



COVID-19 SONRASI TÜRK FUTBOLU

TURKISH FOOTBALL AFTER COVID-19

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ÖZ

COVID-19 dünyadaki her türlü ekonomik aktiviteyi olumsuz etkilemiştir. Spor sektörü, maçların durması ve liglerin yarım kalması sebebiyle en çok etkilenen sektörlerden biri olmuştur. Futbol, Avrupa'nın her yerinde olduğu gibi Türkiye'de de en popüler spor branşıdır. Pandemi, kulüplerin milyonlarca avro zarar etmesine sebep olmuştur. COVID-19'un olumsuz etkilerine ek olarak, Türkiye ekonomisinde yaşanan yüksek işsizlik, enflasyon ve kur şokları sebebiyle Türk kulüpleri daha da zor duruma düşmüştür. Naklen yayın ihalesinde yaşanan sorunlar ve bu konudaki belirsizlikten ötürü kulüplerin daha fazla gelir kaybı yaşaması da oldukça güçlü bir ihtimal olarak gözükmemektedir. Hali hazırda, UEFA tarafından finansal fair-play yönetmeliklerine uyamama sebebiyle en çok ceza alan kulüpler olan Türk kulüplerini, önümüzdeki dönemde daha sıkıntılı günler beklemektedir. Bu dönemden, finansal olarak güçlü çıkacak kulüplerin önümüzdeki yıllarda Türk futbolunu domine etmeleri oldukça muhtemeldir.

Anahtar Kelimeler: Süper Lig, COVID-19, Avrupa Futbolu, Futbol Kulüplerinin Finansal Durumu

TURKISH FOOTBALL AFTER COVID-19

ABSTRACT

COVID-19 has affected all kinds of economic activity in the world adversely. Sports in particular, was one of the most affected industries due to the postponement of leagues and abandoning of tournaments. Football is the most popular sport in Europe as well as in Turkey and football leagues are the highest revenue generating leagues in Europe. Pandemic's impact on football clubs' revenues was very severe which caused losses worth millions of euros. In addition to COVID-19's effects, Turkish economy was struggling with high inflation, unemployment and an exchange crisis and furthermore, Turkish clubs were already in a financial bottleneck. Due to the current issues in Turkish economy and football, Turkish clubs' revenues are going to be affected more than their European counterparts. Especially the problems in the broadcasting agreement and the uncertainty regarding the future would most likely to cause the Turkish clubs to lose more revenue. Currently, Turkish clubs are the most sanctioned clubs by the UEFA due to failing to meet the financial fair-play requirements. The following seasons might be even harder for the Turkish clubs, financially. The results indicate that recovery for the Turkish clubs are going to be much more difficult which might cause a shift of power in the Turkish Super League in the years to come.

Key Words: Turkish Super League, COVID-19, European Football, Football Clubs' Finances

INTRODUCTION

Undoubtedly, the coronavirus pandemic has adverse effects on all the economies in the world and the aggregate impact on the global economy is expected to be higher than the global financial crisis in 2008⁵. The European Commission (EC) expects an 8.3% contraction in the European Union (EU) economy in 2020⁶ due to the coronavirus pandemic.

In the world of sports, the impacts can even be more formidable. European Club Association (ECA) reports that the total revenue loss in European football would be around 4 billion euros. Although most of the European leagues resumed, 1.6 billion of this predicted 4 billion loss belongs to the 19/20 season⁸. Obviously, the match day revenues are impacted the most due to the pandemic but all revenue streams will take a hit. In addition to the adverse effects of COVID-19 pandemic, Turkish economy is struggling with inflation, unemployment and an exchange rate crisis. On top of these, a disagreement between The Turkish Football Federation (TFF) and BeIN Media Group, the broadcaster of Turkish Super League has been going on regarding the payments for the last couple of years. Last but not least, Turkish TFF has agreed on a scandalous decision to abandon relegation for the 19/20 season. The 20/21 season will be played with 21 teams instead of 18.

This paper critically evaluates the impact of the global pandemic on Turkish football clubs and aims to warn the stakeholders in Turkish football about the approaching financial threats. Next section discusses the impact of the coronavirus pandemic on football clubs' revenues. Following that, a section regarding the current issues in Turkish economy and their expected adverse effects on sports consumption is presented. Later, the crisis with the BeIN Media Group and the abandoning of relegation is discussed in light of the pandemic's economic impacts and current struggles of Turkish economy and finally a conclusion is presented with warnings about the financial dangerous of abandoning relegation in hope of aiding Turkish football.

The Impact of the Pandemic on Football Clubs' Revenue Streams

The three types of revenues streams for football clubs, commercial, matchday and broadcasting, have all been severely affected either directly or indirectly. This section discusses how each revenue stream is affected in particular.

Commercial Revenues

Commercial revenues consist mainly of sponsorships, naming rights and merchandising. The average share of commercial revenues in total revenues is about 35% for the Big 5 league clubs⁴. The clubs which have ongoing contracts for sponsorship and naming rights are safe for now however due to the uncertainty in the course of the pandemic they might have issues in finding new sponsors in the future. Figure 1 presents the distribution of sponsorship in the Big 5 leagues by sectors.

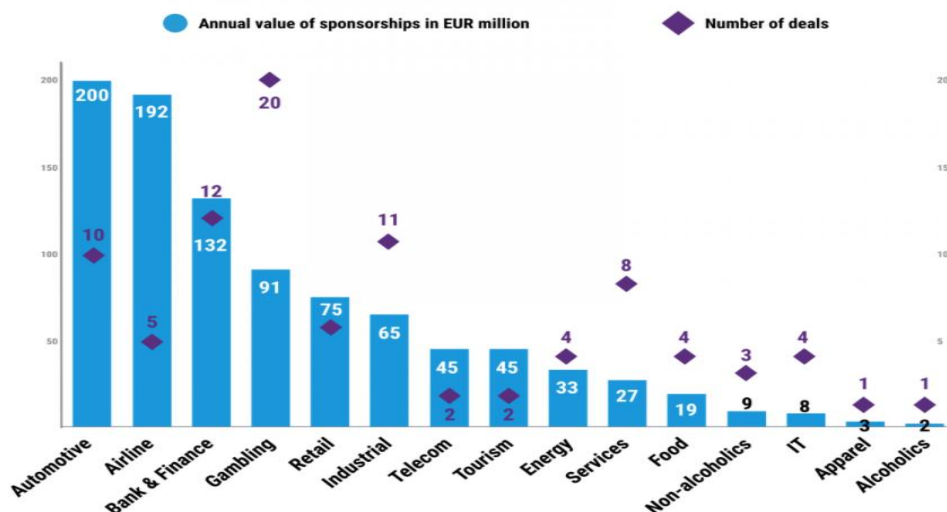


Figure 1. Breakdown of Sponsorships¹⁰

As the figure suggests, industries like automotive, airline, retail and tourism, which are all highly affected by the pandemic, are key in sponsorship deals. Whether the current deals will be affected or not is yet to be decided however companies in these sectors might be hesitant in the future for sponsorship and naming rights deals.

On the other hand, households are also severely affected by the pandemic. A 5.9% decrease in households' disposable income is expected in the EU and furthermore an increase of 3.3% in income inequality is expected⁷. The increase in income inequality means that the low and middle-income households would lose even more disposable income. Since most of the football fans are from low and middle-income class^{9,11} their sports consumption in terms of merchandise is likely to decrease hence clubs will lose additional revenues. Clubs are expected to lose significant amount of commercial revenue through sponsorships, naming rights and merchandise sales.

Matchday Revenues

All the major leagues in Europe resumed behind closed doors and teams had to play their last several games without fans. Matchday revenues consist 14.2% of the total revenues for the Big 5 leagues. The highest share belongs to the Premier League with 17% and the lowest Ligue 1 with 11%⁴. ECA⁶ expects a higher decrease in the matchday revenues in the 20/21. Since season tickets are sold in advance therefore before the pandemic, most of the tickets were already sold for the 19/20 season. In the 20/21 season, people would be hesitant to go games even if they are allowed however there will be fans who would buy season tickets despite knowing that they would not be able to attend the games just to help and support their clubs.

Broadcasting Revenues

Broadcasting revenues have the highest share in total revenues and the average share of broadcasting revenues in the Big 5 leagues is 51%⁴. Broadcasting revenue's share is going to increase in the 20/21 season due to the reduction in commercial and matchday revenues therefore the importance. So far clubs did not lose broadcasting revenues however they might in the future. As discussed earlier, individuals' sports consumption is expected to decrease due to the loss of income and increase in unemployment. One of the key elements of sports consumption is subscribing to

broadcasters for live coverage of football games. Although the conditions and cost differ from league to league, for being able to have live access to all league games, consumers have to pay. In May 2020, Sky Sports, the official broadcaster of the Premier League, announced that their revenue has decreased both due to the decrease in ad-revenues and direct-to-consumer revenues¹³. Broadcasters all around Europe are affected from the pandemic and go through similar decreases in their revenues. How the decrease in revenues will affect the current and future broadcasting deals is a matter of question which will be answered in the following months and years to come.

Turkish Economy in the Pandemic

Like all other economies in the world, Turkish economy is adversely affected by pandemic however the impact on households might be more severe. World Bank¹⁶ projects that 1.4 million people in Turkey will be pushed under the poverty line due the dramatic contractions in services and construction sectors. 2 million people lost their jobs only in these two sectors due the adverse effects of the pandemic. On the other hand, Turkish lira depreciated about 25% since January causing high inflation along with increasing unemployment. Figure 1 presents the Misery Index for a selection of European countries between 2011 and 2020. The countries presented in Figure 1 are the major football countries in Europe. In addition to the Big 5 leagues, Misery Index for Turkey, Russia, Portugal and Netherlands are presented. As the figure suggest, Turkish economy is the worst among the nine countries in terms of inflation and unemployment since 2017. Although there have been a recovery starting in 2019, the adverse effects of the global pandemic have caused a deterioration. The adverse effects on pandemic is expected to be higher on lower-income and middle-income groups which are also the main football consumers as mentioned earlier. Due to the reduction in households' income, consumption of leisure goods such as football will decrease. Consumption of football in terms of viewership as in the case of Sky Sports or in terms of club merchandise purchase.

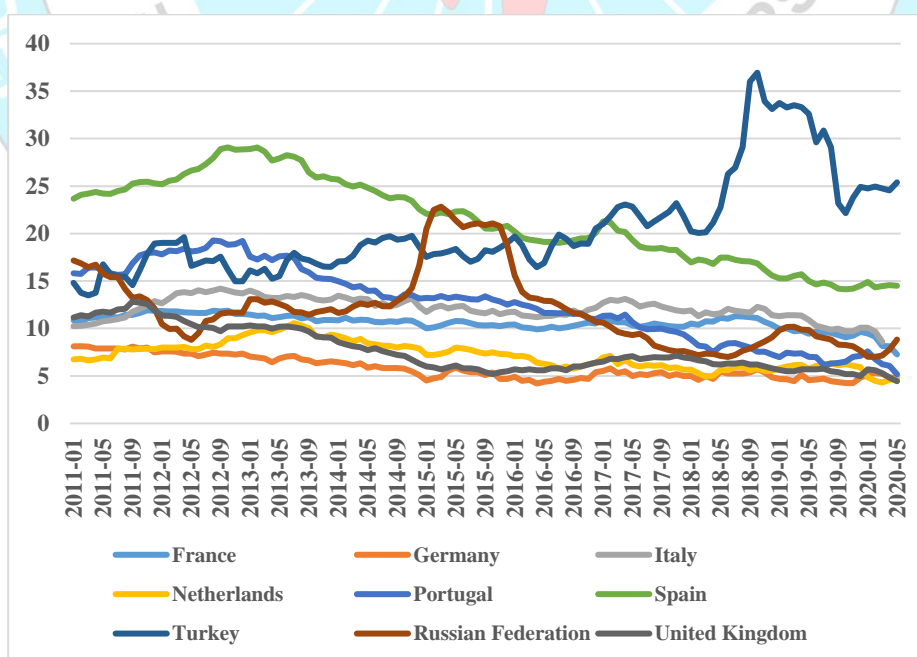


Figure 1. Misery Index for Selected European Countries

Current Issues in Turkish Football

As discussed previously, football clubs have lost significant revenues due to the effects of the pandemic in the 19/20 season. Expectations regarding the 20/21 season are even worse and on top of these Turkish economy is struggling as elaborated in the previous section. This section investigates two critical issues regarding Turkish football.

Issues with BeIN Group

In November 2016, a new deal was signed for the broadcasting rights of Turkish Super League, starting with the 17/18 season, for a fee of 500 million USD plus taxes which is valid till the end of the 21/22 season. BeIN Group pays the total sum in Turkish liras and half of it is paid with a fixed exchange rate decided by the TFF, BeIN Group and Turkish Clubs Association (TCA) and the remaining half is paid from the current exchange rate¹. Due to the volatility in exchange rates in Turkey, BeIN Group wanted to secure themselves. Table 1 presents the fixed exchange rates, loss occurred due to the rate and additional discount agreed between TFF, TCA and BeIN Group.

Table 1. Broadcasting Rights' Payment Discounts and Exchange Rates

Season	Fixed Rate (\$/TL)	Loss Due to Fixed Rate	Additional Discount
17/18	3.81	26	-
18/19	4.51	52	-
19/20	5.8	49	90
20/21	To be announced	To be announced	To be announced

Between 17/18 and 19/20 seasons Turkish football clubs lost about 127 million dollars due to the fixed exchange rate clause in the contract. In the end of the 18/19 season, BeIN Group withheld the remaining payment, which was 125 m dollars and wanted to negotiate the terms regarding the broadcasting contract¹⁴. BeIN Group argued that due to the depreciation of Turkish lira they were unable to fulfil the contract requirements. The crisis lasted for several weeks and finally a discount of 90 m dollars was agreed on by the sides. In the 19/20 season Turkish clubs lost a total of 139 m dollars which is almost %30 of the initial contract.

For the 20/21 season, BeIN group wants a new negotiation due to the increasing costs and decreasing demand. Its claimed that BeIN Group offered a payment of 1.7m liras³ which is about 230m dollars as of August 2020. As presented in the previous section, BeIN Group is losing subscribers therefore income. Also, the depreciation of Turkish lira adversely affects the broadcasters since their income is in liras and furthermore due to the increasing number of teams for the 20/21 season their broadcasting costs will increase since they are expected to stream more live games.

Broadcasting revenues share in total revenues is about 51% for the Turkish league⁴ which very likely to increase due to the expected decreases in other revenues as a result of the pandemic. Turkish clubs depend on broadcasting revenues more than ever which is something also the BeIN Group is aware of. Therefore, they have the higher hand in the negotiations, there is no way TFF or the clubs can afford the termination of the deal. In the 19/20 season BeIN Group paid 90m dollars less than the original contract and it is highly probable that a new deal will be signed for the 20/21 season and the amount which is going to be paid will be even lower than the previous season.

Abandoning Relegation

On 29th of July, TFF has announced that no teams will be relegated in the 19/20 season and the 20/21 season will be played with 21 teams instead of 18 therefore each team will play 40 games instead of 34. There will be ten games each week instead of nine and one team will get a bye each match week.

The increase in the number of teams will affect clubs' finances in two crucial ways. Firstly, due to increasing number of games clubs wage expenditures will increase since most of the player contracts have bonuses in addition to the fixed wages. Especially foreign players' wage burden will increase significantly due to the increase in the number of games and the depreciation of Turkish lira since their wages are paid in euros. Secondly, the broadcasting revenue will be distributed among 21 teams instead of 18, due to the increase in number of teams. Table 2 presents the broadcasting revenues distributed to teams between 16/17 and 20/21 seasons.

Table 2. Broadcasting Revenues in the Turkish Super League

Season	Total (million TL)	Per Team (million TL)	Per Team (million €)
16/17	1000.3	55.57	14.8
17/18	1474.6	81.92	17.34
18/19	1884	104.67	16.27
19/20	1831.83	101.77	14.87
20/21	1700*	80.95*	9.46**

*: Expected payment **: with August 2020 exchange rate

As mentioned earlier, more than half of the Turkish clubs' revenues are generated by broadcasting right. Although the deal is not finalised yet, the expected aggregate payment for the broadcasting rights is 1700 million TL which is about 200 million euros with the current exchange rate. Which means that each team will get about 9.5 million euros on average which is 35% less than the previous season. Therefore, the total revenues generated by Turkish football clubs will decrease about 17.5% just due to the loss in the broadcasting revenues.

Although TFF and the TCA can't control the exchange rate and does not have any bargaining power with the BeIN Group regarding payments, they can control the number of teams. Increasing the number of teams from 18 to 21 means that each team will get 1.5 million euros less.

CONCLUSION

As discussed in the previous section, football clubs' revenues are expected to decrease due to the pandemic. In addition to the pandemic's effects, the exchange rate crisis also hit the Turkish football clubs. The average € / TL exchange rate was 6.84 for the 19/20 season, as of August 2020 the exchange rate is 8.56 which is an increase about 25%. According to Transfermarkt.com¹⁵, 234 of the 586 players (40%) in the Turkish Super League are foreigners and since foreign players' wages are paid in euros, total wage costs are going to 25% due to the depreciation of Turkish lira. Also, it should be noted that contracts in euros is very common among Turkish players as well meaning that the total increase in the wages would be much higher than 25%. Turkish clubs are already struggling with financial problems and are the most sanctioned clubs by UEFA due to failing to meet the FFP requirements¹². Turkish clubs'

wage to revenue ratio is 79% and it is the highest among the major leagues in Europe⁴. Turkish clubs would not have been able to pay the wages even without the pandemic's effects in the 20/21 season due to the depreciation of TL and the decrease in broadcasting revenues. On top of all the negative externalities, TFF's arbitrary decision to abandon relegation is just the cherry on the pie. For the sake of Turkish football this disastrous decision should be changed before the leagues starts.

The policymakers of Turkish should be focusing on how they can help the clubs financially, rather than taking decisions which will decrease their revenues. Throughout the world, support packages have been offered to firms and citizens to ease the effects of the pandemic. The threat is real for the Turkish clubs and they are in need of assistance. The financial impact of the pandemic on Turkish league would be much higher than any other league in Europe.

The three giants of Turkish football, Galatasaray, Fenerbahçe and Beşiktaş are already struggling with financial troubles and have huge debts. After 10 years, in the 19/20 season another team other than the three, Başakşehir FK, have been crowned as the champion. Başakşehir FK is a very young club who played their home games with an average attendance of 3863 in the 18/19 season². At the moment, Başakşehir FK is financially much more stable than the three giants even though they have very little matchday revenues. Başakşehir FK's revenues will be affected least due to the pandemic since they already have very low matchday revenues. Başakşehir FK's Champions' League revenues in the 20/21 season can move them ahead of the three giants and fortify their place in Turkish football. Galatasaray, Fenerbahçe and Beşiktaş have already lost their competitive edge in inter-European competitions due to the widening financial gap between the Big 5 and other leagues. With the current adversities, they might lose their domination in the Turkish Super League as well. The three teams have a fanbase of at least 50 million in total whereas Başakşehir FK has a few couple of ten thousand at most. The shift of power in the Turkish Super League will eventually decrease the interest in football which will cause lower broadcasting deals, lower sponsorship agreements and lower attendance in the future. The three giants are on the edge of going into a vicious circle of lower revenue and higher debt which will hurt Turkish football as a whole.

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