FINANCIAL MANAGEMENT PRACTICES AFFECTING
THE GROWTH OF FOOTBALL CLUBS IN KENYA

BY

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A Research Project Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Master in Business Administration (MBA)

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

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This project report has been presented for examination with my approval as the appointed supervisor.

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Dr. Amos Njuguna

Signed: ___________________________ Date: ______________

Dean, Chandaria School of Business
The purpose of the study was to identify and analyse the elements that contribute to the financial viability of top flight football in Kenya. The specific objectives were: to identify the sources of revenue and avenues of expenditure for football clubs; to determine the investment practices that affect the viability of football clubs; and, to evaluate the financial planning and control practices that affect the viability of football clubs.

Descriptive research design was used. The population was comprised of ten football clubs that participated in the Kenyan Premier League in 2010, and that were based in or near Nairobi. Respondents comprised 30 top or middle-level management employees of ten top flight football clubs in Kenya. Data was collected using a questionnaire and analysed using mean and standard deviation, cross-tabulation and independent samples t-test. This was aided by the use of SPSS software. The data was then presented in figures and tables.

The findings showed that in terms of the sources of revenue, sponsorship from parent organizations accounted for the largest share. Maintenance of the football clubs’ assets and facilities was the largest avenue of expenditure.

Regarding investment practices that affect the viability of football clubs, reliance on revenue from more than two sources, wide attraction of fans, application of laid down systems and processes, investment in training programmes, motivation of staff and investment in Research and Development (R&D) had a positive effect on the financial viability of football clubs.

In terms of the financial planning and control practices that affect the viability of football clubs, use of budgets to manage costs, evaluating alternative sources of funds before making investment decisions, cost management, compliance with regulations and encouraging efficient use of the clubs’ resources had a direct positive effect on the financial viability of the football clubs.

The study concluded that sponsorship from parent organizations constituted the main source of revenue whereas maintenance of the football clubs’ assets and facilities made up the largest expenditure item of the football clubs under research. The investment practices with a positive effect on the viability of the clubs were: reliance on revenue from more than two sources, wide attraction of fans, application of laid down
systems and processes, investment in training programmes, motivation of staff and investment in Research and Development. The viability of the football clubs was similarly affected by the use of budgets to manage costs, evaluating alternative sources of funds before making investment decisions, cost management, compliance with regulations and encouraging efficient use of the clubs’ resources.

It was recommended that football clubs should be more strategic and aggressive at exploiting their potential in order to increase their revenue streams. The football clubs should diversify their sources of revenue to reduce reliance on sponsorship from their parent organizations as the main source of revenue. They should also consolidate the goodwill they have with parent organizations by practicing fiscal prudence. In order to provide a panoramic view of the environmental factors affecting the financial viability of football clubs, another study that analyzes the effect of the external environment including the political, economic, social and technological environment would be appropriate. This could enhance the utility of the suggestions of this study.
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DSTV: Digital Satellite Television
FIFA: International Federation of Football Associations
KPL: Kenyan Premier League
SPSS: Statistical Package for Social Sciences
UEFA: Union of the Associations of European Football
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

The primary objective of any business enterprise is to generate revenue and profit, which determines its viability and ensures its sustainability in the long term (Keat and Young, 2003). In order to do so, it must apply sound financial management practices in its day to day operations. According to Fort and Fizel (2004), the long-term prosperity of professional sports leagues requires the maintenance of both sporting and financial viability. This relates to the goals and objectives of the clubs. Brigham and Houston (2004) contend that corporations are formed and operate with several goals. However, various corporations will have different combinations of goals depending on their operating circumstances, priorities and current realities.

Vamplew (2004) observed that there is a major debate amongst economists of modern sport on the ultimate objectives of sports industry. Smith (2009) noted that while many sporting organizations acknowledge the need for financial viability, they sometimes operate as if on-field domination is the only thing necessary for long-term financial success. Almost without exceptions studies of North American sports clubs have argued that they were either profit or wealth-maximizes, but in Britain, many clubs, particularly in football and cricket, have exhibited long-term operating losses, which suggests that either they were highly inefficient profit-maximizers or that some other goal had priority over profits (Vamplew, 2004).

An organization's potential for strategy adaptation and realization is a key factor for its viability (Achterbergh, Beeres and Vriens, 2003). While business firms have many goals, their underlying purpose is to optimize profits (Smith, 2009). However, in sports, large profits will do little to convince sporting clubs of their success if they finish the season at the bottom of the ladder. Sports club members and fans judge performance on the basis of trophies, championships, premierships and pennants.

According to Smith (2009), the visionary dilemma facing sports clubs has its roots in
two prevailing models of organizational behavior in sports markets. The first is the profit maximization model, which assumes that a club is simply a firm in a competitive product market and that profit is the single driving motivational force. The second is the utility maximization model, which emphasizes the relationship between clubs playing in the same league, and their desire to win as many matches as possible. The utility view assumes that sporting organizations are by nature highly competitive and status conscious, and that the single most important performance yardstick is competitive success. However, changes in the sporting context and changing management practices in sporting organizations have complicated this issue. The growth of a broad-based leisure industry, with blurred market boundaries, increasing competition for the discretionary consumer dollar and increasing professionalism of players and officials, has forced many clubs previously solely concerned with winning to focus more strongly on profits and cash flow.

For an activity that is mainly associated with leisure and relaxation, sport has indeed taken on a new dimension since its inception. According to Andrews and Ritzer (2007), virtually all aspects of the global sport institutions are now driven and defined by the following processes: the management and marketing of sporting entities according to profit motives, the primacy of producing entertainment-driven experiences and the generation of multiple sport-related revenue streams. In the process, these institutions have become structurally embedded; their organizational form has become institutionalized, creating greater levels of formalization (Pittaway and Hannon, 2008).

In view of the evolution in the sporting industry, the four Ps of marketing – Place, Price, Promotion and Product, and the concept of branding, diversification of revenue sources and using the Balanced Scorecard to evaluate performance are all applicable (Achterbergh, Beeres and Vriens, 2003; Stewart, 2012). According to Kaplan and Norton (2004), an organization’s strategy describes how it intends to create value for its shareholders, customers, and citizens. All organizations today create sustainable value from leveraging their intangible assets including human capital, responsive, high-quality processes, customer relationships and brands. Because an organization’s intangible assets may easily represent more than 75 percent of its value, then its strategy formulation and execution need to explicitly address their mobilization and alignment. This is especially
so in membership-based organizations.

The changes and globalization of the sporting industry has had implications to sports clubs the world over. As early as 1939, it was acknowledged that sport-related economic activity represented ‘the biggest English industry’. As the century progressed, the commercial world increasingly came to appreciate the capability of sports to raise the global profile and appeal of corporate brands and to expand the global market for their products (Smart, 2007). In other words, sports presented an opportunity for the suppliers of related products to generate wealth. Smith, Graetz and Westerbeek (2006) describe the function of a brand as a signal to the customer on the source of the product, while protecting it from the copies of competitors. The manifestations of sport’s globalization are exemplified by developments in the Olympics, the establishment of sports goods companies in Europe and the USA, an emerging culture of sporting celebrity, as well as the growth in media interest and associated developments in sports sponsorship (Smart, 2007). Evidently, the evolution of sports is now more complex than the interconnection of the global and the local sporting activities (Andrews and Ritzer, 2007).

Despite a survey conducted by the Australian Bureau of Statistics (2003) revealing that 11.7 million, or 78% of adult Australians, participated in some form of sport exercise or physical activity in 2003, Australian sport organisations are facing unprecedented pressure to perform both on and off the field of play. Professionalism has been increasingly associated with Australian sporting organisations, which must perform financially (or at the very least remain viable) if they want to survive in the highly competitive world of ‘hyper’ commercialised sport. In accounting terms, this is to say they are expected to operate as going concern entities. Subsequently, a more systematic and ‘serious’ approach has emerged, which has led towards the implementation of ‘business’ practices in the administration of sporting organisations, and has forced many sports administrators to emulate competitive commercial, for-profit enterprises. Australian sports organisations are not only required to be financially self-sufficient, but also competitive in a cluttered leisure market place (Smith, Graetz and Westerbeek, 2006).

According to Deloitte (2007), profits in the English Premier League 2007/8 season
were projected to almost double, to 260 million British Pounds. The projection was based on new broadcasting rights deals, an influx of new owners in the industry with new ideas, and tighter controls on spending by clubs. A corporate approach to football would also increase the tracking and monitoring of key financial variables such as the Wages to Turnover Ratio – a major performance indicator in this industry. Professional football in England contributes approximately £650 million annually in taxes to the government.

Gilmore and Gilson (2007) observed that at Bolton Wanderers Football Club (BWFC) in England, being able to demonstrate fiscal prudence while attracting funding from local investors has been critical to its long-term security. According to Sam Allardyce, the club manager, the first expectation was financial stability and staying in the first division. The case study of BWFC suggests that managing change (to attain the above objectives) involves aligning structures and processes with business decisions that realize value to the organization.

Bodet and Chanavat (2010) observed that professional football clubs that seek to expand their (financial) reach to foreign markets do so by developing strong brands. This leads to consumers having a high regard for these clubs – a term known as high perceived brand equity. Followers of these clubs will give priority to their matches as they are perceived to be of higher quality than the rest. Even if this does not turn out to be the case, these fans will not suffer from cognitive dissonance. In the Chinese context, strong brand equity of a football club is strongly determined by the level of brand awareness and perceived quality. In an increasingly competitive global market, professional football clubs will need to clearly define their strategic marketing to consolidate their brand image and customer loyalty. This will enable them to maintain a consistent inflow of revenue while managing their costs.

In Kenya, the sport was introduced by the British settlers at the beginning of the 20th Century (History of Football, 2010). It grew in significance until the early 1990s. Subsequent years saw a decline in the performance and sustainability of the Premier League, the top domestic football league in Kenya. Along the way, teams such as Shabana FC were disbanded due to financial constraints. The Africa Center for Open Governance (2010) sadly noted that football in Kenya has suffered through the
years from corruption, mismanagement and political intrigue, resulting in the country’s failure to make any significant impact in regional, continental or global competitions. To date, the national domestic football league is not viewed as a financially viable investment and relies on the goodwill of sponsors, well-wishers and even the personal funds of team officials to keep the tournament on its feet. This state of affairs continues to deny Kenya’s fledgling pool of talented players a stage of repute to hone their skills and eke out a decent living from association football (Makori, 2008).

1.2 Statement of the Problem
Top flight football in Kenya, and Nairobi in particular, is not considered financially viable. It has continued to suffer from financial and management constraints for the last two decades. As far back as 1979, the government withdrew sponsorship from Olympic youth centres (Makumi, 2007). Other sponsors must have taken the cue because to date, national league football is yet to attain financial sustainability. Fans, television stations, sponsors and advertisers were not keen on promoting the local game in their respective capacities: fans – except the very committed, ‘die-hard’ ones – by consistently attending matches, television stations by acquiring rights to air the full matches, sponsors by funding teams and tournaments, and advertisers by buying advertising space during football events. According to Makori (2008), the managements of several corporate entities are fast losing interest in running clubs on the basis that they are not their “core business”.

Makumi (2007) captured this problem when he pointed out that soccer is not just a welfare activity as is the attitude in Kenya but an industry that employs people. According to Makumi, most Kenyan clubs are not companies but welfare clubs and those sponsored by companies are listed in the category of welfare departments during allocation in annual budgets instead of as independent entities capable of generating their own revenues. At the end of a season they are seen as liabilities to their respective sponsors. The main issue that arises therefore is the ability of football clubs to consistently raise revenue, manage costs, invest wisely and apply sound financial practices to keep them financially viable in the long term. However, according to Wilson (2011), sport has lagged behind other business sectors from a financial point of view.
Despite the noted changes in the sports sector and the lack of financial viability of football clubs in Kenya, there are limited studies which have been done to identify the causes of poor financial performance of these clubs. A study by the African Center for Open Governance (2010) analyzed the reasons behind the poor performance of football leagues in Kenya. However, their analysis focused on the activities and intrigues of FIFA and FKL without examining the respective football clubs. It was thus not clear how the various football clubs were financially managed. This study sought to close the knowledge gap by determining the financial management practices affecting the viability of football clubs.

1.3 Purpose of the Study
The purpose of this study was to identify and analyse the elements that contribute to the financial viability of First-Division (top flight) football in Kenya.

1.4 Research Objectives
1.4.1 To identify the sources of revenue and avenues of expenditure for football clubs.
1.4.2 To determine the investment practices that affects the viability of football clubs
1.4.3 To evaluate the financial planning and control practices that affects the viability of football clubs.

1.5 Importance of the Study
This study stands to benefit the following stakeholders:

1.5.1 Existing Sports Associations
For existing as well as aspiring sports associations, this study would be useful in giving direction on how to achieve profitability through financial strategies such as value-adding partnerships with the corporate sector. The management of these organizations would be better placed to utilize the revenue-generating opportunities available to them. They would be well positioned to propose and negotiate on those that may currently be under-utilized by the corporate sector.

1.5.2 Football Players
For football players as well as those engaged in other sports, the application of the recommendations in this study shall offer the prospect of having a sustainable career that can support their livelihood. A football club with a sound financial base would be
better able to attract, nurture, develop and retain talented players.

1.5.3 The Corporate Sector
With clearly defined options for financial cooperation with football teams, the corporate sector would be in a better position to identify those that best suit its needs. Negotiation with the target football teams or sports associations is simplified when both parties are aware of the benefits and obligations. A team’s sponsor may give a certain amount of funds in exchange for its logo being displayed on the team’s jersey, or have its billboard displayed in the stadium during its home matches. The corporate sector gains by advertising its products and services to a wider market, thereby enhancing its brands as well as customer loyalty. In turn, the target team benefits from funding for its operations. This spurs it to optimize its performance so as to retain as well as expand its corporate support.

1.5.4 Football Supporters
For football supporters, the recommendations of this study would, if implemented, improve the quality of and access to football matches and related products. Fans can expect to view matches of higher competitive intensity and quality, have better quality stadia, a wider variety of football apparel and access to local matches on a wider variety of media channels.

1.5.5 The Government
The Government, and specifically the Ministry for Youth and Sports, stands to benefit from a financially viable domestic Premier League that attracts the best players from not only the region but the world. A globally recognised brand would attract visits from clubs and countries that are icons of the sport. For instance, in the build-up to the new football season, South Africa has traditionally hosted top European clubs to play friendly matches with some of its clubs. Such partnerships would elevate the parent ministry’s profile and motivate the domestic league players to put their best foot forward. It would also boost Kenya’s chances of winning bids for hosting regional, continental and even global sporting events if the football clubs give a good account of themselves when on international duty. An example of this inter-relationship is the fact that Haile Gebresellasie, an accomplished athlete from Ethiopia, was one of the ambassadors
promoting South Africa’s bid to host the 2010 World Cup.

1.5.6 Researchers and Academicians
The study would provide new knowledge in the field of sports from a business perspective, and specifically football. The results and recommendations of this research paper might be used as a guide to further research on the subject. In addition, they should be applicable to other sporting disciplines in terms of identifying and maximising opportunities to generate revenue in the long term.

1.6 Scope of the Study
The study was restricted to the geographical region of Nairobi. This enabled the researcher to work within the time and financial budget. Information was gathered from existing football clubs currently in the Kenyan Premier League (KPL). The population scope was restricted to respondents based in Nairobi. The unit of analysis was the football club. The time scope of the study was three months.

1.7 Definition of Terms
1.7.1 Diversification
With reference to companies, it is where they have multiple segments and operate in more than one industry to spread their profitability and degree of risk (Needles, Powers and Crosson, 2008).

1.7.2 Going Concern
Used during the preparation and analysis of financial statements, it is the assumption that an entity will continue in operational existence for the foreseeable future. It is also the presumption that there is no intention or necessity to close down the business or to significantly curtail the scale of its operations (Benedict and Elliott, 2008).

1.7.3 Merchandising
Merchandising is defined as the presentation of a store and its merchandise (goods) in ways that will attract the attention of potential customers (Koontz and Gibson, 2002).
1.7.4 Sponsorship
It is the funding of activities in the fields of sports, arts, and causes (Meenaghan, 2001).

1.7.5 Sport
Sport is defined as any form of physical activity that requires the talent of one to be applied against that of another (Smith, Graetz and Westerbeek, 2006).

1.7.6 Sustainability
Pittaway and Hanon (2008) address sustainability from a financial perspective. They define it as the stability of the financial activity in that it generates its own income.

1.7.7 Viability
According to Achterbergh, Beeres and Vriens, (2003), viability is the potential of an organization to adapt and realize its identity and mission.

1.7.8 Wages to Turnover Ratio
It refers to the proportion of staff wages in relation to revenue (Deloite & Touche, 2007). The higher the ratio, the less financially viable the firm is.

1.8 Chapter Summary
This chapter introduced the concept of football as an industry that generates wealth. It begun with a general overview of the origin of sports, and then followed the gradual transformation of football from a leisure activity to a major contributor to the global economy. The current situation in the Kenyan premier league was then analysed so as to identify the problems and opportunities that require management solutions.

The next chapter is on literature review, where the researcher analyses and reviews articles on this topic to gain a clear understanding of their findings. The findings formed the basis for developing a research paper that bridges the knowledge gap by building on existing information while at the same time relating such findings to the domestic scenario. The Literature Review would set the tone for the research design where an appropriate data collection, analysis and presentation method shall be identified.
Chapter 3 describes the methodology applied in conducting the research. Thereafter, Chapter 4 presents the analysis of findings. Finally, Chapter 5 discusses the research findings, draws conclusions and gives recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
In this chapter, the researcher analyses various literatures so as to identify areas that can be developed through the contribution of new knowledge on the subject. The literature review discusses concepts and theoretical discourse underpinning the specific objectives of the study. These are the sources of revenue and avenues of expenditure for football clubs, the investment practices, financial planning and financial control practices that affect their viability.

2.2 Sources of Revenue and Avenues of Expenditure for Football Clubs

2.2.1 Sources of Revenue

2.2.1.1 Television Broadcast Rights as Contributors to Revenue
Stewart (2012) noted that in the various codes of football, there has been a steady growth in the fan base, particularly when television viewers of sport are added to the fans who attend the venues. This has created avenues for revenue such as television broadcast rights. The purchase of television broadcast rights is a fairly recent phenomenon. FIFA (the association that governs football globally) was the first global sports organization for which television broadcasting rights became a major source of revenue generation. The World Cup was the main tournament for which the rights were auctioned (Smart, 2007). A part of these funds are channelled back to the participating teams through their respective associations.

According to Lonsdale (2004), in the United Kingdom, Rupert Murdoch’s entry into the UK television market changed the financial profile of the English football industry. From a four-year contract of 47 million pounds in 1988 between top-level clubs and ITV (the TV firm that then held the broadcasting rights), a similar contract between the clubs and Murdoch’s BSkyB television station ten years later in 1997 was worth 670 million pounds – over fourteen times the amount paid just ten years earlier. Part of the reason for the increase was that BSkyB was not just paying for the rights to air the football matches, but also for the exclusion of competitors  (Lonsdale, 2004). A lot has changed since
then, and the development of multi-channel broadcasting is having a major impact on industry's structure. Digitization has overcome the shortcomings of limited channels and diminished the barriers to entry into the broadcasting field. In turn, this has made it possible for a competitive market to supply end-users with programme services (Cave, 2005).

2.2.1.2 Coverage of Regional and Global Events

Global research was conducted by Sports Marketing Surveys on behalf of the International Olympics Committee (IOC) and the findings reported by Smart (2007). The results revealed that television broadcasting by the Athens 2004 Summer Games exceeded all broadcasting expectations and achieved new levels of global popularity with 3.9 billion people accessing television coverage of events compared with 3.6 billion for the 2000 Sidney Games. This is a demonstration of the ability of broadcast media to overcome geographical barriers to communication and entertainment (Smart, 2007).

Figure 2.1 below shows the trend of broadcast revenue from the 1980 to 2008 Olympics.

![Olympic Games Chart](smart图表.png)

Source: Smart. (2007)

The steady increase in revenue shows the rising prominence of television broadcasts as a source of revenue for sports associations. The Kenyan Premier League (KPL) can borrow from this trend and identify avenues for maximizing its benefits from this revenue stream in the long term. Currently, the main KPL partner is SuperSport International which
bought its television and new media rights for the period 2008-11 (Kenyan Premier League, 2008). Its matches are televised on SuperSport’s network across Africa, thus providing an opportunity for regional exposure.

2.2.1.3 Alternative Broadcast Channels
To further open up the broadcasting industry, a new media frontier comprising youthful demographics has emerged. Internet successes such as YouTube and MySpace, and their associated audience growth rates, are the envy of broadcast TV and the rest of the entertainment establishment (Berman, Abraham, Battino, Shipnuck and Neus, 2007). The implication of this is that it offers a variety of distribution channels for consumers to access broadcast content, including cable and satellite subscriptions as well as web-based channels. This offers providers of broadcast content the leeway to determine and negotiate the content, transmission channel and agent, categories of consumer access, and other services that may be broadcast. For instance, a news provider may enter into agreements with a television station, mobile phone service provider and website to provide news content and periodic updates through these channels so as to reach a wider audience and diversify its sources of revenue. However, where content such as online videos is generated by end-users, revenue generation cannot be controlled. Such content may be good for a football club’s marketing and supporter awareness, but not as a revenue generating option.

Following the recommendations given by Berman et al. (2007) to traditional broadcasters in the face of competition, Bennett, Ali-Choudhury and Mousley (2007) further lend their support using English cricket as an example. They state that large television viewing figures are vital for the well-being of English cricket as they raise the financial value of future broadcasting rights, enhance the attractiveness of cricket to commercial sponsors, facilitate merchandising, and stimulate coverage in newspapers and other non-broadcast media. This goes for other sports as well. In tennis and a number of other sports including association football and athletics, a global network of tournaments has grown in tandem with developments in air travel and television coverage (Smart, 2005). Evidently, the growth of television coverage has had the cyclic effect of encouraging the growth of more sports tournaments.
2.2.1.4 Gate Collections and Subscriptions

For membership-based organizations, the traditional sources of revenue have been and continue to be gate collections and subscriptions. Gate collections are entry fees to events. It was noted by Smart (2007) that with the increasing popularity of international sporting events, matches and tournaments, there was an increase in the number of spectators paying to attend. This in turn led to the development of various categories of gate collections. Today, according to Deloitte (2009), matchday revenue is largely derived from gate receipts, which include season tickets and memberships subscriptions.

Fort (2004) describes a season ticket as a reserved seat over a season. In this case a season is the duration from the beginning to the end of the particular sport’s cycle. Carmichael, Thomas and Ward (2000) give the example of the English Premier League that extends from mid-August until early May. Each team plays each other on a home and away basis. A sports club may offer its fans season tickets, where they can pay a lump sum to attend all the team’s home matches. This lump sum is paid in advance and is at a discounted rate to encourage fans to buy. It gives the ticket holders the convenience of not having to purchase match tickets every time the team is playing.

Subscription fees entitle the member to access various facilities such as fitness centres, and events hosted by the organization. This may or may not be in addition to attending its home matches. In Australia, most clubs participating in national league competitions are membership-based (Smith, Graetz and Westerbeek, 2006). According to its website, the AFC Leopards football club has a branch network of supporter groups and associations approximated at above 100 in Kenya and over 60 unofficial branches worldwide (AFC Leopards, 2010). In their bid to broaden their membership base, maximize returns and offer quality products to their clients, membership-based organizations have had to diversify the payment options to clients who desire to access their services and events.

In the Ticket Masters’ KPL Attendance and Collection Report, Nkaari and Ocholla (2010) identify several factors that affect attendance and revenue collection. The first is the fixture, the game to be played. High intensity, high demand matches invoke a lot of interest and passion. Average and low intensity matches invoke relatively less interest and passion. According to Vamplew (2004), it is commonly accepted by sports economists
that consistent winning does not maximize profits, and that attendances will be higher where the outcome of an event is uncertain than where the results are predictable.

The second factor as reported by Nkaari and Ocholla (2010) is media attention. More tends to be given to the intense fixtures or matches, which in turn drives their demand. Third is the game day, when the match is played. Surprisingly, Sunday is the most popular and Saturday the least popular game day, as a significant number of potential fans work on Saturday. Wednesday floodlit games have also become popular. The fourth and final factor is the match venue. There are three venues in Nairobi, each with its unique characteristics. Hope Center, situated away from town and in a residential area, is a small-capacity stadium that seats 1,500 people. City Stadium has a capacity of 25,000 people but has minimal seating and other basic amenities. Nyayo stadium fully seats 30,000 people and has basic facilities, making it the most popular venue of the three.

Various strategies have been applied to maximize revenue from gate fees. As national and state sports organisations seek to increase a nation’s participation, branding has increased in popularity as a marketing tool (Smith, Graetz and Westerbeek, 2006). Deloitte (2009) adds the dimension of corporate tickets where customers pay premium prices for their matchday experience, enhanced by exclusive car parking, catering, player appearances and other benefits. The England and Wales Cricket Board (ECB) has introduced several initiatives to increase the appeal of the first class domestic game to create a more contemporary image to attract a wider audience. These measures include floodlit domestic games and assigning attractive-sounding names such as ‘Sussex Sharks’ and ‘Surrey Lions’ to county teams (Kuenzel and Yassim, 2010). The same concept can definitely be applied to the Kenyan Premier League, albeit with a caveat: the marketing effort must be based on a clear understanding of what constitutes spectator satisfaction in relation to the target sport.

According to Watt (2003) as in any other sphere of delivery of sports services, good leadership and effective planning will consider marketing and customer care issues as well as other more modern management techniques. There can be little doubt that the function that people in sports management and administration do least well is marketing. Everyone involved in the sport, including the performance, must see themselves as part
of the marketing of the sport and must make an effort to make the sports product attractive, if it is to be sold to potential supporters and customers. The 4 Ps of marketing are Place, Price, Promotion and Product. Place relates to the location of the venue as described by Bennett, Ali-Choudhury and Mousley (2007). Price is the consideration one has to give or pay for the product, as explained by Fort (2004). Promotion relates to the sensitization of potential consumers of the availability and characteristics of the product in a bid to encourage them to purchase it. Finally, product refers to the sport itself as it is being played, as well as other complimentary goods and features such as merchandise. Fort (2004) explains that sports team balance sheets clearly organize costs and revenues around the production of winning. This implies that this is what spectators pay to see and experience.

The pricing rationale of firms in the sports industry, as analysed by Won and Lee (2008), is presented next. The theoretical findings and simulation results imply the following: first, inelastic pricing is consistent with lifetime profit maximization. In addition, as team owner lowers (ticket) price during the early periods, to induce greater present and future attendance, and then raises it in the long run to take advantage of habit persistence in attendance. Finally, habit formation may have a lock-in effect on attendance. As long as prior attendance exceeds a certain level, subsequent attendance does not necessarily decrease as price rises, because attendance habit prevents the increase in price from affecting attendance.

Smith (2009) noted that for the most part, sport engenders a high degree of loyalty at both the product (and sporting competition) level and the brand (or team) level. Match day fixtures provide a clutch of entertainment benefits that attract spectators and television viewers, but these benefits are usually sport specific, and the satisfactions that come from watching one sport will not easily transfer to another. While a low degree of product substitution can be advantageous to a sporting competition, there are concealed drawbacks. For examples, low levels of substitutability can limit a sports ability to achieve immediate market penetration. The customs, habits and traditions of sports fans make it difficult to attract them from one sport to another in large numbers by using incentives or price discounts. Neither price reductions nor an increase in fan's income levels will have a significant impact on the watching and viewing preferences of
Participation in the European Champions League has often been crucial in determining the ranking of football clubs at the top end of the Money League and a key driver in propelling clubs into the European top 20 (Deloitte, & Touche, 2009). Participating teams charge a premium on gate fees during home matches, and also earn incremental revenue from the European Champions League organisers each time they progress to the next round. Maughfling (2010) points out that Arsenal Football Club of England could have lost up to an estimated 15 million US Dollars by failing to reach the quarter final of the Champions League (2009/2010 edition) in lost gate receipts, television money and next season’s season ticket revenue. In this article, the author gives an indication of how much a football club in Europe stands to gain by participating and progressing in the European Champions League. He contrasts this with the loss of potential revenue to those that do not qualify to participate – in this case with reference to Liverpool Football Club.

2.2.1.5 Sponsorship
Commercial sponsorship represents one of the most rapidly growing areas of marketing activity today. Although examples of corporate sponsorship were evident in many economies over 100 years ago, the scale was small, the incidence rare, and the motives often a mixture of patronage and personal fulfillment by corporate owners as patrons (Meenaghan, 2001). With increased competition and the need to target specific market segments, companies have had to appeal to their clients’ lifestyle trends so as to attract as well as retain them. Meenaghan defines event sponsorship as funding of various activities in the fields of sports, arts, and causes. It may involve the funding of teams, players/artists and competitions. He further ventures to describe sponsorship by mentioning that it involves securing the property rights to sponsor an activity. He contrasts this with broadcast (program) sponsorship which refers to the sponsorship of the television or other broadcast of an event. Madrigal (2001) adds that the sponsored event draws the audience while concurrently informing the audience of the event’s core values. Meanwhile, the sponsors hope that the personal meanings of the property’s values to the consumer will be transferred to its brands and services.

Madrigal (2001) noted that companies have increasingly turned to sponsorship as a
marketing communications vehicle in the hope that the goodwill that consumers feel toward an event, cause, or sports team will rub off on their brands. Today, the current scale of investment in sponsorship is substantial. Sponsorship works differently in relation to the consumer than do other forms of advertising and promotions. It engages the consumer by bestowing benefit on an activity with which the consumer has an intense emotional relationship (Meenaghan, 2001).

The globalization of business has not left the sporting fraternity behind. In possibly the oldest sporting sponsorship in the world, Slazenger has been the official supplier of tennis balls to the Wimbledon Championships since 1902. The Slazenger brand is now prominent not only in the world of tennis but also in squash, cricket and golf (Smart, 2007). Deloitte & Touche (2009) state that the cornerstones of the commercial revenues of Europe’s most financially successful clubs are their key sponsorship deals (shirt front and kit), and retail revenue. These clubs offer unique global exposure and partnership possibilities, which has helped to develop and sustain values.

2.2.1.6 Merchandising
According to Achterbergh, Beeres and Vriens (2003), the Balanced Scorecard (BSC) is a practically relevant instrument of management control supporting strategy adaptation and realization. Knotts, Jones and Udell (2006) apply the Balanced Score Card (BSC) to assess business activities within a firm using the following questions: How do customers see us? What must we excel at? Can we continue to improve and create value? How do we look (financially) to shareholders? However, it is their belief that while the BSC provides a comprehensive measurement tool for large organizations, its four-perspective approach may be insufficient for meeting the performance measurement needs of small merchandising suppliers. The researcher is of the opinion that it is a relevant tool in the evaluation of the sports scenario including the strategies employed to maximize value. The Balanced Scorecard is used to assess the role of merchandising in contributing to the revenue of sports associations including football clubs.

A strong brand is essential in driving merchandise sales. From a practical viewpoint, a consumer is not only influenced by the functionality of the product itself but also by the range of personality traits employed to describe the brand (Smith, Graetz and...
Kenyan Premier League club AFC Leopards' tagline, ‘Ours Forever’ (AFC Leopards, 2010), captures the relationship between the club and the supporters where supporters believe that their support for the club is timeless and unconditional. Such loyalty provides a good environment for merchandise sales. AFC also practices social responsibility by mentoring kids in children’s homes and sensitizing youths in educational institutions against illegal underage drinking and use of drugs. This sends the message that the club cares about society.

According to Smith (2009), the most significant difference between professional competitive sporting organizations and private business is the way in which they measure performance. To secure kitting contracts as an initial step to merchandising, the clubs would first need to demonstrate the viability of such an investment. This would be in the form of their appeal to the mass market through consistent good performance in the Kenyan Premier League. Also, the clubs would need to have a significant fan base that is not only loyal but also has demand (the potential and will to purchase) for its merchandise. In a slightly more advanced merchandising model, Koontz and Gibson (2002) propose the sale of relatively low-end, high volume items such as clothing and especially sports equipment using mixed reality applications. These involve the use of technology to merge the virtual world, such as computer graphic images generated in a computer, and the real world, as seamlessly as possible in real time. This would boost sales as buyers can view the merchandise online before making the purchasing decision.

With the increasing popularity of sporting events around the world, a significant commercial market for sports goods has emerged. The increasing professionalism of sports and the rising demand for sports goods and equipment among amateurs as well as professionals has led to the emergence of sports goods companies in Europe and America (Flanders, 2006). According to Tapp and Clowes (2002), football fanatics in the United Kingdom spend an average of about 75 British Pounds per annum on merchandise.

Competition between corporations for a greater share of global market for sportswear, sports goods and equipment has led to recognition of the value of association with sports events. As a result, companies like Nike and Adidas have increased their investment (Smart, 2007). Domestic clubs can utilise this opportunity by offering to partner with
merchandisers in their bid to penetrate new markets. The clubs’ media presence and their fan bases are avenues that can be used to drive sales. In exchange, the merchandiser would provide kits and other incentives to the club team. By wearing a brand’s merchandise, the players would also be advertising it to spectators.

Figure 2.2 below shows the market share, both in the U.S.A and globally, of the major sports footwear merchandisers.

Figure 2.2: Branded athletic footwear market share for 2004
Source: Smart (2007).

Sports literature has shown that where advertisements were offered on both television and on-line, they were determined to be more successful in reaching a target market than those only utilizing the television format. Findings suggest that there continues to be a positive, synergistic effect when TV and on-line advertising are used in combination (Koontz and Gibson, 2002). Domestically, Kenyan Premier League club AFC Leopards provides a variety of channels through which customers can purchase its merchandise. It uses the internet, a network of agents, and partnerships with retail outlets including Uchumi supermarkets to sell replica jerseys and baseball caps (AFC Leopards, 2010). This is an attractive value proposition to customers because it offers them convenience.

The evidently competitive nature of the branded athletic footwear market is an indicator of the potential for revenue generation that sports is endowed with. Top-flight
football clubs can take advantage of the domestic presence of sportswear and equipment companies such as Adidas and Nike in the Kenyan market to encourage them to brand various teams’ sports kits. Indeed, Okoth (2010) states that Mathare United, a Kenyan Premier League club, is on the verge of securing a kitting contract with a major British equipment manufacturer. Not only does such an arrangement generate revenue for the club through the sale of replica team jerseys and other team merchandise, but it also gives confidence to the club’s key stakeholders that there is room for further return on their investment.

2.2.2 Avenues of Expenditure
For purposes of managerial decision making, understanding the true costs of serving specific customers is important in any organization (Parasuraman, 2010). This can be achieved through the use of Customer Profitability Analysis (CPA), which entails allocation of revenues and costs to specific customers in a way that the profitability of individual customers can be calculated. For service companies, CPA is especially important because the cost of providing a service is determined by customer behavior (Dalci, Tanis and Kosan, 2010). Further, customers with similar attributes can be grouped or segmented, and products developed to meet their unique needs. As a starting point, it is important to appreciate that different costs may have unique effects on an organisation’s financial performance. In this section, the various categories of costs as well as cost elements likely to affect the football industry are identified.

Chandra, Kumar and Ghildayal (2011) break down costs into fixed, variable and administrative / overhead costs. They proceed to define administrative costs as those costs incurred by staff that cannot be directly attributed to a client. These expenses do not relate to revenue-generating activities, but are allocated to the revenue generating departments. The allocation is done on the basis of users in each department or by facility space occupied by each department’s staff. Examples of overhead costs include information technology (I.T.), finance, procurement and centralised services such as marketing and utilities. In the short term, more value can be extracted from administrative and variable costs. Some of the costs that are directly and closely associated to the sporting industry in general, and football in particular are discussed.
2.2.2.1 Salaries
Chen and Lin (2004) describe salaries as being offered to employees in exchange for services and labour. They are considered as the reward for previous effort. In a business-oriented, profit-driven football industry, clubs also have the opportunity to implement performance-based pay structures. This gives them the flexibility to control wage costs when things are not going well, and also use financial rewards to motivate players and staff to win and keep the club financially viable (Deloitte & Touche, 2007). According to Javalgi, Gross, Benoy Joseph and Granot (2011) a key driver for a knowledge-driven economy of an emerging market is the recognition of and access to global talent. The Kenyan Premier League has already made strides in this direction with some clubs, in a bid to improve performance, recruiting foreign players alongside local ones. This could only have been possible with sufficient salary incentives to attract foreign talent.

According to a survey conducted by Armstrong, Brown and Reilly (2011), it is essential to establish a direct link between expenditure on reward and the benefit to the organization. However, the same study reveals that economic recession and resulting cost issues can increase the pressure to demonstrate the return on reward spend. It is also acknowledged that though quantitative measurements are important, qualitative data is the most constructive. An organisation will want to know what effect, if any, a reward initiative has had, whether this has been positive and whether it has changed employee behaviour. Examples of employee behavior and trends that may be influenced by reward systems include punctuality, productivity, workforce retention/turnover, workforce profile (type of employee the organization attracts) and absenteeism. All these elements directly affect costs and revenue.

2.2.2.2 Advertising and Publicity
Advertising is communication designed to get the target audience to purchase a product. Rajagopal (2011) points out that print and television media are the major revenue earners from commercials, with radio advertisements also holding audiences of large cities. The Internet has also promoted web advertising as it is accessible to a large number of people. If appropriately applied, these media channels can maximize buyer responses and revenue. A study done by Heimonen and Uusitalo (2009) reveals several contrasting outcomes to brand advertising. It was conducted in the Finnish beer market, which
is oligopolistic in nature as there are only four dominant firms. The study acknowledges that when coupled with price promotion (reduction) campaigns, advertising can have a positive impact on sales. In the absence of price competition however, the impact of advertising campaigns becomes uncertain and this calls for careful planning and execution. In some instances, advertising expenditure can actually increase rival brands’ market share and occasionally, a brand’s own advertising may lead to a decrease in its market share. This is because while strong brands usually benefit from rival advertising, the amount spent on advertising weak brands is wasted.

A twist in the tale nevertheless comes from Kenyan Premier League (2010) which asserts that clubs facing relegation from the Kenyan Premier League in 2010 attracted greater Advertising Value Equivalent (A.V.E) than some of the larger clubs because of their unenviable predicament. A.V.E is the market value of media publicity that is given for free. In this case, it is the amount the clubs would have had to pay had the media outlets charged them market rates for the media coverage. A third dimension arises in the form of symbiotic competition, where both parties benefit from each other’s advertising (Heimonen & Uusitalo, 2009). This appears to be the case with football clubs, where each match involves a pair of teams. Both clubs stand to benefit from the revenue generated from stadium entrance charges.

2.2.2.3 Communication

According to Parasuraman (2004), organisations should have mechanisms to encourage communication across different functional areas and departments, with user-related policies and procedures to regulate communication. To avoid over-promising to users, all external communication should be scrutinized. He further explains this using the concept of the ‘zone of tolerance’. If a product or service falls within this zone, the customer will be content to stay. If it falls below his zone of tolerance, the customer will leave and seek alternatives. Customers’ expectations can be greatly influenced by what the organisation promises, both explicitly and implicitly, hence there is a danger in over-promising. For a football club whose main product is playing the game in matches, the desired result for both itself and its supporters is winning. This means that it should carefully manage its supporters’ expectations through prudent communication to avoid causing them undue stress and frustration. Failure to do so may diminish their will to pay for the club’s
2.2.2.4 Logistics
These include travel and accommodation, which are essential when a club travels for an away match. A case study conducted on a hotel by Dalci, Tanis and Kosan (2010) revealed that professional sport clubs going to the given city to play football matches stayed in the hotel for one or two days at a time and had a 10 percent share in its total sales mix. The extent of the clubs’ contribution to hotel sales implies that this is a significant cost element to the clubs as well.

2.2.2.5 Maintenance
With regard to buildings owned by a firm for rental purposes, Lai, Yik and Jones (2008) identify the following as major operation and maintenance cost elements: energy costs, wages of in-house staff and costs for outsourced services, and replacements of deteriorated installations. In the case of sports clubs that own their facilities, costs would also include maintenance of the playing grounds and training equipment. Barrett and Baldry (2003) define facilities management as an integrated approach to operating, maintaining, improving and adapting the buildings and infrastructure of an organization in order to create an environment that strongly supports the primary objectives of that organization.

However, lack of training and funding are major constraints to planned maintenance regimes. It is recognised that under-resourcing of maintenance is a challenge internationally. Top management tends to regard facilities management simply as a cost rather than an investment and needs to be sensitized its long-term value at the strategic decision-making level (Moseki, Tembo and Cloette, 2011).

In the case of sports, the service providers – that is the players and their support staff such as coaches – also require maintenance if they are to deliver the required results. Parasuraman (2004) suggests that service providers require appropriate technology and information systems, training as well as recognition and reduction of potential role stress.
2.2.2.6 Legal Costs
Organisations operate under various forms of laws, regulations and guiding principles. Failure to adhere to these can lead to penalties (Nwogugu, 2004), legal and regulatory sanctions, all of which directly result in financial losses or lead to loss of credibility and reputation. Compliance losses are determined by the probability of the event’s occurrence as well as its severity (Gabbi, Tanzi and Nadotti, 2011). In the case of a football club for example, failure to honour a match without credible cause can lead to forfeiture of match points, therefore reducing its chances of winning the tournament in question and the resultant financial rewards. Disruption of a match by players or supporters can lead to financial penalties, suspension of the players involved and being required to play a given number of subsequent matches in an empty stadium, leading to forfeiture of revenue from gate fees. Though not entirely avoidable, these are costs that can be managed through the establishment of systems and procedures.

2.3 Investment Practices that Affect the Viability of Football Clubs
2.3.1 Market Segmentation
Spectators of sports events possess sets of characteristics and motivations that can be used to distinguish them. To begin with, a fan and a spectator can be differentiated. Whereas spectators merely view a game, fans enthusiastically devote themselves to a given sport. Fans vary in their degree of interest in the sport/team. There are fair-weather fans that support their team only when it is winning, and there are die-hard fans that continue to support their team even when it is going through a losing streak (Kuenzel and Yassim, 2010). From a financial perspective, fanatics spend an average of 350 British Pounds per annum on tickets, making them the most important group in terms of income to the club. A fanatic is described as a supporter who attends more than 18 (out of a likely 19) home games plus some or all away games (Tapp and Clowes, 2002). It is therefore evident that spectators’ levels of interest in a game contribute to the quantity and consistency of revenue for the sports clubs.

Market segmentation of stadium-visiting spectators can provide a key growth area for football clubs. Modern stadia may incorporate 10 to 15% as seating capacity for the corporate or VIP segment. In the Ticket Masters annual publication, Nkaari and Ocholla (2010) reveal that VIP (premium) areas of the stadia accounted for 45% of attendance,
with terraces accounting for 55%. Given the relatively smaller areas allocated to the VIP section, it means that they are operating at near sell-out capacity. Real Madrid football club of Spain faced a similar predicament, which it addressed by reconfiguring some areas of its Bernabeu Stadium to increase corporate hospitality capacity and hence revenues. It increased the sitting capacity set aside for its corporate clients, who pay premium fees for additional benefits such as having a prime view of the playing field, greater comfort and in-house catering. The result was growth in match-day revenue (Deloitte & Touche, 2009).

Deloitte and Touche (2009) further segments the market on the basis of membership, frequency of attendance and demography. The demographic elements of gender, age, income and education levels place varying levels of emphasis on service dimensions. For instance, older people are more concerned about the location, travel time and the venue’s capability to make them feel at home. According to Bennett, Ali-Choudhury and Mousley (2007), motives for attending or watching include patriotism, the nostalgic national images that the sport may invoke, social pressures, prior knowledge of and involvement with the sport, desire for drama and excitement, and interest in star players. Horowitz (2007) adds that besides the uncertainty of the outcome in a given match, fans prefer to watch good teams play.

2.3.2 Diversification
Diversification is a strategy that aims to minimize risk by having multiple sources of revenue. Knotts, Jones and Udell (2006) emphasize that firms must do well in all areas, not relying on excellence in one area to overcome deficiencies in another. This is to say that it is necessary for organizations to diversify their operations, both in terms of their range of products and contribution to revenue. Real Madrid Football Club of Spain diversified using a balanced three-legged revenue model that includes match-day (gate fees), broadcasting and commercial revenue. Commercial revenue includes merchandising and sponsorship revenue. Match-day revenue was its largest growth area in 2007/08 with an 18.8 million Euro (23%) increase.

Table 2.1 below shows Real Madrid’s revenue distribution in 2007/8 and growth between 2004 and 2008.
Table 2.1 Revenue Distribution and Growth in 2007/08 – Real Madrid

<table>
<thead>
<tr>
<th>REVENUE DISTRIBUTION</th>
<th>REVENUE SOURCE (EUROS)</th>
<th>PERCENTAGE OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matchday (Gate Fees and Seasons Tickets)</td>
<td></td>
<td>28%</td>
</tr>
<tr>
<td>Broadcasting</td>
<td></td>
<td>37%</td>
</tr>
<tr>
<td>Commercial (Merchandise and Endorsements)</td>
<td></td>
<td>35%</td>
</tr>
<tr>
<td>TOTAL REVENUE</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REVENUE GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>YEAR</td>
</tr>
<tr>
<td>EUROS (Millions)</td>
</tr>
</tbody>
</table>

Source: Deloitte (2009).

Manchester United of England also diversified their income streams. However, the club’s success in the domestic and European leagues boosted its matchday revenue. Deloite & Touche (2009) points out that while attendance levels were sustained at the prior season’s level, an increase in ticket prices in 2007/08 enabled matchday revenues to grow by 9 million British Pounds to 101.5 British Pounds. This represents a 10% growth.

Table 2.2 below shows Manchester United’s revenue distribution in 2007/8 and growth between 2004 and 2008.
Table 2.2 Revenue Distribution and Growth in 2007/08 – Manchester United

<table>
<thead>
<tr>
<th>Revenue Distribution</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matchday (Gate Fees and Seasons Tickets)</td>
<td>39%</td>
</tr>
<tr>
<td>Broadcasting</td>
<td>36%</td>
</tr>
<tr>
<td>Commercial (Merchandise and Endorsements)</td>
<td>25%</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue Growth</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euros (Millions)</td>
<td>251</td>
<td>246</td>
<td>243</td>
<td>315</td>
<td>325</td>
</tr>
</tbody>
</table>

Source: Deloitte (2009).

While presenting the Football Money League 2009 report, Deloitte & Touche (2009) acknowledges that many of the clubs analyzed are the elite of world football, and are iconic brands in their own right. As such, they benefit from considerable demand that in many cases exceeds supply in terms of ground capacity, often playing to sold-out stadia.

For football clubs further down the football pyramid including top-flight football in Kenya, the consistency, contribution and structure of revenue from stadium-going spectators may vary from that of the elite clubs featured. This is because upcoming clubs tend to have a more local focus, and hence revenue base, and an excess of supply over demand for matchday tickets. For instance, Nyayo Stadium, the most popular venue for the Kenyan Premier League in 2010, recorded an average match attendance of 10.5% of its capacity (Nkaari and Ocholla, 2010). The 89.5% unutilised capacity presents an opportunity for additional revenue generation.

In terms of sponsorship, the Kenya Premier League’s main sponsor is SuperSport International which bought the television and new media rights for the Kenyan Premier League for the four years from 2008 to 2011 (Hatimy, Muro, Obingo and Ogunda, 2008). According to Makori (2008), SuperSport pledged 360 million Kenyan Shillings to Kenya Premier League Ltd (KPL) to run the local league over the four years. The other sponsors mainly consist of corporate sponsors-cum-club owners that invariably fund their in-house clubs. These include Chemelil Sugar Ltd, East Africa Breweries Ltd, Kenya Commercial Bank, Kenya Department of Defence and the Kenya Judiciary Department (Hatimy, Muro, Obingo and Ogunda, 2008). In the latter instance, the clubs may not be well
positioned to independently diversify into value-adding partnerships outside the scope of their institutional sponsors. The researcher aims to relate the global appeal of sports to the Kenyan football scenario where revenue generation and profitability do not appear to be guaranteed.

2.3.3 Investment Options

Jiang, Chen and Huang (2006) propose that firms should undertake investment projects that will generate positive net present value. This is to say that capital expenditures in the current period should generate future corporate earnings that exceed the value of the initial expenditure. Further, Busacca and Maccarronne (2007) observe that the ability of a firm to create economic value stems directly from its capability to generate profit above its cost of capital. As it seeks to earn profits superior to those of its competitors, it must get and maintain a position of competitive advantage. This can only be achieved when the firm possesses resources that drive it towards competitive advantage. Indeed, the ability to manage profitable customer relationships is a competitive advantage of many successful corporations (Coenen, Felten and Schmid, 2010).

The researcher introduces the term Advertising Value Equivalent, as used by Reelforge (2010). It is the market value of free publicity, or how much the recipient would have to pay for the service if it were billed to them. The Kenyan Premier League's (KPL) Advertising Value Equivalent (AVE) in 2010 compares well with that of Kenya’s top corporates. In the third quarter of 2010, Kenya Commercial Bank’s AVE was highest at Ksh 378 million, followed by Safaricom and Zain at Ksh 166 million and Ksh 89 million respectively. During the KPL’s playing period between February and November 2010, the free publicity given to the league by newspapers, magazines, radio and television was worth Ksh 686 million (Reelforge, 2010).

<table>
<thead>
<tr>
<th>Medium</th>
<th>Advertising Value Equivalent (Ksh)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Print</td>
<td>261,389,807</td>
<td>38%</td>
</tr>
<tr>
<td>Radio</td>
<td>58,779,517</td>
<td>9%</td>
</tr>
<tr>
<td>TV</td>
<td>365,794,200</td>
<td>53%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>685,963,524</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Reelforge (2010)
The surge in media coverage of football in Kenya was credited with the rise in the number of people attending matches, from a handful in 2008 to attendance of up to 19,000 people for the fixtures of leading teams (Kenyan Premier League, 2010). Simultaneously however, Nkaari and Ocholla (2010) attribute the rise in attendance and revenue collection on game days to media attention among other factors. Either way, the resources injected by media firms to meet their audience’s needs, also serve as an investment to the football clubs. The publicity generated through promotion of upcoming matches and profiling of clubs translates into financial returns through increased match attendance. To appreciate the level of direct investment through media coverage, an analysis by club is given below.

<table>
<thead>
<tr>
<th>Team</th>
<th>AVE*Kshs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gor Mahia</td>
<td>250,000</td>
</tr>
<tr>
<td>AFC Leopards</td>
<td>200,000</td>
</tr>
<tr>
<td>Tusker</td>
<td>150,000</td>
</tr>
<tr>
<td>Sofapaka</td>
<td>100,000</td>
</tr>
<tr>
<td>Mathare United</td>
<td>50,000</td>
</tr>
<tr>
<td>KCB</td>
<td>250,000</td>
</tr>
<tr>
<td>Mahakama</td>
<td>200,000</td>
</tr>
<tr>
<td>Thika United</td>
<td>150,000</td>
</tr>
<tr>
<td>Nairobi City Stars</td>
<td>100,000</td>
</tr>
<tr>
<td>Posta Rangers</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Figure 2.3 Advertising Value Equivalent (AVE) by Club
Source: Reelforge (2010)

Football clubs can use a variety of investment avenues to retain and increase revenue. They include but are not limited to the following:
2.3.3.1 Value Addition
In addition to enjoying an ongoing match and the stadium atmosphere, a football club can offer spectators access to complementary goods and services. These include shops, restaurants, hygienic washroom facilities, entertainment before the match, match highlights and replays of key moments on big screen television. If spectators can purchase team jerseys and other merchandise at the stadium shop in addition to watching a match, they will enjoy the convenience that comes along with it. All these serve to make the entire experience worth paying for. Though security is more of a necessity than an additional benefit, it is important that it goes beyond its basic role. It should be responsive to spectators’ needs by facilitating rather than dictating proceedings. By being equipped with public relations skills, the security team will be better placed to organize and usher spectators into the stadium in good time, keep crowds calm and promptly deal with exceptional cases.

2.3.3.2 Branding
The degree to which people are aware of a firm’s existence is a basic precondition for economic success (Coenen, Felten and Schmid, 2010). The first impression it creates and its subsequent impact on those who come across it will influence their response when a proposition to buy is made to them. A strong brand will retain customer loyalty even when things are not going well for the organization. In the sporting realm, brands are built on the performance and personality of the team or its key athletes. Commercially, it follows that a strong club brand will attract corporate brands that wish to market themselves on its platform.

Given that sport is inherently exciting, it attracts corporate brands to sponsorship arrangements in the hope that some of it might rub off. This is because the inherent properties of a product are likely to influence a consumer’s view of the brand (Smith, Graetz and Westerbeek, 2006). Where individuals gain identity through their association with groups, they will identify more with their favoured sports team or club, and its sponsors. A sports club can adopt a kit sponsor and have the sponsor’s logo on the team kit in exchange for a financial consideration. In this symbiotic relationship, both parties stand to gain. The sponsoring firm generates brand awareness, advertises directly and continuously to sports viewers and is accessible to a variety of media channels that
may cover the sponsored club’ matches and events. Whoever dons the sponsored club’s shirt or other merchandise automatically becomes its walking billboard. Smart (2005) adds that the corporate sector has demonstrated commercial interest in acquiring a cosmopolitan image for products and brands through sport event sponsorship.

2.3.3.3 Match Planning and Scheduling
As football clubs in the Kenyan Premier League court media firms for broadcasting contracts, they should appreciate that their quality of performance and timing of matches will be a key consideration. As pointed out by Parasuraman (2010), most services are produced and consumed simultaneously. This makes it even more important to satisfy the customer as there is no time lag within which to make amends. As is the case in top flight football, Nwogugu (2004) describes the sports industry as highly competitive, and one that is affected by changes in customer tastes and preferences, location, demographic trends, pedestrian and motor traffic, consumer income, family structure and quality as well as value of service. Given this background, it should also be appreciated that the broadcasting companies have to attract and convince viewers to watch the content, which in turn will attract advertising revenue – part of which will be channeled to clubs in form of sponsorship. To maximize chances of success, clubs should be flexible enough to explore and experiment with various match schedules. They can thus identify one that maximizes spectator attendance and viewership of media coverage.

Capitalizing on technological developments can increase the operating flexibility of clubs. Carmichael, Thomas and Ward (2000) explain that in the English Premier League, Saturday is the main match day. However, the advent of live satellite TV coverage has produced changing schedules featuring regular Sunday afternoon as well as mid-week night fixtures. In the Kenyan Premier League, there has developed a shift to weekday matches and so far the response from stadium-going spectators has been encouraging. According to Kitula (2010), the Kenyan Premier League has become more flexible and scheduled more games on Saturday as well as mid-week. Wednesday matches often increase crowds at club matches, ostensibly because weekend fixtures compete with family obligations for the attention of stadium-going spectators. Weekend fixtures also compete with the televised English Premier League matches for attention. However, the increase in spectators by 2,000 people (from 5,000 to 7,000 people) in the second
midweek match is an indicator that this arrangement is being received well. The higher the attendance, the greater the amount of revenue this revenue stream is likely to generate for the clubs involved.

2.3.3.4 Systems and Processes
Measuring productivity involves analysis of components such as labor productivity, process efficiency, degree of technology used and the targeted quality of the products (Shahidul and Shazali, 2011). The concept of workplace innovation is introduced by Pot (2011) who defines it as the implementation of new and combined interventions in the fields of work organisation, human resource management and supportive technologies. His study notes that workplace innovation appears to be a more important contributor to success than technological innovation. This brings to mind appropriate revenue and cost control methods, management structures that promote separation of duties, decentralized decision making and accountability, and a workplace culture that promotes idea generation and strategic thinking.

Other organizations can learn from investment firms, which are expected to re-engineer their processes in order to map and control all the procedures that could lead to non-compliance behaviours. By doing so, they can apply controls and tools to transfer economic losses generated by the aforementioned actions (Gabbi, Tanzi and Nadotti, 2011). This is to say they should put in place mechanisms to prevent actions by either the organization or its agents (in this case a football club’s supporters) that can lead to its suffering penalties, sanctions and losses. In the event that these actions do occur, the organization should be capable of identifying the culprits and to a reasonable extent, transferring the liability to them. Besides shielding the club from unnecessary expenses, it will ensure discipline among its staff and supporters.

2.3.3.5 Recruitment
Human capital is a significant factor in the input and output of modern enterprises, just as machinery equipment is important for production in manufacturing industries. In fact, many companies nowadays derive their competitive advantages mainly from it. When making recruitment decisions, it is important for management to know how market participants (buyers and sellers) are assessing the present value of their purchases
- in this case recruitment - based on anticipated future benefits, and the basis of their decisions (Chen and Lin, 2004; Dorchester, 2011). This will assist a club in negotiating for players’ services by quoting realistic contract terms. At this point, a value is normally attached to the player and is the basis of the transfer to the buying club. French (2011) points out that this market value is purely an exchange price estimate based on the opinion of the valuer on the day of the valuation. This opinion can be influenced by the asset’s features, the market place and information available to the valuer. It is therefore critical for recruiters to scout, spot and secure good players before their value becomes too apparent and other parties declare interest, thereby pushing up the demand and market price of the player’s services.

2.3.3.6 Training Programmes
Chen and Lin, (2004) introduce the term human capital investments. These are defined as inputs made by a company in talents and technology that benefit competitive advantages, are valuable and unique, and should be kept out of reach of other companies. Even as they invest in human capital, all businesses need to control operating expenses in the long run. Holt (2002) states that his organisation managed to hold down staff costs by developing a vastly expanded training programme. This increased training capacity broadened their ability to hire less-expensive staff while creating new employment opportunities. Besides controlling costs and increasing performance capacity, developing a training programme enables an organization to align staff’s skills to its way of doing things. Furthermore, it induces value addition to the products offered (Chen and Lin, 2004) and has a positive effect on revenue or cost reduction (Grajkowska, 2011). There are several implications for football clubs investing in training programmes for their players and staff. Besides improving performance and reducing turnover, they also cut on the cost of recruiting already-developed talent; a cost that may be significant in the event of a bidding war between clubs.

2.3.3.7 Staff Motivation
Shahidul and Shazali, (2011) found that a favorable working environment is a contributing factor to motivating the workforce towards higher outputs. This environment includes working with quality management, having a friendly boss and attractive physical surroundings. Others are job security, a sustainable remuneration package and availability
of food, drink and health services at the workplace. To reinforce this argument, a study conducted by Nwogugu (2004) reveals that where a performance bonus system is not available to ordinary employees, this reduces their motivation and contributes to staff turnover. To stem this, organizations need to develop effective employee retention and incentive plans that are tied to both financial and non-financial performance measures. For instance, AfriCOG (2010) noted that apart from deteriorating standards in the game (including the issue of safety of fans), globalization, manifested in the transfer of African players to Europe (AfriCOG, 2010). According to Rodney and Fizel (2004), African players have the greatest propensity to migrate to leagues outside their home/regional area. Only 21% of African World Cup players in play in African domestic leagues, which reflects the growing soccer status of African players but the low economic status of African leagues.

2.3.3.8 Research and Development

Investing in research and development is aimed at giving the organisation competitive advantage in the industry. The more accurately it can analyse, predict and anticipate market trends, the faster it can adapt and take advantage of emerging opportunities. Fort, (2004) illustrates this point by analysing the economic dimension of demand. He observes that loyal fans and others with a greater willingness to pay for reserved seats over a season have relatively more inelastic demand while ‘fickle’ fans have relatively less inelastic demand. This is to say that the more dedicated the fans, the more likely they are to purchase tickets even when the prices are increased. Fort adds that empirical research on sports attendance demand has almost uniformly found that teams do not set ticket prices in the elastic proportion of elastic demand. This could be based on earlier literature that argued that sports teams do not maximize profits. However, with increased demand for match tickets and the availability of other revenue sources, sports teams have greater motivation to maximize revenue by adopting ticket pricing in the inelastic region of demand.

Research conducted by Nkaari and Ocholla (2010) also reveals that the fans responsible for the resurgence of attendance levels in the domestic football scene are of an entirely new generation, most of them in their 20s and 30s. This new generation of fans is very demanding, as it is exposed to European leagues and expects similar standards in its
stadium match experience. It is slowly shifting from the barstool to the stadium terraces, creating a new trend in Kenyan entertainment. An additional dimension observed is that the Kenyan Premier League has become a place for friends to meet and have a good time. This group nature of attendance has contributed to the growing number of females attending matches, as they accompany their male colleagues. In addition, the convenience and network factor of social media has enabled groups such as the Gor Mahia Facebook Branch to coordinate meeting venues and travel arrangements. This information provides opportunities for club and stadia management to satisfy market demand, earn customer loyalty and boost revenue from the match experience.

2.4 Financial Planning and Control Practices affecting Football Clubs
According to Watt (2003) sports organizations must put in place systems and structures which ensure optimum use of finance to achieve organizational objectives. They should look upon finance as an opportunity rather than a threat, and realize that when money is available it is a major opportunity for enlargement of the scope of the business, and the obtaining of money is a vital part of allowing a sport to develop. Financial planning and control practices relevant to football are discussed below.

2.4.1 Outsourcing
Lai, Yik and Jones (2008) bring in the assumption that outsourcing services from specialized service providers can get the job done better and faster than in-house staff, and would be more economical. Their study however reveals that outsourcing does not necessarily result in increased earnings or reduced costs in the outsourced area of operation. Despite this, Moseki, Tembo and Cloette (2011) add that outsourcing can unlock an organisation’s resources so that it focuses on its core business. With a view to maximizing value for money paid, organizations that were studied regarded Service Level Agreements (SLAs) and performance measurement as being extremely important. All in all, globalization has accelerated the opportunities for outsourcing a host of services from high-cost to low-cost regions (Javalgi, Gross, Joseph and Granot, 2011). By extension, the same can be applied to companies within Kenya. Those that are efficient are in a better position to convince potential clients of the cost benefits of outsourcing non-core services to them.
2.4.2 Budgeting
A budget determines the resources input based on projected cost estimates. In addition to providing for short-term expenditure, a budget should cover long-term needs to provide information about possible future expenditures. Without long-term planning, annual budgets that exceed regular resources allocation will likely be turned down by senior management (Lai, Yik and Jones, 2008). On a positive note, the involvement of top management in budget approval signifies its strategic importance (Moseki, Tembo and Cloette, 2011). The following pertinent questions are posed by Chandra, Kumar and Ghildayal (2011) with regard to cost minimization: What spending can be better controlled? How can the spending be controlled and what savings can be quantified by analyzing spending? The answers to these questions will aid the budgeting process by making it more realistic and therefore effective as a cost management tool.

2.4.3 Financial Flexibility
According to Bancel and Mittoo (2011), most researchers define financial flexibility as “untapped borrowing power”. Low long-term debt ratios are necessary to achieve financial flexibility as they minimize the cost of borrowing (interest) while giving assurance to financiers of the firm’s ability to repay its debts – also known as having a good credit rating. Besides low leverage, or low borrowing levels, other strategies of maintaining financial flexibility include the use of internal funds to finance growth, cutting down on cash outflows while maintaining competitive advantage, having bank lines of credit and holding cash reserves. Ultimately, financial flexibility enables a firm to better cope with financial and business crises.

2.4.4 Cost Cutting Measures
Several cost reduction approaches are suggested by Chandra, Kumar and Ghildayal (2011) with regard to fixed costs. Capital expenditure amortization can be reduced through capital spending cuts. Employee sensitization and sense of responsibility can help curb utility expenses. Building leases, though generally not changeable, can be renegotiated or the organization can take up less space and ask to adjust the contract accordingly. Buildings can be well maintained to avoid expensive, unexpected repair costs.
2.4.5 Compliance

To mitigate against compliance costs and in keeping with the tenets of good corporate citizenship, Nwogugu (2004) suggests that organizations ought to integrate compliance measures into their quality programs, performance measurement systems, reward systems, training and information systems. This includes plans for ensuring safety of all concerned. According to Watt (2003) it may be thought that in relation to facility management, the management of safety is relatively straightforward, clear cut and easily organized but even there it can be difficult and in some situations in the outdoors it can be much more difficult to ensure. The organizer's role is to ensure that all the participants, customers and employees are, as far as reasonably practicable, in a safe situation and are not putting themselves or others in more danger than the sport necessitates. This may seem obvious, but is often difficult to put into practice largely because the people we are trying to protect are being protected from their own or others' stupidity.

2.4.6 Efficient Operations

Parasuraman (2010) introduces the concept of system gaps, which are a negative variance between expected and actual service delivery levels. They involve the performance of service personnel and/or communication systems with which customers interact. Systems gaps contribute to internal inefficiencies that lead to poor service quality. Another result is lower productivity from the company's, as well as customer's perspective. Thus, closing the internal gaps will improve not only service quality but also service productivity through better use of available resources.

Watt (2003) argues that in practical sporting situations, administration is a hands-on delivery of sound procedures and systems to ensure that sport in all its aspects happens as it should. Administration focuses on the organizational practices and procedures which ensure that the day-to-day competitions, tournaments and events happen as they should, as well as making the overall organization function as it should. The list of duties is almost endless, but basically includes book-keeping, handling entries, arranging fixtures, organizing transport, keeping members informed, arranging venue, organizing meetings, applying for grants, keeping records, paying expenses, arranging events, organizing international events, supporting committees, preparing development plans, assisting coaches with training arrangements, liaising with the media, arranging team
uniforms, selling tickets, inviting V.I.Ps (Very Important People), liaising with sponsors, recruiting volunteer support, and selling programs.

### 2.4.7 Lease or Buy Decisions
The moment an organization decides to construct and develop its operating premises, it is exposed to a variety of risks. These include land acquisition, availability of suitable sites, delays in construction, obtaining financing, obtaining building permits, zoning issues, changes in government regulations and financial stability (Nwogugu, 2004). As it is capital intensive, construction will affect the firm’s financial base, irrespective of whether internal funds, debt or equity are applied to fund the project. The upside of ownership is in buying properties at low prices, and the appreciation in the value of the real estate or land, and the depreciation tax shields provided by such ownership. Thus, the advantages of ownership greatly depend on location. On the contrary, leasing involves substantially lower capital requirements, can replicate the depreciation benefits of ownership through expensing of lease payments (Kenya Revenue Authority, 2009), provides the company with more financial flexibility and operational flexibility in terms of relocating under-performing units, but creates exposure to lease termination and increased rental rates. An organization making a decision on whether to lease or buy / construct its premises will therefore have to do a thorough cost-benefit analysis.

### 2.5 Chapter Summary
This chapter has assessed the input of various literature on the subject of sports from a business perspective. It has discussed the sources for revenue in football and avenues for expenditure. It has also considered the financial aspects of management such as investments, financial planning and control practices that affect the viability of football clubs. The next chapter describes the methodology that was adopted.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
The previous chapter reviewed literature on the viability of football as a business venture. This chapter describes the research methodology adopted. This involves the identification and selection of the most appropriate approach. The process includes a description of the population to be studied, the sample size and a description of how data was collected and analyzed. Finally, the researcher gives a summary of the entire process, from the introduction to the final stage of data analysis.

3.2 Research Design
In this study, descriptive research design was adopted. Descriptive research involves measuring a set of variables as they exist naturally (Gravetter and Forzano, 2011). It is designed to provide in-depth information about the characteristics of subjects within a particular field of study, thus it can help identify relationships between variables (Houser, 2011). This design offers the researcher a profile or to describe relevant aspects of the phenomena of interest for an individual, organization or other perspectives (Sekaran, 2003). In this study, the dependent variable was financial viability of football clubs, whereas the independent variables were: the sources of income, avenues of expenditure, investment practices, financial planning and financial control practices.

3.3 Population and Sampling Design
3.3.1 Population
A population is the total set of elements about which some inferences may be drawn after a scientific inquiry (Saunders, Lewis and Thornhill, 2009). In this case, population elements refer to the subject on which the measurement is being taken (Cooper and Schindler, 2005). In this study, the target population comprised of the ten football clubs that were based in and around Nairobi and participated in the 2010 version of the Kenyan Premier League. According to FIFA (2010), there were sixteen listed clubs in the tournament. Of these, nine were based in Nairobi and one in its outskirts, in Thika. Table 3.1 below classifies the clubs on the basis of their affiliation. They were either community-based or institutional.
### Table 3.1 Kenya Premier League Clubs based in and near Nairobi

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>NUMBER OF CLUBS</th>
<th>PERCENTAGE (%) OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community clubs</td>
<td>6</td>
<td>60%</td>
</tr>
<tr>
<td>Corporate-based clubs</td>
<td>4</td>
<td>40%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>10</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Author (2010).

### 3.3.2 Sampling Design

According to Kumar (2005, p.164), sampling “is the process of selecting a few from a bigger group to become the basis for estimating or predicting the prevalence of an unknown piece of information, situation, or outcome regarding the bigger group.” Sampling is significant because collecting data from the whole population is far too costly (Pagano, 2006).

### 3.3.2.1 Sampling Frame

Saunders et al. (2009) define the sampling frame as the complete list of all the cases in the population from which a probability sample is drawn. In this study, the sampling frame consists of all the Kenyan Premier League football clubs that are based in and around Nairobi. These have been further classified into community-based clubs and institutional clubs. The difference between the two is that whereas community-based clubs are established and financed by individuals or groups, institutional clubs are established by and operate as segments of existing organisations. This difference is likely to influence a club’s options with regard to generating revenue to finance its operations.

### 3.3.2.2 Sampling Technique

Because the population of the study is small, a census sampling technique was used. In a census study, “the researcher surveys the entire realistic population” (Lodico, Spaulding and Voetgble, 2010, p. 217). Lodico et al. emphasize that this technique is used when the realistic population is not too large.

### 3.3.2.3 Sample Size

A sample size is a section of a part that represents the whole (Denscombe, 2003; Cooper and Schindler, 2005). The study included all the ten football clubs based in and around Nairobi.
Nairobi that participated in the Kenyan Premier League in 2010. Data was collected from three officials/administrators from each respective club, namely: the Treasurer or Financial Controller, the Chairman or Club Manager and the Marketing Representative. The total number of respondents was thirty (30) people. Research Methods scholars argue that a minimum of 30 cases is sufficient for empirical analysis (Mugenda and Mugenda, 2003; Denscombe, 2003).

### 3.4 Data Collection Methods

Data was collected using a structured questionnaire. Saunders et al. (2009) define a questionnaire as the general term including all data collection techniques in which each person is asked to answer the same set of questions in a predetermined order. The questionnaire was structured using measurement variables such as nominal, ordinal, interval and ratio scales which are the most widely used classification of measurement (Kothari, 2004). The questions were both open-ended and closed-ended to make coding of the answers possible.

To give the respondents greater flexibility in giving their answers, a Likert Scale was used. According to Stangor (2010, p.75), “a Likert scale consists of a series of items that indicate agreement or disagreement with the issue that is to be measured, each with a set of responses on which the respondents indicate their opinions.” Each item is a stand-alone statement that expresses an opinion about a subject (McNabb, 2008). The advantages of a questionnaire as a data collection tool include its efficiency in collecting responses from large samples, its uniformity and structure, and for closed-ended questions, the possibility of using the data for quantitative analysis.

The questionnaire comprised of two sections: section I that asked questions on the general state of affairs, and section II that categorised questions into the specific aspects being investigated. Thus, section one comprised of questions seeking to establish the classification of the clubs, cadre of respondents, experience in the football industry, level of education, clubs’ revenues, surplus, number of players and number of staff. The other sections contained nominal and ordinal statements about sources of revenue and expenditure, investment practices and financial planning and control practices.
3.5 Research Procedures

The research instrument was administered to officials of at least five sports associations to gauge its appropriateness. The purpose of this was to pre-test the questionnaire for qualities such as completeness, redundancy, inclusivity, friendliness or sensitivity to the respondent, and relevance. According to Stangor (2010, p. 100), “pilot testing involves trying out a questionnaire on a small group of individuals to get an idea of how they react to it before the final version is created”. The researcher mainly targeted youth groups. Youth groups were expected to be relatively more accessible and less bureaucratic than the ‘corporate’ clubs and associations. Since they operate on a not-for-profit basis, they were more open to inquiries on issues that would otherwise be considered sensitive or confidential. Recommendations on improvements to the questionnaire were incorporated and the instrument revised. This ensured that the final version was capable of obtaining the quality of information required for the researcher to make appropriate conclusions and recommendations.

The final questionnaire was administered by the researcher and one research assistant. To encourage participation and maximize the response rate, the researcher prepared cover letters containing a brief introduction of the researcher and indicating the purpose of the study. The benefits of the study to the respondent and the wider society were explained. Respondents were assured of confidentiality.

To ensure that data collection was done accurately, the researcher trained the research assistant on appropriate procedures. These included strategies to encourage the respondent to cooperate, and avoiding bias such as encouraging certain responses from respondents. By their nature, physically administered questionnaires encourage high response rates because they are conducted in the presence of the researcher. After the questionnaire was completed by the respondent, the researcher and the assistant conducted a debriefing session. This was done to ensure that the details had been adequately recorded.

3.6 Data Analysis Methods

Data analysis is the process of sifting through data and piecing together numerical evidence about the social world (Marsh and Elliott, 2009). Descriptive statistics were
used to analyze and interpret the data. According to Cooper and Schindler (2003), this approach mainly applies measures of central tendency to analyze data. The most commonly used measures are the Mean, Mode and Median. Independent samples t-test was used to compare the mean scores between the football clubs that turned a surplus and those that did not. A t-test is used to calculate group differences by examining the means and variations of both groups (Andrew, Pedersen, & McEvoy, 2011). The findings were presented in figures and tables.

3.7 Chapter Summary
This chapter described the methodology that guided the research work. The research design, population and sampling design, data collection methods, research procedures and data analysis methods were all discussed. After data collection, the next chapter presents the analysis of findings.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the findings of the study. The purpose of this study was to identify and analyse the elements that contribute to the financial viability of First-Division football in Kenya. A descriptive analysis of the general information is first presented. The rest of the chapter is thematically presented based on the specific objectives. Thus, the second part of the chapter presents findings on the sources of revenues and avenues of expenditure for football clubs. The third section of the chapter analyzes the investment practices affecting the viability of football clubs. The last section analyzes the financial planning and control practices affecting the viability of football clubs. A summary of the major findings is presented at the end of the chapter.

4.2 General Information

The general information presented in this section includes classification of clubs and years in first division league, cadre of respondents, experience of respondents in the industry, level of education, clubs’ total revenue, total surplus, number of players and number of staff.

4.2.1 Classification of Clubs

The distribution of respondents by classification of football clubs is shown in table 4.1. The table shows that 53.3% of the respondents were from community based clubs and 46.7% were from corporate clubs. The marginal difference in proportion between the respondents suggests that both clubs were fairly represented in the study.

<table>
<thead>
<tr>
<th>Classification of Football Club</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Community-Based club</td>
<td>16</td>
</tr>
<tr>
<td>Corporate club</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
</tr>
</tbody>
</table>
4.2.2 Cadre of Respondents

The study sought to establish the position the respondents held in the management hierarchy of their respective clubs. Table 4.2 shows that respondents in middle management were the majority at 37.9%, followed by lower management (34.5%) and lastly, senior management (27.6%).

<table>
<thead>
<tr>
<th>Management Cadre</th>
<th>Distribution</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Lower management</td>
<td>10</td>
<td>34.5</td>
</tr>
<tr>
<td>Middle management</td>
<td>12</td>
<td>37.9</td>
</tr>
<tr>
<td>Senior management</td>
<td>8</td>
<td>27.6</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.3 Experience of Respondents in the Football Industry

Respondents were asked to indicate their level of professional work experience in the football industry. Table 4.3 shows that majority of the respondents had at least 5 years of experience, with 32.1% having over 6 years of experience and 21.4% having between 5 and 6 years of experience. Respondents with 3 to 4 years of experience were 32.1% whereas 14.3% of the respondents had 1 to 2 years of work experience in the football industry.

<table>
<thead>
<tr>
<th>Years of experience in the football industry</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>1-2 years</td>
<td>4</td>
</tr>
<tr>
<td>3-4 years</td>
<td>10</td>
</tr>
<tr>
<td>5-6 years</td>
<td>6</td>
</tr>
<tr>
<td>Over 6 years</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
</tr>
</tbody>
</table>
4.2.4 Number of Years the Clubs had been in The Premier League

The study sought to establish the number of years the clubs had been participating at the Premier League level in Kenya. Table 4.4 shows that none of the Premier League teams had been in the Premier League for less than a year. The table also shows that majority of the respondents said that their football club had been in the premier league for 3 to 4 years, followed by 24.1% of clubs that had been in the league for between 5 and 6 years. The table also shows that 13.8% of the respondents said their club had been in the premier league for over 6 years whereas another 13.8% of the respondents said their football club had been in the league for between 1 and 2 years. Therefore, majority of the football clubs had been in Kenya’s Premier League for at least 3 years.

Table 4.4: Number of Years the Club has been in the Premier League

<table>
<thead>
<tr>
<th>Years the Club has been in Premier League</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>0</td>
</tr>
<tr>
<td>1-2 Years</td>
<td>4</td>
</tr>
<tr>
<td>3-4 Years</td>
<td>15</td>
</tr>
<tr>
<td>5-6 Years</td>
<td>7</td>
</tr>
<tr>
<td>Over 6 years</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
</tr>
</tbody>
</table>

4.2.5 Respondents’ Level of Education

The study sought to ascertain the highest level of education that the respondents had attained. Table 4.5 shows that majority (46.7%) of the respondents had undertaken a professional course whereas 33.3% were university graduates. However, some 16.7% and 3.3% had attained secondary and primary level education respectively.

Table 4.5: Distribution of Respondents by Level of Education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Primary school</td>
<td>1</td>
</tr>
<tr>
<td>Secondary school</td>
<td>5</td>
</tr>
<tr>
<td>Professional course</td>
<td>14</td>
</tr>
<tr>
<td>Undergraduate degree</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
</tr>
</tbody>
</table>
4.2.6 One Year Revenue of the Clubs
The study sought to establish the total revenue of the clubs in the last one year. Table 4.6 compares the revenue performance between the corporate clubs and the community-based clubs. The table shows all (100.0%) of the community based football clubs posted total revenues exceeding Ksh 2 million. Similarly, 92.9% of the corporate-based football clubs posted the same amounts of revenue. The table shows that 7.1% (1) of the corporate-based football clubs recorded between 2m and 4m in revenue.

Table 4.6: Total Revenue and Club Category Cross-Tabulation

<table>
<thead>
<tr>
<th>Category (classification of club)</th>
<th>Community-Based club</th>
<th>Count</th>
<th>From 2m-4m</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% count</td>
<td></td>
<td>% count</td>
<td></td>
</tr>
<tr>
<td>Corporate club</td>
<td>Count</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>% count</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td></td>
<td>% count</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category (classification of club)</th>
<th>Community-Based club</th>
<th>Count</th>
<th>From 2m-4m</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% count</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate club</td>
<td>Count</td>
<td></td>
<td>% count</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% count</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td></td>
<td>% count</td>
<td></td>
</tr>
</tbody>
</table>

4.2.7 One Year Total Surplus of the Clubs
Respondents were also asked to indicate the total surplus that the clubs recorded in the previous year in millions of Kenyan Shillings. The performance of the football clubs as measured by total surplus is compared in table 4.7. The table shows that the proportion of corporate-based clubs that posted a surplus was higher at 71.4% compared to community-based football clubs at 37.5%. On the other hand, the proportion of community-based football clubs that did not post a surplus was higher at 62.5% compared to corporate based counterparts at 28.6%. This implies that the type of club influenced the performance of the football clubs as measured by profitability.
Table 4.7: Total Surplus and Club Category Cross-Tabulation

<table>
<thead>
<tr>
<th>Category (classification of club)</th>
<th>Community-Based club</th>
<th>Corporate club</th>
<th>Total Count</th>
<th>No surplus</th>
<th>Surplus</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>% count</td>
<td></td>
<td>10</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td>Community-Based club</td>
<td></td>
<td>62.5%</td>
<td>37.5%</td>
<td>10.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate club</td>
<td>Count</td>
<td>% count</td>
<td></td>
<td>4</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td></td>
<td>28.6%</td>
<td>71.4%</td>
<td>100.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>% count</td>
<td></td>
<td>14</td>
<td>16</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td></td>
<td>46.7%</td>
<td>53.3%</td>
<td>100.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.2.8 Number of Players in the Club

The study sought to determine the number of staff members working in the club. Table 4.8 compares the numbers by club category. The table shows that in terms of proportion, corporate-based football clubs that had between 11 and 20 players officially in the club team was 71.4% compared to the proportion in community-based football clubs at 37.5%. On the other hand, the proportion of community-based football clubs that had more than 20 players in the team was higher at 62.5% compared to the proportion of corporate-based clubs that had more than 20 players at 28.6%

Table 4.8: Number of Players in the Team and Club Category Cross-Tabulation

<table>
<thead>
<tr>
<th>Category (classification of club)</th>
<th>Community-Based club</th>
<th>Corporate club</th>
<th>Total Count</th>
<th>Number of players</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>% count</td>
<td></td>
<td>11-20</td>
<td>More than 20</td>
</tr>
<tr>
<td>Community-Based club</td>
<td></td>
<td>37.5%</td>
<td></td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Corporate club</td>
<td>Count</td>
<td>% count</td>
<td></td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>71.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>% count</td>
<td></td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td></td>
<td>55.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.2.9 Number of Staff Working in the Clubs
Respondents were asked to indicate how many members of staff, whether full-time or part-time, were working with the club. Table 4.9 shows that majority of community-based clubs as well as corporate-based clubs had a staff capacity of between 1 and 10 employees. However, the proportion of corporate-based clubs that maintained between 1 and 10 members of staff was higher at 85.7% than that of community-based clubs at 68.8%.

Table 4.9: Number of Staff and Club Category Cross-Tabulation

<table>
<thead>
<tr>
<th>Category (classification of club)</th>
<th>Community-Based club</th>
<th>Count</th>
<th>% count</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Corporate club</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How many staff (full time and part time) are working with the club</th>
<th>1-10</th>
<th>More than 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>% count</td>
<td>68.8%</td>
<td>31.2%</td>
</tr>
<tr>
<td>% count</td>
<td>85.7%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Total</td>
<td>75.9%</td>
<td>24.1%</td>
</tr>
</tbody>
</table>

4.3 The Sources of Revenue and Avenues of Expenditure for Football Clubs
This section analyzes the contribution of different sources to total revenue of the football clubs. These sources include: television broadcasting rights, gate collection/entrance fees during matches, membership subscriptions, sponsorship from parent organization and other organizations, and sale of club merchandise. The analysis also looks at the contribution of salaries/wages, advertising/publicity, communication, logistics, maintenance and legal costs to total expenditure of the clubs.

4.3.1 Television Broadcasting Rights
The distribution of the clubs in terms of the contribution of television broadcasting rights to total revenue is shown in figure 4.1. The figure shows that TV broadcasting rights accounted for between 0 and 30% of the total revenues of all (100%) of the corporate clubs and 92.3% of the community-based clubs. Therefore, majority of both corporate-based clubs and community-based clubs recorded between 0 and 30% contribution to revenue from television broadcasting rights.
Respondents were asked to indicate the contribution of gate collections / entrance fees during matches to the clubs’ total revenue. Figure 4.2 shows that entrance fees during matches contributed 0 to 30% of the revenues of all (100%) corporate-based clubs and 92.3% of the community-based clubs. Some 7.7% of the respondents indicated that gate collection/entrance fees accounted for between 31 and 60% of the total revenues of community-based football clubs.
4.3.3 Membership Subscriptions
The contribution of membership subscriptions to the clubs’ total revenues is represented in figure 4.3. The figure shows that membership subscription fees accounted for between 0 and 30% of the total revenues of all (100%) of the corporate-based clubs and 64.3% of the community-based clubs. The figure also shows that the same accounted for between 31 and 60% of revenues of 28.6% of the community based clubs and between 61 and 100% of the revenues of 7.1% of the community-based clubs.

![Distribution of Clubs (%)](image)

**Figure 4.3: Contribution of Membership Subscription Fees to Clubs’ Revenue**

4.3.4 Sponsorship from Parent Organization
The study sought to determine the percentage contribution of sponsorship from parent organizations to the total revenue of the clubs. As figure 4.4 shows, sponsorship from parent organizations accounted for between 61 and 100% of the revenues of 57.1% corporate-based clubs and the revenues of 55.6% of the community-based clubs. The figure also indicates that sponsorship from parent organization contributed between 0 and 30% of the revenues of 33.3% of the community-based clubs and 28.6% of the corporate-based clubs. The figure further shows that sponsorship from parent organizations made up between 30 and 60% of the revenues of 14.3% of the corporate-based clubs and 11.1% of the community-based clubs. Therefore, sponsorship from parent organizations accounted for between 60 and 100% of majority of both the corporate-based clubs and community-based clubs.
Figure 4.4: Contribution of Sponsorship from Parent Organization to Revenue

4.3.5 Sponsorship from Other Organizations

Respondents were also asked to indicate the contribution of sponsorship from other organizations to the total revenues of the clubs. Figure 4.5 shows that sponsorship from other organizations accounted for between 0 and 30% of the total revenues of 86.4% of the corporate-based clubs and 69.2% of the community-based clubs. The figure also shows that this source of revenue contributed between 31 and 60% to the total revenues of 23.1% of the community-based clubs and 15.4% of the corporate based clubs. Also, some 7.7% of the respondents indicated that sponsorship from other organizations accounted for between 61 and 100% of the total revenues of the community-based clubs. Therefore, contribution of sponsorship from other organizations accounted for 0 to 30% of the revenue of majority of the football clubs.

Figure 4.5: Contribution of Sponsorship from Other Organization to Revenue
4.3.6 Sale of Club Merchandise
The study sought to establish the contribution of sale of club merchandise such as team jerseys to the total revenue of the clubs. The findings are shown in figure 4.6. The figure shows that sale of club merchandise contributed between 0 and 30% of the total revenues of 91.7% of the corporate-based clubs and 84.6% of the community-based clubs. The figure also shows that sale of club merchandise accounted for between 31 and 60% of the total revenues of 15.4% of the community-based clubs; and between 61 and 100% of the revenues of 8.3% of the corporate-based clubs. Therefore, majority of the respondents indicated that sale of club merchandise such as team jerseys contributed between 0 and 30% of the total revenues of both types of clubs.

![Figure 4.6: Contribution of Sale of Club Merchandise to Clubs' Revenue](image)

4.3.7 Salaries and Wages
The contribution of salaries and wages to the total expenditure of the football clubs is shown in figure 4.7. The figure shows that wages and salaries accounted for between 0 and 30% of the total expenditure of 76.9% of the community-based clubs and 66.7% of the corporate-based clubs. It also shows that salaries and wages contributed between 31 and 60% of the total expenditure of 23.1% of the community-based clubs 16.7% of the corporate-based clubs. The figure further shows that salaries and wages consumed between 61 and 100% of the corporate-based firms. Therefore, salaries and wages accounted for between 0 and 30% of the total expenditure of majority of the corporate-based and community-based football clubs.
4.3.8 Advertising and Publicity
The study sought to establish the contribution of advertising and publicity to the total expenditure of the football clubs. The results show that advertising and publicity accounted for between 0 and 30% of the total expenditure of 78.6% of the community-based clubs and 71.4% of the corporate-based clubs. The figure also shows that 14.3% of the respondents noted that it contributed between 31 and 60% of the football clubs, and 14.3% of the respondents from the corporate clubs and 7.1% of respondents from community-based clubs said that advertising and publicity accounted for between 61 and 100% of the respective club’s expenditures.
4.3.9 Communication

Respondents were asked about the contribution of communication, whether internal or external, to the total expenditure of the football clubs. As depicted in figure 4.9 below, communication costs accounted for between 0 and 30% of the expenditure of 57.1% of the corporate and community-based football clubs. The figure also shows that this expenditure contributed between 31 and 60% of the expenses of 42.9% and 28.6% of the community-based clubs and corporate-based clubs respectively. The figure further shows that communication accounted for 61 to 100% of the expenditure of corporate-based firms.

![Figure 4.9: Contribution of Communication to Clubs’ Expenditure](image)

4.3.10 Logistics

The study sought to determine the contribution of logistics including transport and accommodation to the total expenditure of the football clubs. Figure 4.10 shows that logistical expenditure accounted for between 0 and 30% of the total expenditure of 55.6% of the community-based clubs and 50% of the corporate-based clubs. The figure also shows that 50% of the respondents from the corporate-based clubs indicated that logistics contributed between 31 and 60% of the total expenditure compared to 11.1% of respondents from the community-based based clubs that shared the same opinion. The figure further shows that logistics was responsible for between 61 and 100% of the total expenditure of 33% of the community-based football clubs.
The study also sought to establish the contribution of maintenance of club assets and facilities to the total expenditure of the football clubs. Figure 4.11 shows that maintenance costs accounted for between 31 and 60% of the expenditure of 46.7% of the community-based football clubs and 35.7% of the corporate-based clubs. However, the figure also indicates that maintenance of the clubs’ assets and facilities contributed between 0 and 30% of the clubs’ expenditure according to 40% of the respondents from the community-based clubs and 35.7% of the respondents from the corporate-based clubs. Some 28.6% of the respondents from the corporate-based clubs and 13.3% of the respondents from the community-based clubs said that maintenance costs took up between 61 to 100% of their respective clubs’ total expenditure.

Figure 4.10: Contribution of Logistics to Clubs’ Expenditure

4.3.11 Maintenance of Clubs’ Assets and Facilities

Figure 4.11: Contribution of Maintenance of Clubs to Total Expenditure
4.3.12 Legal Costs
Respondents were asked to indicate the extent of contribution of legal costs to the football club’s total expenditure. Figure 4.12 shows that legal costs accounted for between 0 and 30% of the total expenditure of 76.9% of corporate-based clubs and 54.5% of the community-based clubs. The figure also shows that legal costs contributed between 61 and 100% of the expenditure of 27.3% of community-based clubs and 7.7% of the corporate clubs. Finally, 18.2% of the respondents from the community-based clubs and 15.4% of the respondents from the corporate-based clubs said that legal costs accounted for between 31 and 60% of their respective club’s total expenditure.

![Figure 4.12: Contribution of Club’s Legal Costs to the Total Expenditure](image)

4.4 Investment Practices that Affect the Viability of Football Clubs
In order to determine the investment practices that affect the viability of football clubs, an independent samples t-test was run to compare the mean scores of investment practices between the football clubs that turned a surplus and those that did not. Table 4.10 shows that on a scale of one to five, where 1 suggests that the option was never practiced, and 5 means that the option was always practiced, the mean score of football clubs that posted a surplus (M=2.73, SD=1.335) was higher than those that did not realize any surplus (M=2.50, SD=1.401) in terms of whether the football club classified their customers based on their unique needs. This implies that the practice of classifying customers based on their unique needs potentially affected the viability of the football clubs. However, the mean values suggest that the football clubs moderately engaged in this practice.
In terms of diversification, the mean scores of football clubs that turned a surplus (M=3.31; SD=1.548) was higher than those that did not turn any surplus (M=2.19; SD=.981) in terms of their reliance on revenue from more than two sources. This suggests that diversification of revenue sources by the football clubs had a direct effect on their financial viability. Table 4.10 however shows that in terms of whether efforts were made to add value to the spectator experience during matches, the same mean score was established between the football clubs that returned a surplus (M=3.00; SD=1.548) and those that did not (M=3.00; SD=.1279). This implies that efforts to add value to the spectator experience during matches did not have any effect on the viability of the football clubs.

The study also sought to establish whether the clubs had a wide attraction of fans. Using this criterion, the mean score of football clubs that turned a surplus was higher (M=3.00; SD=.632) than those football clubs that did not realize any surplus (M=2.83; SD=.937). This implies that a wide attraction of fans had a direct positive effect on the viability of the football clubs. As to whether the club uses match schedules to identify the most profitable match days, the mean score of football clubs that turned a surplus was higher (M=2.38; SD=1.147) than the scores of football clubs that returned no surplus (M=2.08; SD=1.505). This implies that identification of the most profitable match days had a positive effect on the viability of the football clubs.

Respondents were asked whether the football clubs had laid down systems and processes for conducting their affairs. Table 4.10 shows that football clubs that scored a higher mean in terms of this practice (M=3.50; SD=1.265) realized a surplus compared to football clubs that had a lower mean score (M=3.23; SD=1.09). This implies that application of laid down systems and processes positively influenced the viability of the football clubs. In terms of the practice of recruitment team scouting for new players, table 4.10 shows that the mean score of football clubs that did not record any surplus was higher (M=3.62; SD=1.193) than the mean score of football clubs that turned a surplus (M=3.19; SD=1.09). This implies that the practice of scouting for new players potentially had a negative effect on the viability of the football clubs.

The study sought to determine whether training programmes were always satisfactory. Table 4.10 shows that the mean score of football clubs that turned a surplus was higher (M=3.69; SD=.947) than their counterparts that did had no surplus (M=3.44; SD=.964).
This suggests that training positively affected the viability of the football clubs. In terms of usage of rewards and recognition to motivate staff to meet targets, the mean score of football clubs that turned a surplus was higher (M=3.46; SD=1.561) than those that did not realize any surplus (M=2.69; SD=1.078). This implies that investment in motivation of staff had a positive effect on the financial viability of the football clubs.

The study also sought to determine whether the football clubs invested in research and development (R&D) to improve performance. Table 4.10 shows that the mean score of football clubs that turned a surplus was higher (M=3.08; SD=2.53) than those that did not (M=2.53; SD=.915) regarding research and development. This implies that investment in research and development had a positive influence on the viability of the football clubs.

Table 4.10: Comparison of Mean Scores on Investment Practices by Viability

<table>
<thead>
<tr>
<th></th>
<th>Surplus performance of the football club</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have classified our customers based on their unique needs</td>
<td>No surplus</td>
<td>14</td>
<td>2.50</td>
<td>1.401</td>
<td>.374</td>
</tr>
<tr>
<td></td>
<td>Surplus returned</td>
<td>16</td>
<td>2.73</td>
<td>1.335</td>
<td>.345</td>
</tr>
<tr>
<td></td>
<td>We rely on revenue from more than two sources</td>
<td>No surplus</td>
<td>14</td>
<td>2.19</td>
<td>.981</td>
</tr>
<tr>
<td></td>
<td>Surplus returned</td>
<td>16</td>
<td>3.31</td>
<td>1.548</td>
<td>.429</td>
</tr>
<tr>
<td></td>
<td>Effort is made to add value to the spectator experience during matches</td>
<td>No surplus</td>
<td>14</td>
<td>3.00</td>
<td>1.279</td>
</tr>
<tr>
<td></td>
<td>Surplus returned</td>
<td>16</td>
<td>3.00</td>
<td>1.211</td>
<td>.303</td>
</tr>
<tr>
<td></td>
<td>The club has wide attractions to fans</td>
<td>No surplus</td>
<td>14</td>
<td>2.83</td>
<td>.937</td>
</tr>
<tr>
<td></td>
<td>Surplus returned</td>
<td>16</td>
<td>3.00</td>
<td>.632</td>
<td>.158</td>
</tr>
<tr>
<td></td>
<td>The club uses match schedules to identify the most profitable match days</td>
<td>No surplus</td>
<td>14</td>
<td>2.08</td>
<td>1.505</td>
</tr>
<tr>
<td></td>
<td>Surplus returned</td>
<td>16</td>
<td>2.38</td>
<td>1.147</td>
<td>.287</td>
</tr>
<tr>
<td></td>
<td>Laid down systems and processes applied</td>
<td>No surplus</td>
<td>14</td>
<td>3.23</td>
<td>1.092</td>
</tr>
<tr>
<td></td>
<td>Surplus returned</td>
<td>16</td>
<td>3.50</td>
<td>1.265</td>
<td>.316</td>
</tr>
<tr>
<td></td>
<td>Our recruitment team scouts for new players</td>
<td>No surplus</td>
<td>14</td>
<td>3.62</td>
<td>1.193</td>
</tr>
<tr>
<td></td>
<td>Surplus returned</td>
<td>16</td>
<td>3.19</td>
<td>1.109</td>
<td>.277</td>
</tr>
<tr>
<td></td>
<td>Training programmes are satisfactory</td>
<td>No surplus</td>
<td>14</td>
<td>3.44</td>
<td>.964</td>
</tr>
<tr>
<td></td>
<td>Surplus returned</td>
<td>16</td>
<td>3.69</td>
<td>.947</td>
<td>.263</td>
</tr>
<tr>
<td></td>
<td>Rewards and recognition are used to motivate staff to meet targets</td>
<td>No surplus</td>
<td>14</td>
<td>2.69</td>
<td>1.078</td>
</tr>
<tr>
<td></td>
<td>Surplus returned</td>
<td>16</td>
<td>3.46</td>
<td>1.561</td>
<td>.270</td>
</tr>
<tr>
<td></td>
<td>We invest in research and development to improve performance</td>
<td>No surplus</td>
<td>14</td>
<td>2.53</td>
<td>.915</td>
</tr>
<tr>
<td></td>
<td>Surplus returned</td>
<td>16</td>
<td>3.08</td>
<td>1.441</td>
<td>.400</td>
</tr>
</tbody>
</table>
4.5 Financial Planning and Control Practices affecting the Viability of Clubs

In this section, the financial planning and control practices affecting the viability of the football clubs are analyzed by comparing the mean scores of the football clubs that recorded a surplus in the preceding financial year and those that did not. Table 4.11 shows that the mean score of football clubs that turned no surplus (M=2.42; SD=1.382) was the same as those that recorded a surplus (M=2.40; SD=1.298), suggesting that the practice of outsourcing non-core activities had no effect on the financial viability of the football clubs.

In terms of use of budgets to manage costs, football clubs that realized a surplus scored a higher mean (M=4.63; SD=.744) than the football clubs that did not record a surplus (M=3.86; SD=.900). This implies that the practice of using budgets to manage costs had a positive effect on the financial viability of the football clubs. Similarly, the mean score of football clubs that turned a surplus was higher (M=3.80; SD=.941) than those that did not record any surplus (M=3.36; SD=1.447) in term of evaluating alternative sources of funds before making investment decisions. This suggests that the financial practice of evaluating alternative sources of funds positively influenced the financial viability of football clubs.

Concerning cost management practices, the mean score of the football clubs that turned a profit was higher (M=4.13; SD=.743) than the mean score of football clubs that did not turn a surplus (M=3.50; SD=1.286). This implies that cost management practices such as cost-cutting had a direct positive effect on the financial viability of the football clubs. In terms of the practice of complying with regulations on team and fan behavior, the mean score of football clubs that turned a surplus was higher (M=4.38; SD=1.134) than those football clubs that did not realize a surplus (M=4.00; SD=1.134). This implies that the practice of complying with regulations on team and fan behavior positively impacted on the financial viability of the football clubs.

The study sought to establish whether the football clubs always encouraged efficient use of the club’s resources such as maximizing the output of each unit of input. Table 4.11 shows that the mean score of football clubs that turned a surplus was higher (M=4.64; SD=.842) than those that did not (M=4.07; SD=1.033). Therefore, the practice of encouraging efficient use of the club’s resources had a positive effect on the financial viability of the football clubs. However, in terms of comparing leasing and buying
options before making investing decisions, the mean score of football clubs that turned a surplus (M=3.23; SD=1.447) did not differ significantly from the mean score of football clubs that did not record a surplus (M=321; SD=1762). This suggests that this practice of financial planning and control had no effect on the viability of the football clubs.

**Table 4.11: Comparison of Mean Scores on Financial Planning and Control Practices by Viability**

<table>
<thead>
<tr>
<th>Practice</th>
<th>Surplus performance of the football club</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outsourcing non-core activities</td>
<td>No surplus</td>
<td>14</td>
<td>2.42</td>
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<tr>
<td></td>
<td>Surplus returned</td>
<td>16</td>
<td>2.40</td>
<td>1.298</td>
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</tr>
<tr>
<td>Use of budget to manage cost</td>
<td>No surplus</td>
<td>14</td>
<td>3.86</td>
<td>.900</td>
<td>.340</td>
</tr>
<tr>
<td></td>
<td>Surplus returned</td>
<td>16</td>
<td>4.63</td>
<td>.744</td>
<td>.263</td>
</tr>
<tr>
<td>Evaluating alternative sources of funds before making investing decision</td>
<td>No surplus</td>
<td>14</td>
<td>3.36</td>
<td>1.447</td>
<td>.387</td>
</tr>
<tr>
<td></td>
<td>Surplus returned</td>
<td>16</td>
<td>3.80</td>
<td>.941</td>
<td>.243</td>
</tr>
<tr>
<td>Cost management</td>
<td>No surplus</td>
<td>14</td>
<td>3.50</td>
<td>1.286</td>
<td>.344</td>
</tr>
<tr>
<td></td>
<td>Surplus returned</td>
<td>16</td>
<td>4.13</td>
<td>.743</td>
<td>.192</td>
</tr>
<tr>
<td>Complying with regulations on team and fan behavior</td>
<td>No surplus</td>
<td>14</td>
<td>4.00</td>
<td>1.134</td>
<td>.293</td>
</tr>
<tr>
<td></td>
<td>Surplus returned</td>
<td>16</td>
<td>4.38</td>
<td>1.193</td>
<td>.331</td>
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<td>Encouraging efficient use of the club’s resources (maximizing the output of each unit of input)</td>
<td>No surplus</td>
<td>14</td>
<td>4.64</td>
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<tr>
<td></td>
<td>Surplus returned</td>
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<td>4.07</td>
<td>1.033</td>
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<td>Comparing leasing and buying options before making investing decisions</td>
<td>No surplus</td>
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<td>3.21</td>
<td>1.762</td>
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<td>Surplus returned</td>
<td>16</td>
<td>3.23</td>
<td>1.447</td>
<td>.374</td>
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</table>

Statistics presented in table 4.12 shows the relationship between financial management dimensions and the viability of the football clubs. The table indicates that the clubs’ viability was significantly correlated to: diversification ($r=.390$, $p<.05$), application of laid down systems and processes ($r=.332$, $p<.05$), investment in training programmes ($r=.345$, $p<.05$), motivation of staff ($r=.379$, $p<.05$), investment in research and development ($r=.327$, $p<.05$), use of budgets to manage costs ($r=.360$, $p<.05$), evaluation of alternative sources of funds ($r=.362$, $p<.05$), cost management ($r=.354$, $p<.05$), compliance with regulations ($r=.349$, $p<.05$) and encouraging efficient use of the club’s resources ($r=.374$, $p<.05$). The findings suggest that the clubs’ viability was influenced by the practice of these financial management aspects. However, the correlation between the clubs’ viability and the following aspects of financial management were not significant: market segmentation ($r=.089$, $p>.05$), value addition ($r=.014$, $p>.05$), match scheduling ($r=.216$, $p>.05$) and outsourcing of non-core activities ($r=.220$, $p>.05$).
<table>
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<th>Correlation Coefficient</th>
<th>Sig. (2-tailed)</th>
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<tr>
<td>1 Viability of football club</td>
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<tr>
<td>2 Market segmentation</td>
<td>.089</td>
<td>.647</td>
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</tr>
<tr>
<td>3 Diversification</td>
<td>.390(*)</td>
<td>.036</td>
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<tr>
<td>4 Value addition</td>
<td>.014</td>
<td>.943</td>
<td>28</td>
</tr>
<tr>
<td>5 Match scheduling</td>
<td>.216</td>
<td>.269</td>
<td>28</td>
</tr>
<tr>
<td>6 Systems and processes</td>
<td>.332(*)</td>
<td>.044</td>
<td>29</td>
</tr>
<tr>
<td>7 Training programmes</td>
<td>.345(*)</td>
<td>.042</td>
<td>29</td>
</tr>
<tr>
<td>8 Staff motivation</td>
<td>.378(*)</td>
<td>.045</td>
<td>29</td>
</tr>
<tr>
<td>9 Research and development</td>
<td>.327(*)</td>
<td>.047</td>
<td>29</td>
</tr>
<tr>
<td>10 Outsourcing non-core activities</td>
<td>.220</td>
<td>.262</td>
<td>28</td>
</tr>
<tr>
<td>11 Use of budget to manage cost</td>
<td>.360(*)</td>
<td>.035</td>
<td>15</td>
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<tr>
<td>12 Evaluating alternative sources of funds</td>
<td>.362(*)</td>
<td>.044</td>
<td>29</td>
</tr>
<tr>
<td>13 Cost management</td>
<td>.354(*)</td>
<td>.039</td>
<td>29</td>
</tr>
<tr>
<td>14 Regulatory compliance</td>
<td>.349(*)</td>
<td>.041</td>
<td>28</td>
</tr>
<tr>
<td>15 Efficient use of the club's resources</td>
<td>.374(*)</td>
<td>.046</td>
<td>29</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).
4.6 Chapter Summary

This chapter has shown that in terms of the sources of revenue and avenues of expenditure, sponsorship from parent organization accounted for between 61% and 100% of the revenues of 57.1% of the corporate-based and 55.6% of the community-based football clubs. Maintenance of the football clubs’ assets and facilities contributed the largest source of expenditure, accounting for between 31 and 60% of the total expenditure of 46.7% of the community-based clubs and 35.7% of the corporate-based clubs.

Regarding investment practices that affect the viability of football clubs, reliance on revenue from more than two sources (M=3.31; SD=1.548), wide attraction of fans (M=3.00; SD=.632), application of laid down systems and processes (M=3.50; SD=1.265), investment in training programmes (M=3.69; SD=.947), motivation of staff (M=3.46; SD=1.561) and investment in Research and Development (M=3.08; SD=2.53) had a positive effect on the financial viability of football clubs.

In terms of the financial planning and control practices that affect the viability of football clubs, use of budgets to manage costs (M=4.63; SD=.744), evaluating alternative sources of funds before making investment decisions (M=3.80; SD=.941), cost management (M=4.13; SD=.743), compliance with regulations (M=4.38; SD=1.134) and encouraging efficient use of the clubs’ resources (M=4.64; SD=.842) all had a direct positive effect on the financial viability of the football clubs.

These findings have been presented in tables and figures. The next chapter discusses the findings, draws conclusions and makes recommendations.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter discusses the findings, draws conclusions and makes recommendations based on the research information obtained. First, a summary of the research is presented. Discussions on the area of study then follow according to the specific objectives. Thereafter, conclusions are drawn based on the discussions. Finally, the researcher makes recommendations for improvements and suggestions for further studies.

5.2 Summary
The purpose of this study was to identify and analyse the elements that contribute to the financial viability of First-Division (top flight) football in Kenya. The specific objectives were: to identify the sources of revenue and avenues of expenditure for football clubs; to determine the investment practices that affect the viability of football clubs; and, to evaluate the financial planning and control practices that affects the viability of football clubs.

The research design was descriptive in nature. It focused on the ten football clubs that participated in the Kenyan Premier League in 2010, and that were based in or near Nairobi. Respondents comprised of 30 top or middle-level management employees of ten top flight football clubs in Kenya. Data was collected using a questionnaire developed by the researcher and administered personally by the researcher and an assistant. The data was analysed using descriptive (mean and standard deviation), cross-tabulation and independent-samples t-tests. This was aided by the use of SPSS software. The data was then presented in figures and tables.

With regard to the sources of revenue and avenues of expenditure for football clubs, the chapter has shown that sponsorship from parent organization accounted for between 61% and 100% of the revenues of 57.1% of the corporate-based football clubs and 55.6% of the community-based football clubs. On the other hand, maintenance of the football clubs’ assets and facilities contributed the largest source of expenditure, accounting for
between 31 and 60% of the total expenditure of 46.7% of the community-based clubs and 35.7% of the corporate-based clubs.

Regarding investment practices that affect the viability of football clubs, reliance on revenue from more than two sources (M=3.31; SD=1.548), wide attraction of fans (M=3.00; SD=.632), application of laid down systems and processes (M=3.50; SD=1.265), investment in training programmes (M=3.69; SD=.947), motivation of staff (M=3.46; SD=1.561) and investment in Research and Development (M=3.08; SD=2.53) had a positive effect on the financial viability of football clubs.

In terms of the financial planning and control practices that affect the viability of football clubs, use of budgets to manage costs (M=4.63; SD=.744), evaluating alternative sources of funds before making investment decisions (M=3.80; SD=.941), cost management (M=4.13; SD=.743), compliance with regulations (M=4.38; SD=1.134), and encouraging efficient use of the clubs’ resources (M=4.64; SD=.842) had a direct positive effect on the financial viability of the football clubs.

5.3 Discussions

5.3.1 Sources of Revenue and Avenues of Expenditure for Football Clubs

The study established that television broadcasting rights accounted for a small percentage of the total revenues of all the corporate clubs and a majority of the community-based clubs. Although this percentage contribution is lower compared to that reported on the revenue sources of football clubs in other countries, the result compares fairly well with the statistics reported by Deloitte (2009) which established that broadcasting rights contributed a marginally higher percentage of the total revenues of European football clubs such as Real Madrid. While the difference may be explained by the fact that European football clubs such as Real Madrid of Spain are brands that have acquired international appeal, it also implies that football clubs in Kenya are not fully exploiting the potential of television broadcasting rights as a source of revenue for their clubs. This is further reinforced by the fact that in the case example of Real Madrid, broadcasting rights are a cash-cow, accounting for the highest proportion of revenue ahead of gate-fees and merchandise sales.
Similarly, the findings indicated that gate collections / entrance fees during matches contributed a small percentage of the revenues of all the corporate-based clubs and majority of the community-based clubs. This goes contrary to the claim that gate collections have been and continue to be the traditional source of revenue for football clubs, especially membership-based organizations. However, comparatively, the results are consistent with the report by Deloitte (2009) about the contribution of gate fees and season tickets, indicating that the contribution of gate fees was less than a third of the total revenues. Compared to the performance of other football clubs such as Manchester United of England where gate fees contributed more than a third of the total revenues, it can be inferred that while there has been an increase in the number of spectators paying to attend as observed by Smart (2007), football clubs in Kenya have not maximized the potential of match-day revenues.

Interestingly, the results revealed that membership subscription fees accounted for a small percentage of the total revenues for all of the corporate-based clubs and majority of the community-based clubs. This suggests that membership subscription fees are not the key source of revenue for community-based clubs which are, by definition, member-based organizations. This contradicts the study’s assumption that membership subscription fees, along with match-day fees, are the traditional sources of revenue for member-based football clubs. It also suggests that football clubs in Kenya are not sustained by either match-day fees or membership subscriptions.

The results however showed that sponsorship from parent organization accounted for more than half of the revenues of majority of the corporate-based clubs as well as the revenues of majority of the community-based clubs. This agrees with the observation by Makori (2008) that the national domestic football league relies on the goodwill of sponsors. While these football clubs attract corporate brands into sponsorship arrangements as was rightly argued by Smith et al. (2006), the fact that they are sustained mainly by sponsorships suggests that they are not commercially viable.

The foregoing is further evidenced by the finding which showed that nearly half of the football clubs recorded a surplus in the last financial year. The results also agree with the point raised by Makumi (2007) that football clubs sponsored by companies are
listed in the category of welfare departments during allocation in annual budgets instead of as independent entities capable of generating their own revenues. This dependence on sponsorships as the main source of revenue is therefore not sustainable as the sponsoring organizations may view the clubs as a liability. Drawing from this inference, and as speculated in this study, the clubs may not therefore be well positioned to independently diversify into value-adding partnerships outside the scope of their institutional sponsors. This is supported by the findings which showed that sponsorship from other organizations accounted for not more than a third of the total revenues of majority of the corporate-based clubs as well as that of the community-based clubs. Thus, reliance on sponsorship from parent organizations technically limits the football clubs’ exploitation of revenue sources from other sponsoring organizations.

The study also established that the sale of club merchandise contributed a small percentage of the total revenues of majority of both the corporate-based clubs and community-based clubs. This finding compares favourably with the contribution that merchandise and endorsements make to the revenues of known football clubs in the world like Manchester United, which, according to Deloitte (2009) report, realized an even smaller percentage of revenue from merchandise sales which is in the same range. However, the contribution is lower than that of Real Madrid which recorded more than a third of revenue contribution from merchandise sales. Given that both examples given originate from developed countries whose performance may be influenced by the income per capita, the findings of this study are therefore not surprising as revenues from merchandise sales may be subject to the state of the local economy.

In terms of expenditure, the study showed that wages and salaries accounted for a small percentage of the total expenditure of majority of the community-based clubs as well as the corporate-based clubs. This implies that wages and salaries were not the most significant contributor to the football clubs’ total expenditure. This is interesting, given that football is, by its nature, labour-intensive. However, the fact that the percentage contribution to the football clubs’ expenditure was almost a third was significant especially when salaries and wages represent part of the recurrent costs of the football clubs. Given the findings which showed that the proportion of corporate-based clubs that maintained between 1 to 10 members of staff was higher than that of community-
based clubs, the implication of wages and salaries to community-based football clubs may manifest in an unsustainable wage bill. In view of the fact that a significant percentage of the football clubs did not turn a surplus, the finding supports the argument put forward by Armstrong et al. (2011) that there is essential to establish a direct link between expenditure on reward and the benefit to the football club. As the findings of this study showed, the fact that proportion of corporate-based football clubs that turned a surplus was higher compared to community-based football clubs may be inferred that wages and salaries potentially influenced the viability of football clubs.

The findings showed that advertising and publicity accounted for a small percentage of the total expenditure of the community-based clubs as well as the corporate-based clubs, implying that the proportion of advertising expenditure to total expenditure was relatively low. This is in contrast to the claim by Kenya Premier League (2010) which observes a surge in media coverage of football in Kenya. Such a surge should ordinarily correspond to a significant advertising and publicity expenditure of the clubs. However, this may be explained by the nature of publicity. Firstly, it has been argued that the commercial world has increasingly come to appreciate the capability of sports to raise the global profile and appeal of corporate brands and to expand the global market for their products (Smart, 2007). This implies that the surge in media coverage may be courtesy of the corporate companies that invest in the football clubs to promote their brand identity without the football clubs necessarily expending on advertising and publicity.

Interestingly, maintenance costs accounted for a significant percentage of the expenditure of nearly half of the community-based football clubs and more than a third of the corporate-based clubs. This suggests that maintenance of the clubs contributed the highest proportion of the clubs’ total expenditure. This may be explained by the numerous operation and maintenance cost elements listed by Lai, Yik and Jones (2008) such as energy costs, wages of in-house staff and costs for outsourced services, and replacement of deteriorated installations. In the case of sports clubs that own their facilities, costs would also include maintenance of the playing grounds and training equipment. These are inevitable costs that depress profitability and suggest the need to justify continued expenses by generating significant revenues. In view of the state of commercial viability of the football clubs, high maintenance costs suggest that the capacities of the
football clubs are underutilized.

5.3.2 Investment Practices that Affect the Viability of Football Clubs

The study established that the mean score of football clubs that posted a surplus was higher than those that did not realize any surplus in terms of whether the football clubs classified their customers based on their unique needs. This implies that the practice of classifying customers based on their unique needs potentially affected the viability of the football clubs. However, the mean values suggest that the football clubs moderately engaged in this practice. It means the football clubs practice some level of segmentation and target marketing. This is consistent with Deloitte (2009) who gave the example of corporate tickets where customers pay premium prices for their match-day experience, enhanced by exclusive car parking, catering, player appearances and other benefits. This translates to higher revenue and surplus for the football clubs.

In terms of diversification, the mean scores of football clubs that turned a surplus was higher than those that did not turn any surplus in terms of their reliance on revenue from more than two sources. This suggests that the practice of diversification of revenue sources by the football clubs had a direct effect on their financial viability. This agrees with the observations of Andrews and Ritzer (2007) who noted that virtually all aspects of the global sports institutions are now driven and defined by the generation of multiple sport-related revenue streams.

In terms of whether the clubs had a wide attraction of fans, the mean score of football clubs that turned a surplus was higher than those football clubs that did not realize any surplus. This implies that a wide attraction of fans had a direct positive effect on the viability of the football clubs. However, the relatively low mean scores suggest that attraction of fans by the football clubs was at best moderate. As such, the attraction of fans is not high enough to generate maximum match-day revenues from ticket sales. Considering the fact that gate fees accounted for less than a third of the total revenues of the football clubs under review, the assumption that football clubs in Kenya tend to have a more local focus, and hence revenue base, and an excess of supply over demand for match-day tickets perhaps holds true. The findings therefore agree with commentaries by Nkaari and Ocholla (2010) who reported that the Kenyan Premier League in 2010 recorded an average match attendance of a very small percentage of its capacity.
(Nkaari and Ocholla, 2010). It means that there is more potential to generate revenue from match-day attendance fees for football clubs that invest in strategies to have a wide attraction of fans. This may also require identification of the most profitable match days as this study also established that clubs which uses match schedules to identify the most profitable match days turned a surplus compared to football clubs that did not adopt this practice.

The study found out that application of laid down systems and processes positively influenced the viability of the football clubs. This agrees with the emphasis by Watt (2003) that sports organizations must put in place systems and structures which ensure optimum use of finance to achieve organizational objectives. In terms of the practice of recruitment teams scouting for new players, the mean score of football clubs that did not record any surplus was higher than the mean score of football clubs that turned a surplus. This implies that the practice of scouting for new players potentially had a negative effect on the viability of the football clubs. This finding should be considered in light of the results which showed that football clubs that turned a surplus maintained a leaner number of players in the team.

The study established that the mean score of football clubs that turned a surplus was higher than their counterparts that had no surplus in terms of whether the training programmes were always satisfactory. This potentially suggests that training positively affected the viability of the football clubs. In terms of the use of rewards and recognition to motivate staff to meet targets, the mean score of football clubs that turned a surplus was higher than those that did not realize any surplus. This implies that investment in staff motivation had a positive effect on the financial viability of the football clubs. This agrees with Shahidul and Shazali’s (2011) study which found that a favorable working environment is a contributing factor to motivating the workforce towards higher outputs.

**5.3.3 Financial Planning and Control Practices affecting the Viability of the Clubs**

The study established that the mean score of football clubs that turned no surplus was the same as those that recorded a surplus, suggesting that the practice of outsourcing non-core activities had no effect on the financial viability of the football clubs. This agrees with a previous study by Lai et al. (2008) which revealed that outsourcing does not necessarily result in increased earnings or reduced costs in the outsourced area of operation. In this
study, the low mean scores indicate that there was very little practice of outsourcing by the football clubs to begin with, which may explain the lack of effect on the viability of the football clubs.

In terms of use of budgets to manage costs, football clubs that realized a surplus scored a higher mean than the football clubs that did not record a surplus. This implies that the practice of using budget to manage costs had a positive effect on the financial viability of the football clubs. This finding agrees with Chandra et al (2011) who held that the budgeting process make it more realistic and therefore effective as a cost management tool. Associated with this is the finding which showed that the mean score of football clubs that turned a surplus was higher than those that did not record any surplus in terms of evaluating alternative sources of funds before making investment decisions. This suggests that the financial practice of evaluating alternative sources of funds positively influenced the financial viability of football clubs. This is therefore a part of the typical budgeting process that financial management literature has associated with financial viability.

Concerning cost management practices, the mean score of the football clubs that turned a profit was higher than the mean score of football clubs that did not turn a surplus. This implies that the practice of cost management, including cost cutting, had a direct positive effect on the financial viability of the football clubs. The results agree with literature that suggests that cost management is part of good governance. The findings therefore agree with previous empirical results by Gilmore and Gilson (2007) which reported the case of Bolton Wanderers Football Club (BWFC) in England which was able to demonstrate fiscal prudence through cost management practices, which has been linked to its long-term financial viability.

In terms of the practice of complying with regulations on team and fan behavior, the mean score of football clubs that turned a surplus was higher than those football clubs that did not realize a surplus. This implies that the practice of complying with regulations on team and fan behavior positively impacted on the financial viability of the football clubs. This agrees with the argument put forward by Gabbi et al (2011) that applying controls and putting in place mechanisms to prevent actions by either the organization
or its agents (in this case a football club’s supporters) shields the club from unnecessary expenses besides ensuring discipline among its staff and supporters.

In terms of whether the football clubs always encouraged efficient use of their resources such as maximizing the output of each unit of input, the findings revealed that the mean score of football clubs that turned a surplus was higher than those that did not. Therefore, the practice of encouraging efficient use of the clubs’ resources had a positive effect on their financial viability. This agrees with Chandra et al (2011) who discussed several cost reduction approaches and identified that employee sensitization and sense of responsibility can help cut expenses, which leads to a positive bottom-line effect on the clubs’ financial viability.

5.4 Conclusions
5.4.1 Sources of Revenues and Avenues of Expenditure for Football Clubs
Sponsorship from parent organizations constituted the main source of revenue for both community-based and corporate-based football clubs. All the other sources including television broadcasting rights, gate collection entrance fees, membership subscriptions, sale of clubs’ merchandise and sponsorship from other organizations represented minor sources. In terms of expenditure, maintenance of the football clubs’ assets and facilities made up their largest expenditure item. This was followed by logistics and communication expenses. Other football expenses such as wages and salaries, advertising and publicity, and legal costs accounted for relatively smaller proportions of the football clubs’ expenses.

5.4.2 Investment Practices affecting the Viability of the Clubs
The investment practices with positive effects on the viability of the clubs were: reliance on revenue from more than two sources, wide attraction of fans, application of laid down systems and processes, investment in training programmes, motivation of staff and investment in research and development. However, the football clubs manifested little practice of customer segmentation and identification of the most profitable match days, with no effect on their financial viability.
5.4.3 Financial Planning and Control Practices affecting the Viability of the Clubs
The viability of the football clubs was affected by a number of financial planning and control practices. On the positive front, use of budgets to manage costs, evaluating alternative sources of funds before making investment decisions, cost management, compliance with regulations and encouraging efficient use of the clubs’ resources led to recording of surpluses. However, the practice of outsourcing, although uncommon among the football clubs, had no effect on their financial viability. The same conclusion applied in terms of comparing leasing and buying options before making investing decisions.

5.5 Recommendations
5.5.1 Recommendations for Improvement
5.5.1.1 Sources of Revenues and Avenues of Expenditure for Football Clubs
Football clubs should be more strategic and aggressive at exploiting their potential in order to increase their revenue streams. The clubs should adopt collaborative measures to gain from broadcasting rights. They should also aggressively promote their merchandise and expand membership subscriptions. Adopting a segmented view of their fan-base would also go a long way in enhancing the clubs’ revenues.

5.5.1.2 Investment Practices affecting the Viability of the Clubs
The football clubs should diversify their sources of revenue to reduce reliance on sponsorship from parent organizations as the main source of revenue. In addition, the clubs’ resources should be invested in staff and players through regular training programs, staff motivation and reward management and research and development. Emphasis should also be put on the application of laid down systems and processes to enhance legal and regulatory compliance.

5.5.1.3 Financial Planning and Control Practices affecting the Viability of the Clubs
The football clubs should consolidate the goodwill they have with parent organizations that sponsor them by practicing fiscal prudence. This includes lean management practices through the use of budgets to manage costs, evaluating alternative sources of funds before making investment decisions, cost management, compliance with regulations and encouraging efficient use of the clubs’ resources.
5.5.2 Recommendations for Further Studies

In retrospect, this study focused on the factors internal to the football clubs that affected their financial viability. However, the factors that potentially determine the financial viability of top-flight football clubs in Kenya may also be external. In order to provide a panoramic view of the environmental factors affecting the financial viability of football clubs, another study that analyzes the external factors such as political, economic, social and technological factors could enhance the utility of the recommendations of this study.
REFERENCES

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APPENDIX I: LETTER TO FOOTBALL CLUB

Stephen Thiga,
United States International University,
P. O. Box 14634 - 00800,
Nairobi.

17th October 2013
(Club Name and Address)

Dear Sir / Madam,

RE: REQUEST TO CONDUCT A RESEARCH STUDY

I am enrolled in the Masters of Business Administration program at the United States International University. I am currently undertaking a research project focusing on the viability of football from a business perspective.

I kindly request your permission to conduct a study on how revenue, expenditure and investment decisions contribute to the financial viability of your football club. This will enable me to draw conclusions that shall form the basis of my recommendations. It is my hope that this study shall be of benefit to the wider sporting fraternity who may use its findings to improve their revenue bases, minimize costs and optimize returns on their investments.

A key part of the study requires a questionnaire to be filled in by someone familiar with the financial as well as strategic background of the club’s operations. I shall treat any feedback you provide with utmost confidentiality. This study is for academic purposes only and upon its completion, you will receive a copy of the final report. In case you require further clarification, do not hesitate to contact me on the contacts indicated below. I look forward to your favourable response.

Yours sincerely,

Stephen Thiga
E-mail: sthiga@usi.ac.ke
Mobile: 0721542507
APPENDIX II: COVER LETTER

Stephen Thiga,
United States International University,
P. O. Box 14634 - 00800,
Nairobi.

17th October 2013

Dear Respondent,

I am undertaking a research project on the viability of football from a business perspective. This is in partial fulfilment of the requirement for the Degree in Masters in Business Administration at the United States International University.

The attached questionnaire is designed to seek your input on how various elements contribute to the financial viability of Kenya’s top football clubs. This will enable me to draw conclusions that shall form the basis of my recommendations. It is my hope that this study shall be of benefit to the wider sporting fraternity who may use its findings to improve their revenue bases, minimize costs and optimize returns on their investments.

The attached questionnaire is brief and would possibly take no more than ten minutes of your time to complete. I shall treat your feedback with utmost confidentiality. This study is for academic purposes only and upon its completion, you will receive a copy of the final report. In case of any queries, you can reach me using the contact details indicated below. I look forward to your cooperation.

Yours sincerely,

Stephen Thiga
E-mail: sthiga@usiu.ac.ke
Mobile: 0721542507
APPENDIX III: QUESTIONNAIRE

SECTION 1: GENERAL INFORMATION
This section gives the general perspective of the organisation. Please answer the questions as accurately as possible, by ticking the appropriate boxes.

1. Which of the following best describes your position in the club?

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</table>

2. What is your level of professional work experience in the football industry?

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<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

3. How long has the club been in the Kenyan Premier League?

<table>
<thead>
<tr>
<th>Less than 1 year</th>
<th>1-3 years</th>
<th>4-5 years</th>
<th>Over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

4. What is your highest level of education?

<table>
<thead>
<tr>
<th>Primary education</th>
<th>Secondary education</th>
<th>Middle level college education</th>
<th>University education</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

5. What was the total revenue of the club last year, in Kenyan shillings?

<table>
<thead>
<tr>
<th>Less than 2M</th>
<th>2 to 4M</th>
<th>5 to 10M</th>
<th>Over 10M</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

6. Did your club realize a surplus last year?

| No surplus | ☐       | No surplus | ☐       |

7. What was the total surplus of the club last year, in Kenyan shillings?

<table>
<thead>
<tr>
<th>No surplus</th>
<th>less than 1M</th>
<th>From 1 to 3M</th>
<th>Over 3M</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

8. How many players are officially in the club team?

<table>
<thead>
<tr>
<th>11-15</th>
<th>16-20</th>
<th>21-25</th>
<th>31-35</th>
<th>More than 35</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

9. How many members of staff (full and part time) are working with the club?

<table>
<thead>
<tr>
<th>Less than 5</th>
<th>5 to 10</th>
<th>11-20</th>
<th>21-50</th>
<th>More than 50</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>
SECTION 2: SOURCES OF REVENUE AND AVENUES FOR EXPENDITURE

For each of the revenue source below, please tick the appropriate box:

<table>
<thead>
<tr>
<th>What is the contribution of the following to total revenue?</th>
<th>None</th>
<th>(1) 0-25%</th>
<th>(2) 26-50%</th>
<th>(3) 51-75%</th>
<th>(3) 76-100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>10. Gate fees (revenue from matches)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Member subscriptions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Sponsorship from parent organisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Sponsorship from other organisations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Television broadcasting rights (DSTV)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Sale of club merchandise, such as team jerseys</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Other (please specify below)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For each of the avenues of expenditure below, please tick the appropriate box:

<table>
<thead>
<tr>
<th>What is the contribution of the following to total expenditure?</th>
<th>None</th>
<th>(1) 0-25%</th>
<th>(2) 26-50%</th>
<th>(3) 51-75%</th>
<th>(3) 76-100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>17. Salaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Advertising and publicity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Communication</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Logistics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21. Maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22. Legal costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION 3: INVESTMENT PRACTICES

To what extent would you say the following factors contribute to your club’s financial performance?

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>None</th>
<th>Very Little</th>
<th>Moderate</th>
<th>Significant</th>
<th>Very Significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>23. Match attendance by supporters</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24. Relationship with the corporate sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25. Investment in training material</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
26. Investment in players

For each of the questions below, please indicate (tick) the extent to which you agree or disagree with the statements below:

<table>
<thead>
<tr>
<th></th>
<th>(1) Completely Disagree</th>
<th>(2) Disagree</th>
<th>(3) Agree</th>
<th>(4) Completely Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>27. We have classified our customers based on their unique needs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28. We generate revenue from more than two sources.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29. Effort is made to add value to the spectator experience during matches.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30. The club has a wide attraction to fans.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31. The club uses the match schedules to identify the most profitable match days.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32. Laid down systems and processes are applied</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33. There is a recruitment team to scout for new players.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34. Training programmes are satisfactory.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35. Performance appraisal is done for players.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36. Performance appraisal is done for support staff.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>37. Rewards and recognition are used to motivate staff to meet targets.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

To what extent do the following factors influence your club’s revenue?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Degree of Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1) None</td>
</tr>
<tr>
<td>39. Team performance in matches.</td>
<td></td>
</tr>
<tr>
<td>40. Ticket pricing.</td>
<td></td>
</tr>
<tr>
<td>41. Age of audience.</td>
<td></td>
</tr>
<tr>
<td>42. Gender of audience.</td>
<td></td>
</tr>
<tr>
<td>43. Convenience and location of match venue.</td>
<td></td>
</tr>
</tbody>
</table>
44. Match scheduling (day of the week, and time).

45. Loyalty of the club’s supporters

46. Level of sponsorship.

47. Merchandise sales.

48. Quality of merchandise.

49. Variety of channels through which club merchandise is sold.

SECTION 4: FINANCIAL PLANNING AND CONTROL PRACTICES

To what extent are the following practices used in the club

<table>
<thead>
<tr>
<th>Factor</th>
<th>Degree of Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1) None</td>
</tr>
<tr>
<td>51. Use of an annual budget to manage costs.</td>
<td></td>
</tr>
<tr>
<td>52. Timely payment of staff salaries.</td>
<td></td>
</tr>
<tr>
<td>53. Providing rewards for well-performing staff.</td>
<td></td>
</tr>
<tr>
<td>54. Spending on advertising and publicity.</td>
<td></td>
</tr>
<tr>
<td>55. Having staff assigned to handle external communication.</td>
<td></td>
</tr>
<tr>
<td>56. Complying with regulations on team and fan behaviour.</td>
<td></td>
</tr>
<tr>
<td>57. Outsourcing non-core activities.</td>
<td></td>
</tr>
</tbody>
</table>

58. In your opinion, what should be done to improve the financial performance of football clubs in the Kenyan Premier League?

____________________________________________________________________________________
____________________________________________________________________________________
____________________________________________________________________________________

Thank you for your cooperation!
APPENDIX IV: LIST OF FOOTBALL CLUBS BASED IN AND AROUND NAIROBI

Table 3.1: Kenyan Premier League, 2010: Football Clubs Based in and around Nairobi

<table>
<thead>
<tr>
<th>Kenyan Premier League 2010</th>
<th>Team / Club</th>
<th>Location</th>
<th>Organization Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AFC Leopards</td>
<td>Nairobi</td>
<td>Community-based</td>
</tr>
<tr>
<td>2</td>
<td>Gor Mahia</td>
<td>Nairobi</td>
<td>Community-based</td>
</tr>
<tr>
<td>3</td>
<td>KCB</td>
<td>Nairobi</td>
<td>Institutional</td>
</tr>
<tr>
<td>4</td>
<td>Mahakama</td>
<td>Nairobi</td>
<td>Institutional</td>
</tr>
<tr>
<td>5</td>
<td>Mathare United</td>
<td>Nairobi</td>
<td>Community-based</td>
</tr>
<tr>
<td>6</td>
<td>Nairobi City Stars</td>
<td>Nairobi</td>
<td>Community-based</td>
</tr>
<tr>
<td>7</td>
<td>Posta Rangers</td>
<td>Nairobi</td>
<td>Institutional</td>
</tr>
<tr>
<td>8</td>
<td>Sofapaka</td>
<td>Nairobi</td>
<td>Community-based</td>
</tr>
<tr>
<td>9</td>
<td>Thika United</td>
<td>Thika</td>
<td>Community-based</td>
</tr>
<tr>
<td>10</td>
<td>Tusker</td>
<td>Nairobi</td>
<td>Institutional</td>
</tr>
</tbody>
</table>


The original table derived from the FIFA website ranked the clubs according to their performance as at the date of its extraction. However, the researcher presents the data from a neutral perspective because of the following reasons: the clubs’ performance and hence ranking will vary over time; performance ranking is not useful for the purpose of this survey; and, it is essential for the researcher to preserve the dignity of each of the clubs in the population.