Maxwell Agbana

Student number: 660204

**Research Report**

**Main Question**

How much damage has the pandemic had on Arsenal FC and its Finances?

**Sub Questions**

1. What problems have Arsenal FC faced as a result of the COVID Pandemic?
2. How have these difficulties affected the different stakeholder groups of Arsenal FC?
3. How will Arsenal respond to the effects of the COVID 19 Pandemic?

**Introduction**

The topic being discussed at hand is about COVID-19 and more specifically the impact that it has had on the widely known Arsenal Football Club. This report dives distinctively into the Financial impact that the fatal COVID-19 virus has had on the Football organization. It’s first financial loss since 2002 according to McMahon (2020). The main topic is, how much damage has the pandemic had on Arsenal FC (Football Club) and its Finances? The emphasis is on “how much”; the aim is to dive into the extent to which each of the effects affected Arsenal FC. The sub-topics that will be used to get an answer to the main topic are firstly, What problems have Arsenal FC faced as a result of the COVID Pandemic?, How have these difficulties affected the different stakeholder groups of Arsenal FC? (Specifically the supporters of Arsenal FC as this is who most identify as the main stakeholder group as they are the main customers for the club. Collings (2021) talks about one of Arsenal FC’s award nominated, COVID proof community service schemes that they used to keep their supporters connected during the pandemic.) and How will Arsenal respond to the effects of the COVID pandemic? This is a very interesting topic to take a look at because, it involves one of the biggest and most profitable organizations worldwide which makes it very fascinating to assess how far the COVID pandemic has sent them back in terms of their financial power and profitability. In addition to this, it is also important to get a grasp of how critical this pandemic is for a very large service based firm that is heavily reliant on the money it collects from fans to come into its stadium on a weekly basis It is relevant to know this information because it gives an insight into how rigid and merciless the COVID pandemic is regardless of how big or small a corporation is. Deloittle Sports Business Group (2021) compares how COVID has affected Arsenal and other organizations of different sizes within the same sector and industry. It is a good idea to discuss this topic at this current point in time as the COVID pandemic era is slowly becoming a thing of the past therefore it is relatively modest to place the impacts and it’s bearings on a timeline; it also makes separating and differentiating between primary and secondary unproblematic.

**Methodology**

The information and data that was taken during the course of this report was taken from many different sources that had a few similarities but also had some contrast in some respects. Most of the information was retrieved using Google as the search Engine whereas some were from Bing. A chunk of the data in this report was taken from credible sports websites, people and organizations as they have the best and most reliable information when it comes to reporting about the sport of football and more specifically information regarding Arsenal Football Club. Olley (2021), McMahon (2020) and McNicolas (2021) are very reliable and trustworthy journalists that have been writing about sports organizations for over a decade therefore they have a large amount lot of experience in this space and profession. Furthermore, Olley (2021), McNicolas (2021), Watts (2020) and Arsenal Supporters Trust (2020) are people and administrations that are senior Arsenal FC correspondents for their organizations therefore they specialize in reporting all information regarding all the decisions and actions that Arsenal FC specifically take in detail. The quality and reliability of the sources was checked using the CARS framework. The CARS framework assess the **C**redibility of the authors by looking at the organizations they work for and if they are experts, the **A**ccuracy by looking at the date in which it was written and what comparable sources say. It also checks the **R**easonableness by assessing if the author has a bias and if the information they report is balanced or not. The S in CARS is **S**upport and it assesses whether the writer mentions the source of their information and the quality of their source.

**Analysis and Results**

What problems have Arsenal FC faced as a result of the COVID Pandemic?

Arsenal Supporters Trust (2020), Olley (2021), McMahon (2020) Watts (2020) and McNicolas (2021) all talk about the effects that COVID-19 has had and will continue to have on Arsenal FC’s costs and revenue streams. Lerner (2021), Olley (2021), McMahon (2020), McNicolas (2021) and Arsenal Supporters Trust (2020) provided specific numerical details on the financial tussle that Arsenal FC has faced as a result of COVID-19. Watts (2020) however didn’t offer any specific numbers on the matter. The most common figure that was touted around in the sources Lerner (2021), Olley (2021) and McNicolas (2021) was that Arsenal FC did in fact face a financial loss of £47.8 million as a result of the impacts of the COVID-19 pandemic for the year end 2020. The other 3 sources though, Watts (2020), McMahon (2020) and Arsenal Supporters Trust (2020) did not mention anything about this figure. Something that is interesting to consider though is that Lerner (2021) says that this reported £47.8 million figure is after tax which the other sources don’t say. This brings about the question, has tax payments been included to slightly inflate the figure in order to make it seem a little more extravagant? This could be portrayal of a bit of bias and propaganda. Or is this just a bit of information that Lerner (2021) has received and used to make his piece that little bit more specific. It also makes questioning the dependability of Lerner (2021)’s source legitimate because he is the only outlet that reports this information. That could be an indication of inaccuracy. On the other hand though, it could be argued that Olley (2021) and McNicolas (2021) left this information out because they didn’t have the intel. Either way, the specific amount of money Arsenal FC lost at face value is the same in Olley (2021), McNicolas (2021) and Lerner (2021) however when looked into with more detail, Olley (2021) and McNicolas (2021) may be suggesting that after tax, this amount is higher than the £47.8 million that was reported.

A major explanation as to why Arsenal FC recorded a net loss for the year 2020 is due to it’s inability to collect money for the service that it’s Business is built around which is allowing fans into its stadium to watch their matches. According to McMahon (2020), Arsenal lost £30 million in match day revenue due to the COVID pandemic which is a substantial amount when put in context. McNicolas (2021) on the other hand reports that Arsenal only made a match day revenue of £14 million which is a considerable difference from the £30 million McNicolas (2020) touted. One or maybe even both of these authors haven’t quoted the correct figure here. People should be more inclined to believe McNicolas (2021) as his information is newer and was published at a date closer to present time meaning he has likely to have the more precise data. McMahon (2020)’s article however was written when Arsenal were still in the midst of discovering the extent to which the lack of supporters had hindered its finances. This still doesn’t explain how McMahon got a figure higher than McNicolas; surely the amount Arsenal FC lost should be less. (Watts 2020) on the other hand doesn’t post an exact figure, instead he posts a percentage figure quoting “And with football expected to be staged behind closed doors when it finally does return, matchday income – which accounts for 24% of Arsenal’s annual revenue – will be hit hard.” This is very interesting from Watts (2020) as instead of quoting a specific figure, he quotes a percentage instead. At the same time it also doesn’t help as it doesn’t clarify whether McMahon (2020)’s or McNicolas (2021) figure was more accurate as there is no clarity as to what 24% of Arsenal’s annual revenue means in monetary terms. Regardless of these differences though, the information that is known is that the loss of matchday revenue had something to do with Arsenal FC recording a net loss for the year end 2020. The extent of this though is dependent on the data that most represents the true story which only Arsenal FC can provide.

How has these difficulties affected the different stakeholder groups of Arsenal FC?

The COVID pandemic has affected all of Arsenal’s stakeholder groups in some way shape or form. Firstly, the owner of Arsenal FC, KSE or Keswick Stan Kroenke. (Watts 2020) says “Those four key potential drops in revenue, combined with an already difficult financial situation, have led to the situation Arsenal are now in and owners Kroenke, Sports & Entertainment have already started covering some financial commitments, despite the self-sustainable ethos”. This is noteworthy because Watts (2020) basically says the owner of Arsenal, Stan Kroenke has had to make some slight adjustments to his Business organizational strategy and structure by having to invest his own personal cash into the Business to keep it liquidated. Lerner (2021), McNicolas (2021), Olley (2021) all directly quote a statement from Arsenal FC saying “The club continues to have the unwavering support and commitment of its parent company, Kroenke Sports & Entertainment, and its ultimate owner Stan Kroenke.” This is in agreement with what Watts (2020) says in the sense that Stan Kroenke has had to get involved because of the severe strains that COVID has had on the organization. There is a slight disagreement though because (Watts 2020) says that Stan Kroenke has “already started covering some financial commitments”. The other sources that quote directly from the club however don’t mention the owners support and responsibilities as financial. This is quite critical as there are two different images being painted out. Watts (2020) says that the owner has had to use his personal wealth to in order to diminish the effects of “an already difficult financial situation”. This explanation portrays the owner’s involvement as forced or a last-ditch attempt. In comparison, the quote from (Lerner 2021), (McNicolas 2021) and (Olley 2021) saying “the club continues to have the unwavering support and commitment of its parent company” puts the club Arsenal FC and the owner Stan Kroenke as a separate entity altogether. This gives the impression that the owner’s personal wealth hasn’t been affected much but all he’s doing is encouraging the club morally to fight against the effects of the COVID pandemic.

Another stakeholder group that will be analyzed is the employees of Arsenal FC. It has been widely reported that Arsenal FC made 55 redundancies in order to reduce its costs to mitigate the impacts of the COVID 19 pandemic. This is quoted by “Arsenal made 55 non-playing staff redundant in August and later took out an additional £120m loan from the Bank of England to help with short-term cashflow issues which is due to be repaid by the end of May” (Olley 2021) and “Later that year, Arsenal announced plans to make 55 staff redundant as the pandemic continued to hit the club’s finances.” (McNicolas 2021). Olley (2021) hints that the 55 redundancies were not sufficient enough and that Arsenal FC had to borrow £120 million from the Bank of England. McMahon (2021) also quotes this in his article adding that the loan had to be payed back in May 2021. Looking at McMahon (2020), Watts (2020) and Arsenal Supporters Trust (2020) however, they don’t mention anything about Arsenal making 55 staff redundancies. It is important to point this contrast in information out because it brings about the question as to if McNicolas (2021) and Olley (2021) are quoting factual information or not. The material they provide was written in 2021 hence a closer date to present date therefore this may work in their favor as they most likely have more up to date football opposed to the others.

The last and arguably the most important stakeholder group according to the club itself is the fans of Arsenal FC as they contribute immensely to the revenues of the organization. “Matches continue to be played without fan attendance and consequently the club is operating without one of its key revenue streams.” McNicolas (2021) This is McNicolas saying that the fans and supporters of Arsenal not being allowed into stadiums as a result of the COVID pandemic has not only affected them emotionally, but it’s also hampered their ability to use their personal finance (tickets purchases) into helping the organization come out of the COVID pandemic troubles . “All that said, Arsenal fans are anxious for an idea as to the club’s financial situation” (Arsenal Supporters Trust 2020). The word “anxious” being used in the article further backs McNicolas (2020)’s points even further that not being able to interact with their club due to COVID has made them feel very uneasy and they miss the feeling of networking with their club.

How will Arsenal respond to the effects of the COVID pandemic?

When it comes to recovering strategies though, 3 out of the 5 sources did mention that a strategy Arsenal FC used in attempt to mitigate the immediate Financial burden that COVID-19 was having on them by a fair amount of their employees take a 12.5% pay cut for 12 months. This is mentioned in Olley (2021), McNicolas (2021), and Arsenal Supporters Trust (2020). This gives off the indication that this information is likely factual. McMahon (2020) mentions nothing about this however Watts (2020) does mention this topic with information that differs from the 3 other sources. Watts (2020) says that in fact the 12.5% pay cut for 12 months was rejected by the employees asked to take it. The source says, “It's not just supporters that are asking that question either. It’s the players as well, which is why we are in the situation we are now, with the squad rejecting Arsenal’s latest proposal: a year-long 12.5 per cent wage cut.” This is interesting as the other 3 sources say that yes, the pay-cut was taken whilst Watts (2020) says that no, it wasn’t taken but it was actually rejected. In addition to this, another thing that Watts (2020) mentions that Olley (2021), McNicolas (2021) and Arsenal’s Supporters Trust (2020) don’t mention is that there were 14 employees in Arsenal that actually gave up 1/3 of their wages. They were from the executive team. Olley (2020) says, “But the decision taken by Arsenal's 14-man executive team - which includes head of football Raul Sanllehi, managing director Vinai Venkatesham and academy manager Per Mertesacker, to waive more than a third of their own wages for the next 12 months certainly puts pressure on the squad to share some of the financial burden.” This is another difference which brings up the question on the accuracy of Olley (2020)’s source as there are various dissimilarities that don’t correlate with what the other 3 sources are saying, (His message doesn’t align with the majority). One could say that this may be because Olley (2020)’s source was issued earliest meaning he didn’t have all the ins and outs of what was actually going on whilst the other sources were published later when further and more accurate information had come out either from Arsenal FC themselves or an inside source.

Conclusion

So back to the main question then, how much damage has the pandemic had on Arsenal FC and its Finances? The Pandemic has had a massive hit on Arsenal FC’s cash flow, revenue streams and total overheads as a whole. In the year of the COVID pandemic, Arsenal have recorded a net loss of £47.8 million as reported by Lerner (2021), Olley (2021) and McNicolas (2020). This in its own is insane because Arsenal FC are one of the most well-known profitable organizations out there. They are a football club that other Businesses not only within the same industry but outside the sporting industry look to and even rely on in some cases. This is even more shocking when put into context as McMahon (2020) says it’s the first time in nearly 2 decades that the organization has recorded a net loss. It is fair to say that the pandemic played a major role is this demise as it has stood in the way of a large chunk of Arsenal’s revenue streams such as income from the sale of tickets, income from the sale of merchandise and income from the delivering of football match services to its fans live. With all this loss in revenue, Arsenal’s costs still remained high in terms of player and employee wages and salaries, Depreciation and Amortization costs, repair costs, finance charges and other expenses. They even tried to mitigate these costs by having their playing staff and other high earners take a 12,5% pay cut as said by Olley (2021), McNicolas (2021) and Arsenal Supporters Trust (2020) and although this may have helped slightly, in the grand scheme of things, they still almost recorded a £50 million loss. The owner of Arsenal, Stan Kroenke and his entity, Kroenke Sports and Entertainment tried to mitigate the severe impacts of this lost revenue by injecting personal wealth into the club as stated by Watts (2020) however it is evident to see that even that was not enough to prevent them from making a historical net loss. It is also fascinating to see that Arsenal even borrowed £120 million from the Bank of England as said by Olley (2021) and McMahon (2021) and even with this insurmountable figure they weren’t able to stay above break even. That alone in itself should demonstrate how hard the impact of COVID hit Arsenal. It is also quite clear to see that the pandemic didn’t only have an impact on Arsenal as the firm, but it also had strong implications on the other entities and individuals that interact with the club such as the supporters, owners and other stakeholder groups. To conclude, the COVID pandemics impact on Arsenal was historical financially. When the profits of previous years are compared to the year end 2020, (McMahon (2020), Arsenal Supporters Trust (2020)) this is clear to see and the major cause of this was indeed the effects of the COVID pandemic.

Reflection

There were many shortcomings during the course of the Research project. First of all, finding sources that were concise and to the point; many of the sources that are included don’t only talk about the COVID pandemics impact on Arsenal FC and its finances throughout. There were elements of the articles that dived into different fields therefore lots of scanning was done in order to make sure that all the quotes and information that was taken was relevant and in the right context. Another shortcoming was differentiating between information and data that was primary whilst comparing them to data that was secondary. It was important to address primary data properly and give the benefit of the doubt where necessary to some authors without being harshly critical. Likewise, it was also quite challenging not to give articles that were written in more recent dates the priority as the likelihood of the information in them being more concise and accurate is probably higher. Possible Research Questions for the future include, five years after the pandemic, has Arsenal FC recovered from the impacts of COVID? How did Arsenal FC end up recovering from the pandemic? And To what extent did the pandemic hamper Arsenal’s plans for future years? The data that was found during the course of this research project was quite reliable. There may have been a few cognitive biases though as a few of the sources, most notably Watts (2020), McNicolas (2021), Arsenal Supporters Trust (2020) and Olley (2021) are and have been senior Arsenal FC correspondents for their respective organizations for a substantial amount of time. This could be a possible reason to question if all their data is accurate without having any elements of biasness or questions of propaganda.

Reference List

Arsenal Supporters’ Trust. (2020), *How COVID-19 is affecting Arsenal’s financial position and what impact has the transfer window made?*, Retrieved on Wednesday 28th April, from :[How COVID-19 is affecting Arsenal’s financial position and what impact has the transfer window made? (arsenaltrust.org)](https://www.arsenaltrust.org/feed/afc-finances/2020/AST-Nov-FinancialAnalysis)

Collings,S. (2021), *How Arsenal’s community work kept fans connected during the Covid-19 Pademic, Retrieved on Wednesday 28th April*, from :[How Arsenal’s community work kept fans connected during the Covid-19 pandemic | Evening Standard](https://www.standard.co.uk/sport/football/arsenal-fc-how-community-work-kept-fans-connected-coronavirus-pandemic-b931793.html)

Deloittle Sports Business Group. (2021), *Testing Times*, Retrieved on Wednesday 28th April, from :[deloitte-uk-deloitte-football-money-league-2021.pdf](https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/sports-business-group/deloitte-uk-deloitte-football-money-league-2021.pdf)

Lerner,A. (2021), *Are Arsenal in financial trouble?*, Retrieved on Wednesday 28th April, from :[Are Arsenal in financial trouble? Arsenal release 2019-2020 financial results. - The Short Fuse (sbnation.com)](https://theshortfuse.sbnation.com/2021/3/5/22315561/arsenal-2019-2020-financial-results-reports-trouble-loss)

McMahon,B. (2020), *Arsenal Announces First financial Lost Since 2002* – A Harbinger Of Tough Times Ahead, Retrieved on Wednesday 28th April, from :[Arsenal Announces First Financial Loss Since 2002—A Harbinger Of Tough Times Ahead (forbes.com)](https://www.forbes.com/sites/bobbymcmahon/2020/03/01/how-arsenal-turned-a-57m-profit-into-a-loss-of-27m-loss/)

McNicolas,J. (2021), *Arenal blame COVID-19 for $47.8m loss*, Retrieved on Wednesday 28th April, from :[Arsenal financial results: Coronavirus blamed for £47.8m loss - The Athletic](https://theathletic.com/news/arsenal-financial-results-coronavirus/xK7Gi61zXdcf)

Olley,J. (2021), *Arsenal Cite COVID-19 impact as club announce $47 million loss*, Retrieved on Wednesday 28th April, from :[Arsenal cite COVID-19 impact as club announce £47 million loss (espn.com)](https://www.espn.com/soccer/arsenal/story/4330087/arsenal-cite-covid-19-impact-as-club-announce-47-million-loss)

Watts,C. (2020), *Wage cuts and lost millions – Why Arsenal are facing a financial black hole*, Retrieved on Wednesday 28th April, from :[Wage cuts & lost millions - Why Arsenal are facing a financial black hole | Goal.com](https://www.goal.com/en-gb/news/wage-cuts-lost-millions-why-arsenal-are-facing-a-financial-black-/1rn7mlr1l5k2r129w96et964eb)

Ship Technology. (2021). *The Worlds biggest Shipping companies in 2020*. [The ten biggest shipping companies by TEU capacity in 2020 (ship-technology.com)](https://www.ship-technology.com/features/the-ten-biggest-shipping-companies-in-2020/)

Terje Kristiansen. (2020). *The Evolution of Supply Chain management in the Maritime Industry*. [The Evolution of Maritime Supply Chain Management (shipnet.no)](https://www.shipnet.no/evolution-of-maritime-supply-chain-management/)

JLK TRADE LLC. (2020). *Transport and Shipping.* [logistics and supply chain - JLK TRADE LLC](https://www.jlktrade.com/logistics-and-supply-chain.html)

## Peter Sand. (2021). *MACROECONOMICS: SHIPPING ENJOYS A HIGHER TRADE MULTIPLIER AS 2021 PROMISES A SLOW RECOVERY.* [Macroeconomics: shipping enjoys a higher trade multiplier as 2021 promises a slow recovery (bimco.org)](https://www.bimco.org/news/market_analysis/2021/20210224_macroeconomics)