THE BUSINESS WORLD OF RUSSIAN FOOTBALL

Issues and Prospects

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Beyond any doubt, football, known as soccer in North America, remains to be one of the most influential sport games in the history of humanity. Up to this day, soccer continues to captivate billions of sports enthusiasts all over the globe. Football has achieved great recognition, and it is now considered the most popular sport in the world.

Nowadays it is appropriate and entirely justified to talk about the emergence of the football industry. Basically, modern soccer can be viewed as an international business, since global player transfers are made on a regular basis and international professional tournaments are organized. Moreover, soccer leagues may be now rightfully classified as separate commercialized industries.

Certain football tournaments perform much better than their competitors in a business sense. In this work, the Russian Premier League in particular is discussed. The aim of the study is to investigate the historic and current issues of Russian soccer, the reasons for their emergence, and the present state. Furthermore, the commercial prospects and possibilities for local football's business development are inspected. Potential solutions to the outlined problems are demonstrated as well. Finally, the investment climate for the clubs and the league as a whole is briefly examined. The research is based on secondary data collected from public sources. Specifically, sport articles, scientific papers, journals, interviews, databases and financial statements are used. Overall, the thesis is set up on the grounds of profound desk research.

It is concluded that in Russia, the national championship is far from profitable. Local soccer is plagued with specific issues that have hindered its economic development for a considerable time. The appearance of emblematic problems can be traced to the Soviet times. Among the existing problems, the most striking one is the weight of government ownership and general political interference in Russian football. In addition, there is an issue of incompetent management of the league and questionable decision-making process. The income gained from the sale of broadcasting rights is also unacceptable for the sixth most powerful European league. Eventually, it is stated that whilst the actual business position of Russian football is extremely troubling, there is undeniably an open room for growth. Despite all the issues, a clear path for improvement can be seen, but the government and soccer organizations must take decisive actions to save the situation urgently.

**Keywords**

Football, soccer, sport, football industry, business, investment, management, Russia, Russian Premier League
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INTRODUCTION

Without a doubt, football, known as soccer in North America, remains to be one of the most influential sport games in the history of humanity. Arguably appearing in historical records thousands of years ago, it has managed to evolve considerably and withstand the challenge of time.

Football in its modern variation originated in the nineteenth century in the British Empire. Since then, the game has promptly spread through the international borders and secured its rightful place as a mass phenomenon. Up to this day, soccer continues to captivate billions of sports enthusiasts all over the globe. Football has achieved great recognition, and it is now considered the most popular sport in the world (Dvorak, Graff-Baumann, Junge & Peterson 2004).

Logically, as the game evolved, so did the businesses capitalize on football’s gigantic fanbase. Soccer has changed drastically over the recent years, and present-day professional football clubs might now be described as complex businesses concerned with financial matters (Morrow & Howieson 2014). Due to clubs’ rapid economic progress and growing public interest in the sport, numerous football federations have built their regular championships to become sustainable business projects. Basically, soccer leagues may be rightfully classified as separate commercialized industries.

However, certain football tournaments perform much better than their competitors in a business sense. In this work, the Russian Premier League in particular is discussed. The aim of the study is to investigate the historic and current issues of Russian soccer, the reasons for their emergence, and the present state. Furthermore, the commercial prospects and possibilities for local football’s business development are inspected. Potential solutions to the outlined problems are demonstrated as well. Finally, the investment climate for the clubs and the league as a whole is briefly discussed.

The research is based on secondary data collected from public sources. Specifically, sport articles, scientific papers, journals, interviews, databases and financial statements are used. Overall, the thesis is set up on the grounds of profound desk research.
THEORETICAL FRAMEWORK

To start with, it is essential to present an overview of the academic theory involved in the selected topic. The established theoretical framework begins with broader concepts, but it is then narrowed down to more specific knowledge the research is supported with.

Before football in particular can be discussed, it is necessary to provide the insight on sports in general. Firstly, the meaning of the term “sport” must be addressed. The outcome of the examination of the thematic papers in which the conception of sport is analyzed shows that there are notable differences in how the terminology is described in the academic world (Sutula 2018). At the present time, several definitions of the word can be quoted.

Shilling (2005, 101) stated that the expression “sport” must be used to characterize the activities and games that have become a competitive race between teams and individuals. However, numerous scholars agree that modern sport is a significantly more complicated item, and a uniform definition cannot be offered. As such, other researchers like Lev Matveev proposed that the contemporary sport should be identified “in the narrow and in the broad scopes” both. According to his book “The general theory of sport and its applied aspects,” sport in the narrow sense means the athletic competition activities exclusively. In deeper implication, on the other hand, sport should be viewed not only as a competitive activity, but as the entire process of preparation for sporting achievements, and its inter-specific influence on society as a whole. Therefore, the latter argument suggests that sport has diverse functions not necessarily related to pure athletic performance. (Matveev 2005, 384.)

Both approaches have the right to exist from academic perspective. Consequently, it is considered that the precise wording of the definition has not found universal acceptance (Dreher 2005, 257). Nevertheless, as the thesis investigates into the business side of football and sports, the second concept is acknowledged by the author.

In this context, the roles of sports should be introduced. Following the classification provided by Alapartanen and Kelly (2016, 11-13), sport plays various functions in several areas. The figure below illustrates the roles attributed to sports by the cited researchers. Given the direction of the research, the emphasis should be put on the economic function of sports. The authors believe that sport now has a substantial impact on such things as employment, imports, exports and taxation. Moreover, they advocate that “these measurements differentiate dependent on the nation in focus,” making it sensible to study the economic parameters of sports in stand-alone countries.
It is a matter of fact that there are other systems interpreting the roles of sports. Another, more detailed models are proposed in the post-Soviet space. For instance, Ermakova, Parshakova and Romanova (2018) believe that the roles of sport should be divided into “general” and “specific” categories. In their design, the general functions only partially affect professional sport; they are aimed at the other aspects of our lives. These roles are, for example, health rehabilitation or educational functions. Specific functions, such as behavior modeling or individualization, include social functions that occur right "on the sports spectacle."

These professors do not set the economic role of sports aside because they already view professional sport as a part of business. In their understanding, professional sport can be defined as “type of business activity of professional sportsmen and sports functionaries, whose purpose is the production of a sporting spectacle, which takes the form of a consumer product.” (Ermakova et al. 2018.)

Regardless of the exact connotations, multiple scholars make a conclusion that it is appropriate and entirely justified to talk about the emergence of sporting industry in general and, inter alia, particular sports as sustainable industries. To clarify, an “industry,” as classically defined by American economist Porter (1985, 233), is “a market in which similar or closely related products are sold to buyers.” In recent years, the world of football has been continuously referred to as an independent industry in its own right. Moreover, soccer today is undoubtedly classified an international business, as global player transfers are made.
on a regular basis and international professional tournaments are organized. (Dolles & Söderman 2005.)

Nowadays, there is compelling need for business research in sports in football industry particularly (Pifer, Wang, Scremin, Piits & Zhang 2018, 2). The demand for studies exploring soccer as a business is very buoyant because this type of analysis was largely ignored in the twentieth century. In 1999, lecturer Bob Perry admitted that thematic football research was a recent development in general. The professor also claimed that academic business-related football literature is incredibly sparse, stating that management and business journals remain the major source of strictly scientific information on the topic. (Perry 1999.)

At that time, several authors reached a consensus that purely scholastic works dedicated to the football industry are often not sufficient to conduct new research on soccer. They assumed that the materials produced by writers and sport journalists outside academic circle could be valuable sources when performing scholar studies on the topic of football. (Russell 1997, 2; Wagg 1984; Perry 1999.)

Therefore, the aforementioned researcher Perry in his paper “The Study of Business and Football: an overview of the nature of the literature” classified the non-academic soccer literature into five clusters from “Category 1” to “Category 5.” The table below represents the system proposed by the professor.

**TABLE 1. Non-academic football sources (Perry 1999)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 1</td>
<td>technical/industry publications</td>
</tr>
<tr>
<td>Category 2</td>
<td>(online) newspapers and sports papers magazines</td>
</tr>
<tr>
<td>Category 3</td>
<td>official match programs, magazines, the internet official sites, other club promotions</td>
</tr>
<tr>
<td>Category 4</td>
<td>club videos</td>
</tr>
<tr>
<td>Category 5</td>
<td>fan magazines</td>
</tr>
<tr>
<td></td>
<td>other internet sources</td>
</tr>
<tr>
<td></td>
<td>television documentaries</td>
</tr>
<tr>
<td></td>
<td>other television and radio programs</td>
</tr>
<tr>
<td></td>
<td>other &quot;popular&quot; texts</td>
</tr>
</tbody>
</table>

In this classification the first category is the most reliable group of source materials. It includes official or semi-official documents from football clubs, professional organizations in the field or the Government, like financial statements or reports, for example. Conversely, Category 5 is the least appropriate type of texts to use in the research. (Perry 1999.)

The completion of this thesis would not be possible without the information provided by “popular” sources. However, following the recommendations of the academic, the data from the first two categories is primarily utilized in the work.
Nevertheless, the business of football has been researched extensively by the scholars in recent decades following the outstanding economic progress of the soccer industry. Several key terms have been comprehensively agreed upon in the twenty-first century. It is of utmost importance to explain the meaning behind certain terms, as they are repeatedly brought up in the following chapters.

According to Guskov, Platonov, Linets and Yushko (2000, 86-89), any football business involves numerous subjects who support its existence. Those include, among others, clubs, leagues, federations, functionaries and football agents.

A professional sports (football) club is a personal, joint-stock or corporate organization that brings together groups of people to play a role in sports commerce and other types of business activities and aims to acquire financial earnings. The terms “football club” and “football team” are used interchangeably in the work to avoid lexical repetitions.

The main structural unit in professional football is a league (championship). A soccer league is an administrative body of legislative and executive power that unites a certain number of association clubs under its banner. A league helps its clubs to find sponsors, centralizes the sale of broadcasting and advertising rights; it is also engaged in the formalization of all documents and contracts with sponsors and advertisers (Slobodyanyuk & Stepyko 2013). The number of involved teams largely depends on the financial capabilities of the league. Basically, each club-member of a league can be seen as a separate enterprise. The decision-making functions in a league are carried out by the owners of all teams who jointly discuss and resolve issues related to its vital activities. A league is led by a president, who is elected by the board of club owners periodically. Further analyzed Russian Premier League is a football championship too.

A sports federation (association) is a non-governmental public organization, which is responsible for solving issues concerning sports and physical culture. A federation oversees multiple amateur and professional leagues in a country and/or region. In soccer, FIFA or Russian Football Union are prime examples of federations.

Sports functionaries include team owners, administrative employees of sports leagues and clubs, coaches, as well as other professionals who study the consumer market in order to provide sports services, search for the most effective forms of functioning of a particular professional sport, communicate with the public, engage in advertising, etc. Functionaries are an integral part of modern sports, and soccer is not an exception.
A football agent is a legal representative for professional soccer player or coach. An agent’s main responsibilities consist of contract and sponsorship negotiations, as well as organization of media appearances for his/her clients. Agents are frequently a part of agencies which manage multiple customers. (Guskov et al. 2000, 86-89.)

The football theory clearly goes far beyond mere terminology. In order to represent the theoretical basis properly, the recent findings recorded by academics need to be introduced.

Several scholars in the Eastern Europe, including Matvienko (2013) hold the opinion that there are two main approaches to the development of professional football: commercial-athletic and athletic-commercial. The first one is typical for the USA, and it is based on the purpose of maximizing the revenue. In this system professional sport is seen as a business first and foremost. Athletic activities and results are a means of achieving profit only. The peculiarity of the national championships following this concept is that the composition of the teams playing in the tournaments is remarkably stable. A commercial-athletic league resembles an isolated business ecosystem; it is extremely challenging for new brands to get inside it.

In contrast, the second option is more characteristic of Europe and Russia inclusively. In European countries, athletic rivalry is a key factor and a prerequisite for the conduct of football business. The team that takes the last place according to the results of the championship drops out of the top division, giving way to another from a lower league. This process of promotion and relegation transposes following the sports results exclusively. (Matvienko 2013.)

Supplementing this theory, Pochinkin (2006) writes that the established approaches give rise not only to various sports management systems, but also to strategies for regulating sports competition. The American strategy, unlike the European one, involves the redistribution of financial and human resources from strong teams to weaker ones on the grounds that this creates more business-friendly athletic competition and, therefore, contributes to the entertainment of competitions. The competition management system also contributes to the greater financial stability of clubs participating in the leagues.

On the contrary, the European model is based on competition between soccer teams seeking to create a competitive advantage. The strength and potential success of a club critically depend on financial opportunities to acquire the strongest players. This state of affairs, as a rule, leads to the appearance of several “super clubs”, which are able to dominate domestic and international tournaments from year to year. (Pochinkin 2006.)
An analysis of European professional sports management shows that the desire of team managers to overcome the current situation laid down in the competition organization system itself and achieve better economic results tempts many clubs to manage beyond their means, which often leads to distressing financial consequences. (Voskolovich, Molchanov, Lugovskih, Leonov, Gnetova & Mihailenko 2012, 101-103.)

Yet, regardless of the competition model, certain business elements are common for most professional football clubs. The economic design of European football is a relatively fresh topic of academic debate, and there are several outlooks on the financial structure of contemporary soccer revenue.

Jean-François Bourg and Jean-Jacques Gouguet (2012) estimate that the so-called “SATI model” is an indicative classification of income types obtained by modern football clubs in the twenty-first century. In this system, SATI is an acronym that stands for “Sponsors – Actioners – Television – International.” The first two sources here are rather self-explanatory; “Television” refers to the broadcasting rights money, while “International” constitutes the income received from global football competitions such as UEFA Champions League. (Bourg & Gouguet 2012.)

Bastien (2013) expands the system by introducing the “SATEMMI model.” This design reads as follows: “Spectators – Actioners – Television – Enterprise – Matches – Merchandising – International.” The principal innovation of the discussed classification in comparison with SATI is the consideration of income received by soccer clubs on days when games are organized, hence the term “matchday revenue” and the addition of new letters to the name of the model. (Bastien 2013.)

Finally, Dima (2015) summarizes the previously discussed models to claim that the current revenue structure of European soccer teams is held on three fundamental income-generating factors:

- Media (broadcasting) rights - the money paid by media corporations for the privilege of broadcasting football events;
- Commercial income - the cumulation of sponsorship and other business income;
- Matchday revenue – the money obtained from ticket sales and supporters’ expenses inside the stadium.

Consequently, the scholar proposes the brand-new “MCM (Media – Commercial - Matchday) model” that, by his assessment, illustrates the most relevant approach to categorizing the revenue streams of European football business. (Dima 2015.)
The author personally finds the latter model to be the most appropriate and optimal to use for the purpose of the RPL analysis. Therefore, the revenue sources offered in the MSM system are mainly discussed in the work.

However, it is not enough to have theoretical information about where the clubs’ revenue typically originates from only. Given that the economic performance of Russian football is evaluated in the paper, the principles of business efficiency assessment in soccer must be addressed as well.

According to iconic football researchers Stephanie Leach and Stefan Szymanski (2015, 25-50), a universal approach to defining key performance indicators for soccer clubs is generally impractical, as the efficiency and effectiveness of any sport organization depends on the business environment in a league and country, actions of stakeholders, governing bodies, etc. Chadwick (2009, 191-200) adds that the main research problem in sports management evaluation criteria is the complicated interrelationship between athletic and financial results.

In any case, there are some established ways of criticizing the business effectiveness of a soccer team. Some academics believe that a club’s sport performance holds prevalence over financial standing. So, it is proposed by Andrikopoulos and Kaimenakis (2009) to consider four groups of efficiency indicators: athletic results, media, fans, and stakeholders. Nevertheless, this work focuses on the business perspective, so the approach implemented by Dima and Otoiu (2015) is chosen as the primary method of assessment. In their study, the authors speculate that the combination of financial (business), athletic, and social indicators should be used to evaluate the organizational effectiveness of football clubs. These academics hypothesize that soccer industry analysts may determine the suitable set of factors and their priority in the evaluation depending on the topic of research. (Dima & Otoiu 2015.)

In the following thesis, a heavy emphasis is placed upon the business factors and indicators, for example, the qualification of management staff, political influence on the industry, financial profit, structure of revenue, etc. The author thinks that this is by far the most appropriate arrangement considering the topic of this work.

Finally, before the analysis of the case league can be started, it is practical to give a deeper understanding of several concepts that are highlighted in the following chapter of the paper.

A part of the work is dedicated to the idea of management and sport management particularly. Tavčar (2009, 13) suggests that the central tasks of business management consist of planning and designing corporative objectives, as well as formulating the most suitable
strategies for their realization. He believes efficient management is reached when an organization is properly controlled, and its vital components are constantly optimized to best serve the interests of a company. (Tavčar 2009, 13.)

However, the sport management varies from the general concept of management. Those differences come from the specific characteristics of sport, such as complex organizational and ownership structure, complicated business mission that correlates with athletic performance, and the vast diversity of key products (Retar, Bednarik & Kolar 2018). In football, the goals of management cannot be limited with the effective implementation of an organization's business objectives only; the objectives of a team should be met too. The differences between traditional and sport management are noticeable, for example, in the area of human resource, where professional managers often work with club employees and volunteers both (Kolenc, 1999).

According to Retar, Plevnik and Kolar (2013, 83), the contemporary sport management can be explained as follows: “Management in sport is a process of coordination with key resources and successful cooperation with key stakeholders to facilitate the effective realization of business and sporting goals of the organization and/or the athlete in all the processes of management.”

It is also possible to employ the classification of modern sport managers. Bardina (2018) writes that there are various types of management activities in a sport organization. This means that football managers too have different levels of qualification and solve different tasks. The managerial staff in soccer, as a rule, is divided into three main groups:

- strategic level (top managers) - presidents of football clubs and federations, heads of academies, sports complexes, etc.;
- tactical level (middle managers) - heads of units, departments, etc.;
- performance level (entry managers) - coaches, team chiefs, medical personnel, etc.

It is believed in the field of Russian sport business that an effective football top manager should be able to successfully work towards the following directions:

- growth and long-term business development of the club or organization;
- detection of problems and suitable ways to solve them based on the analysis of the economic and social situation;
- Personnel policy related to the selection and placement of staff;
- determination of the expected profit levels and the choice of an optimal financial policy. (Bardina 2018.)

The criteria presented above are utilized in discussion of Russian top soccer managers further in the work.
Another topic closely related to this research is the question of sponsorship. Meenaghan (1983) defines common sponsorship as "the provision of assistance either financial or in kind to an activity by a commercial organization for the purpose of achieving commercial objectives." Still, like other business concepts, the definition of sport sponsorship differs from the traditional terms. Zagnoli and Raddicchi (2011) claim that the sport sponsorship is "any agreement by which an individual or a company (the sponsor) invests in a sport entity (athlete, team, league or event) (the sponee) by providing funds, goods, services or know-how.” They advocate that by making a connection between their product and a popular athlete or club by the means of sponsorship, enterprises strive to shift associations from the sponsored entity to their own brand. Essentially, the goal of such sponsorship is to reinforce the brand image and secure brand loyalty among sports fans. (Raddicchi 2014.)

Likewise, Alaja holds similar opinion: they accentuate that sport sponsorship can be used to communicate with the target group and build a positive image. Nevertheless, sponsorship should not be viewed as charity. Both parties directly benefit from the sponsoring collaboration, albeit in different ways. For sponsors, the deal is usually a part of the external marketing campaign. For sponsees, such partnership creates competitive advantage and supplies additional financial and/or other resources. (Alaja 2001, 23.)

This situation leads to conclusion that the government sponsorship in football is not a viable instrument these days. In this case, this kind of partnership is only beneficial for clubs, but not for the state, as it does not gain significant advantages in return. This argument is discussed in regard to Russian soccer in the following chapter.

Anyhow, a company can sponsor a football player, club, event, tournament or even a television program related to sports (Alaja 2001, 23). There are also many forms a sponsorship contract can take. For instance, Kaarela (2020) summarizes that sponsoring types may be divided into “main sponsorship, side sponsoring, co-branding, project sponsoring, media sponsoring, functional sponsoring, Pro-bono partnership, licensed purchase, product sale and product license contracts.” The table below overviews the types of sponsoring common in football.

**TABLE 2.** Common types of sponsoring in football (Kaarela 2020)

<table>
<thead>
<tr>
<th>Types of sponsoring</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main sponsoring</td>
<td>The main sponsors offer the most substantial money and financial benefits compared to other investors. Consequently, the main sponsors expect to receive privileged treatment from the sponsored party.</td>
</tr>
<tr>
<td>Sponsoring Type</td>
<td>Description</td>
</tr>
<tr>
<td>------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Side sponsoring</td>
<td>Side sponsors are organizations which are frequently the suppliers of the sporting gear used by the athletes. Side sponsors have the exclusive rights to supply the gear for the team, but they are treated equally with other sponsors.</td>
</tr>
<tr>
<td>Project sponsoring</td>
<td>Project sponsoring is a type of sponsoring that occurs, as the name points at, in projects. Such sponsorship lasts until the project is completed.</td>
</tr>
<tr>
<td>Media sponsoring</td>
<td>Media sponsorship allows the sponsors to receive contractual media visibility. It is associated with television, but it can also be radio or magazines.</td>
</tr>
<tr>
<td>Functional sponsoring</td>
<td>Functional sponsoring refers to logical and natural form of activity in a project. It can be associated with products and services both. In football, an example of functional sponsorship would be the co-operation between a sporting clothing company and a player.</td>
</tr>
<tr>
<td>Pro-Bono sponsoring</td>
<td>Pro-Bono partnership refers to interaction where a sponsor organization gives support and help to the sponsored party instead of financial support.</td>
</tr>
<tr>
<td>License purchasing</td>
<td>In licensing, a sponsor pays for the usage of the trademarked property of a sponsored organization to enhance own products and services.</td>
</tr>
<tr>
<td>License contracting</td>
<td>License contract means that a product, logotype or character is licensed for the sponsor. The sponsor can improve its brand awareness with a well-known product and brand identity.</td>
</tr>
</tbody>
</table>

All in all, the theory presented above is deemed sufficient for the understanding of the topic. Without further ado, it is possible to move on to the research on Russian football. In the following chapter, the history, as well as the business issues and prospects of soccer in Russia are studied.
3 BREAKDOWN OF RUSSIAN FOOTBALL CHAMPIONSHIP

Before delving into the business analysis of Russian football, it is necessary to provide some insight on the history of this competition and its development through the years.

3.1 History of Russian football

All in all, it is safe to say that the history of football in Russia is incredibly fascinating. It might very well serve as a separate topic on its own, but it is certainly not the main priority of this work. Therefore, this part will only be described briefly. Nonetheless, the understanding of the history of this sport in the country is virtually essential to further discussion, so the matter must be addressed.

To start with, football emerged in the Russian Empire in the end of the nineteenth century. Hunt (2018) assumes that the very first soccer match was played on Russian soil back in the year 1893. In its earliest beginnings, this sport existed in Russia only thanks to British sailors visiting the main Russian city-port, Saint Petersburg. English expatriates in Russian Empire even had to wait by the docks for crews of ships arriving from Britain just to provide enough men for opposing sides. At the time, the game was not widely accepted by native population at all, as it was seen as something ultimately strange and alien to Russian culture. (Hunt 2018.)

In the end, The English and the Scots that were living in St. Petersburg started forming teams, and October 24, 1897 saw the first ever official match in the country. From there on, soccer was becoming more and more popular – even the Russian national football team was then formed. The national side played its first game, albeit unofficial, in October 1910 in Saint Petersburg. (Inyourpocket 2018.)

“The man who transformed football from an imported oddity into a national sport was a Scotsman, Arthur MacPherson, who became the founder and president of the All-Russian Football Union from 1912.

In the pre-Revolutionary era (up to the year 1917), football was mainly embraced by Russian factories, which ironically formed teams for their workers as a way to distract them from drinking vodka on weekends. But the influential Orthodox Church, already suspicious of the possibly harmful influences of this decadent European pastime, was scandalized to see men running around in shorts. The first Russian players even had to make their own shorts instead — which reached down to their ankles.” (Hunt 2018.)

All in all, while this historical context is definitely important, it only begins to outline the actual reason why this information has been presented. The case is that while the Tsarist-Russia (until 1917) football was at the origin of this sport in Russia, it has little to with the
modern Russian soccer reality. However, the following Soviet era football has influenced the way soccer is organized in Russia immensely. Basically, several crucial trends that exist these days were set up exactly at this period of history, and this is why it is necessary to discuss the historical background here.

So, after the initial anti-bourgeois campaign died down and the Soviet government began to promote sports, football became a form of entertainment for workers again in 1920’s. It was at this time when each government department created its own team: “CSKA” for the army, “Lokomotiv” for the railway workers, and even the Secret Police got involved. Today their club is one of the most recognizable names in Russia’s football scene: Dinamo Moscow. Other clubs were for the most part created based on the aforementioned factory workers or so-called “sport societies.” Most of these brands still exist in one way or another, so the majority of modern Russian teams emerged in the third decade of the twentieth century. (Hunt 2018.)

In 1923, the championship between Soviet republics’ city teams was first played. Basically, each team consisted of residents of particular city, so it could have hardly been called a regular or professional tournament. Yet, the USSR national team itself was formed a year later, and Soviet Cup was organized too.

The next important milestone for Soviet football was 1934. Displeased with the increasingly political dimension the sport had taken on, one man set about shaking up the status quo. And so, in 1934 the most successful club in Russia’s history, Spartak Moscow, was born. Named in honor of Spartacus, the rebel slave turned gladiator of Roman legend, Spartak Moscow was known as "the team of the people." Curiously, its founder, Nikolai Starostin, also played in the team alongside his three brothers. The important fact here is that Spartak is the first football club in the USSR that may be arguably classified as private. (Hunt 2018.)

Yet, the story of Starostin is not an easy one. “The astonishing success of Nikolai Starostin’s football army of rebel slaves also put them under the scrutiny of the highest powers in the Soviet Union. In 1942 the four Starostin brothers were arrested and sent to Siberia. They had been accused of a plot to blow up Lenin’s mausoleum and assassinate Stalin. The charges arrived suspiciously soon after their patron had fallen out of political favor.” (Hunt 2018.)

Even though Starostin was later rehabilitated, this situation was very indicative. Conclusively, politics had a giant impact on football in Russia back then, and it has not changed since. Political factors still play a huge role in development of this sport in the country even nowadays, and it is one of the trends mentioned above. (Inyourpocket 2018.)
In 1936, football in the USSR truly became formalized as the Soviet Top League came to life. To put things plain, it was the Soviet analogue of a regular football league championship. However, there was a key difference between it and other European soccer tournaments. While the league traditionally served as the top division of Soviet Union football with great success, other league tiers in the country were not developed strongly at all. Other secondary divisions did not receive much attention, and this trend also lasts up to this day.

Since 1936, the club championships in the USSR were held on the annual basis. However, even though Soviet football undoubtedly took many steps to improve in 1930’s, the overall situation in the sport as a whole was still chaotic. Essentially, all the soccer tournaments were very instable on the organizational level. For instance, the number of participating teams was constantly changing – at one point, only 7 clubs were competing, whereas as many as 26 teams took part in the tournament at its historic peak.

This is certainly not the only proof of the aforementioned thesis. For example, there were numerous changes in the format of Soviet football competitions through the history of the tournaments. The championship tournaments lasted everywhere from 57 to 282 days in different years; they were played in one (dating 1936, 1938, 1952, 1976) or two rounds depending on the union regulations. Moreover, the name of the tournament itself was also changed multiple times over the years. Names included anything from the likes of “Group A” to more European sounding “Top League”. Finally, even such basic and consistent element as the scoring system did not experience much stability in the USSR. During different seasons, a different number of points was given for a draw. (Stark 2014.)

Eventually, all these reforms were not very helpful to local football as an entity. Albeit there is no doubt that any sport including football has to change and adapt in order to remain relevant and successful, any serious professional association must be efficiently and, not less important, consistently managed. It is true that other European leagues experienced historical issues and considerable changes (especially at the early stages of development), but these competitions were regulated rather strictly by local football federations. These tournaments also consisted of private, independent teams who had a clear picture of where they wanted to go in the future.

Soviet soccer, on the other hand, was not able to enjoy much stability at all. It was largely a victim of political shenanigans previously discussed, and the sport became a toy in influential politicians’ hands. Football in the USSR was often reformed by people who did not have enough qualification to plan, let alone put the innovations to practice. Basically, es-
establishment politicians had too much say in the matter and interrupted in the natural development of the sport far too often. Sometimes they purely assumed that they did it for the better, and sometimes they did it simply to assist the club they fancied. Yet, the result was the same: most politics-driven reforms and decisions just proved to be detrimental. (Burt 2018.)

A prime example of this was the story of ice hockey legend, Anatoly Tarasov. In 1974, 56-year-old Tarasov was appointed as the manager of football CSKA which was one of the Soviet top clubs at the time. Nevertheless, despite being considered "the father of Russian hockey" and working as a hockey coach for more than 30 years, he only had a marginal experience of managing a football team, let alone such strong and important one as CSKA Moscow. Yet, the club was in dire situation then, having finished thirteenth in the previous 1974 season. Anatoly only took the position because the Soviet Minister of Defense Andrei Grechko, the patron of the club, was convinced that such a prominent figure as Tarasov would fare well in football too and return the team to its former glory. Grechko used his political power and promised Tarasov to give him the rank of general if the coach managed to finish the next championship at least in top-three. Tarasov had to agree to this proposal, but he obviously did not have any understanding of how a football club should function. In the end, CSKA had repeated its previous year result having taken the thirteenth place the following season. Tarasov was fired and promptly retired. (Vlasov 2019.) The story may sound insane, but it was a relatively common occurrence these days. CSKA was actually able to sign players by threatening to take them into Soviet army, as the club always had connections to the Ministry of Defense.

As mentioned earlier, it was not the only privileged team in the country. To finalize, all these facts lead to the conclusion that two related, but separate trends could be tracked here. First, Soviet football suffered from a lack of competent management. Second, it was always very unstable due to constant changes, most of them were sudden, unwarranted and, again, incredibly political. Sadly, all these things still plague modern Russian soccer, so those Soviet trends should have been noted.

However, despite all these notorious developments, the power and prestige of football in the USSR is not to be underestimated. It can be truly said that Soviet Top League was one of the very best tournaments among the contemporary European football championships. It is easily proven with the fact that the Soviet football championship was still ranked second among the UEFA members in the late 1980's – this was a time of terrible social and political instability in the country, but football more than held strong. Moreover, different soccer clubs from the USSR had delivered impressive performance internationally as well. For example, such Soviet teams as Dynamo Moscow, Dynamo Kyiv and Dinamo Tbilisi had even managed to reach the finals of the European club tournaments four times, and the
other clubs had reached late play-off stages on numerous occasions too. This is an extraordinary feat, as all the tiers of Soviet football were very isolated from the rest of the world, just like the country itself. Basically, clubs from the USSR were always forced to stay in the closed sport “ecosystem” and get by using the domestic players exclusively. This is an issue that other European teams certainly did not have to face, since international player transfers became a common occurrence as football evolved. Yet, as outlined previously, it was not considered a norm in the USSR. The Soviet soccer clubs had still handled this situation perfectly and could have boasted of spectacular results on international level anyway. This is not something that modern Russian teams are able to achieve, though. All in all, it only demonstrates the downfall of football in the country.

However, even though the domestic championship was unquestionably important for Soviet higher-ups (they would not bother to give so much attention to local football proceedings otherwise), it was not the sport question that seemed to be the number one priority in their eyes anyway. Without a doubt, it was the USSR national football team that always the pivotal instrument of the political elites.

It is imperative to understand that the Soviet Union had never participated in the Olympic Games before 1952 due to ideological reasons. Following the Bolshevik Revolution (1917-1923), the newly formed country had refused to take part in the International Olympic Games. To simplify, all modern sports were viewed as elitist propaganda of western capitalism at the time. The government, on the other hand, sought to promote revolutionary ideals and collectivism through sport. As such, the USSR decided not to enter the football World Cup when invited in 1930.

Nevertheless, at the end of the Second World War, Soviet leaders increasingly began to see sporting events as a useful conduit for spreading communist ideals at home and abroad. They were beyond delighted with the positive reaction to the tour that Dynamo Moscow undertook to Great Britain and Sweden in 1945, and the decision to participate in the Olympics was then made. (Keys 2013.)

“The USSR competed in its first Olympic Games in neighboring Finland in 1952, while four years later in Melbourne, they won the gold medal in football by defeating Yugoslavia, who had been runners-up in the three previous tournaments, 1-0 in the final. Their success in this event prompted the Kremlin to authorize the entry of the football team at the 1958 World Cup in Sweden.” (Mc Parlan 2018.)

Since then, the whole political focus inside the Soviet football and the overall narrative had changed dramatically. According to Barbara Keys (2013), the regime came to see western international sport as a useful means of reaching large numbers of foreign workers and of
impressing foreign governments with strength of the USSR. The main aim of Soviet international sports contacts shifted from revolutionary agitation within an independent sports system to results-oriented competition within the western sports system. (Keys 2013.)

In other words, the higher-ups wanted the national soccer team to be a new symbol, some kind of Soviet representative on the international sport scene for the whole world to see.

Therefore, the political focus which had always played a tremendous role in the development of football in the country had shifted from ideologic agenda and local support of domestic clubs to the goal of global domination. The politicians in charge of sports and football in particular now wanted the national team to be the best in the world, and domestic competitions paled in comparison with this ambition. As a result, the attention was paid to the national Soviet team first and foremost. This course had stayed on the table all the way until the collapse of the USSR and had lived on to remain the question of utmost importance in the modern Russian era. In total, this is the last, but definitely not the least significant trend that needed to be showcased.

To summarize, it would make sense to make a list of the discussed trends that first appeared in Soviet times, but still influence present-day Russian football. As it stands now, the following tendencies may be seen (the positions are not presented in any meaningful order):

1. Football is largely impacted with politics
2. Lower tier divisions are not developed strongly
3. The overall situation in soccer is very unstable, reforms are made too often
4. League/sport management is incompetent, officials are often technically unqualified
5. National team is the main issue for authorities

These things are consistently present in modern soccer and should be taken into account when performing the analysis in the following sections.

3.2 Football in Russian Federation

Soviet football has undoubtedly had an immense impact on how this sport is perceived in modern Russia. Thus, it was essential to illustrate what way soccer has gone in the country and what it has led to. Nonetheless, the business side of local football is what this work aims to show, and there could be hardly any private business in the USSR for obvious reasons. The government held all the power in economics; most industries were not financialized, soccer included. On the other hand, in spite of the poor state of modern-day Russian football, this sport has actually become a business, just like it has in the other European countries with market and/or mixed economy. So, now when the historical aspect of football in Russia has been covered, it is possible to move on to the modern times.
After the collapse of the Soviet Union in the year 1991, football has evidently not seized to exist. However, teams from all the former Soviet republics had been competing in the united Soviet Top League, as well as the lower tier divisions for tens of years. Consequently, the decision about the future of these clubs had to be made, as they were not a part of the same country and championships anymore.

In the end, each former Soviet state organized its own national championship. In Russian Federation, fourteen teams from various divisions were added to the six Russian clubs from the Soviet Top League. As a result, the Russian Top Division was created. It was later split into two groups to decrease the total number of games per season. Since 1994, the Russian Top Division (renamed to the “Russian Football Premier League” in 2002) has for the most part included sixteen clubs only.

3.2.1 The structure of Russian championship

As of now, the 16-club Premier League is the first level in the Russian league system. The National Football League (NFL), a self-governing league, and the Professional Football League (PFL), run by the Russian Football Union, represent the second and third division respectively. The NFL consists of 20 teams. In the PFL, 73 clubs are divided into five zones by territory; each zone hosts a different number of clubs. The top two National League clubs replace the bottom two of the Premier League clubs for each season, and the winners of each PFL region succeed five of the National League's bottom clubs.

The PFL is the lowest level of professional football in Russia. Next comes the Amateur Football League, which is broken down into ten zones. After each season, the bottom finishers of each PFL group are relegated to the Amateur Football League, and the winners of each Amateur Football League move forward to the Professional League in case they meet its administrative standards. (Lidster 2013.)
The figure below graphically represents the league system of modern Russian football.

<table>
<thead>
<tr>
<th>Tier</th>
<th>League/Division(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Russian Premier League (RPL)</td>
</tr>
<tr>
<td></td>
<td>16 clubs</td>
</tr>
<tr>
<td>2</td>
<td>Russian National Football League (NFL)</td>
</tr>
<tr>
<td></td>
<td>20 clubs</td>
</tr>
<tr>
<td>3</td>
<td>Russian Professional Football League (PFL)</td>
</tr>
<tr>
<td></td>
<td>West 16 clubs</td>
</tr>
<tr>
<td></td>
<td>Centre 16 clubs</td>
</tr>
<tr>
<td></td>
<td>South 22 clubs</td>
</tr>
<tr>
<td></td>
<td>Ural-Povolzhye 11 clubs</td>
</tr>
<tr>
<td></td>
<td>East 9 clubs</td>
</tr>
<tr>
<td>4</td>
<td>Russian Amateur Football League</td>
</tr>
<tr>
<td></td>
<td>North West</td>
</tr>
<tr>
<td></td>
<td>Golden Ring</td>
</tr>
<tr>
<td></td>
<td>Centre (Moscow)</td>
</tr>
<tr>
<td></td>
<td>Centre (Moscow Oblast)</td>
</tr>
<tr>
<td></td>
<td>South</td>
</tr>
<tr>
<td></td>
<td>Cherno-zemye</td>
</tr>
<tr>
<td></td>
<td>Ural and West Siberia</td>
</tr>
<tr>
<td></td>
<td>Privolzhye</td>
</tr>
<tr>
<td></td>
<td>Far East</td>
</tr>
<tr>
<td></td>
<td>Siberia</td>
</tr>
</tbody>
</table>

FIGURE 2. Russian football league system (PFL 2019)
3.2.2 Athletic and financial perspective of the Russian Premier League

Naturally, the information about the football league system in Russia is a piece of fundamental knowledge here. However, getting familiar with it would mostly serve as a means to have a rough idea about the whole picture only. Be it as it may, the work is going to focus on the highest tier of Russian soccer, the Russian Premier League.

The reasoning behind it is rather simple. As specified previously, the lower level tournaments in the country are extremely underdeveloped. There are just two regular competitions represented on professional level besides the Premier League, which is ridiculously too little. The income, infrastructure, attendance, coverage – everything is trailing far behind the RPL. Basically, these lower divisions cannot be in good conscience compared to the highest tier tournament. Their functional existence is entirely justified, but these leagues have always been somewhat of a deadweight. In such conditions, the business climate there is pretty much non-existent. In addition, it is incredibly difficult to obtain useful and reliable data about these leagues. As such, even though the lower tiers are touched upon further in the work, the Russian Premier League remains to be the priority.

Thereupon, it would be useful to see where the RPL is standing at the moment from the point of pure athletic performance. Not to make things overcomplicated, the country rankings will be used. According to the UEFA (2020), the association coefficients are based on the results of each association’s clubs in the five previous Champions and Europa League seasons. Overall, it is a simple but great criterion to determine the strength of national championships. The European international tournaments are where clubs compete against the other countries’ representatives and try to do their best, after all. The chart below shows the ranking or each country constituting the current top-7 between 2010 and 2020. Russia is outlined with dark-red color.

Apparently, the RPL may be rightfully considered one of the strongest championships in Europe in recent years. The league has managed to hold the sixth of seventh position every time except for 2013 throughout the previous decade. While it is nowhere as impressive as the Soviet Top League’s results, it is still more than decent. All in all, Russia has been even challenging Portugal and France for the spot of the best European domestic tournament outside of top-4. This is a feat that other countries could not have dreamed to achieve, since the gap between the seventh and eighth place has been very considerable for years.
However, this positive trend might not hold for long on the verge of the decade. Osokin (2017) notes that there is statistically significant correlation between the business activities and sports results of a modern football club. The financial indicators of the RPL teams are starting to drop behind those of European clubs at an alarming rate. Whereas the athletic accomplishments of the Russian Premier League might be still called remarkable depending on one’s standards, the same cannot be said about its business performance. It is expected that the RPL will soon lose its seventh place in the rankings and continue to fall even further if the current tendencies are not promptly stopped. (Osokin 2017.)

To start the business assessment of the league, it would be sensible to investigate how much Russian clubs tend to receive in terms of revenue. In the summer 2020, Russian Football Union (RFU) published a small report depicting the revenue and expenses of the RPL clubs. This financial statement is based on the information provided by teams themselves during the obligatory licensing procedure before the season 2020/21, hence the figures correspond the previous 2019/20 season. It can be safely said that this data is the
most official financial declaration, and it provides an invaluable insight on the economic side of the championship.

The table below summarizes the revenue of each RPL team in the season 2019/20. The highest amount is highlighted in green, and the lowest in red. It should be noted that although this is the latest dataset, two clubs from the list were relegated in the end of that season and no longer represent the RPL, namely Krylya Sovetov and Orenburg.

TABLE 3. RPL clubs’ revenue, RUB thousand (RFU 2020a)

<table>
<thead>
<tr>
<th>Club name</th>
<th>Matchday revenue</th>
<th>Commercial revenue</th>
<th>Revenue from competitions</th>
<th>Other operating revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>FC Krasnodar</td>
<td>643 305 ₽</td>
<td>1 765 738 ₽</td>
<td>1 423 760 ₽</td>
<td>2 809 778 ₽</td>
</tr>
<tr>
<td>Zenit</td>
<td>1 460 242 ₽</td>
<td>11 562 907 ₽</td>
<td>3 452 710 ₽</td>
<td>1 014 156 ₽</td>
</tr>
<tr>
<td>Rubin</td>
<td>50 453 ₽</td>
<td>2 657 233 ₽</td>
<td>135 990 ₽</td>
<td>1 047 002 ₽</td>
</tr>
<tr>
<td>Ufa</td>
<td>39 389 ₽</td>
<td>49 085 ₽</td>
<td>132 503 ₽</td>
<td>1 035 570 ₽</td>
</tr>
<tr>
<td>Krylya Sovetov</td>
<td>133 159 ₽</td>
<td>120 446 ₽</td>
<td>97 368 ₽</td>
<td>1 608 860 ₽</td>
</tr>
<tr>
<td>Dynamo Moscow</td>
<td>307 995 ₽</td>
<td>3 653 284 ₽</td>
<td>141 552 ₽</td>
<td>140 911 ₽</td>
</tr>
<tr>
<td>Akhmat</td>
<td>11 353 ₽</td>
<td>0 ₽</td>
<td>163 103 ₽</td>
<td>698 600 ₽</td>
</tr>
<tr>
<td>Arsenal</td>
<td>42 721 ₽</td>
<td>791 638 ₽</td>
<td>201 718 ₽</td>
<td>1 048 981 ₽</td>
</tr>
<tr>
<td>Orenburg</td>
<td>36 957 ₽</td>
<td>1 165 370 ₽</td>
<td>134 665 ₽</td>
<td>74 946 ₽</td>
</tr>
<tr>
<td>Ural</td>
<td>135 638 ₽</td>
<td>465 989 ₽</td>
<td>117 210 ₽</td>
<td>709 623 ₽</td>
</tr>
<tr>
<td>FC Rostov</td>
<td>253 780 ₽</td>
<td>919 336 ₽</td>
<td>156 439 ₽</td>
<td>699 300 ₽</td>
</tr>
<tr>
<td>Lokomotiv</td>
<td>384 495 ₽</td>
<td>6 311 626 ₽</td>
<td>2 179 644 ₽</td>
<td>372 804 ₽</td>
</tr>
<tr>
<td>FC Tambov</td>
<td>25 227 ₽</td>
<td>13 989 ₽</td>
<td>29 241 ₽</td>
<td>543 142 ₽</td>
</tr>
<tr>
<td>Spartak</td>
<td>1 508 439 ₽</td>
<td>3 700 600 ₽</td>
<td>373 943 ₽</td>
<td>494 527 ₽</td>
</tr>
<tr>
<td>FC Sochi</td>
<td>63 021 ₽</td>
<td>372 981 ₽</td>
<td>28 631 ₽</td>
<td>183 718 ₽</td>
</tr>
<tr>
<td>PFC CSKA</td>
<td>458 750 ₽</td>
<td>1 527 091 ₽</td>
<td>911 976 ₽</td>
<td>738 484 ₽</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5 554 924 ₽</strong></td>
<td><strong>35 077 313 ₽</strong></td>
<td><strong>9 680 453 ₽</strong></td>
<td><strong>13 220 402 ₽</strong></td>
</tr>
</tbody>
</table>

According to the report, the Premier League clubs have declared to receive nearly 64 billion rubles of different revenue in total. To simplify the calculations, the currency exchange rate of 80 rubles for 1 euro will be used. It is the rate that has been set for the better part of 2020, and it is the time frame when the teams sent the accounting information for licensing. Thus, it may be concluded that the total club revenue in the RPL for 2019/2020 has been roughly 794 million euros.

So, can these numbers be considered convincing or at the very least acceptable? Evidently, it is not possible to answer the question without taking into account other significant inputs. Fortunately, the RFU has recently also made the intelligence about the clubs’ expenditure available to public. In similar manner, the following table covers the operational expenses met by the teams in the same period, as well as the accounts payable and the net player transfer balance. The table also includes the net profit by club. The negative figures are highlighted in red.
Obviously, the situation becomes very grim when the factor of costs is included. Using the same exchange rate, it turns out that league clubs have undergone around 44 million euros of net loss summarily; six of sixteen teams ended the season in a loss. Of course, the same conclusion cannot be made about all the teams, as a half of them actually gained some profit in the 2019/20 season. Nevertheless, even this verdict must be taken with a grain of salt. The sums featured in their gains are low by European football standards. What is more, the transparency of several data bits creates great confusion.

**TABLE 4. RPL clubs’ operational expenses and key indicators, RUB thousand (RFU 2020a)**

<table>
<thead>
<tr>
<th>Club name</th>
<th>Operational expenses</th>
<th>Accounts payable (debt)</th>
<th>Transfer saldo</th>
<th>Net profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>FC Krasnodar</td>
<td>4 392 618 P</td>
<td>5 354 897 P</td>
<td>-</td>
<td>1 163 744 P</td>
</tr>
<tr>
<td>Zenit</td>
<td>14 353 324 P</td>
<td>10 131 811 P</td>
<td>-</td>
<td>1 747 695 P</td>
</tr>
<tr>
<td>Rubin</td>
<td>4 114 305 P</td>
<td>3 261 227 P</td>
<td>494 042 P</td>
<td>487 926 P</td>
</tr>
<tr>
<td>Ufa</td>
<td>1 290 815 P</td>
<td>36 080 P</td>
<td>362 179 P</td>
<td>301 614 P</td>
</tr>
<tr>
<td>Krylya Sovetov</td>
<td>1 846 863 P</td>
<td>233 766 P</td>
<td>91 356 P</td>
<td>155 246 P</td>
</tr>
<tr>
<td>Dynamo Moscow</td>
<td>3 275 075 P</td>
<td>3 598 218 P</td>
<td>413 729 P</td>
<td>124 785 P</td>
</tr>
<tr>
<td>Akhmat</td>
<td>927 961 P</td>
<td>17 804 P</td>
<td>146 464 P</td>
<td>76 300 P</td>
</tr>
<tr>
<td>Arsenal</td>
<td>2 050 626 P</td>
<td>189 274 P</td>
<td>-</td>
<td>49 666 P</td>
</tr>
<tr>
<td>Orenburg</td>
<td>1 368 227 P</td>
<td>155 318 P</td>
<td>-</td>
<td>35 471 P</td>
</tr>
<tr>
<td>Ural</td>
<td>1 411 705 P</td>
<td>103 689 P</td>
<td>-</td>
<td>28 974 P</td>
</tr>
<tr>
<td>FC Rostov</td>
<td>2 184 053 P</td>
<td>1 535 416 P</td>
<td>166 388 P</td>
<td>35 423 P</td>
</tr>
<tr>
<td>Lokomotv</td>
<td>8 793 935 P</td>
<td>4 125 036 P</td>
<td>712 150 P</td>
<td>181 074 P</td>
</tr>
<tr>
<td>FC Tambov</td>
<td>895 115 P</td>
<td>1 020 021 P</td>
<td>52 209 P</td>
<td>253 228 P</td>
</tr>
<tr>
<td>Spartak</td>
<td>6 696 731 P</td>
<td>2 321 673 P</td>
<td>287 952 P</td>
<td>879 260 P</td>
</tr>
<tr>
<td>FC Sochi</td>
<td>1 092 141 P</td>
<td>421 762 P</td>
<td>1 110 515 P</td>
<td>1 542 379 P</td>
</tr>
<tr>
<td>PFC CSKA</td>
<td>4 887 255 P</td>
<td>2 317 341 P</td>
<td>369 720 P</td>
<td>3 844 375 P</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>60 080 759 P</td>
<td>31 612 106 P</td>
<td>-</td>
<td>4 606 978 P</td>
</tr>
</tbody>
</table>

While all the information comes from official sources, the report is extremely brief and does not contain any analysis nor commentary, hence the document leaves many questions unanswered. For example, by studying the statement, it is possible to deduce that the “net profit” there is calculated with this method:

**Net profit = operating revenue – operating expenses ± transfer balance ± financial expenses/income ± asset disposal balance**

However, such approach to this calculation seems quite questionable. While the operating revenue section is at least clarified with the source breakdown (namely matchday, commercial, competition and other revenue) and so are the operating expenses, the same cannot be said about the financial expenses/income nor the asset disposal balance.

Again, it is not stated what those mean or where they originate from either. Perhaps the “financial” tab is attributed to different cash flow operations, but it is very unclear. “Asset disposal” might refer to such things as football equipment, training facilities, stadium maintenance, etc. It is specifically stated there that asset disposal does not include the player transfer or registration fee, so it is about the inanimate objects only. Therefore, it
makes sense that this item of expenditure only represents a zero or marginal percentage of each club’s income statement.

The financial expenses, on the other hand, often include large sums that would make a difference between net profit and loss. PFC CSKA Moscow, one of the more popular and strong teams, for example, has declared to have incurred 1,019,695,000 rubles (around 13 million euros at the exchange rate established earlier) of these financial expenses. It is nearly a third of their whole income, which is a considerable portion. In contrast, FC Rubin Kazan, a local middle-of-the-table club claims to receive over 2.5 million euros in the discussed section. Numerous NFL brands, though, have a flat-out zero in the section. The report offers no explanation concerning the issue.

What is more, the tabs translated as “Youth football development expenses” and “Agency services” are present in the report, but not included in the calculation of profit. They are stated at the bottom of the list for every club as well, so they do not belong to the expenditure section either. This does not look logical, but readers are left to guess the meaning behind this too. Nonetheless, the sums reflected there are oftentimes very significant. For instance, FC Krasnodar has reported to have spent around one billion rubles on these things alone. Considering the fact that their entire declared profit amounted to 1.2 billion only, the aforementioned spending would comprise as much as 88% of the club’s earnings before taxes, and Krasnodar is not the only team in such situation.

Furthermore, it is important to take into account the debt that the RPL clubs are obliged to pay out. Of course, the mere existence of financial liabilities is a perfectly fine occurrence for businesses. It is normal to arrange a loan and use it for development and/or cash flow operations. Still, a glance at the document allows to spot some alarming tendencies. For example, Zenit Saint Petersburg has over 10 billion rubles, or 125 million euros of debt. PFC CSKA has about twice as much short-term and long-term liabilities as Zenit does. Yet, these teams at least enjoy a positive capital & reserve balance. This is not the case for all the other Premier League clubs, though. Five out of sixteen teams have announced a negative figure in the capital tab. Again, it is hardly sensible to make any deep conclusions based on this rudimentary report only, but it seems like the financial position of these clubs cannot be called healthy. The five RPL teams practically live in debt, and it is an extremely dangerous sign.

The financial standing of the RPL participants seems grim as it is, but it gets even worse when considering the purpose of this report. Generally speaking, Russian football officials do not approve of disclosing the inside financial information whatsoever. The reason even this small piece of intelligence was made available is because it is the requirement of the UEFA.
Per their Fair Play rules, “clubs can only spend up to €5million more than they earn per assessment period, which is three years. This mark can be exceeded to a limit of €30 million, if it is entirely covered by a direct contribution/payment from the club owner(s) or a related party.” (UEFA 2015).

If a team fails to follow the rules, various sanctions will be imposed from simple warning to withdrawal of a title. There were already numerous cases in European soccer when serious measures were adopted to punish a club that had broken the regulations. This has happened in Russia too. For example, Zenit had to pay a 12-million fine to UEFA in 2014 for failing to comply with the Fair Play system.

Consequently, it is understandable that European football clubs do everything in their power in order not to face the punishment. In general, it means that they try to keep track of the finances and manage the money carefully. In the end, the Fair Play program has arguably achieved its goal to maintain the financial health of soccer in Europe.

Be that as it may, this system is by no means impossible to get around. European top clubs have long since found certain ways to circumvent the rules without serious repercussions. Simple precedents would include the cases of English Premier League giant Manchester City allegedly selling the marketing rights of their star players to a shell company or FC Paris Saint Germain negotiating to postpone the payments for some player transfers. This way, the clubs have officially reduced their expenses for the ongoing assessment period. They have still suffered monetary fines from the UEFA, but their punishment could be much more severe had they not done what they did. Those were just two widely known examples, but there are many more famous economic shenanigans circulating in European football. (Solntsev & Pimenov 2015.)

In case of Russia, local clubs are certainly not clear of such schemes - they regularly fall into business scandals. The most recent story concerns Zenit Saint Petersburg who has already faced the sanctions directly and seemingly undertaken the measures to avoid the punishment in the future. In 2018, the club struck a partnership deal with an Austrian oil company OMV. According to the official press release from the club website (2018), the Austrians have received “the advertising and sponsorship rights in youth soccer development projects and the right to place the logotype on the club uniform.” This agreement is nothing special on itself, but it becomes suspicious when supplemented with further details. Based on the research conducted by them in 2020, Austrian investigative network Dossier states that OMV is apparently paying 5 million euros to Zenit per year under this agreement. This deal is valid for 5 years, so Zenit will get a substantial sum of 25 million euros out of this. However, it is now evident that that besides being mentioned in club’s social media occasionally, OMV’s logo is only featured on the academy uniform, and not
the main team one. To clarify, the youth team games where the logotype appears are attended by a few hundred people at best, and the Youth League is not an attractive marketing platform at all. Thus, the generous 25 million Zenit gains from this do not make sense whatsoever. In comparison, Rapid Vienna receives only 1.2 million a year from OMV for similar agreement, although the company logotype is actually located on the sleeve of both the of youth and main teams. Conclusively, it is obvious that this Zenit-OMV deal was arranged to help evade the Financial Fair Play sanctions exclusively.

This story along with numerous examples of resembling machinations makes it possible to argue that the official financial statement discussed above cannot be taken for granted. Despite its small length and intended simplicity, the report has noticeable irregularities mentioned previously. Taking into consideration that the document is meant to show the transparency of a club’s financial management, it would be feasible to acknowledge that the numbers presented there might be slightly manipulated to favor the team. After all, the Fair Play audit is not performed by the UEFA officials themselves. The whole procedure is “primarily administered by the governing bodies in each UEFA national association”, in this case RFU (UEFA 2015). While it is by no stretch of imagination implied the clubs are involved in illegal practices, it could be that the data is illustrated in unorthodox way to make it seem that the financial situation is better than it truly is.

For instance, FC Akhmat claims to receive zero commercial revenue for the whole season and still end up the year making profit. More than 80% of their operating income is stated to originate from “other operating revenue.” There is no reasonable explanation for it, and one is not offered.

The report is rich with questionable elements, and it is not surprising when operating on the assumption that the numbers are somewhat adjusted. In such situation, if the business is in reality going indeed worse than showcased in the financial statement, the economic condition of Russian football is close to terrible. Regardless, even when presuming that all the reported numbers and indicators are perfectly objective and accurate, there is no denying that the financial state of soccer in Russia is currently very poor.

Not only half the Russian Premier League teams have taken a loss in the previous season, but the ones who declaring profit have marginal numbers to boast of by European football standards. Again, FC Krasnodar has supposedly gained 15 million euros of income, and the others have profited even less. The scale of business is nothing impressive either. According to Deloitte analysis (2020), the average revenue of the English Premier League clubs in season 2018/19 was 293 million euros. French League One’s reached 95 million, and this tournament is ranked fifth in European club football. Russian teams, on the other hand, have only managed to average 47 million euros. This is just comparable to the results of
such championships as Turkish or Dutch ones, with 42 and 33 million respectively. Yet, even this result of 47 million could be easily disputed, and the circumstances are more difficult that it seems. (Deloitte 2020.)

Solntsev & Pimenov (2015) state that these figures are unacceptable considering the relative athletic level of the league. They offer to at least streamline the finances of domestic football clubs by implementing a system of key indicators based on the rules of Fair Play. The authors advocate that the more regular, obligatory monitoring of internal financial data will help to evaluate the true state of affairs in the club and construct an appropriate management model to mitigate the situation. Still, the researchers recognize the monitoring alone is not sufficient to improve said indicators significantly. They believe that in order to catch up to the European competitors and obtain profit in the long run, the RPL and its clubs must resolve the other deep problems characteristic of Russian football first. (Solntsev & Pimenov 2015.)

But what are the main business problems, why is the Russian soccer in such a poor state, and what could be done to resolve the issues? In the following section, the reasons and solutions of the situation are covered.

3.2.3 Main issues of Russian football

Of course, the problems of soccer in Russia cannot be contributed to merely one factor. Specifically speaking, the influence of historic trends and more recent developments combined is what has been causing the decay of this sport in the country. To understand what lies at the root of economic concerns in local football, it is strictly necessary to closer inspect each aspect of the issue one by one.

3.2.3.1 Political factor

As has been mentioned before numerous times, football in the USSR had been incredibly political since the days it had gained relative popularity on Russian soil. In this regard, Russian Federation and Russian Premier League have become true successors of Soviet ways. The matter is that despite moving on to establish market economy in the country after the collapse of the USSR in 1991, the government has not undertaken any measures to take care of domestic football. Overall, it is entirely comprehensible that soccer was not a priority in the end of the twentieth century. The state had much more pressing issues to address then, but the problem is that almost nothing has changed in 30 years concerning the government involvement in local soccer.

As a result, while the country itself is gradually transitioning to modern type of economy, football from business perspective has remained stagnant. Basically, a huge part of Russian
soccer is still run under laws of command economy. In other words, the government keeps a strong hold on domestic clubs and continues to be the most important element of football mechanism in Russia. (Bagatyrova 2013.)

Moreover, this fact is indisputable, as it is openly confirmed by documents and officials. All in all, the author of the thesis suggests that each RPL team may be classified into one of three groups by the type of ownership, those being private, state-owned and, for lack of a better word, “semi-private” clubs. The latter here means that although a brand is theoretically considered independent, it is closely associated with or straightly owned by a government corporation. The table below divides the sixteen clubs of Russian Premier League (season 2020/2021) into these categories, while the pie chart graphically represents the current situation. The proposed classification is based on the stakeholder data investigated by Russian sports journalist Alexander Lushkin (2020).

The author argues there are only three clubs in the RPL that can be safely called private. In particular, those are FC Krasnodar, Sochi and Spartak. In contrast, as many as seven teams openly belong to the government. Finally, four clubs cannot be attributed to either group, so they are put into semi-private bracket, namely Zenit, Arsenal, Dynamo and Rubin. In the end, it indicates that more than a half of Russian teams in the elite division are directly controlled by the government to some extent.

TABLE 5. RPL clubs, classification 2020/2021 (Lushkin 2020)

<table>
<thead>
<tr>
<th>Private clubs</th>
<th>Semi-private clubs</th>
<th>State-owned clubs</th>
</tr>
</thead>
<tbody>
<tr>
<td>FC Krasnodar</td>
<td>Zenit</td>
<td>Lokomotiv</td>
</tr>
<tr>
<td>FC Sochi</td>
<td>Arsenal</td>
<td>PFC CSKA</td>
</tr>
<tr>
<td>Spartak</td>
<td>Dynamo Moscow</td>
<td>FC Rostov</td>
</tr>
<tr>
<td></td>
<td>Rubin</td>
<td>Ufa</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ural</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FC Tambov</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Akhmat</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FC Khimki</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rotor</td>
</tr>
</tbody>
</table>
It is worth noting that it is quite challenging to classify some of the semi-private clubs, and they might be probably referred to another category of the table as well. In some cases, like with Zenit Saint Petersburg, the ownership structure is very complicated, and it is hard to make definite conclusions. It is known that 51.01% of club’s shares is held by JSC Gazprombank which, on the other hand, is owned by PJSC Gazprom. Gazprom is a Russian oil company that positions itself as a private enterprise. However, almost half of its shares belong to the government. Moreover, taking into account the industry where the company is operating, one could realize that the government has a very noticeable influence on Gazprom and, in turn, on Zenit – club’s management positions are filled with people affiliated with the company. Therefore, the brand could be called private on paper, but it barely is one in reality, hence the decision to place it into the middle-ground territory. In other situations, like with Rubin Kazan and Dynamo Moscow, there is not enough public information, or the existing data is rather conflicted. Still, all these clubs are much closer to being state-owned than they should, which is a negative sign.

Without a doubt, this state of affairs is unique and unheard of in Europe. The only place where something similar is actually happening is Turkey, but the grade of government involvement there is not nearly as large. In other countries different modernized models have been used for years already. In general, European football clubs are either registered as private enterprises belonging to non-anonymous proprietor or, less often, as joint stock companies. The latter practically means that it is possible for an outsider to purchase a club’s shares and receive dividends. The first system, for example, is commonly employed in English Premier League and other top European championships; the second is rather limited to particular teams including English Manchester United, Italian Juventus or German
Borussia Dortmund. There is also a third idealistic principle existing mainly in Germany which could be translated as “association of participants.” It is a structure where people including ordinary fans are able to invest in a club and have a vote in decision-making process, such as electing the club president. (Panferov & Averin 2020.)

All of these concepts have achieved widespread popularity because they are working efficiently by modern standards. The governmental control system used in Russia, though, it obviously detrimental to the development of football as a business for several reasons.

First and foremost, this method does not encourage the clubs to move forward. On the contrary, state ownership and guaranteed cash flow from the government prevent local teams from improving their athletic and/or business accomplishments. Essentially, state-owned clubs are familiar with the fact that they will receive sufficient money from the government regardless of their performance. Whilst private brands must look for investors constantly in order to survive, state clubs are fully content to be where they are and do not care about their own growth. As long as the government keeps financing football clubs so extensively, any serious business progress is virtually impossible. This situation is especially aggravated in less economically developed provincial regions of the country. Numerous local teams there receive just enough money from the government to keep them afloat. Furthermore, they do not have many outside sponsors to help them, and local authorities refuse to increase the financing either. In the end, it leads to a scenario where even most Premier League clubs not from Moscow nor Saint Petersburg basically exist for the sake of it and do not harbor any big ambitions. It is typical for these clubs to stay in the middle of the table or fight for survival at the bottom from year to year. Sometimes it causes absolutely absurd cases too. There were several examples where lower tier teams openly admitted they did not have plans to participate in higher division championship despite being eligible for promotion. They simply lacked the money to take part in the RPL or NFL, as the government was not planning to scale the investments up to higher division’s standards. Therefore, these clubs had no choice but to stay in the current league.

This questionable practice is still happening in 2020 as well. For instance, FC Khimki recently promoted to the Premier League was in this position a few months ago. To clarify, the club was funded from local governmental budget exclusively. At the beginning of the year the team was holding onto the second position in the NFL that guaranteed a promotion to the RPL in the end of the season. Khimki were consistently gaining points and going to play in the Premier League in 2020/21. However, their plans were cut short when local governor announced that the government would not provide money needed for participation in the elite division. What is more, although the team coach himself managed to find private investors who were willing to purchase the club and rebrand it into a private company, the government had outright declined all the offers to keep its grasp on the team.
The club promptly sold or released the highest-paid players and fired the coach, but Khimki still miraculously finished the season on the second place when it was stopped due to COVID situation. The club was hesitant to play in the RPL even then, but after the story was made public by media Khimki’s management has finally agreed to accept a relatively small sum from local businessman and participate in the elite division, albeit with a very modest budget of 300 million rubles (about 4 million euros only). Unfortunately, similar examples are very much common in Russia, and governmental ownership is the main cause of it. (Lastovskiy 2020.)

Secondly, due to the exceptional degree of governmental involvement into soccer, clubs are too dependent on the state in general. The example of FC Khimki above demonstrates this argument beyond doubt. Nonetheless, the issue goes even deeper than that, as on many occasions not just a promotion nor development, but the fate of a club depends on a couple of politicians who may not even care about football. This sport in Russia is not controlled on the federal level for smaller clubs, and it would be impossible to do so in the first place. Many state-owned brands are funded from regional budgets entirely, hence the clubs are indirectly managed by local government. As discussed earlier, these teams often do not attempt to attract third-party investments. Yet, it is important to remember that political officials are changing all the time. While one politician may generally favor football and care about regional team, another could be completely oblivious about soccer. Consequently, when changes in local government take place, football funding turns into a wild card. Cuts or relocations in administrative budget may also happen at any time, and there is nothing clubs could do about it when government is their sole sponsor. Eventually, certain teams with a rich history might always turn into shadows of themselves or cease to exist any moment like FC Amkar Perm or Tosno in 2018.

Finally, government control in football is regularly creating scandals and public outrage. After all, it is no secret how much influence the state holds over domestic soccer these days. In times of crises, people understandably argue that governmental money is better spent elsewhere. It is another question entirely whether they are right regarding this problem. What really matters, though, is that any athletic or business failure of Russian football clubs is closely associated with the government, and vice versa. Obviously, when the sport is always such a heated topic for aggressive debate, the overall reputation of the championship and participating clubs is harmed. This makes potential investors even less likely to bring they money into the RPL in any manner. They realize that reputational loss of being perceived as a league’s partner would do them more damage than it is worth. They are also wary of involving themselves into an industry that is partially run by Russian government considering its business notoriety. It is a vicious circle that can hardly be broken easily.
Of course, should the government distance form domestic football completely, everything will not become perfect instantly. However, the existing system worked somewhat decently at the start of 2010’s, these times have long since passed. In 2017, the government invested 200 million euros to support the professional football in Russia (Nikiforov 2018). Taking into account the current economic situation in Russia, the state is not able to invest as much money in football as earlier. Thus, the approach that was still functioning ten years ago is now failing miserably. Russian soccer desperately needs a change to evolve as a business and sport both. Government should detach itself from domestic football – the longer it keeps the existing system, the more time will be necessary to catch up to European championship.

As it stands now, it is debatable how to proceed with the situation at hand. Evidently, it would not be possible for the state to cut all its ties from football in an instant. In that case, tens of clubs that have been living on governmental support would go bankrupt immediately; a smoother transition is definitely needed. All in all, it seems that the most plausible solution would be to announce that the government is going away from the industry and set some kind of deadline for this procedure. In this scenario, the state funding would be reduced yearly for a certain period before being extinguished entirely. Therefore, Russian clubs would have time to search for investors and adapt to the new reality. This idea is certainly not without its faults, but it is a workable concept.

Thus, the author proposes the following two steps to get away from the public money in Russian football:

1. **Adopt a law banning budget funding for professional football clubs and set specific deadlines for the transition to private football.** For instance, two years in the Premier League, three in the National Football League, and five in the Professional Football League. In this time frame, the clubs must find alternative sources of income to survive.

2. **Develop and implement a system of stimulating measures for potential private owners of football clubs, making use of the 2018 World Cup legacy for this purpose.** The obvious measures may include tax reduction, grants or other financial benefits from the state.

Of course, this approach might seem very radical and speculative. Even in the best-case scenario, numerous clubs would realistically not be able to find enough private help in time. Most independent investors are rationally interested only in established football brands with adequate infrastructure. Many teams will find themselves in financial struggle, and several may cease to exist, causing another burst of public outrage among soccer enthusiasts in the country. Furthermore, the overall competitive level of the championship will
inevitably fall, as even the richest brands will be forced to decrease their expenses and sell the most prominent players. In the end, multiple reforms from the RFU and RPL will be necessary to keep the championships afloat.

Still, the author strongly believes that the separation of the government from professional football will benefit both the state and soccer in the country. The Russian state will finally get rid of the costs and critique associated with a problematic asset and will be able to re-direct these funds to social issues. Russian football, headed for a free market voyage, will soon emerge from a protracted crisis, and the RPL will have the potential to become one of the most economically developed soccer championships in Europe in time.

Nevertheless, considering how tightly the government is trying to maintain the current state of things despite all the rhetoric, a more realistic approach may be applied to soccer in Russia. For instance, it would be a step forward to at least enforce a limit to governmental investments for professional adult teams. Another way would be to concentrate these investments on the development of youth football programs similar to the Netherlands or Belgium, but it is hardly applicable in Russia.

In any case, governmental ownership is causing immense damage to the business side of football for various reasons. It goes without saying it is essential to resolve this matter in order for local soccer to prosper.

3.2.3.2 Inefficient management

Government ownership is not the only leftover factor from the Soviet era in play. Unfortunately, there is no doubt that the qualification of football managers in modern Russia leaves much to be desired too. Overall, it is the management issue that could be considered a driving force behind other negative trends and tendencies. The organizational problems in Russian football may be roughly split into two origins: the league- and club-level management issues. Even though the setbacks at both levels are rather similar, it is still worth to analyze each one separately.

To begin with, the global management shortcomings will be inspected. To lay out the whole picture, the principal soccer organization in Russian Federation is called the Russian Football Union, which was already mentioned earlier in the work. According to their official statement, the goals of the RFU are “the development and popularization of soccer in Russian Federation and organization & holding of football sporting events” (RFU 2020b). Fundamentally, the Russian Football Union is the most important governing body in Russian soccer. They are dealing with most critical issues and responsible for the creation of long-term strategy. Yet, they do not administer the regular professional tournaments directly, so
the RFU is not the only organization operating in the domestic football industry. Throughout the years the chain of command has undergone several changes, but they are not essential for the purpose of the research. At the moment, the subject or interest, the elite division, is regulated by a separate company named "Non-commercial partnership Russian Premier League." These two organizations are supposed to work in tandem to ensure Russian football sphere and the RPL in particular are governed well.

That notwithstanding, it would not be an overstatement to say that these associations are far from being efficient. In hindsight, there are probably two primary reasons why they are doing a poor job.

First, the RFU has become what it is now known as in 1992 after the fall of the USSR. However, while the union is clearly a distinct organization from its Soviet analog, it is important to understand that there was not any sudden massive influx of new football managers after the dissolution of the Soviet Union. Most Soviet officials have simply kept their positions in newly formed Russian Football Union, and many of them have remained in power even in the twenty-first century. Therefore, the RFU has been basically run by the same people for decades, and this fact plays a key role in the life of Russian soccer. The same applies to the RPL management as well. The football governing bodies are filled with old functionaries who are simply not adapted to modern realities. They may have done a decent job back in the days, but it is now certain that their time has passed. Moreover, even when managers holding the top positions finally step down, they are just replaced by the same senior people from the establishment. To prove the point, it is enough to look at the list of people who had served as presidents of the RFU through the years. The table below demonstrates the list of persons who have occupied the post of president in chronological order excluding the people who have been taking the spot ad interim. Their age at the moment of inauguration is also displayed. (Orlov & Babakov 2013, 65-71.)

### TABLE 6. Presidents of the RFU

<table>
<thead>
<tr>
<th>Name</th>
<th>From</th>
<th>To</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vyacheslav Koloskov</td>
<td>08.02.1992</td>
<td>02.04.2005</td>
<td>50</td>
</tr>
<tr>
<td>Vitaliy Mutko</td>
<td>02.04.2005</td>
<td>24.11.2009</td>
<td>46</td>
</tr>
<tr>
<td>Sergey Fursenko</td>
<td>03.02.2010</td>
<td>25.06.2012</td>
<td>55</td>
</tr>
<tr>
<td>Nikolai Tolstyh</td>
<td>03.09.2012</td>
<td>31.05.2015</td>
<td>56</td>
</tr>
<tr>
<td>Vitaliy Mutko</td>
<td>02.09.2015</td>
<td>19.12.2018</td>
<td>56</td>
</tr>
<tr>
<td>Alexander Dyukov</td>
<td>22.02.2019</td>
<td>-</td>
<td>51</td>
</tr>
</tbody>
</table>

As evident from the table, people are generally elected only when they turn 50 years old. Moreover, the workforce changes are very slow. Koloskov had been taking the position for
more than 13 years, and Mutko has managed to serve two terms. Given that those individuals had been working in Soviet football conditions for a large part of their lives and had not been extensively exposed to European way then, it is not surprising that they have not been able to adapt to modern tendencies later. This personnel situation is not encountered in the RFU exclusively. In fact, it is even worse in the RPL management. Sergey Pryadkin has been an immovable president of the Russian Premier League since 2007. In some smaller organizations, like the Ethics Committee, most members are already older than 70; that is not to mention that its chairman has turned 80 in 2020. It would be understandable if Russian football was functioning perfectly, but it is not the case. As of now, it is beyond any doubt that some long-awaited young blood and personnel changes are desperately needed.

Nonetheless, it seems that the clubs are content with the current state of things. In 2020, Pryadkin was unanimously elected for the post of RPL president again by all 16 elite division teams. What is more, even this event had resulted in a scandal. To be precise, the Russian Football Union had cancelled Pryadkin’s victory in the RPL presidential elections, finding it illegitimate. Apparently, the election procedure had violated several rules at once. First, there had not been an obligatory election reporting meeting. Second, there were not enough grounds for elections, as Pryadkin’s previous term had not expired yet. Third, the RFU Election Commission had not been informed about the elections 40 days before the voting, although it is required by the regulations. In the end, the RFU had officially made the RPL organize the election anew.

It was afterwards investigated the clubs had initiated the elections because they were wary that Pryadkin would lose his post after the newly elected RFU president Dyukov came to power. Eventually the teams have still chosen to vote for Pryadkin one more time even though many of them were dissatisfied with his work. It may look like a paradox on surface, but the case is that Russian teams are too afraid of potential changes. They much prefer to keep the practices they are used to; hence the same managers remain to rule local soccer all over again. (Korablev 2020.)

Furthermore, the political factor is also in play here. The majority of votes for RFU president comes from regional football federations, and the RPL head is elected by clubs. Given that the federations are governmental organizations and 11 out of 16 Premier League teams are controlled by state to some extent, the government has effective control over election process. (Orlov & Babakov 2013, 65-71.) There might be slight discrepancies between internal organizations, but it is the government that ultimately decides who gets the truly important positions and, consequently, what direction Russian football will be going in. In context, Mutko is a politician and former member of the Legislative Assembly.
Fursenko is a Gazprom (state-owned company) top manager, and so is the current president Dyukov. These people should not have been eligible candidates, especially Fursenko and Dyukov. They had had some experience in Zenit prior to taking the post, but their work could hardly be called stellar, and it is simply not enough. However, since they have ties with the state and received its backing, they were easily elected.

Therefore, governmental agenda has impacted the football management in Russia for years. To recognize why it has been destructive to Russian soccer as a business and sport both, it is necessary to examine some of the policies implemented by domestic governing bodies in football.

One of the most crucial rules introduced by the RFU is, without a doubt, the so-called “foreign-player limit.” It is a regulation that legally restricts the number of non-Russian professional football players per team. It is applied to all the divisions, and the lower a tier is, the stricter this limit becomes. But why was the rule imposed in the first place and what is its theoretical purpose?

Similar to the Soviet times, modern Russian government continues to perceive footballs and sports in general as some kind of political instrument, a show of national power. Based on this idea, bizarre laws and decrees are passed in Russian football on a regular basis. The aforementioned limit is one of them. The talks about the limit in the RPL (it was already enacted in the lower divisions in the late 90’s) began in 2002 after the scandalous failure of Russian national team in Japan & Korea World Cup. Various officials were arguing that the choice of players for the national team is too small, because Russian players are overshadowed by foreigners at the club level. It was claimed that giving domestic players more in-game time was urgently needed to strengthen the Russian national football team. In RFU’s eyes that meant artificially limiting the number of foreigners playing in Russia.

Thus, the limit rule was approved in 2004 for the RPL. According to this regulation, at least five players entitled to play for the national team of Russia must have been on the field simultaneously.

From there on, the influence of historic trends is easily noticeable. The national team was a priority since the USSR era, and it lived on to dominate modern Russian football. What is more, this decision was purely political. The then RFU head Mutko openly said in 2005: “We will put the limit in order, whether someone likes it or not, whether the contracts are signed or not - we will act in the interests of the country”. Even the President of the Russian Federation Vladimir Putin spoke out on the subject: "There are too many foreigners. We need to restrict this number. When a national team is formed, there is nothing to build
it from. This excessive number of internationals suppresses the growth of young and talented Russian players.” Considering his position and directness, it is not hard to conclude who this decision had come from. (Alfimov 2019.)

Following the Soviet chaotic reformation trend, the foreign-player limit has undergone numerous changes since the days it was first implemented. In 2005, the formula was changed from “6+5” (the maximum of 6 foreigners and minimum of 5 Russians) to “7+4.” Then in 2009 the format was set to “6+5” again, but it was replaced back with “7+4” three years later. Ironically, the RFU returned the previous 6+5 system in 2015 when Mutko became the president for the second time.

Such frequent changes are clearly not healthy for the development of the industry. The limit plan was always positioned as a long-term strategy by the RFU and RPL officials. Instead the plans were remade numerous times, and there were not any new decisions involved. It was just a back-and-forth farce which hardly contributed to potential progress of the championship.

Finally, the limit law was redesigned completely in 2019. The formula was switched from on-field requirements to season squad restrictions. Now the scheme "8+17" in the application is enforced. In other words, it became possible to use as many players as a coach wants to during matches, but each team can only register no more than 8 foreigners for the season. Interestingly, it was another sudden change of plans, as the "10+15" arrangement had been initially discussed. The RFU was promising to make the limit more moderate, but it eventually became stricter than ever. (Alfimov 2019.)

Now that the background of this rule is clarified, it is possible to explain why the limit law is so damaging to Russian football from the business side.

From economic perspective, the foreign-player limit may be essentially compared to a quota. After all, if we consider soccer a market and football players a commodity, this regulation is essentially a limit on volume of imported products – it is literally called so. However, a quota is a controversial economic measure itself. It is supposed to protect less-developed infant industries and keep market entry costs low for domestic producers (Sanders 2019). A quota may be highly effective in some cases, but it comes with a cost even in ideal circumstances.

Football, on the other hand, is certainly not an industry where such steps are needed at all. Even though national championships can be considered markets, their parameters and conditions differ from ordinary businesses considerably. For example, the concept of quotas was created to combat excessive economic foreign influence in terms of import products.
Nowadays it is indeed possible for overseas competitors to go international to conquer foreign markets. Nonetheless, such occurrence is not sensible in football. It is simply impossible for foreign clubs to participate in other countries’ domestic tournaments in any manner unless they are invited to play there, be it a small team or a popular top club. Granted, overseas championships might become more attractive for local fans to watch than the domestic ones, or international brands be more powerful than local, but it is surely not an issue to be resolved by quotas.

Furthermore, the limit was formally enforced in the interests of the Russian national football team. Yet, after 15 years, it appears obvious that the regulation did not reach its goals. The third place at the European Championship 2008 remains the most successful moment in the history of Russian soccer by far, and it was achieved by players who grew up professionally before the limit had been introduced. Since then, there were not any significant victories for Russia at important international tournaments. Unfortunately, whilst there does not seem to be any major advantages in the implementation of this rule, multiple downsides have undoubtedly been caused by its mere existence.

To begin with, the player limit law makes Russian clubs significantly less competitive compared even to moderately strong European teams, because the resources available to foreign clubs are not accessible to local brands in the same capacity. Again, the limit here may be paralleled to an economic quota. In this case, Russian football clubs are consumers whose import demand for import “products” is not completely satisfied because of the imposed legal regulations. Besides, foreign players cannot be substituted with the local ones without a loss in quality, as modern Russian footballers are by no means equal in skill to average European players with the exception of a few prominent figures.

This has become especially true when the latest format of the limit has been recently established. Of course, domestic teams had been having trouble purchasing numerous international players for as long as the limit existed. It had not been sensible too keep many high-paid foreigners if using more than seven or six at the time in the RPL was not possible. Still, the number of qualified internationals per club had been quite substantial. However, the 2019 change in the rule made this notion impossible. Now it is not logical for a Russian RPL club to sign more than eight internationals in total, because a team would not be able to register and use more than that in the regular championship. As a result, the overall quality of players and, consequently, the whole Russian Premier League as a product for viewers is turning increasingly subpar. Russian teams will not be able to follow the strategies of other European clubs who buy players from foreign leagues at a young age and later sell them to stronger clubs for a significantly larger fee. Given the strict limitation,
local teams are forced to purchase adult professionals able to provide consistent performance immediately. Therefore, Russian football brands are also very restricted in their business model and strategy.

What is even more important, though, is that the limit requires each RPL club to have at least seventeen Russian players in its squad. Bearing in mind that there are sixteen teams in the elite division, it is clear that there must be 272 (17*16) professional Russian players registered in the RPL in total. Obviously, a part of this quota might be filled with youth team and/or academy players. Nevertheless, it is incontestable clubs are not able to cover the whole squad application with these inexperienced home-grown players and stay competitive in the tournaments they take part in. Thus, Russian teams must actively scout for and purchase the available domestic players elsewhere. Yet, as mentioned above, the number of Russian footballers who may be considered skillful or talented is extremely low. It is roughly estimated there are around fifteen players who get selected in the national team on a regular basis. In addition, it is possible to claim that fifteen more are relatively close to this level, this being a generous assessment.

This situation would not normally be a critical issue, but the limit changes it completely. Thirty competent players are not nearly enough to fill all the vacancies in the RPL clubs. While weaker teams are not overly affected, top clubs and ambitious projects desperately attempt to pack the squad with as many strong Russian professionals as possible. Essentially, these clubs still have to do everything in their power to attract more or less capable domestic footballers. This eventually creates a shortage of said players where the demand far outweighs the supply available, hence the transfer price of local players is inflated terribly. There is no way to compensate for it as long as the limit exists in its current form.

Furthermore, Russian players and their agents are fully familiar with the circumstances. They tend to request outrageously high wages from the clubs, and the latter often have no choice but to agree to the terms. For example, 31-year-old Russian forward Artem Dzyuba is reportedly getting around 3.7 million euros per year in Zenit Saint Petersburg. This is comparable to world-known Italian top-scorer Ciro Immobile whose yearly salary in Lazio SC is stated to be around 3.5 million only. (Klimenko 2019.)

It is unimaginable that any European club would ever pay this money to a Russian player, nor would it purchase him for a sum that teams from Russia tend to spend on local footballers. This all is greatly caused by the limit that creates artificial deficit. By paying ridiculous transfer fees for average national players and giving them outlandish wages, Russian clubs are unable to allocate the financial resources for other important matters such as marketing, advertising, match-day activities, youth football development, etc. According to
the research conducted by the UEFA (2018), the RPL clubs spent 72 percent of their income on players' salaries. It is an astonishing percentage that ranks second in Europe right after Turkey, whose clubs spent 76 percent. In comparison, the average European wages-to-income ratio in 2017 was 0.613 or 61.3 percent. (UEFA 2018.)

Finally, the limit is very harmful to the reputation of Russian soccer as a whole. The leagues with this kind of regulations in place are simply not perceived seriously in Europe. It is worth noting that the limit rule actually exists in the United Kingdom and European Union, but it is designed in another manner that does not hinder clubs’ progress. This law comes the closest to its Russian analog only in Germany where each club must register at least twelve German players for the season. However, the aforementioned German professional are generally very qualified, which is proven with German clubs’ and national team’s consistent performance. The RPL, as previously discussed, is a completely different matter. In the end, reputed foreign players and football managers are very hesitant to come to Russia to work there. The country is notorious for its limit rule and abrupt reforms in football, so even the coming of relatively famous international professionals to the RPL is a rare occurrence. Former Portuguese coach of Zenit Saint Petersburg Andre Villas-Boas perfectly summarized the influence of foreign-limit rule in 2015. "It will become the end of the development of Russian football," he said. "This system is the worst possible decision. It is the end of football." (Moscow Times 2015).

The solution for this problem would be explicitly simple. The RFU should immediately cancel the limit entirely. Even though it would inevitably lead to reputational damage, the influence of this regulation is too damaging to Russian football to ignore.

Still, as long as the rule continues to bring merits to Russian players, agents and other officials in the form of overvalued transfers, wages and commissions, the regulation is unlikely to be cancelled. In these circumstances, the author calls for the alleviation of the limit. For example, the formula could be at least changed to "10+15" how it was originally intended. Thus, the hyperinflation of Russian player prices and salaries will be slightly reduced. Another alternative would be to not count the EU and CIS residents as foreign players, like it is done in Europe. Yet, considering the political, “patriotic” nature of this law, Russian authorities are unlikely to implement this reform, because it would make domestic players much less important, especially for the RPL top clubs.

All in all, the limit is by far the most destructive, but not the only questionable policy introduced by the RFU. In 2013, the Executive Committee of the Russian Football Union supported the initiative on measures for financial support of Russian coaches. According to this law, each club of the RPL and NFL had to pay 5 or 2.5 million rubles to the RFU respectively in case a team hires a foreign specialist to be the head coach (RIA 2015).
Of course, the clubs from the elite division were perfectly able to pay the later called “foreign-coach tax”, but this rule has influenced multiple teams from the NFL considerably. As stated earlier, their income in the second division is marginal only, and this sum of 2.5 million rubles was too sizable for many of them. Subsequently, lower division teams were not able to afford or were not willing to pay this tax, and Russian coaches massively dominated the league. Foreign managers would not come to work in the NFL regardless, but the law needlessly restricted a few ambitious clubs who were hoping to build a long-term project. It is very difficult to do without inviting competent international staff, as domestic managers often base their decisions on their Soviet and 1990’s-era experience. Fortunately, the tax which is, by the way, basically a tariff, was abolished in 2015 when numerous Russian teams pushed for the cancellation of the rule.

However, as discussed in the beginning of the chapter, the soccer governing bodies are not the only ones to blame for poor economic performance of the RPL and Russian football on the whole. To be precise, local clubs’ management is not doing a proper job to develop the economics of domestic soccer either. Confirming the earlier thesis that Russian teams are not motivated to advance commercially, most local clubs still use outdated business strategies and outlets or do a bare minimum to keep the pretense of market activities. Undoubtedly, when the clubs themselves are incompetent or they do not strive for business improvement, consistent economic development of Russian football is inconceivable.

To illustrate the point, it would be sufficient to make a brief analysis of the research conducted by PricewaterhouseCoopers audit company (2020). This annual study evaluating the economics of Russian football was performed in cooperation with the RPL, so the data presented there is reliable. Furthermore, there is much more information available in this report compared to the official financial statements, so it is possible to make several conclusions.

For one thing, it is indicative to assess the ways in which Russian clubs are selling their merchandise. The chart below taken from the latest installment of the PwC audit breaks down the number of the RPL brands that use particular channels to sell their products. So, the figure displays the dubious fact that three Premier League teams do not have their own official merchandise stores yet. Moreover, five out of sixteen elite division clubs are not selling their goods online as of 2020. This is absolutely preposterous for a modern football brand – it would be relatively acceptable by NFL standards, but having an online outlet or some type of official store is a must for elite division participants. Merchandise is an important income source for every sustainable soccer brand, and such behavior in relation to its sales is very indicative.
In these conditions, it is not surprising that only three RPL teams are represented in multi-
brand online stores in any manner even though it is a beneficial source of brand recogni-
tion in theory. Given that a few teams still lack an official shop, the league management
should perhaps enforce its existence as an obligatory participation requirement. It is the
case with certain standard of stadiums, for example, and such basic things as official stores
should be no different if local clubs cannot organize them on their own.

Another symbolic piece of statistics that highlights the lack of progress on behalf of Russian
football clubs is the following figure that illustrates their social media activity.

As indicated in the overview provided below, a half of the RPL teams do not even have an
English version of the official website. It is understandable that newly promoted smaller
brand may not bother with updating one, but it would be at the very least possible to have
a page with some basic information about the club in English language, nonetheless. This
is not to mention that multilingual websites are rarely encountered in the RPL too. In addi-
tion, whilst all the clubs have some presence in fundamental social media like Twitter and
Instagram, only four of the Premier League clubs could boast of having more than a million
subscribers to all their accounts combined. Finally, just three brands have their own mobile
club application. The latter is not an essential part of e-business, but the fact that so few
teams have introduced some kind of app is very showing.

In conclusion, it is useful to glance at the fan engagement section of the research. The
bottom figure depicts how the RPL participants interact with their customers.
FIGURE 6. Digital media representation (PwC 2020)

FIGURE 7. Customer interaction overview (PwC 2020)
According to this data, five RPL clubs do not carry out any research on their customer base whatsoever. What is more, exactly a half of the whole championship has not yet implemented a CRM system nor organized call centers, which only proves how outdated the current marketing approach is. In these circumstances, it is not surprising that domestic teams perform so badly in commercial sense overall. There are many more arguments in support of this claim, but even the superficial evidence listed above is enough to support it.

Overall, the problem of management is extremely serious in the league and its clubs both. It can be concluded that the key issue lies at the level of top management. Basically, the top football managers in Russia are not capable of performing the tasks a competent sport functionary must be able to do according to the Bardina (2018) classification presented in the theoretical framework chapter. Soccer managers in the RFU and RPL particularly do not have a determined long-term vision of the business development; the reforms are very inconsistent and detrimental, just like in the USSR. Time shows these officials are incapable of detecting or solving the existing problems efficiently either. Given the financial state of most Russian teams, club managers also fail to set an optimal financial policy. Without a doubt, Russian football management is assessed as inefficient.

In summary, there is ultimately no definite solution that would make Russian football business suddenly booming. However, it is clear that as long as domestic clubs continue to rely on governmental money and work so passively in commercial direction, local soccer will not become cost-efficient. This management situation is closely entwined with the political factor, and successful outcome is challenging to reach if governmental ownership or political interference are not somehow dealt with.

However, realistic solutions may still be proposed. For one, it is possible to arrange the international internships for domestic football managers. This practice is rather popular among soccer coaches already, so the same can be done with local functionaries. This way, even the older personnel would be able to adopt foreign policies and receive the necessary experience. This idea is more feasible for clubs than for the RFU, because these staff exchanges are an established arrangement in the football world.

Moreover, foreign experts can be invited to organize a business pattern similar to European championship in the RPL. It is important to remember that Russian football sets specific challenges for international managers due to its peculiarities, but qualified personnel from abroad would surely help to innovate the championship and bring in the awaited changes.

It must be added that to rectify the situation established in Russian football, urgent management reforms are needed too. For example, the author accentuates that it is necessary to completely distinguish the powers of the RFU and professional football leagues. The federation should be responsible for the preparation of national teams, the development of
youth football, and popularization of sports. However, the RFU should not interfere in the internal business of the leagues too much. The RPL must attempt resolve its issues (including regulations, calendar, broadcasting sales) independently with the participation of representatives of all clubs. Each governing body would have less responsibilities to take care of, and such segregation of duties would theoretically make the management procedures more efficient.

3.2.3.3 Broadcasting rights & structure of revenue

Lastly, the third principal problem of Russian football business are television rights. In the twenty-first century, the sale of the broadcasting rights in major sport leagues has become a cornerstone question. In case of football clubs, the proportion of TV rights revenues with respect to the total revenues has increased notably. In top European championships, it has increased from an average 22% in 1996 to 45% in 2010. With counted exceptions, football games are not freely broadcasted anymore, and this has generated a vital source of income for soccer teams these days. (Gortazar 2012).

In fact, broadcasting rights often bring in the most money to clubs in comparison to other revenue streams. In order to outline the importance of TV rights in modern football, it is demonstrative to see the European clubs’ structure of revenue in the most successful national leagues. The chart below provides the percentage of each income source for top-five European league clubs in season 2018/2019.

![Figure 8: 'Big five' European league clubs’ revenue, EUR millions (Deloitte 2020)](image-url)
Overall, it shows that TV translations are currently generating incredible money for league participants. In England, elite division teams together received astonishing 3.5 billion euros in one year only. This amounted to 59 percent of their total revenue per season. Of course, it is not realistic to compare the RPL with the famed English Premier League, as the latter is far superior to every existing national tournament in terms of monetary gain. However, clubs in French League 1, which is ranked fifth in European football, managed to get over 900 million euros from broadcasting alone for that season. This figure is very impressive, and it still constituted around a half of all brands’ total revenue.

Yet again, the same cannot be attributed to Russian soccer. To correlate the efficiency of broadcasting rights in Russia to major foreign championships, it is logical to examine the revenue distribution of domestic clubs in the country. The following charts based on the latest PwC’s analysis illustrate the sums gained by the RPL clubs between 2014 and 2018 from different sources and allocate the distribution on a percentage basis respectively.

FIGURE 9. Revenue dynamics at RPL clubs, RUB billion (PwC 2020)
FIGURE 10. Total revenue structure for RPL clubs, % of the total sum (PwC 2020)

Conforming to this information, local clubs rely on the sponsorship (in many cases, public) money extensively, which has been discussed already. More importantly, the TV revenue in Russian football is abysmal. Not only the broadcasting rights brought meager 2.3 billion rubles (around 29 million euros) on average in five-year period, but they also tended to comprise about four percent of the RPL clubs’ total revenue. Both numbers are truly horrendous figures. French teams received six times more money from broadcasting in a single season than Russian elite brands got in five.

This arrangement is simply not optimal for any sustainable football club. Feofanov (2006b) claims that based on the trends in the European soccer industry, the structure or revenue (in case a club does not place a clear emphasis on selling its players to gain profit) of a football team must reflect the following proportion:

- sale of broadcasting rights - 35-40%
- ticket sales - 20-25%
- sponsors and advertising - 20-25%
- merchandise, matchday and other sources - 15-20%

At the same time, most Russian clubs are characterized by a sufficiently abnormal structure, where about 70-80% of the revenue consists of the money obtained from sponsors and advertisers. At the moment, a very small number of Russian Premier League clubs are relatively close to achieving the optimal income structure. (Feofanov 2006b.)
It is beyond any doubt that TV rights revenues in Russia are trailing far behind European leagues, and broadcasting there brings inconsequential sums overall. In principal, there are several arguments why it is the case.

First of all, the issue lies in the contract signed with the company that purchased the broadcasting rights. Since 2015, they exclusively belong to the company called "Gazprom-Media that airs the games on their "Match TV" sports channel." The exact money that the league received from this holding is disputed, but various media outlets reported that the full contract value was 6.7 billion rubles, or 84 million euros for three years (at 80 to 1 conversion rate). However, almost two billion rubles were to be paid by the RPL itself for the "signal acquisition and production services". Besides, the league also paid for placing sponsor advertisements on the air in the Russian championship broadcasts. Eventually, the RPL gained around 4.7 billion between 2015 and 2018 only. From there, the new deal was concluded in 2018. It is bringing roughly 1.5 billion to the league on a yearly basis up to 2022.

Evidently, the money offered to the RPL by Gazprom-Media is not overly enticing, but it can be easily explained why the league agreed to sell the television rights to them. The reason is very simple: Russian football in not attractive to broadcasters. The RPL president Pryadkin admitted in 2019: "We wanted to arrange a tender before signing the contract, but there were five or six offers only in the digital segment. We should be grateful to "Match TV" for the fact that they continue to cooperate with us; there were no competitors in the fight for broadcasting rights really" (TASS 2019). In these circumstances, the Premier League had no choice but to agree to most of the terms set in the only offer received. There is only mild interest in broadcasting the league in Russia, but it is even worse abroad. In 2018/19 the RPL was even aired on YouTube platform for free, but for foreign residents only. It was clear that no international network would ever offer acceptable money for broadcasting rights, so this step was taken in attempt to increase the tournament’s popularity overseas.

Likewise, such a low bid and, consequently, TV revenue distributed between clubs, are caused by amount of potential income that a media company would gain having purchased the broadcasting rights. As of now, all the RPL matches are aired on per-per-view Match Premier channel. The monthly price of the subscription fee is currently 299 rubles which equates to three euros approximately. This is more than affordable considering the lower salaries and standard of life compared to European countries. Nonetheless, customers are not willing to pay even this much. By the end of 2019, Match Premier had 498 thousand paid subscribers according to the PwC data. By making some very approximate calculations it could be estimated that Match TV would make about 1.5 billion rubles per season given the number of subscribers would remain the same throughout the year. Of course, the channel would have other additional sources of costs and revenue, so this assessment
should not be taken for granted. Still, considering that the media holding is paying roughly the same sum to the RPL yearly, the financial outcome looks grim. Hence, the purchase price for broadcasting rights seems completely reasonable. Perhaps, paying even less would be more justified, but it is a speculation only.

Nowadays it is widely accepted that current state of things is not helping Russian clubs to grow and get away from relying on public money. For example, CSKA Moscow president Eugene Giner expressed the opinion that the Russian Premier League TV rights should be much more expensive. “How much should television rights cost? I think that the Russian championship today should cost at least $300 million. There should be no soccer on television for free. There is no such practice anywhere in the world,” he stated. The chairman added: “There must be competition. Gazprom-Media had no competition, that's why it was like it was. When there is competition, there will be much bigger money.” (Sport24 2020).

However, as it is now, it is unlikely that the situation will be changing for the better any time soon. Even the Match TV’s offer, which was the only one, was in retrospective made by the governmental organization. Match TV belongs to Gazprom-Media whose ownership chain can be easily traced to Gazprom where Russian state holds its stake in. Thus, it could be argued that the government is supporting both the translations and the football itself.

In this case, many Russian citizens claim that since the broadcasting is funded with taxpayers’ money to begin with, all the games must be shown for free on a federal channel. For this reason, numerous fans are not willing to pay for watching Russian football at all. The transition to free-of-charge broadcasting would never happen, though. Therefore, a significant part of potential customers will continue resorting to digital piracy or outright ignoring the domestic league in favor of popular European tournaments. What is more, achieving the proportion of more than 40% of the total amount of income from the sale of broadcast rights is currently impossible for Russian clubs due to the underdevelopment of the media market in the Russian Federation in general (Feofanov 2006b). It is a vicious circle that is very hard to break unless the RPL becomes more attractive for an average viewer. Again, clubs need to interact with their fans and invite popular foreign players & managers. The government, on the other hand, must limit its influence to let it happen. Before decisive measure are undertaken in that direction, the broadcasting revenue will not be rising considerably.

The author assumes that the only viable way of increasing the translation revenue in Russia would be to popularize football in the country in general. It may be an effective solution to broadcast some of the more attractive RPL matches on channels that have larger audience that Match TV. Given that the government also controls several popular TV channels in Russia, reaching a temporary media agreement seems entirely possible.
Besides the broadcasting rights, matchday revenue does not bring as much money as it normally should. In the more developed football leagues, this source tends to generate about 10-15% of the total income as evident in the Deloitte report. In the RPL, this indicator has not risen above 8% between 2014 and 2018.

Feofanov (2006a) writes that the amount of matchday revenue received by professional clubs is largely interconnected with the level of athletic achievements demonstrated. It should be noted that in countries with a developed football industry, there are examples of the cost-effective functioning of clubs that do not successfully perform in tournaments. However, for clubs in the football industry of the Russian Federation, it is not yet possible, and the matchday turnover of clubs almost directly depends on the sports results shown. To improve the matchday gains, it is not enough to solely create good conditions for access and presence of fans at the stadium, arrange various pre-match shows and contests. All these steps play a significant role, but the sports component of this problem is the most important.

The dependence of the ordinary and annual season tickets sales from tournament achievements for Russian clubs will still be significant for a long time. The main reasons for this assertion are the underdevelopment of the "fan culture" in Russia and the low standard of living for the population. The former means that numerous football enthusiasts in Russia prefer to watch soccer matches at home or ignore the RPL altogether. It is not engrained in their behavior to attend the games on a regular basis. Football remains to be the most popular sport in the country, but the number of “active” fans is low. The latter is quite self-explanatory: as long as the general level of population income and living standards are low, most residents are not willing to pay for football games on a regular basis when presented with a cheaper alternative. (Feofanov 2006a.)

Basically, the low level of matchday revenue is a consequence, not a reason behind the commercial failure. Local clubs are not able to improve their athletic results globally given the current economic situation, hence the matchday revenue is not considerable. Yet, the upward trend in matchday income is noticeable – it has been raising steadily for several years. The sudden increase in 2017 in comparison to the previous year is attributed to the FIFA Confederations Cup (2017) and the then upcoming World Cup (2018). These tournaments were hosted by Russia, and the interest in football among locals increased dramatically at the time. As of now, it should be the mission of the RFU, RPL and all domestic teams to keep this enthusiasm and build upon the new fan base efficiently.

The only income source that exceeds the established European norm is the sponsorship revenue. Nevertheless, this is by no means a good sign. While such model would be acceptable, albeit not favorable in other circumstances, this arrangement demonstrates the
poor condition of football industry in Russia specifically. With rare exceptions, the sponsorship money received by domestic clubs comes straight from the government or from different organizations closely associated with the state. Such unhealthy proportion essentially proves the overreliance of Russian soccer teams on public funds. This is a consequence of political influence and command economy system in Russian football that had been previously explained.

In conclusion, by following Dima’s “MCM model,” it can be said that the business structure of local clubs is horrendous. The media revenue is far below the acceptable bar, the matchday income is lacking, and the commercial money mostly originates from government budget. Furthermore, the sponsorship and equity contribution funds constitute an unnatural part of Russian teams’ annual revenue.

3.2.4 Main perspectives of Russian football

It has been thoroughly highlighted in the previous section that Russian football is not a successful business by any means. Despite this fact, there is no denying that some positive things can still be said about the industry. In this chapter, the most notable advantages of the RPL will be covered.

Above all, the majority of Russian Premier League teams possess modern, high-quality infrastructure, especially stadiums. This is mainly the case because the was enormous effort on behalf of Russian government to prepare for the 2018 FIFA World Cup that took place in the country. It is estimated that the state had spent about fourteen billion dollars to host the event, so the tournament was the most expensive World Cup in history. Logically, a significant part of the sum was directed on soccer infrastructure explicitly. Of course, after the event came to end, it was the domestic clubs who benefitted from the completed projects.

So, from 2010 to 2018, nine stadiums were built and three were renovated for the tournament. Some of the facilities were constructed in place of older, outdated venues. Training centers and camps were also built; as a result, Russian clubs can enjoy state-of-art facilities nowadays. At the moment, ten out of sixteen RPL stadiums were opened in 2010 or later. Moreover, their capacity is more than 30,000 spectators, which is a good sign even compared to European leagues. (Telegraph 2018.)

These stadiums play a crucial role in development of football business too. The modern infrastructure allows the clubs to treat their home ground not as a sports facility only, but as an entertainment space as well. For example, clubs’ museums, souvenir shops, stores and client offices can be successfully located in newer stadiums, thus bringing additional revenue. Furthermore, regular and match-day activities for fans may be organized to generate
more commercial income and increase brand recognition. Even people who are not interested in soccer might be attracted to visit a colossal new stadium. Some of them come not knowing a thing about football and leave considering attending a couple of matches afterwards. In season 2019/20, six teams already utilized their arenas on match-free days in some manner. In addition, brand-new stadiums provide impressive opportunities for mass event organization. In 2019, six RPL clubs hosted eleven large concerts in their stadiums and evidently raised money from it. This simply would not be possible unless modern infrastructure was built. (PwC 2020.)

Finally, new stadiums help to engage more customers to attend club’s matches in person. This is a critical issue, as weather in Russia often becomes extreme in late autumn and winter when some games are still played. With modern arenas, people are much more willing to pay for football, and higher capacity also gives potential for ticket sales improvement. This is backed up with actual statistics, as the ticket revenue has been steadily growing in recent years. In the RPL exclusively, they increased from 912 million in total per 2016/17 season to 1.5 billion rubles in 2018/2019, excluding the relegated teams (PwC 2020). This is a 64 percent gain – a remarkable improvement.

Besides the stadiums, it is worth noting that some advancements have been recently made after Alexander Dyukov took the position of the RFU president last year. In 2020, the league finally struck a deal to get a title sponsorship contract. Specifically, Tinkoff Bank became the title partner of the league in a three-year deal to the end of the 2021/2022 season. The agreement came with a package of various marketing opportunities for the company. The Tinkoff brand is now integrated into TV broadcasts, digital platforms and in stadiums where RPL matches are held. In addition, the name of the championship was changed, as the Tinkoff Russian Premier League is now the new label for the country’s leading soccer league. (Blakey 2020).

Of course, it is Russian football in play, so the deal was not without its disadvantages. It was later found out that the league would only receive 375 million rubles in three years for all these concessions. This sum is incomparable with the money that most European championships get, just like the case with the broadcasting rights. Moreover, some clubs had already signed the valid agreements with other banking companies beforehand. Therefore, those teams are not able to place the Tinkoff logotype on their uniform or promote its brand otherwise. In the end, at some matches one club showcases Tinkoff’s chevron, whereas the other does not. It is a bizarre situation not characteristic for European soccer, but considering all the RPL’s specific features, it is not surprising at all.

The partnership is still a paramount step in business development of Russian football. Prior to this signing, the league did not have a title sponsor for two years almost. What is more,
the ones that it had before were affiliated with the government in one manner or another. Tinkoff, on the other hand, is a fully private brand, and it does not have any ties with the state whatsoever. Whilst the price the bank paid for the agreement is not colossal, this deal has shown that domestic soccer can be still attractive for independent investors to an extent. The new president of the RFU understands this, and it is possible the league will move forward commercially under his lead.

There is other evidence that some efforts on modernizing the tournament are made. For instance, the league performed a rebranding in 2018. As part of the campaign, the Russian Football Premier League has changed its name - the word "football" was taken out from it, and the tournament received its current title. Furthermore, the RPL got a new logotype and general design. In addition to the logo, a common style of design of all attributes of the league, including the numbers and names of players on the form was created. It was during the rebranding that Match Premier TV channel was also established. These measures were long since overdue, since the previous design looked old and outdated. The management stated that by launching this rebranding campaign they hope to win more international recognition of the league, in countries outside of Eastern Europe particularly.

FIGURE 11. RPL, rebranding (2018)

The league is also trying to implement technologies in its operations. As such, the Russian Premier League cooperated with the Higher School of Economics (HSE) to prepare the championship calendar for the seasons 2019/2020 and 2020/2021. The HSE Laboratory developed a special algorithm that takes into account many calendar requirements. These are participation of clubs in European tournaments, employment of stadiums in other events, weather conditions in different regions of Russia, the preferences of the broadcaster, as well as the police authorities. In addition, the most important parameter is the balance of
the calendar from a sports point of view. This innovation also helped to optimize the TV translation revenues. According to Yevgeny Savin, Marketing Director of RPL, it was possible to evenly distribute the top matches over the season with the help of the algorithm. Now, two or even more significant events for the League will not happen in one round at once. "This is a very important moment for the RPL as a marketing and television product," - explained Savin. Basically, potential viewers will be more attracted to watch a few RPL games each week, since a tour cannot be now overfilled with numerous important matches. (HSE 2019).

Overall, the list of improvement is not incredibly extensive. Nevertheless, it demonstrates the league has still room for growth, and should the right measures be undertaken, the business standing of the RPL could improve significantly.

3.2.5 Investment (sponsorship) climate

As it stands now, with a couple of conspicuous exceptions, private investors have for the most part ignored the football industry in Russia. The majority of Russian brands are heavily funded by regional authorities and state-owned companies, leaving teams vulnerable to budget cuts and shifting political priorities (Tétrault-Farber 2018). However, as the example of Tinkoff shows, independent companies may still see some opportunities for investments in the RPL. The following section briefly looks at sponsoring atmosphere and opportunities in Russian football.

In short, third-party investors are wary of giving the RPL a chance for multiple reasons. First, the governmental involvement scares off many potential partners. This is not just a soccer issue, but a problem related to Russian state in general. international companies are very careful to invest in Russia because of numerous sanctions. According to the World Bank data (2019), the net inflows of FDI into the country used to be around 70 billion dollars back in 2013. However, after the sanctions from Europe and the US struck, Russian economy took the hit. In 2019, the volume of foreign investments reduced to 32 billion. Overseas players are clearly concerned with geopolitical factor. They would not be willing to invest into a sphere that is controlled by the government to such extent. In addition, as analyzed before, local football’s audience outside of Russia is small. It makes sense that foreign investors are not attracted with this market, and they do not believe it would be growing at the necessary rate either. Speaking of domestic companies, they would be certainly more willing investors. Yet, they are also worried about the government presence. The state has a shady reputation in the country, and many business owners do not want to do anything with the government. As stated above, Russian football as a whole has questionable reputation as well. Unless drastic changes are seen, private investors would rather deal with more autonomous industries.
Leonid Fedun, one of the few private owners of a Russian club, confirms the notion. “State money is there and there is no escaping it,” he told. “Soccer cannot be outside this system. But at the moment there is no alternative. Most investors fear that directors at the league have other interests. They need to spend the budgets they are given by the state or sponsors, and not work on developing the championship.” (Tétrault-Farber 2018.)

In this situation, the RFU attempts to attract the financial inflow anyhow. In its 2030 development strategy, the organization calls for the gradual substitution of state funding in professional soccer with private investment. Despite this fact, the strategy admits there is little interest to invest in Russian football given relatively low revenues from ticket sales, broadcasting rights and merchandise. “There are no conditions in place for significant growth in these revenues in the short term,” the strategy said. Curiously, it does not offer any viable solutions to the problem either. (Tétrault-Farber 2018.)

To summarize, large-scale investments in the RPL are an understandably risky and inefficient financial venture. Bearing all the arguments in mind, it is logical to propose multiple ways of investing in Russian football.

One concept would be to form a title partnership with the RPL itself how Tinkoff Bank did. Of course, the company willing to do this should be ready for potential PR scandals happening in the league. They occur in the championship on a regular basis, and it will affect the league’s business partners in one way or another. It conflicts directly with the purpose of sponsoring, as its goal is to transfer the positive image form a sponsored party to a sponsoring brand. The RPL is not seen in a positive light by public at all. On the other hand, the Tinkoff case is a good indicator that such partnership would hardly cost much for an interested side. This means that the brand in cooperation with the RPL would get a huge amount of marketing exposure for affordable money, at least inside of Russia. Any company considering the establishment of business relations with the championship should contemplate whether football fans may be a part of their target audience, but it is an obvious point. Anyway, making this kind of investment might prove efficient to bigger corporations that can easily afford the deal. To evaluate the justification of such sponsorship contract, a risk assessment must be conducted whether the brand exposure outweighs potential reputational complications.

Side sponsorships regarding the RPL is not beyond the realm of possibility, but it is a questionable choice at best. There is a reason why the league was not able to get an independent main sponsor for years – even a privileged agreement was not attractive enough. Side sponsors, on the other hand, are bound to be associated with the questionable image of this tournament without massive exposure. This would be a viable option for a prestigious soccer competition, but it is not the case for the RPL.
Another way is sponsoring the separate RPL brands directly. In this case, it would make sense to conduct business with private or semi-private clubs that are less dependent on the government. In fact, numerous companies have already done just that. For example, in the 2019/2020 season, there were 20 companies from the food, 13 from automotive and 11 from consumer goods industry cooperating with Russian elite division teams. Smaller brands have been the RPL clubs’ partners for many years already, and the companies originated from different spheres. The figure below graphically states the number of main sponsors from 2002 to 2020 by category to prove the point. (PwC 2020.)

![Figure 12. Number of title sponsors from 2002 to 2020 by category (PwC 2020)](image)

In this scenario, the most investment attractive clubs would be Zenit, Spartak, Krasnodar. These teams are very popular among Russian football fans, located in big cities and not totally controlled by the government. Additionally, they are among the most progressive and ambitious teams of the championship. Sochi is another representative of private
teams, but it has been recently funded and does not have sufficient following. Still, smaller local brands may be interesting to regional companies looking for marketing activities.

The clubs could also take advantage of a Pro-Bono sponsorship. However, this is extremely unpopular in Russia, and only the most financially powerful firms or individuals may consider such donations.
In conclusion, football has admittedly come a very long way since it emerged years ago. Nowadays millions of fans all over the world are captivated with the game. Soccer has truly evolved from a mere sport to a gargantuan market of epic proportions. In its ideal business state, a football championship is capable of raising huge money when the market is managed correctly. This is indeed the case in many European countries where clubs’ and leagues’ revenue numbers in the billions. Without a doubt, the golden era of business in football has begun.

However, while some leagues are enjoying progress and commercial success, other tournaments are hardly prospering. In Russia, the domestic championship is far from profitable. Local soccer is plagued with specific problems that have been hindering its economic development for a considerable time.

Interestingly, the appearance of emblematic problems can be traced to the Soviet times. It is a certain fact that such trends as overwhelming political influence, chaotic reform policies and incompetent management have originated in the USSR but transferred to modern Russia. Overall, they been causing severe damage to Russian football for decades. Despite this fact, the aforementioned issues are yet to be resolved. The state and governing bodies continue to see soccer as a political instrument; they are more preoccupied with Russia’s international image and the results of the national team then with the economic conditions of local football.

Among the existing problems, the most striking one is the weight of government ownership and general political interference in Russian football. These things make domestic clubs overly reliable on taxpayers’ money, prevent them from finding private investors and harm the league’s reputation in the public’s eyes. Indisputably, the immediate removal of the state ownership or the limitation of governmental impact must be introduced as soon as possible to launch the process of privatization of business evolution. Realistically, only mild alternative measures are currently viable to be adopted by the government.

In addition, the issue closely related to politics is the prevalence of incompetent managers in decision-making positions. These officials are seemingly not interested in development of Russian football and follow the outdated and/or governmental guidelines blindly. Again, the government must be restricted from interfering into the business of Russian Football Union and its tournaments. Moreover, younger, more efficient staff should be hired to take care of urgent commercial and athletic matters. The problem may be also solved with the help of international experts to a certain degree. Eventually, the foreign-player limit regulation enforced by old functionaries should be cancelled to kickstart the popularization of Russian soccer as well.
Lastly, the income gained from the sale of translation rights is unacceptable for the sixth most powerful championship of Europe. It is difficult to determine what needs to be done in order to increase the revenue received on that front. Arguably, this problem is the consequence of the tendencies described above and the abundant progress of the RPL’s competitors in the twenty-first century. It is necessary to improve the situation related to previously discussed matters first. Afterwards, the question of broadcasting rights should be addressed.

Although this list is likely not a complete representation of Russian soccer’s modern complications, it highlights the main reasons why the RPL is underperforming compared to major European regular tournaments. It can be safely assumed that should these obstacles be overcome, the business world of Russian football will become healthier and more similar to its more popular competitors.

On the positive side, the acting president of the Russian Football Union has started to take the right steps to improve of local championship. Under his leadership the crucial rebranding has been carried out and new technologies have been implemented to modernize the league. Moreover, the agreement with a private sponsor has been finally signed. What is more important, the stadiums and facilities constructed for the World Cup 2018 have proven to be an immense help in the development of Russian football in general and have cemented the high football infrastructure level for years to come. At a closer look, there may be even opportunities for bigger companies to invest in the RPL in its current state.

To summarize, whilst the actual business position of Russian football is extremely troubling for numerous reasons, there is undeniably an open room for growth. In spite of all its issues, a clear path for improvement can be seen, but the government and soccer organizations must take decisive actions to save the situation urgently.
DISCUSSION

While the author is overall satisfied with the conducted research, he admits that it has several important limitations.

First, the whole work is based on secondary data exclusively. Considering the government involvement and peculiar attributes of Russian football, primary data would be almost impossible to obtain. Local clubs are traditionally very reserved about disclosing any crucial information to public. In Finland, it is not unheard of to contact a soccer club directly to ask its officials for useful insights beneficial for such study. However, in Russian Federation this arrangement is very complicated to organize unless a researcher has personal connections with officials themselves. Still, primary data, for example, some precise internal financial statements or information about modern football management principles and innovations would augment the study nicely. As it is now, the work lacks the expert insight from the personnel directly involved in the discussed procedures.

Another major issue is the theoretical nature of the proposed solutions. On the whole, the author holds the opinion that the steps described in the study would benefit the development of the league significantly. Nonetheless, it has been clarified that the responsible officials and managers are unlikely to implement the discussed measures in the nearest future. The reasons for this vary sharply, but the problem is, again, mainly related to the political factor. Eventually, it is only appropriate to suggest that the offered solutions may only come into effect to a minimal or mild degree. After all, the business situation in Russian soccer has been worsening significantly for a considerable time, but obvious decisive actions have not been undertaken.

Finally, the topic of the thesis, whilst having covered the football in Russia and the RPL particularly, does not focus on a separate issue. The work should be perceived as a comprehensive overview, a general investigation into the industry in Russia. As a result, multiple elements of local business have been broken down, but the solution network remains to be rather vague due to the essence of this work.

Eventually, it can be assumed that further thematic study is possible to carry out. The author argues that the future research should narrow down the concepts presented in the work and concentrate on a concrete issue. For instance, the influence political factor in Russian sports or football might be examined separately. This is an intriguing, complicated question that may serve as a subject for an independent research. For more economics-oriented case, the soccer broadcasting rights or merchandise sales models in the region could be investigated extensively.
From ethical perspective, the work does not have any problems whatsoever. The qualification of local sport management and adopted reforms have been criticized in the thesis, but all the arguments have been based on objective results and performance. Moreover, the critique has not been personal, and no confidential information has been disclosed.

In conclusion, the aims of the research have been successfully reached. The main issues lying at the root of the Russian football industry have been described in detail; the reasons of their current state have been analyzed. The solutions, while theoretical, can be used as a basis for potential reforms, and they are substantiated with logical arguments.
REFERENCES


