

## **Playing Talent, Performance and Revenues : An Exploratory Analysis of the Greek Football Industry**

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The amount of player talent a football club hires decides to a great extent the playing performance of the team (Deloitte & Touche, 2002). Several studies on English football have examined the relationship between the quality of players offering their services to a team (measured by total wage expenditure) and the team's on-field success (measured by its league position), claiming that the higher a team spends for players the better its playing performance. Furthermore, better playing performance leads to higher revenues, due to the team's attractiveness to its fans, sponsorship and television rights, merchandising etc. (Hoehn & Szymanski, 1999; Szymanski, 1998; Szymanski & Smith, 1997). The strong relationship between the former set of variables (wage compensation and team performance) is also reported in the study of Teichmann & Sohnche (2003) for the German football league. On the contrary, Dobson and Goddard (1998) argued that a relationship for the later set of variables (league position and gate revenue) was established for only 10 out of the 77 English football clubs examined in their study. The aim of this research was to examine to what extent expenditure for players' transfer and contract renewal (considered as the most relevant figure to the quality of players hired included in the published accounts) was correlated to league position in the Greek first national football league and also to what extent better league position was leading to higher revenues. Data were collected for seven consecutive seasons (1996-2003) using the published accounts of 11 professional football clubs that participated in all seasons examined. The criterion for selecting these 11 clubs was their uninterrupted participation in the first national league. For each team, both expenditure for players' transfers and contract renewal and revenues in each year were calculated as a ratio to the average of all other clubs in that year. The relationship between transfer and contract renewal expenditures and league performance as well as between league performance and total revenues was evaluated by the correlation of coefficient  $r$  (Pearson) and the coefficient of determination  $r^2$ . The results revealed high correlation figures in both cases ( $r=0.81$  and  $0.77$  respectively), while the coefficients of determination were  $r^2=0.65$  and  $r^2=0.59$  respectively. For management purposes the results indicate that 65% of the total variation in league performance between the clubs in the period 1996-2003 could be explained by players' transfer and contract renewal expenditures, while on the other hand 59% of the variation in revenue is due solely to league performance. Although the respective values for the English football league were higher than the ones indicated by this study for Greek football, 0.81 and 0.78 for 69 clubs in the season 1996/7 (Szymanski, 1998), and in the research of Szymanski and Kuypers (in Hoehn & Szymanski, 1999) 0.92 and 0.88 for 39 clubs in the period 1978-96, the findings of the present study still possess considerable predictive value. However, the lower figures derived from the analysis of the Greek football league point to the immature nature of the Greek football industry where factors other than playing quality still play a significant role in determining league competition and also highlight the need for the reconstruction of the industry in such a way as to enable teams' management to capitalise on team success for increasing revenues (through gate receipts, sponsorship and merchandising).