

CHAPTER 3

HYPOTHESIS

Hypothesis 1: Premier League is better than the other European football leagues in terms of revenue.

Hypothesis 2: Premier League is good enough to compete with other European football leagues in terms of operating profits.

Hypothesis 3: With regards to the new potential video games such as eSports, Premier League is preparing enough to compete with other football European leagues.

Hypothesis 4: in order to attract other investment such as China, Premier League is qualified enough to attract them, compared with other European Leagues.

Hypothesis 5: In terms of player transfers, premier league is attractive for the talented young football players, compared with other European football leagues.

Hypothesis 6: Other European Football Leagues do not have the same kind of mechanic such as the Premier League, arising from the whole sophisticated EFL, with the Football League clubs playing as the solid role of it.

Hypothesis 7: In terms of the infrastructure construction, Premier League has better stadia to attract the audience to watch the game, compared with other European football leagues.

When considering the Premier League's profit before taxation, two factors are considered. One is player transfer cost while the other is financial expenditure. In season 2015 to 2016, the total operating money of the Premier League division was 111 million pounds of loss. In season 2013 to 2015, the division welcomed two seasons of operating profit before paying taxation. One reason behind this operating loss is the club Chelsea's operating activity. The club chose to end its cooperation with the brand Adidas before the period of contract. This cost the club 67 million pounds. Another factor came from the club Aston Villa. Not only did this club faced

the fate of degrade. It also paid 45 million pounds for the repair for the club. These two clubs are the two main reasons that made the premier league division face a situation of operating loss before taxation in the season 2015 to 2016. There were also 12 teams in the Premier League which made profit in this season before the taxation.

As a result of the unexpected expenditure in season 2015 to 2016, the Premier League faced a situation of operating loss before the taxation. This phenomenon is highly unlikely to reoccur. Several factors become the driving force to make the Premier League face operating profit in the future. The equal mechanism of the central distribution of broadcasting deal in season 2016 to 2017 will reach 760 million pounds compared with the last season. More and more people will go to see them match for the premier league and the commercial activities is becoming more prosperous. In the first month of the 2017, the Premier League welcomed its historical transfer gaining in its history. So Premier League's outlook is promising in the future.

The financial reward of upgrading to the Premier League for the Championship League clubs is increasing. There was actually 170 million pounds for clubs to be promoted to the Premier League in every season. This financial reward will rise to 290 million pounds when the clubs promoted keep staying in the Premier League for the next coming season. In season 2019 to 2020, the new broadcasting deal for the Premier League will increase to a higher level, then it is very possible that this financial reward of the clubs promoted to the Premier League division will also increase correspondingly to a higher level.

In season 2015 to 2016, the wage expenditure of Championship League teams increased by 4%, reaching for 561 million pounds. The amount of wage expenditure was more than the earning from the revenue of the Championship League and this phenomenon happened three times in the previous four seasons. The major driving force behind this phenomenon is the fact that all clubs in the Championship League want to get upgraded to the Premier League in order to make more money and earn famous name.

The actual proportion of wage expenditure and the earning of revenue of the Championship League in season 2015 to 2016 was 101%. This is a trend that cannot last very long because clubs in the Championship League has to rely on the financial resources from the owner and the boss was simply not happy. Different clubs behaved differently in terms of the proportion of wage and revenue. In particular, Leeds United reached 59% of this proportion, the lowest of this league and the highest one belonged to Nottingham Forest, reaching 173% in this season. There were only three teams in the Championship League whose proportion was less than 70% while 13 teams in this

division had to spend more on wage than their earning.

As Leicester City's achievement has confirmed, there are other factors beyond wage spend which contribute to clubs' on-pitch performance. For example, in 2015/16 whilst Leicester won the league despite being ranked 15th by wage costs, defending champions Chelsea finished eight places lower than their wage costs rank of second, and relegated Aston Villa twelve places lower than their wage costs rank of eighth. The 2016/17 season reverted to a much stronger correlation between wage costs and league position, with the division's top six wage spenders in 2015/16 filling the top six league positions in 2016/17. Over the three seasons from 2013/14 to 2015/16, Premier League clubs generated combined operating profits of £1.6 billion, more than they managed in total over the previous 16 seasons combined.

The hypothesis of this essay is the questions from which we can get to the conclusion whether the Premier League is really strong enough compared with other European football leagues.