

CHAPTER 2

LITERATURE REVIEW

The objective of this essay is to find out the specific advantages of the Premier League, compared with its competitors such as the Europe's big five Football Leagues. In order to find out this purpose, efforts should be made in terms of investigation such as the revenue, operating profits, foreign investment, Financial regulation of administration, player transfer circumstances and the television broadcasting distribution mechanism. Besides this, the eSports game is also one of an important potential market which arises in recent years. It is going to be very big in the future football market in the years to come. Furthermore, according to Sharp (2010), the brand of the Premier League depend largely on the mental and physical distribution channel of the organization.

The amount of parachute money alone was more than earnings of the clubs without parachute money. In this season, the parachute money has increase 58%, reaching 40 million pounds distributed to each qualified club. The main driving force behind this growth is the new broadcasting deal which begins in the season 2016 to 2017 for the Premier League. Previously the parachute money is given for 4 years' time. This period has diminished to 3 years. This change of mechanism will have some impact on the situation of the Premier League and Championship League.

The big six teams of the Premier League did not perform very well in the season 2015 to 2016. In transfer of players in this season, the money spent by these six teams was more than all the other teams in the Premier League. This money paid off, resulting in the fact that these six clubs positioned at the top of the league in season 2016 to 2017. Moreover, all these six teams is qualified enough to participate in the UEFA matches in season 2017 to 2018. It is not easy for other teams of the Premier League to have the same financial ability as the big six clubs. Leicester city's title winning in the season 2015 to 2016 provide the fact that triumph may not come from big financial investment.

In season 2015 to 2016, the wage expenditure of the Premier League increased to 2.3 billion pounds . This number is a rise of 12% compared with the last season. From

the season 2013 to 2014 onwards, the expenditure of wage of this league doubled their increasing speed. The factor behind this wage increase is the rise of revenue from the new broadcasting deal initiating the season 2016 to 2017.

In season 2015 to 2016, the speed of earnings of the Premier League did not catch up with the growing speed for the wage expenditure. There has been always the case in this decade like this. The proportion of wage and revenue rose to 63% in this season. In season 2012 to 2013, this ratio was as high as 71%. This figure has been decreasing because of two factors. One factor is the cost control policy starting in the season 2013 to 2014. Another factor that belongs to the fact that broadcasting deal has been increasing in recent years. These two factors together have brought down the ratio of wage and the revenue in the Premier League.

As Premier League transfer spending has continued, so has wage cost growth, which in 2015/16 led to a total of £2.3 billion, an increase of 12%. Wage costs grew at almost twice the rate witnessed in each of the previous two years as clubs spent in anticipation of the extra broadcast revenue in 2016/17. However, over a longer cycle, the previous trend of revenue increases being wholly consumed by wage costs now appears to have been replaced by a more prudent approach – since 2012/13, just 44% of revenue increases have been accounted for by wage growth, whereas in the five years to 2012/13 this figure was 99%.

In sum the objective of this essay is to give an comprehensive report of the Premier League in multiple terms.