

Liverpool football club

Business



Introduction Liverpool Football Club (LFC) is a professional football club that has won several titles in the English Premier League (EPL).

Anfield is the club's home ground. Despite stiff competition, LFC has shown tremendous achievements in the number of wins against many other competing clubs. This paper deals with management issues, concerning the club, that threaten its integrity regarding the club's ownership. It also outlines the club's pertinent issues such as market valuation, factors affecting its profitability, and some of measures to enhance the club's profitability. Nonetheless, the paper will fundamentally consider the issue of estimating the LFC'S market value and its implications on the club's management and performance. Major Factors of Management That Are Strengths within the Program Efficient management of any sport club is essential to the attainment of its objectives.

One of the main LFC's objectives is to win the title leagues. It is noteworthy that excellent performance of a club relies heavily on the key management decisions. Decisions affect the club's profitability, playing squad, and the number of fans who contribute to the amount of match revenues (Foster, Greyser, & Walsh, 2006). Therefore, considering LFC's case, the key management factor that reflects the strengths in its program depends on the way the management makes adequate decisions regarding the choice of players in the transfer window. This is because LFC does not spend much on the players' purchasing.

Instead, it relies heavily on the players from the club's football academy. In addition, the management demonstrates competence in the manner of

making decisions when there are relevant opportunities available (Foster, Greyser, & Walsh, 2006). Major Factors of Profitability and Viability The club's profitability is an essential ingredient in determining its financial viability. This is because a football club, like any business organization, needs liquidity to manage its operations. It needs to take care of its expenses as a remedy to service delivery. For example, the club's authorities need to take care of the players' salaries, meeting the equipment costs, and other expenditures related to match appearances.

Consequently, determining the factors that have an effect on profitability is pertinent to the club's existence. The following factors determine the LFC's profitability in the EPL (Foster, Greyser, & Walsh, 2006). First, broadcast revenue accounts are rather essential. To enhance LFC's profitability, the management has sound policies that enable it compete well in the EPL. Broadcast revenue includes the proceeds from media coverage.

Broadcast corporations pay fees to the EPL in order to gain permission to broadcast live football games. However, the club does not receive an equal share. The revenue is shared according to the technical club's appearance in the media coverage. As a result, only well performing clubs receive a great deal of media attention and are entitled to a large proportion of the total media broadcast revenues. Hence, the image a club holds in the EPL is an essential profitability factor. A well performing club has a higher chance of making additional income compared to those with poor performance (Foster, Greyser, & Walsh, 2006).

Another profitability factor is the number of fans that a club manages to secure over time. This is because the revenue collected during matches is directly proportional to the number of dedicated fans capable of buying match-day tickets. In addition, revenue obtained during matches comes from the selling of beverages and foodstuffs. Therefore, football clubs with a large number of fans tend to earn more money during matches. The club's performance in the league is an integral component in wooing more fans, which guarantees it an enhanced level of revenues. Consequently, football clubs with a big fan base are viable in the EPL due to their ability to make profit partly obtained from many fans visiting the stadiums (Foster, Greyser, & Walsh, 2006).

There are other sources of revenue for a club that augment its profitability and, by extension, its viability. Football clubs obtain part of their revenues from sponsorship. Accordingly, there exist factors that sponsors consider before collaborating with a certain football. This is because a sponsor aims at maximizing returns while, at the same time, enhancing the club's performance. Sponsors go for clubs with good reputation, utilizing them as tools to market their products.

It is crucial for LFC to concentrate on building a positive image by putting efforts towards its performance in the EPL. This is the only way for the club to woo financial support from sponsors and other financiers (Foster, Greyser, & Walsh, 2006). Another essential component of profitability and viability is the cup revenue. Cup revenue is the financial value a club benefits for emerging a winner in the EPL. Liverpool has benefited from cup revenue in

19 instances. Other clubs, such as Arsenal, Chelsea, and Manchester United, have benefited from the cups revenues as well.

Consequently, the cup revenues are a crucial profitability and viability factor in the club's success. LFC should put more effort to win tournaments in order to safeguard its position of benefiting from the cup's revenues (Foster, Greyser, & Walsh, 2006). Finally, the player payment contributes negatively to the club's profitability. This is because it accounts for the largest portion of the club's biggest expenses. Thus, a club that pays its players high salaries may have a liquidity problem: a profitability concern.

As a result, clubs with the ability to pay its players reasonable salaries are able to remain vibrant in terms of liquidity (Foster, Greyser, & Walsh, 2006).

How to Apply Triangulation to Gain an Accurate Value of the Club

Triangulation is a valuation method of the organization's market value.

Triangulation applies multiple techniques in order to set an optimal club's value. The method is favorable because it takes the fine details of the club's performance into consideration. Although it is difficult to make an accurate valuation of the club not traded in the capital market, triangulation enables the shareholders to reach a figure that closely reflects the club's value.

In the case of LFC, the following steps are likely to determine the optimal club's market value. First, estimating the club's market value should take into deliberation the revenues the club receives annually. This determines the club's value based on the revenues received. Second, profit after tax should be employed as an assessment of the club. Third, the market value of

the club should be obtained from the discounted cash flow of the club's operations during the year.

Finally, all the three dimensions used in evaluating the club should be represented in the lower axis. Conversely, the vertical axis should indicate the club's valuation matched with a respective valuation method. Obtaining the club value requires a proper weighting technique to come up with the optimal club's market value (Foster, Greyser, & Walsh, 2006). Changes to Make To Improve the Value Triangulation method relies heavily on the weighting technique and multiple methods utilized in the valuation. Thus, to improve on the value obtained, one should change the multiple valuation techniques utilized and match them with optimal weighting criteria (Williams, 2011). Factors That Occurred in 1997-2003 and Their Corresponding Solution in Increasing Viability of LFC in the Future During the years 1997-2003, LFC has experienced a decline in the profitability on various grounds.

First, the club witnessed a decline in the number of sponsors. As a result, the amount of funds received from sponsors decreased significantly, forcing the club to inject its savings to support its activities. This could only be corrected if the club improved its image by performing better in the EPL. In addition, the management team must work towards securing contracts with suitable sponsors. Second, the club's financial statement reflected increased payments advanced to the players.

Instituting a remuneration board mandated to review the players' salaries will solve this issue (Foster, Greyser, & Walsh, 2006). Finally, the club failed to secure positive results in the transfer windows. This is because the club

often sold its players cheaply while buying expensive ones. To remedy negative balance in the transfer window, the club must concentrate on sourcing players from the academy and on scouting. An implementation of these three suggestions will enhance the performance of the club in the EPL (Liversedge, 2000). The CFO, Selling the Club and My Strategic Direction Selling the club will affect the strategic direction because the move will change the club's ownership.

Consequently, the new management team will have different strategies and may or may not implement the abovementioned policies (Foster, Greyser, & Walsh, 2006). Thus, the club's prosperity is determined chiefly by its management and authorities. Factors That Would Underlie the Suggested Changes The policies suggested will work optimally subject to the following conditions. First, if to employ players from the club's academy, the directors should find out whether the players under consideration have desirable talents. Second, avoiding negative balance in the transfer window depends on the lucrative offers by competing clubs for the LFC's players (Foster, Greyser, & Walsh, 2006).

Research to Strengthen the Recommendations The above recommendations rely heavily on the LFC's financial reports and events which took place during those periods. Therefore, the implementation of the above recommendations will boost the LFC's profitability and viability (Foster, Greyser, & Walsh, 2006).