

Strategies for Attracting Investment in Small Sports Teams: A Comprehensive Analysis

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Abstract: The focus for this article is about coming up with policies for small business for improving its market performance. This policy recommendation focuses on enhancing financial sustainability for small sports businesses, using Everton FC as a case study. The primary strategy involves leveraging crowdfunding as a tool for financing projects, improving community engagement, and increasing asset sales. Crowdfunding can provide a vital source of revenue for projects such as facility upgrades, new equipment acquisitions, and event organization. By establishing clear campaign objectives and utilizing targeted marketing strategies, Everton FC can foster stronger relationships with its fanbase and local community. Furthermore, the policy emphasizes the importance of market validation through crowdfunding campaigns, allowing the club to gauge interest in new initiatives before full-scale implementation. Ultimately, this strategic approach is fundamentally designed to foster the development of a more robust and resilient financial framework specifically tailored for small sports organizations. By doing so, it seeks to provide these organizations with the necessary tools and resources to not only survive but also thrive in the face of an increasingly competitive and challenging landscape. This framework aims to address the unique financial challenges that small sports organizations often face, such as limited funding, fluctuating revenues, and the high costs associated with maintaining competitive teams and facilities.

Keywords: Marketing, sport investment, sport teams.

1. Introduction

The term “sports finance” has been introduced into the sports industry for a long period. Sports teams generally have to try their best to attract finance in order to run the team and make some profits. In fact, nearly all the sports teams in the world get financed in many ways. However, different sports teams have completely different financing strategies depending on their sizes, locations, targets. Generally, larger sports teams are better at sports financing by establishing their brand images and loyalties domestically and internationally. Meanwhile, the effort paid by small sports teams can always be ignored by people. Therefore, I will provide some effective strategies for small sports businesses to build their brand image and loyalty more widely such as targeting more specific audiences and groups especially local citizens and tourists, widely and frequently using social media account on every platform to advertise and update some basic match information and activities, and pursuing for partnerships and sponsorships that share the same value with the sports team.

It has been a long time since the concept of “sports business” was first announced. The concept of sports business can be traced back to the mid-19th century. Sports business generally refers to any off-field role to not only promote, facilitate, and manage sports but also try to make as many profits as possible just like other industries. In every sports business, there is always an essential component of it which is sports finance. Sports finance generally refers to the process that enable a sports team to generate financial resources and investments [1].

Thanks to the integration of technology and sports, the increased pursuit of passion, and the evolution of the stadium and the size of the sports team, sports finance has become an essential component for every sports team despite their size.

After the shadow of a pandemic for 3 years the sports industry has witnessed, sports recovered a lot in 2023 compared with 2022, with a compound annual growth rate (CAGR) of 5.2% (Sports Global Market Report 2023) mainly correlated with the economic recovery between after 2021 which real GDP growth rate is 3.4% (Sports Global Market Report 2023). Numerous funding, investments, resources, and attention have been paid and flown into the sports business which makes it flourish again. Taking the English Premier League—one of the most successful sports leagues in the world—as an example, its revenue increased by 12% from 2021 to 2022 [2].

Nonetheless, while some sports businesses are expanding successfully and gaining more profits, other sports businesses with less funding access and fewer attractions are excluded by the mass market. Many of these businesses face pressured financial burden because of insufficient funding and other factors. For example, Team Everton in 2023 lost 10 points for a penalty in the league because of the exceeded debt. It pales in significance with Liverpool FC—one of the most famous football clubs which is only 1km from team Everton. Most apparently, it is difficult for them to gain international attention and fans need them to build their brand loyalty and brand image because other bigger sports businesses have already dominated the market and gained a large market share. In this situation for a long time, though, some solutions are supposed to elicit some changes. However, little attention is being paid to solving this negative trend happening right now. Rather, all sports businesses still take profits as their first priority so it can be hard to build brand loyalty [3].

Therefore, the aim of this research is to offer some strategies theoretically to help these small businesses build their brand loyalty and image. The result of this research may help these local small businesses to increase their profits and promote equity in the sports business industry.

To distinguish how big business brands and small business brands' finance, differing from each other and what their sources differ from each other is very important. Generally, big sports businesses are typically operating at a global scale, owned by entrepreneurs or bigger brands. With access to their resources globally and brand reputations, larger sports companies can easily reach out to consumers all around the world. Therefore, it is not costly for them to advertise themselves and sell their related products. By contrast, small sports businesses always had fewer workforces and were mainly targeted at niche markets. Therefore, it is very difficult for them to be exposed in the public and expand the scope of their popularity and fan bases.

Taking Liverpool FC. as an example. Liverpool FC is a top English football club in the English Premier League. Liverpool FC was owned by Fenway Sports Group—a huge American multinational sports group founded in 2001. Fenway Sports Group also owns Red Sox, Penguins and other well-known sports brands. After the transaction with Fenway, Liverpool FC could gain numerous funds from Fenway Sports Group directly. Additionally, through FSG's strategic initiatives and expansion plans, Liverpool FC can benefit from increased global brand exposure, attracting fans, sponsors, and investment from around the world. Apart from that, Liverpool FC can gain extra exposure and popularity by sports stars who sign with FSG, such as Lebron James. All told, LFC can enjoy numerous benefits from FSG.

On the contrary, smaller sports businesses couldn't enjoy the same number of external benefits. Taking Luton FC as an example. Luton Football club is a football club in the English Premier League. Luton Football club had a fluctuating achievement these years. In 2023, It just successfully upgraded to the English Premier League. Unlike Liverpool which is owned by FSG which is one of the biggest sports groups all around the world, it was purchased by a company called Luton Limited. It was a local company apparently. Hence, it cannot earn the same amount of international exposure as Liverpool FC owns. By contrast, it mostly gets financed through fans' donation, selling the naming rights of every corner in its stadium. Therefore, it has a closer connection with its local community.

Apart from that, huge sports teams are generally located in large city(in the Premier League) while smaller sports teams are always in the center of the village or town. The difference between their locations reveal that they will have completely different targeted groups of people and market environment. For example, there are over 9 professional football clubs in London which play in different levels of the league. Each team has its own targeted group of fans such as citizens in the community or the elderly, etc. Therefore, football clubs have to take aggressive marketing strategies to attract and keep their fans outside the sports field. On the other hand, small football clubs are generally the only local club in small villages so that they mainly target their fans at their local communities instead of international fans. Additionally, it is also difficult for investors to invest their money on these teams because of their lack of exposure and the limited scope of current fans and potential fans.

Sports finance involves both the sports industry and business of sports, which involves financial management, managing athletes and teams, etc. For a long time, sports finance has been applied to operate a sports team wisely and smoothly to earn profits and gain popularity. Smaller teams and larger teams both have their unique strategies to get finance. For example, Baker traces how sports teams in the National Basketball Association (NBA) use sponsorship opportunities to finance themselves, etc. In this article, the focus will be on different strategies relatively small sports teams can get financed internally and externally [4].

2. Example Analysis

2.1. Liverpool FC's Marketing Strategy

Liverpool Football Club is a renowned professional football club based in Liverpool in England, competing in the Premier numerous league titles and European successes, such as the UEFA Champions League victories. The club is owned by Fenway Sports Group, an American sports investment company. Liverpool FC has a substantial staff size, including one of the most athletic players among the world, coaching staff, and administrative personnel, to support its operations and maintain its competitive edge.

Sponsors (the entities or organizations that undertake certain responsibilities or provide support in connection with someone or something else.) (Cambridge Dictionary) always play an essential role in the sports business throughout history despite the size of the sports team or not. Not only do they provide a large proportion of financial support to the team, but they also share the same value and target with the sports team, as well. Due to the amount of the financial support and the depth of the partnership between brands and sports teams, sponsors are qualified into different types and names. Liverpool FC's sponsors in the 2023-2024 season can be separated into 4 different types— Official main partner (Standard Chartered), official kit supplier (Nike), Official principle partners(Expedia & AXA), and official sponsors.

Apart from that, the collaboration with different sponsors actually did bring Liverpool FC tons of potential fans and market development. For instance, Liverpool's sponsors are based in various countries and focusing on different markets and targeted audiences. Standard Chartered targets

markets from over 120 countries, especially in Africa countries and Irlan. Expedia– one of the official principal sponsors of Liverpool is a traveling service company which provides hotel and hospitality service in hundreds of countries. More importantly, with the support of Fenway Sports Group which is based in the USA, Liverpool can reach out to customers and people in the USA whose passion for sports is mostly distracted by basketball, American football and baseball. To be more specific, some famous American sports superstars even own some parts of the stock of Liverpool FC, such as Lebron James [5].

One of the most important marketing strategies for the football team is social media. As the social media platforms have become one of the essential parts, different football clubs started to run their official accounts on different social media. For example, Liverpool FC has its official social media account on over 50 social platforms all over the world. More importantly, in order to spread the messages in different cultural environments, Liverpool FC has already sought different professional operators in different countries who combined the culture of the football club and the local culture in local countries. In this way, the culture of Liverpool FC can be spread and built more deeply and dynamically around the world (Figure 1 and Figure 2).

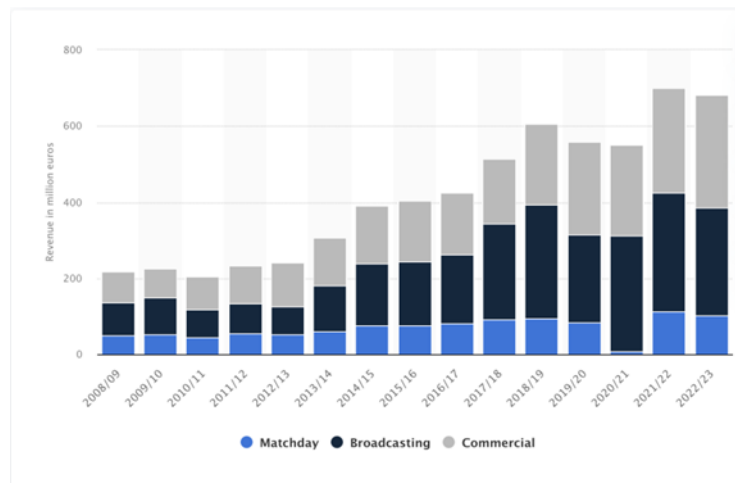


Figure 1: Liverpool FC's revenue from 2008-2023.

Liverpool FC's Revenue Stram in 22-23 season

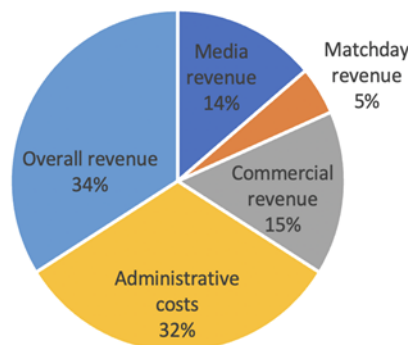


Figure 2: Liverpool FC's Revenue Stream 22-23.

According to Figure 1 above, the revenue stream of Liverpool FC indicates that the revenue generated by Liverpool FC greatly comes from broadcasting and commercials. This is mainly because of the popularity of the Premier League among the worlds. Every several years, the premier League will sign a contract with TV series all over the world and sell the broadcasting rights. In December in 2023, the Premier League announced it had agreed a record domestic television deal worth £6.7bn (\$8.45bn) with Sky Sports and TNT Sports (from CNN sports). Therefore, the dividends of the sales revenue generated by teams in the Premier League was a big proportion of the income for a Premier League football club. Apart from the broadcasting revenue, the commercial revenue generated also plays a huge role in the overall generated revenue. The commercial revenue mainly consists of the revenue generated from commercial activities and cooperations with other brands, social media revenue generated, revenue from sponsors. However, the matchday revenue only occupies a tiny part of the overall revenue generated by Liverpool FC [6].

In fact, large football clubs don't rely on selling tickets and football jerseys for making profit. Instead, the matchday revenue is only a small component of the total revenue because the profit margin for matchday is comparatively low compared to other revenue streams because operating the stadium during a matchday involves various costs from several different sectors. In order to keep attracting new people to come to the stadium, Liverpool FC won't set the price for the ticket over 100 pounds even at weekends. In this way, matchday should no longer be considered as the main revenue stream. Instead, it is a great opportunity for the football club to attract new fans, keep building fan loyalty and build the team culture.

2.2. Everton FC's Marketing Strategies

Everton Football Club is an English professional association football club based in Liverpool that competes in the Premier League. Everton F.C. is a limited company with the board of directors holding a majority of the shares. On 5 September 2023, Everton announced that Miami based 777 Partners had signed an agreement with Farhad Moshiri to acquire his full 94.1% stake in the club. Locating in the same city with Liverpool FC, especially that their home stadiums are even fewer than 1 kilometer from each other. Facing a completely different situation with Liverpool FC. Everton FC was facing lots of difficulties in recent years [7].

In the 2023-2024 season, Everton FC has a completely different type of sponsors as Liverpool FC does. The main sponsor for Everton FC is stake.com this year. Stake.com is a sports betting platform. However, it is banned by law in a lot of countries such as China, West Asia, etc. Its second main sponsor— Kick is also a live stream platform for betting. Therefore, it is not difficult to see that Everton cannot market themselves out of the domestic market because of their sponsors.

The reason why Everton FC chose these sponsors is obvious— Everton FC didn't have enough assets to pay back their debts. According to its annual report during 2022-2023 season, it was experiencing a loss of 89,000,000 pounds. Without considering the value and belief shared by both the sports team and the sponsor. Everton FC has no choice, but to decide the one which offers itself the most amount of money [8].

2.3. Comparison Analysis

According to the primary research that has been done with several football fans who watched the Premier League frequently, the focus that has been paid on Everton FC these small football club pales into comparison with Liverpool FC internationally. This justifies the decision that these small businesses should engage more in the domestic market (Table 1).

Table 1: The familiarity of football club in the Premier League (focus group).

Question	Total valid answer	Answers	Conclusion
Which football team have you heard before?	75	Liverpool 70/75 Chelsea 64/75 Brighton 43/75 Everton FC 15/75 Newcastle United 34/75	Everton FC did poor internationally marketing themselves.
How much so far have you spent for the football club you like per month	68	Over 200\$ 5/68 100\$-200\$ 14/68 50\$-100\$ 27/68 Less than 50\$ or 0\$ 22/68	N/A

3. Recommended Policies for Small Sports Business

3.1. Retained Profit

Rather than paying out profits as dividends, the company should reinvest retained earnings into expanding the business. This can include purchasing new equipment, increasing marketing efforts, or developing new products to boost long-term profitability. Apart from that, Using retained earnings to pay off debt will reduce interest expenses, improving the company's financial health and increasing future profitability. It can also be used to manage daily operating expenses and ensure smooth cash flow, reducing the need for external financing. Most importantly, improving retained profit can help avoid unnecessary financial dividends payouts, improving the financial budget [9].

3.2. Sale of Assets

In order to improve asset marketing, small sports business should highlight the value of the assets by marketing them effectively through targeted advertising channels, such as sports forums, online marketplaces, and industry-specific platforms, provide flexible payment terms or financing plans to attract more buyers and make asset purchases more affordable, utilize social media and e-commerce platforms to reach a broader audience and increase visibility for the assets being sold, and allow customers to trade in old equipment for a discount on purchasing new or better assets, incentivizing quicker sales.

3.3. Crowdfunding

One of the most significant advantages for small sports business is crowdfunding because of the close connection and the engagement between the football club and the local community especially by creating a strong narrative around the campaign to connect with potential backers. Involve the community by sharing the campaign through social media and local events, emphasizing how their support can directly impact the sports organization. Most importantly, using crowdfunding is not just for fundraising, but also to validate market interest in new products or services. A successful campaign can demonstrate demand before launching into mass production.

4. Conclusion

By viewing the results of the data and the financial report and sponsors and the size of their fans between Liverpool FC and Everton FC. I suggest that Everton should keep focusing on digging in the

domestic football market and build a closer connection with the local community. Apart from that, they should spend more money on their youth training center. All told, small teams should discover the local market more deeply so that they even can forget about the international market.

However, this extended essay still had some limitations. Firstly, the research relied heavily on secondary research which means that the accuracy of the data in this research paper highly depends on the accuracy of these secondary resources. However, secondary resources came from primary resources with some adjustments and biases. Some following research could be enacted but not necessary.

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