Financial	Turnover	2	0.10	0.20	3.20	0.70	3.41
	Profit	4	0.05	0.20			
	Profit (%)	3	0.10	0.30			
	ROCE (%)	8	0.05	0.40			
	Current Ratio	4	0.10	0.40			
	Debt Ratio	1	0.20	0.20			
	Gearing Ratio	3	0.10	0.30			
	Wages/turnover (%)	4	0.30	1.20			
Sporting	Win ratio	5	0.70	3.50	3.90	0.30	
	League points	2	0.10	0.20			
	Capacity utilisation	1	0.20	0.20			

Table 3

Table 5. OPS and dimension ranks for Indian Super League franchisees between 2014–2015 and 2019–2020.

	2014–2015			2015–2016			2016–2017		
	Finance	Sport	Overall	Finance	Sport	Overall	Finance	Sport	Overall
ATK Football Club	1	4	2	3	2	2	7	7	7
Bengaluru Football Club	*	*	*	*	*	*	*	*	*
Chennaiyin Football Club	2	2	1	1	3	1	4	8	6
Delhi Dynamos Football Club	7	8	8	5	5	6	3	4	3
FC Goa	6	1	3	6	1	3	5	5	5
FC Pune City	5	5	4	8	6	8	8	6	8
Jamshedpur Football Club	*	*	*	*	*	*	*	*	*
Kerala Blasters Football Club	8	3	7	2	8	5	2	2	1
Mumbai City Football Club	4	6	5	7	7	7	6	1	4
NorthEast United Football Club	3	7	6	4	4	4	1	3	2

	02017–2018			2018–2019			2019–2020		
	Finance	Sport	Overall	Finance	Sport	Overall	Finance	Sport	Overall
ATK Football Club	3	9	7	2	7	5	6	2	5
Bengaluru Football Club	5	2	2	5	2	3	2	3	2
Chennaiyin Football Club	4	4	3	6	9	8	4	4	3
Delhi Dynamos Football Club	7	8	10	8	10	10	**	**	**
FC Goa	10	1	6	4	1	2	7	1	4
FC Pune City	6	3	4	7	6	6	***	***	***
Jamshedpur Football Club	1	5	1	1	4	1	1	5	1
Kerala Blasters Football Club	9	7	9	9	8	9	5	6	6
Mumbai City Football Club	8	6	8	10	3	7	–	–	–
NorthEast United Football Club	2	10	5	3	5	4	3	7	7

* Did not participate, ** Changed name, *** Defunct, – Accounts not available.

Table 3

The given below figure shows the average turnover average and debt average wage of ISL from the 2014-15 season to the 2019 20 seasons. As shown the average turnover has been gradually increasing steadily over the years but throughout the years the average debt has been increasing exponentially. When the total average revenue rose from 10.72 crores to 39.52 crores which is an increase of 269 per cent, the total debt in the same period rose from 26.45 crores to 82.43 crores inflation of 212 per cent.

The primary reason for such inflated debt figures is franchises such as FC Goa and synonyms in 2019-20 and 2018-19 by ATK FC and Mumbai City FC in the 2019-20 season. Only Bengaluru FC and Pune city were able to make a profit in 2018-19 similarly Bengaluru FC and Jamshedpur were the only franchises that made a pre-tax profit in 2019-20. And

Bengaluru FC only franchise which has the unique achievement of making pre-tax profit every season they participated in.

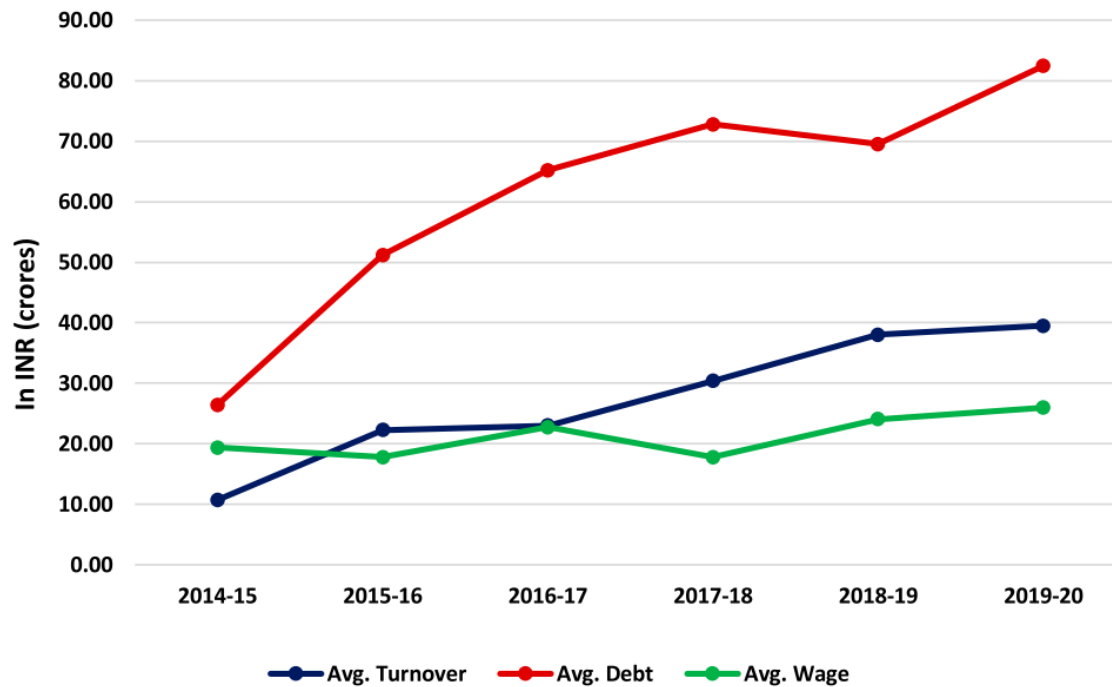


Figure 1

A significant factor most clubs are not producing a pretext profit even when every club once a significant portion of the broadcasting rights deal of ISL which star network is that franchises have to pay around 12 crores as fee at the start of every season as a Buy in. This person significant dent in the profit that a franchisee can make even if the season is profitable. The unnecessary pressure the buy-in puts on the franchises is immense and this has caused clubs like Delhi dynamos FC to change their name to Odisha FC and relocate Odisha from Delhi on the other hand FC Pune city has been forced to shut down despite making a pre-tax profit of 1.37 crores in 2018-19 (Mondal, S., Plumley, D., Wilson, R., 2022). As told before profitability of sports franchises is measured not just by the profit makes off the field but by a combination of success on the field coin with the profitability of the field (Mondal, S., Plumley, D., Wilson, R., 2022).

The below graph shows exactly how the franchises in the Indian super league have performed thus far. Bengaluru FC and Chennai FC are the only teams which were able to make a profit

off the field coinciding with good performances on the field. Bengaluru FC, they have a turnover of 67.89 crores throughout the three seasons as well as qualifying for the playoff in everything season.

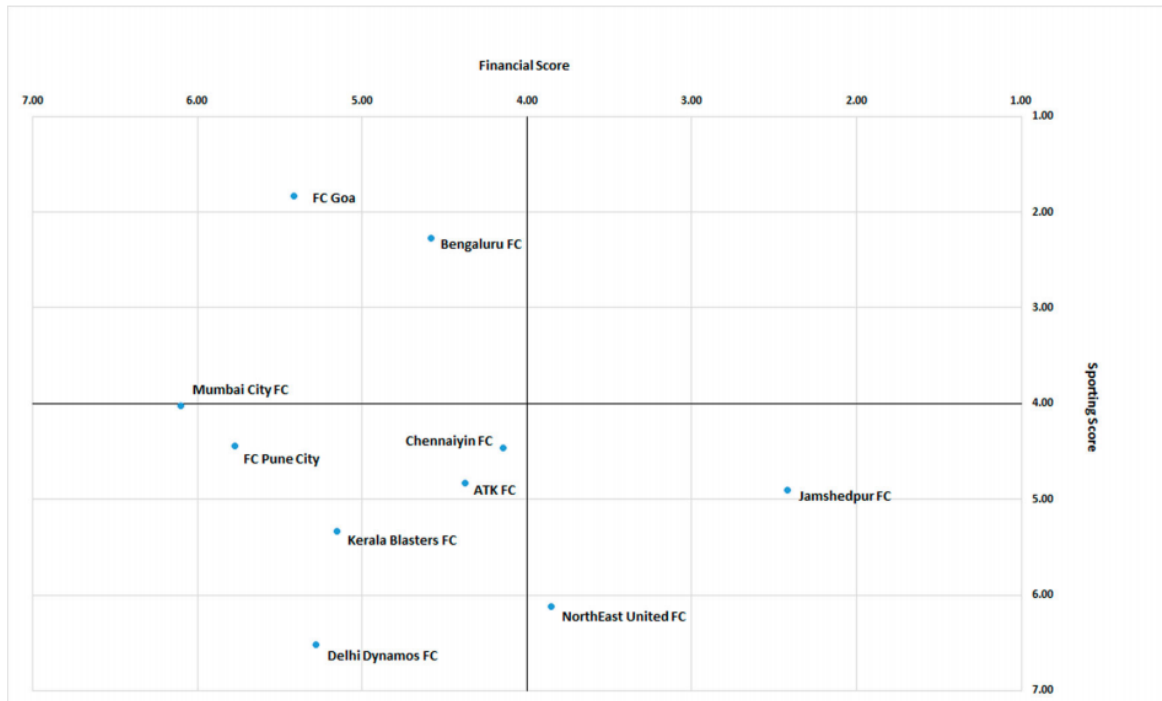


Figure 2

The Financial Stability of the Indian Super League

From 2014-15 to 2019-20 a growth of 108 per cent in turnover has been recorded while the highest recorded turnover was in the season 2018-19 which a producer turnover of 385.22 crores. Around 75% of the total revenue of ISL during its first season was needed up of franchise fees collected from the teams. This over-dependence on franchise fees has dropped significantly only 33 per cent of the turnover being contributed by the franchise fees in 2019 20. But the problem faced by the Indian super league is that revenue has not been translated into profits and ISL in the season 2019-20 has made a loss of 26.42 crores (Mondal, S., Plumley, D., Wilson, R., 2022).

Total Turnover in ISL (in INR Crores)

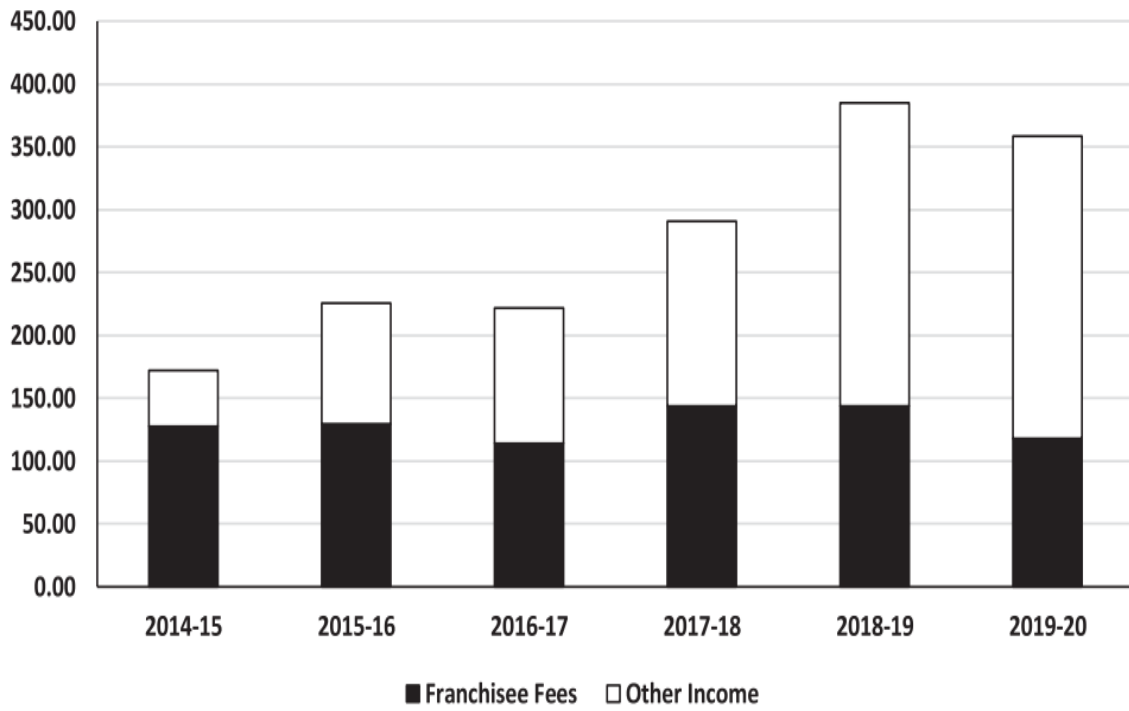


Figure 3

Total Loss in ISL (in INR Crores)

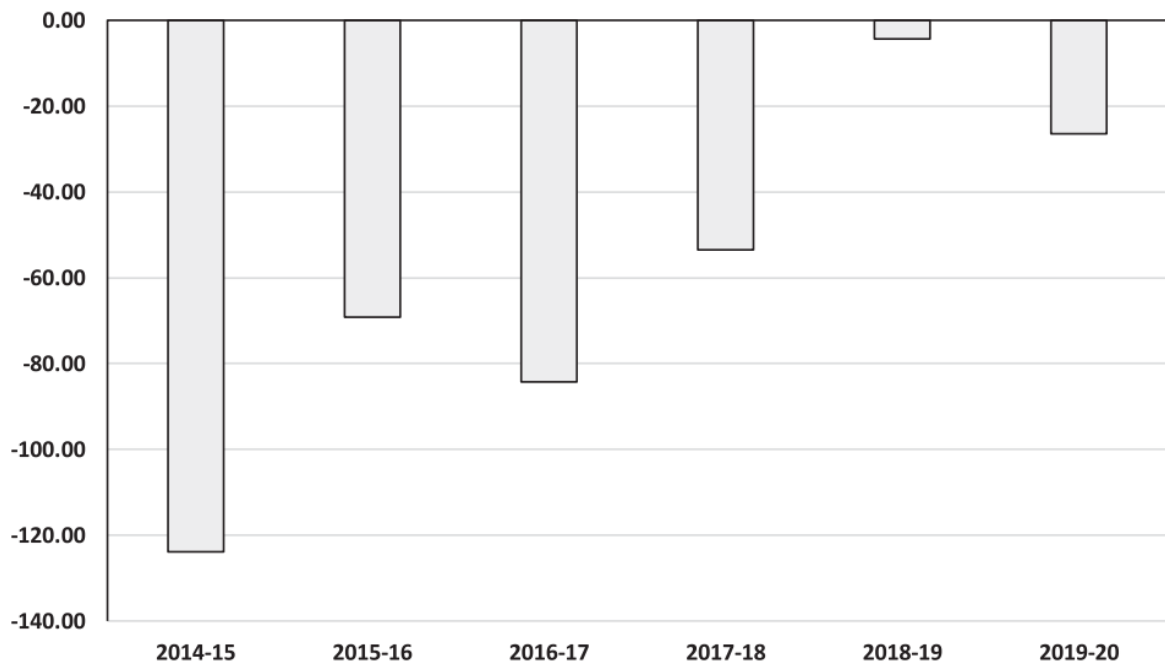


Figure 4

Resolution

The primary reason for the establishment of the ISL was to develop the football scenario of the country but financial problems have restricted the impact the ISL could make. Even though, ISL has been able to increase the turnover it has failed miserably at cost control which is the problem faced by many football leagues across the world. Another problem faced by the franchises in the Indian super league is that they are not self-sustaining and are overly dependent on their owners for financial support. This situation is not uncommon but such reliance can be a threat in the club's long run.

One important factor in which the Indian super league differs from the other leagues around the world is that only one among the 11 teams that play in the ISL has ownership over the stadium. The stadium is one of the only tangible assets that a sports franchise can own and it also has revenue from ticket sales which the franchise doesn't have to pay rent for internally. Secondly, there have been reports of political tension between the franchises and the league. The need to pay a buy-in fee into the league is rather unusual in football. An argument can be made that the buy-in fee is needed to generate profit for the league but the English Premier League which is the most profit-making football league in the world does not charge a such fee from the teams participating and still makes a heavy profit. And distributing the revenue equally among the franchises participating does not help in keeping the league competitive and when the quality of the competition drops the audience turnout for the matches drops and this in turn affects the turnover the club makes.

The Indian super league is modelled after the major league soccer of the USA and hence cannot be compared to the English Premier League or any other European League as they are structured differently. In the case of the English Premier League the performance on the pitch directly translates to the revenue generation even relegation may cause a team to go financially insolvent. In the case of the Indian super league performance on the pitch does not translate to revenue generation. Since the league is in its infancy it is too early to judge if this structure and direction in which the super league is moving will in turn make a profit in the long run.

What is obvious is that the league needs to make better broadcasting deals so that revenue can

trickle down to the franchises to enhance and have them grow better. There has been significant growth in the Asian football market in recent years which can be exploited by targeting better commercial deals. There is a significant gap between the Football League in Europe and Asia the league in the latter has only emerged recently. India has great potential in football as it is the second most populated country on the planet still it has underperformed in every single competition given the lack of resources and infrastructure in the country. This is the problem which ISL has sworn to tackle.

Private equity has emerged as one of the potential big player's sports markets, especially after the pandemic. The private equity partner's merits of investing in football are second to none as football offers predictable and recurring revenues and unparalleled brand loyalty. There is also an appeal for the private equity firms to invest in the league rather than investing in a club as clubs are even more stable than franchises. In Europe, in recent years there have been such investments by private equity firms. CVC a big player in the sports market tried to bid a stake in Italian top-flight called the "Serie A" but the bid failed, but CVC invested heavily in the Spanish league La Liga in the summer of 2021. Since the ISL is a relatively young League it would be ideal for the league to partner with private equity firms. Controlling costs is a clear necessity for short term profitability. The first step taken by sports teams to cutting costs is lowering pay wages.

A basic long-term fix that every franchise in the ISL should strive for is to acquire and own a stadium which might require external investment. But this is a long-term resolution as the stadium will generate revenue and this partner with better brand deals and commercial partners will provide greater safety in the long run.

Conclusion

It is undeniable that the Indian super league has financial and governance issues. Cost control can effectively curb the financial problem faced by the ISL. Along with the Peculiar structure of the ISL, governance is also an issue, the arrangement between the league franchises and the broadcasting company needs to be sorted out as soon as possible. Addressing these two issues will make the league and its franchises appeal more to external commercial partners.

India is the second most populated country on the planet but cricket is the most popular in the country, but since ISL's introduction in 2013 passion for football in the country has grown to new Heights. Football has huge potential in India and taking the right steps can help profit not just ISL but Indian football as a whole. ISL is still in a football league that has time on its side but there are issues to be addressed and if not addressed might lead to catastrophe. The ISL has a long way to go and it would be interesting to go before it reaches the level of the top leagues in Europe, It even has a lot of catching up to do before it even reaches the level of Asia's best leagues. The ISL was created with the primary objective of improving the footballing culture in India and to an extent, it can be said that the ISL is on the right track regarding fixing that issue. One can only wait and watch how things turn out to be for ISL and Indian football as a whole.

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