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**Greek Football at a Financial Crossroad**

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## **Introduction**

The financial condition of the Greek football Clubs has recently deteriorated primarily because of the instability created by television money that was poured into Greek professional football, and the bankruptcy of one of the two major providers of cable television coverage of the games. However, the economic prospects of Greek football are expected to be positively affected by two major events: the Olympic Games that will take place in Greece in August 2004 and the participation of the Greek national team, after 24 years, in the European Finals that will be hosted by Portugal in June of 2004. These opportunities may lift Greek football to the standards of other European countries with similar socioeconomic and demographic characteristics such as Portugal, Belgium, Sweden and Holland. These opportunities will be examined later. The next section will look at the organization of the Greek football and its relative competitive position in the World and in Europe. Two major problems will be discussed in the next two sections: the falling demand for live attendance and the financial position of professional football clubs.

## **The Organization of the Greek Football**

The historical development of Greek football has been influenced by similar developments within the wider realm of European football.<sup>1</sup> The Hellenic Football Federation (HFF) was founded in 1926 by the three regional associations of Athens, Piraeus and Thessalonica. In 1927 the HFF became a FIFA member and in 1954 was one of the founding members of UEFA. It is the largest sports federation in Greece with about 5500 football clubs, 70% of which participate in various kinds of competition, organized in 51 regional associations. According to the HFF estimates, there are about 2 million registered players, or almost 20% of the Greek population. In the 1959-60 period, Greece created for the first time a real division. In the 1979-80 period this division became a professional division with the creation of the Greek Football League. Throughout this period the number of teams has varied from 14 (2001-02 season), 16 (1983-1989 and 2003-2004 seasons) to 18 (1979-1983 and 1989-2001 seasons).

The Greek League is responsible for organizing the Football Championships of the first three divisions. League members can only be football clubs that operate as private companies according to the rules and regulations of the Ministry of Development. They are obliged to make their accounts public and submit their Balance Sheets and Capital Accounts every year to the Ministry of Development. The source of income for football clubs are gate receipts, sponsors, television receipts from live coverage and a certain percentage of the lottery money that are allocated through the Greek League. Financial difficulties imply relegation but so far this has been never applied to big clubs. Actually, legal loopholes are found that keep the teams in Division One, even if it requires changing names and competing with a new name without relegation. The owners of the majority of professional football clubs are business people that either have a long affiliation with the club, or they are recent

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<sup>1</sup> This is true for all national Leagues that are influenced by European Developments. This perspective is emphasized in a recent journalistic study of the English football, see Banks (2002).

entrants into this business with the object of acquiring wider publicity and reconnaissance.

Almost all of the professional football clubs have a history that relates to the history of Greece. After the loss of the war with Turkey in 1920s, and the influx of more than a million of Greek refugees from Asia Minor - which amounted to almost 20% of the Greek population at the time - a number of Greek football teams were founded by these refugees as cultural entities that reminded them at their birthplace. Thus, the names of the two big football clubs, AEK in Athens and PAOK in Thessalonica, come from Constantinople (Istanbul) in Turkey. Other clubs such as Panionios, Apollon, Ionikos, and Xalkidon are names that come from the lost lands in Turkey. Thus, the role of the football clubs went beyond the simple activity of participating in football games. Actually, the clubs were not restricted to football but promoted sports and culture in general. This historical role of football clubs should be extended to social aspects as well. Social and geographical differences have played a role in the development of Greek football. For example, there are social differences between the fans of Panathinaikos and Olympiakos in terms of social class, educational level and geographical region. Similarly, the division between north and south, never a serious one in the political and economic sphere, is very strong in the realm of football competition.

**Table 1: Frequency Distribution of the Greek Football Champions, 1959-2003.**

Club	Number of Champions	Relative Frequency
Olympiakos	17	38,6
Panathinaikos	15	34,1
AEK	9	20,5
PAOK	2	4,5
Larissa	1	2,3
<b>Total</b>	<b>44</b>	<b>100</b>

Source: HFF.

Greek football is dominated by a limited number of football clubs that are located in the wider area of Attica (Athens and Piraeus). As shown in Table 1, the 3 teams from the Attica area have won more than 90% of the Greek Championships since 1959. PAOK, the team from Thessalonica, won the championship two times, and only once, the city of Larissa, a team outside the two dominant cities of Athens and Thessalonica, won the champion in the 1987-88 season.

**Table 2: UEFA Ranking of 10 Top European Countries**

<b>Rank</b>	<b>Country</b>	<b>Points</b>
1	Spain	73226
2	England	57903
3	Italy	51061
4	Germany	49203
5	France	41611
6	Portugal	38083
7	Greece	34582
8	Holland	32748
9	Czech Republic	32325
10	Turkey	30791

Source: UEFA

Table 3: FIFA World Ranking on 18 February 2004

<b>World Rank</b>	<b>European Rank</b>	<b>National Team</b>	<b>Points</b>
1		Brazil	846
2	1	France	828
3	2	Spain	795
4	3	Netherlands	749
5		Mexico	742
6		Argentina	741
7	4	England	740
8	5	Czech Republic	739
9	6	Turkey	737
10	6	Italy	731
11		United States	729
12	7	Germany	727
13		Cameroon	720
14	8	Denmark	712
15	9	Ireland Republic	709
16	10	Belgium	693
17	11	Portugal	681
18		Costa Rica	679
19	12	Croatia	676
20	13	Sweden	674
21		Nigeria	672
22		Uruguay	669
23		Korea Republic	665
24		Paraguay	661
25	14	Russia	657
26	15	Poland	654
27		Senegal	651
28	16	Romania	650
28		Japan	650
30		Saudi Arabia	648
31		Iran	646
31		Tunisia	646
33		Morocco	644
34		Egypt	641
35	17	Slovenia	640
36	18	Greece	639
37	19	Bulgaria	625
38		South Africa	620
39	20	Norway	619
40		Ecuador	613

Source: FIFA

According to UEFA ranking, Greek football is currently (March 2004) at seventh place (see Table 2) with 3 teams participating in the European Champion League. This has been the result of greater investments that recently have been made in the top football clubs by the transferring of international players and the development of home talent. The top clubs, such as Olympiakos and Panathinaikos, consider the participation in European Championships not only as a source of income but as yielding to the desire of their supporters who want more than just the national championships. The law of declining marginal utility applies here: too many national championships won by two teams, but no Greek team ever won a European title.

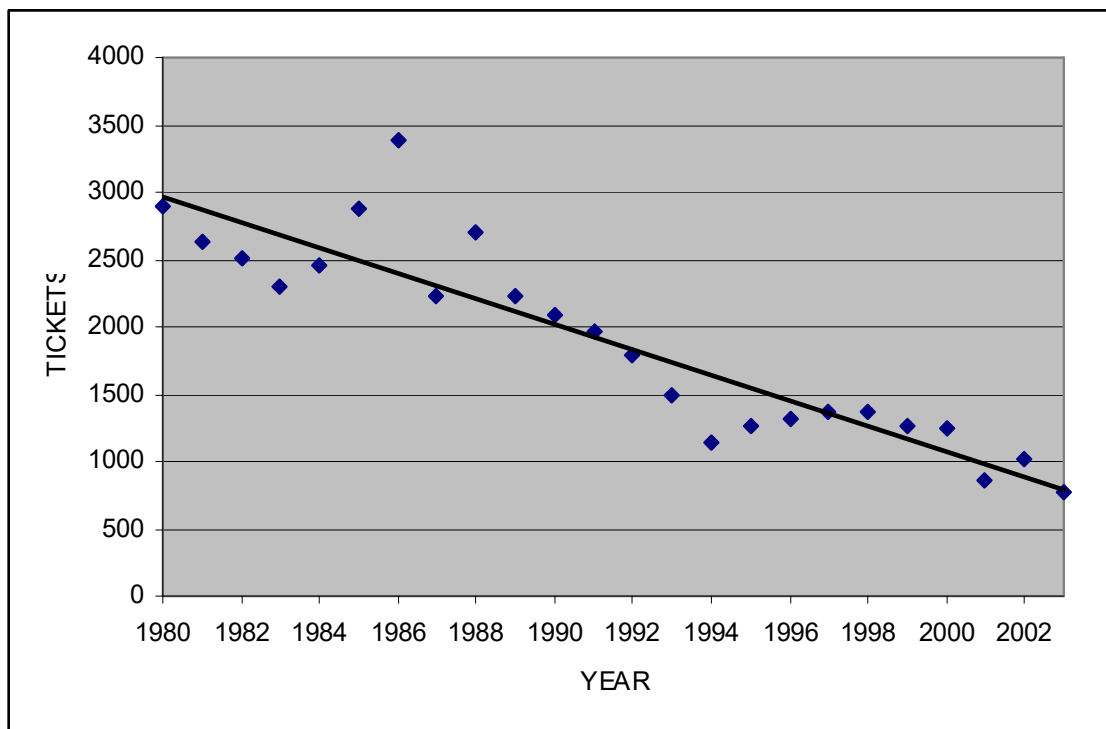
The picture is completely different when the FIFA ranking of national teams is taken into consideration. As reported in Table 3, the Greek national team ranks relatively lower, 40<sup>th</sup> place in the world and 18<sup>th</sup> in Europe. Overall, Greek football cannot be considered a big European power; rather it is at the middle without any success either at the club or national team level. Greek football could compete only with great difficulty at the European or World level even if some major problems are eliminated. These problems relate to declining number of gate receipts and the unstable income that comes from television rights and other major sponsors. These issues will be discussed in the next sections.

### **The Demand for Greek Football: Attendance, Ticket Prices and Gate Receipts**

This section will examine the trends of attendance, ticket prices and gate receipts of the Division One of the Greek Football League during the 1979-2003 period. As can be seen from Figure 1, ticket sales have been declining throughout the 1990s and the first years of the 2000s. The average ticket sales for the entire period under consideration were 1.8 million tickets per season. In the 1980s, the annual ticket sales were 2.6 million, while in the 1990s and 2000s it dropped to half, or about 1.3 million tickets. A number of reasons can explain declining attendance such as live television coverage, declining competition for the championships and the dominance of one team. Additionally, the development of other rival sports with successes in the European Championship at a club and national squad level, violence and the quality of stadiums might explain the fall in attendance. On top of all this, the rise of real ticket prices has had a dampening effect on attendance. Each of these reasons will be briefly discussed below.

In the mid-1990s, a deal was signed between the leagues and a television cable channel that permitted the live coverage of a specific number of games per week, usually the most important games between the big rivals for the national championship. This move definitely had an influence on attendance. Even though there is no systematic study that shows this influence, empty seats in games that one could not find a ticket for before the live television coverage and the disappearance of the black market for tickets is a demonstration that television has had a negative impact. Today the live coverage extends to almost all games of the League, given that each team has the right to negotiate individually the television rights. The appearance of a second cable channel in 2001-2002 and its immediate bankruptcy created a financial shock, particularly to small teams of the League that depend almost exclusively on non-gate revenues for their survival. As shown below, in almost one-third of the teams, more than 90% of their budget is financed by non-gate receipts, the majority of which is television money.

Figure 1: Ticket Sales in Greek Football, Division One, 1979/80-2002/03  
(Thousands of Spectators)



The second possible reason that can explain the decline of attendance in the 1990s may be the low fan interest in the games because of the lack of competitive balance.<sup>2</sup> In the previous section, it was shown that the Greek football championships are dominated by 2 or 3 teams that win the great majority of titles. Since 1988, the dominance of these 3 teams has been complete (see Table 4). No other team has won a title in the last 15 years of the Greek football championship seasons. Even worse, the Olympiakos team set a record by winning the last seven titles!

By the end of the 1980s and beginning of the 1990s Greek Football had to face the competition of other sports such as basketball, volleyball, and track and field. All the big football teams have professional teams in these other team sports as well. Starting with the great success of the Greek national basketball team that won the European Championships in the late 1980s, the basketball teams of PAOK, ARIS, OLYMPIAKOS and PANATHINAIKOS were very successful in winning European Championships. During that period, the attendance in the basketball arenas was higher than in the football fields. Football fans have been so loyal to their team and so hungry for European titles that even in sports such as water polo it can attract huge crowds. The joke was that if the chess team of Olympiakos played a European final it could fill a football stadium. The success of the other sports of the same club might have had a negative impact on football attendance.

<sup>2</sup> The evidence of the competitive balance on attendance is not clear. See the articles by Marburger, Humphreys, Hall et al and Noll in the special issue of *The Journal of Sports Economics*, Vol. 3, No 2, May 2002.

Table 4: Division One Professional Champions, 1979-2003

SEASON	CHAMPION	SEASON	CHAMPION
1979-80	OLYMPIAKOS	1991-92	AEK
1980-81	OLYMPIAKOS	1992-93	AEK
1981-82	OLYMPIAKOS	1993-94	AEK
1982-83	OLYMPIAKOS	1994-95	PANATHINAIKOS
1983-84	PANATHINAIKOS	1995-96	PANATHINAIKOS
1984-85	PAOK	1996-97	OLYMPIAKOS
1985-86	PANATHINAIKOS	1997-98	OLYMPIAKOS
1986-87	OLYMPIAKOS	1998-99	OLYMPIAKOS
1987-88	LARISSA	1999-00	OLYMPIAKOS
1988-89	AEK	2000-01	OLYMPIAKOS
1989-90	PANATHINAIKOS	2001-02	OLYMPIAKOS
1990-91	PANATHINAIKOS	2002-03	OLYMPIAKOS

Falling attendance might also be due to the rise of unprovoked violence in the stadiums between rival supporters, and even to the deterioration of the football stadiums themselves. Throughout the 1990s, investment in new stadium construction was almost zero. Some attempts to upgrade the already-old football fields has not improved the existing infrastructure. As we shall see below, this picture will change entirely in the post Olympic Games period when 6 entirely new football stadiums will be available for football clubs to use and two more are in the plans for construction. There is no question that without the Olympic Games these types of investments would never have been possible, see Kintis, et. al. (2004).<sup>3</sup>

A final possible explanation might be the higher ticket prices. Figure 2 reports ticket prices in constant 2001 €. They are deflated by the Consumer Price Index. Real ticket prices have been rising throughout the 1990s and early 2000s. The average ticket price for the entire period was 6.8 euro. In the 1980s, the real ticket price was 5.4 euro compared with the 8 euros during the 1990-2003 seasons.

The inverse relation between ticket prices and attendance, the demand curve for Greek football, is depicted in Figure 3.<sup>4</sup> The demand is inelastic which explains why the fall in attendance was not matched by a fall in total gate receipts. Figure 4 shows that gate receipts remained relatively stable throughout the 1990s and early 2000s. However, throughout the 1980s gate receipts fell from 22 million in the 1979-1980 season to about 10 million by the end of the decade. On average, in the 1980s the gate receipts were 14 million per season. In the 1990s and 2000s, the average gate receipts per season remain relative flat at 10 million euros. Thus, a major source of financial

<sup>3</sup> The issue of building stadiums using public money that are used by private sports companies has been very controversial and most economists have been very critical, see Rich (2000) and Siegfried, J. & Zimbalist, A. (2000).

<sup>4</sup> In Papanikos (2002) a demand for Greek football was estimated for the 1979-2001 seasons with the following form (all variables were expressed in logarithms):  
 $Tickets = -22.03 - 0.8(PRICE) + 3.52 (GDP) - 0.1(TIME)$ ,  $R^2 = 0.9307$ ,  $D.W.=2.17$   
 All explanatory variables were statistically significant. The t-values were 5.98, 3.84 and 7.07 for PRICE, GDP and TIME respectively.



instability in the 1990s relative to 1980s was the declining revenue from falling attendance, even though ticket prices were increasing. Nevertheless, ticket sales do not represent the major source of football revenues. Revenue from television and sponsors has become the most important source, primarily for the small football clubs. The recent structure of clubs' revenues and spending will be analyzed in the next section.

Figure 2: Ticket Prices in Division One of Greek Football, 1979/80-2002/03 (in constant 2001 €)

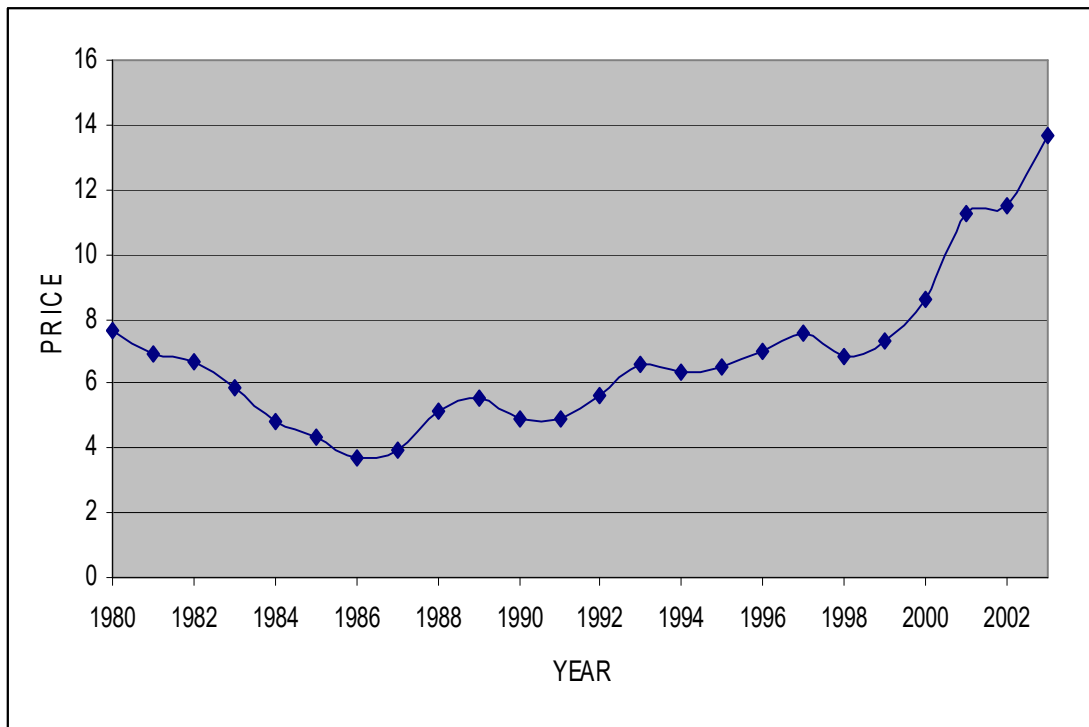


Figure 3: The Demand Curve for Division One of Greek Football, 1979/80-2002/03  
 (Note: Prices are in 2001 € and tickets are measured in thousands).

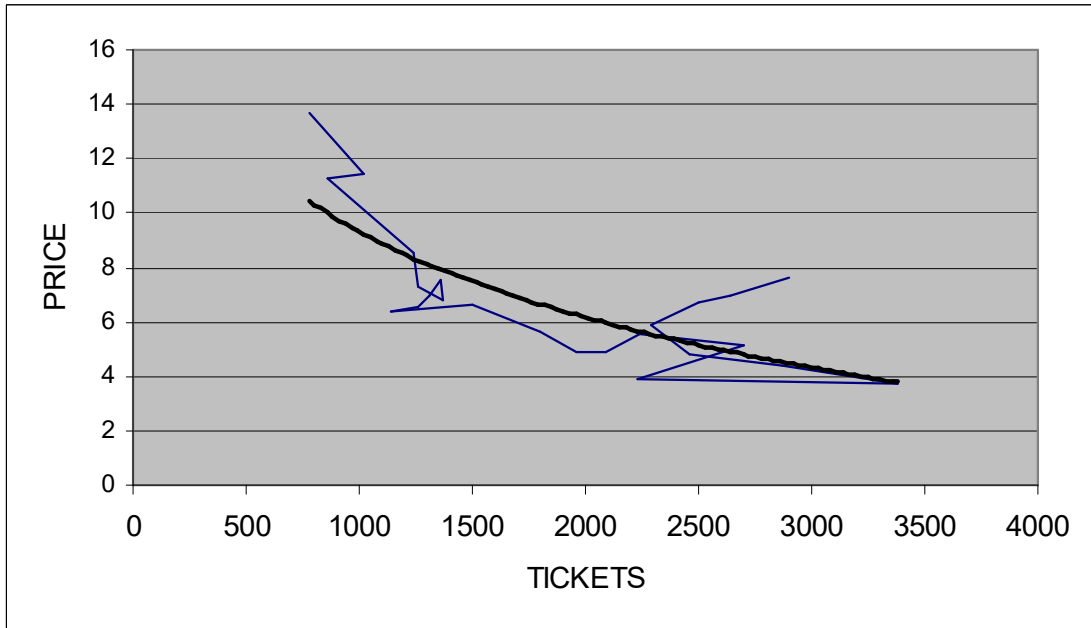
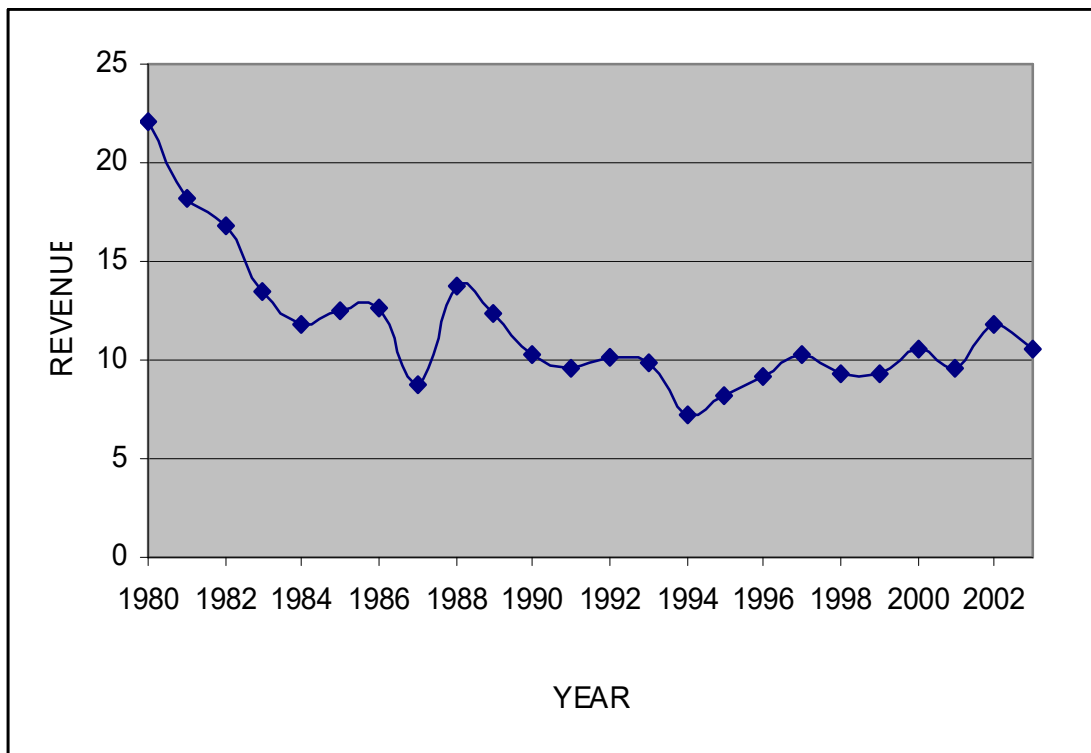


Figure 4: Gate Receipts in Division One of Greek Football, 1979/80-2002/03  
 (Millions of € in constant 2001 prices)



### The Current Financial Position of Greek Football Clubs

The total revenue generated by all teams in Division One was 115 million euro, 40% of which came from gate receipts. On average each football club generated 7.2 million euro in revenue of which 2.9 million came from gate receipts. Other revenue includes television coverage, sponsors and lottery allocated from the state company of lotteries. Table 4 presents these data per team. A number of points should be mentioned because they can illustrate the current financial problems of Greek football. Half of the teams rely for more than two-thirds of their revenues on non-gate receipts. Some teams in the wider area of Attica have absolutely no supporters, i.e. Aigaleo, Ionikos, Akratitos and Proodeutiki. Their home attendance depends on their home games with the big teams of Athens (Olympiakos, Panathinaikos and AEK).

Table 4: Revenue by Football Club, 2002-2003 Season  
(Thousands of €)

Club	Total Revenue	Gate Receipts	Percentage	Other Revenue	Percentage
AEK	15533	8418	54	7115	46
AIGALEO	3302	368	11	2934	89
AKRATITOS	2643	147	6	2496	94
ARIS	8201	2419	29	5782	71
IONIKOS	3921	179	5	3742	95
IRAKLIS	4765	3180	67	1585	33
KALITHEA	3123	2464	79	659	21
OFI	5179	3427	66	1752	34
OLYMPIAKOS	34205	7920	23	26285	77
PANATHINAIKOS	16661	10194	61	6467	39
PANILIAKOS	1669	59	4	1610	96
PANIONIOS	2368	1232	52	1136	48
PAOK	7214	4625	64	2589	36
PROODEUTIKI	984	235	24	749	76
SKODA-XANTHI	4598	1631	35	2967	65
XALKIDON	741	13	2	728	98
<b>TOTAL</b>	<b>115107</b>	<b>46511</b>	<b>40</b>	<b>68596</b>	<b>60</b>
<b>AVERAGE</b>	<b>7194</b>	<b>2907</b>		<b>2828</b>	

Source: Author's Analysis of the Clubs' Balance Sheets and Capital Accounts.

According to data presented in Table 5, the accumulated losses of all the football clubs was 82.6 million euros in the 2002-03 season which was more than triple relative to 2001-02 season. This is because of the reduced revenue from television and other sponsors. As of June 2003 the accumulated losses of all Greek football clubs reached 275 million euros. Teams like AEK and ARIS are facing serious financial problems but there are political reasons that can explain why they are not going into administration. Other popular teams such as PAOK get indirect government support, i.e. a state company sponsors the shirt of the team. Even though the government is not allowed by competition law to support football clubs because they are private companies, there are, however, many sub-rosa strategies for support such as the non-implementation of the tax law.

Table 5: Profits, Losses and Accumulated Debt by Football Club  
(Thousands of €)

Club	Profit or Loss (-) in the 2002-2003 season	Profits or Loss (-) in the 2001-2002 season	Accumulated losses as of June 2003	Value of Players as of June 2003
AEK	-24538	-2718	87222	16215
AIGALEO	30	223	1986	928
AKRATITOS	-2366	-1305	4489	222
ARIS	-3633	-8657	36973	2055
IONIKOS	21	308	803	247
IRAKLIS	-4228	-4833	14617	3086
KALITHEA	1103	-182	-190	815
OFI	-15	-1004	4298	464
OLYMPIAKOS	-26347	-11040	61588	26718
PANATHINAIKOS	-14258	8400	31890	18497
PANILIAKOS	383	-254	1218	0
PANIONIOS	-316	N.A.	316	N.A.
PAOK	-7531	-4009	24218	9817
PROODEUTIKI	-101	115	3483	122
SKODA-XANTHI	-260	178	721	2638
XALKIDON	-517	-232	1575	313
<b>TOTAL</b>	<b>-82573</b>	<b>-25010</b>	<b>275207</b>	<b>82137</b>
<b>AVERAGE</b>	<b>-5161</b>	<b>-1667</b>	<b>17200</b>	<b>5476</b>

Source: Author's Analysis of the Clubs' Balance Sheets and Capital Accounts.

Table 6: Spending by Football Club, 2002-2003 Season  
(Thousands of €)

Club	Total Spending	Players' Salaries	Percentage
AEK	40071	17561	44
AIGALEO	3272	1459	45
AKRATITOS	5009	4039	81
ARIS	11834	10804	91
IONIKOS	3900	3587	92
IRAKLIS	8993	7760	86
KALITHEA	2020	1679	83
OFI	5194	4249	82
OLYMPIAKOS	60552	41446	68
PANATHINAIKOS	30919	21367	69
PANILIAKOS	1286	1082	84
PANIONIOS	2684	2295	86
PAOK	14745	10666	72
PROODEUTIKI	1085	687	63
SKODA-XANTHI	4858	4064	84
XALKIDON	1258	1225	97
<b>TOTAL</b>	<b>197680</b>	<b>133970</b>	<b>68</b>
<b>AVERAGE</b>	<b>12351</b>	<b>8373</b>	

Source: Author's Analysis of the Clubs' Balance Sheets and Capital Accounts.

Table 6 shows the budget of each football club and the players' portion of this. The Greek Football League is an industry of almost 200 million euros of which more than two-thirds goes to pay the salaries of football players (68%). The average team budget is 12.4 million euros. Big teams have large budgets. Olympiakos, for example, has a budget of 60 million euros, AEK 40 million and Panathinaikos 30 million euros. These three teams account for 66% of all the League's spending. Half of the teams have a budget of less than 5 million euros.

### **Investments in New Football Stadiums and other Sports Infrastructure**

Greek football is at a financial crossroad. The financial prospects of Greek football depend very much on two things. First, the success of the Greek national team and its participation in the European Finals in Portugal will give a further stimulus to Greek football. The magnitude of this stimulus will depend very much on the degree of the national team's success in Portugal. Equally important will be the success of the Greek Olympic football team during the Olympic Games that will take place in Greece in August 2004. If these two sports participations are successful, then home interest for the Greek League will increase. If the two teams fail, then a negative impact can be expected for the future development of Greek football.

Another factor is expected to have a positive impact. A number of football stadiums have been built or completely renovated: the Olympic Stadium that in the past was used for the home games of the big teams of Athens; the brand new Karaiskaki Stadium that is going to be ready for the Olympics (which was financed by private funds but with land that was provided by the state); a Stadium in Thessalonica that will be used by Iraklis football club after the Olympics; a football Stadium in Patras, the third largest city of Greece; a stadium in the city of Volos; and, a brand new stadium on the island of Crete. Also, because of the Olympic Games a number of other stadiums have been renovated throughout Greece that will be used as training camps for the teams that will participate in the Olympic and Paralympic Games. In addition, the two big clubs of Athens, Panathinaikos and AEK are expected very soon to build their own brand new stadiums. This improved infrastructure is expected to have a positive impact on the financial prospects of football clubs in Greece.

### **Conclusions**

The purpose of this paper has been to provide some information on the economic aspects of Greek professional sports. Greek football is not very big relative to other European countries but it is the largest sports industry in Greece, and with wider historical, economic, social and political significance. The overall turnover is about 200 million euros. However, Greece, because of its unique world historical tradition in sports, attracts the interest of the world, particularly this year because of the Olympic Games. This great opportunity may instigate a revitalization of Greek football, particularly in area of attendance that has been declining throughout the 1990s and early 2000s. The new football infrastructure will definitely help Greek football to cope with the financial problems that it faces.

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