

Rebuilding Financial Resilience of Sports Assets in a High-Interest Rate Environment: A Comparative Analysis of LIV Golf and the PGA Tour

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Abstract. Since 2022, rising capital costs have shifted investor priorities from growth to stability, favoring established sports leagues over emerging ones like LIV Golf. This paper compares the business models of LIV Golf and the PGA Tour using theories from sports management and finance. It employs the Psychological Continuum Model (PCM), the Customer-Based Brand Equity (CBBE) Model, Switching Cost Theory, Discounted Cash Flow (DCF), and the Weighted Average Cost of Capital (WACC) to examine how fan loyalty, brand value, and financial performance are connected. Recent industry reports, macroeconomic data, and financial information back up the analysis. The results show that LIV Golf currently faces three main challenges: high cash burn, unpredictable operating cash flows, and low fan loyalty. On the other hand, the PGA Tour has developed a sustainable business model with strong emotional ties to fans, diverse income sources, and steady media rights revenue. To improve LIV Golf's long-term competitiveness, this paper suggests three strategies: the Legacy Series Alliance, the City Franchise System, and the LIV ID Loyalty Bank. These strategies aim to boost fan engagement, increase predictable revenue, reduce reliance on outside capital, and improve financial stability. The study concludes that in an environment with high interest rates, emotional and data capital are becoming just as important as financial capital for creating lasting competitive advantages in professional sports.

Keywords: LIV Golf, PGA Tour, Financial Resilience, Fan Loyalty, Sports Asset Valuation

1. Introduction

The global sports industry has entered a new phase of development since 2022. For over ten years after the global financial crisis, many countries kept interest rates low, which made it easier for companies and investors to access capital [1]. During this time, many sports organizations aimed for rapid growth because financing costs were quite low. However, the global economy has changed significantly in recent years. To control inflation, the U.S. Federal Reserve and many other central banks have increased interest rates, leading to higher borrowing costs and a more cautious investment environment [1]. As a result, investors are no longer willing to support sports

organizations that depend on future growth expectations. Instead, they prefer organizations that offer stable cash flows, sustainable business models, and predictable long-term returns [2, 3].

These shifts have created a new way of valuing sports assets. In the past, investors would fund leagues promising fast growth even if they suffered large financial losses. Today, however, rising capital costs mean that future cash flows are discounted more heavily, making profitability more important than expansion alone [2]. Sports organizations must therefore focus on long-term financial resilience rather than relying on continuous external investment. Fan loyalty, media rights, sponsorship income, and diversified commercial activities have become important sources of sustainable cash flow [2, 4].

LIV Golf is a notable example of these challenges. Since its launch in 2022, the league has gained worldwide attention by offering large signing bonuses and prize money to many of the world's top golfers [5]. Backed by Saudi Arabia's Public Investment Fund (PIF), LIV Golf has invested billions of dollars in player recruitment, tournament operations, and global marketing campaigns [5]. While these investments have attracted famous athletes and generated significant media attention, they have not yet built strong fan loyalty or stable commercial revenue [5]. As external financial support becomes harder to obtain, LIV Golf faces growing pressure to demonstrate that it can operate independently without relying entirely on sovereign wealth funding [5].

In contrast, the PGA Tour has maintained a stable and profitable business model for many decades. With its long history, prestigious tournaments, and strong relationships with broadcasters and sponsors, the PGA Tour has built a loyal fan base and diversified revenue sources [4, 5]. Its commercial success comes not only from television rights and sponsorship agreements but also from the emotional connections between fans, players, and tournament traditions [4, 6]. These intangible assets strengthen the organization's bargaining power and its ability to generate consistent cash flows, even during periods of economic uncertainty [2, 6].

The difference between the two organizations goes beyond tournament format or player quality. It reflects two fundamentally different economic models. LIV Golf relies heavily on financial investment to attract market attention, while the PGA Tour depends on long-term brand equity and fan loyalty to generate lasting value [4-6]. This distinction becomes increasingly important in a high-interest-rate environment, as investors tend to favor organizations with stable cash flows and lower financial risk [1-3].

This paper seeks to explain why these differences exist and what they mean for the future of professional golf. The study first reviews the key theories related to fan behavior, brand equity, switching costs, and financial valuation [2, 6-8]. It then compares LIV Golf and the PGA Tour from three perspectives: financial cash flow structure, fan loyalty and consumer behavior, and commercial bargaining power. Finally, the paper presents several practical strategies that could help LIV Golf improve its financial resilience as external financial support declines.

The importance of this research lies in bridging sport management with corporate finance. While earlier studies have often examined fan loyalty or financial performance separately, this paper combines both perspectives to demonstrate how emotional value influences long-term economic performance [2, 6]. The findings may also provide useful insights not only for LIV Golf but for other emerging sports organizations seeking sustainable growth in an increasingly competitive and capital-constrained market.

2. Theoretical framework and literature review

Understanding the long-term success of a sports organization requires both financial and behavioral analysis. Previous studies have shown that fan loyalty, brand equity, switching costs, and financial valuation are closely connected. Together, these theories explain why some sports organizations can generate stable cash flows while others continue to rely on external investment [2, 6-8].

One of the most influential theories in sport management is the Psychological Continuum Model (PCM), developed by Funk and James [6]. The model explains how individuals gradually develop stronger psychological relationships with sports organizations through four stages: awareness, attraction, attachment, and allegiance [6]. During the awareness stage, people simply recognize that a sports organization exists. In the attraction stage, they become interested because of exciting players, successful performances, or entertainment value [6]. As fans become emotionally connected, they enter the attachment stage. Finally, in the allegiance stage, sport becomes part of their personal identity, and they continue supporting the organization regardless of short-term performance or competitive results [6].

The PCM clearly explains the differences between LIV Golf and the PGA Tour. The PGA Tour has spent many decades building emotional relationships with golf fans through historic tournaments, legendary players, and long-standing traditions [6, 7]. Many supporters watch tournaments every season, purchase official merchandise, and introduce golf to younger family members. This strong loyalty creates stable demand and predictable commercial revenue [6, 7]. In contrast, LIV Golf has attracted public attention mainly through record-breaking prize money and famous players [5]. Although these strategies have increased public awareness, many viewers remain in the attraction stage rather than developing long-term emotional attachment. If financial incentives decrease or famous players leave the league, many fans may also lose interest, reducing the league's long-term revenue stability [5, 6].

Another important theory is Keller's Customer-Based Brand Equity (CBBE) Model [7]. According to this model, strong brands create value by developing customer awareness, favorable brand associations, perceived quality, emotional responses, and finally brand resonance [7]. Brand resonance represents the highest level of customer loyalty because consumers establish trust, emotional attachment, and long-term commitment to the brand [7]. In professional sports, organizations with strong brand equity are able to attract more sponsors, negotiate higher broadcasting fees, and maintain stable ticket sales [7, 9].

The PGA Tour demonstrates many characteristics of a highly valuable sports brand. Its long history, prestigious tournaments, and reputation for excellence have created strong emotional meaning for golf fans around the world [7, 9]. These positive brand associations increase customer trust and strengthen long-term commercial value [7]. By comparison, LIV Golf remains a relatively new organization that is still developing its brand identity [5]. Although it has gained worldwide attention, many consumers continue to view it as a new entertainment product instead of a traditional golf institution. Consequently, its brand equity and commercial influence remain weaker than those of the PGA Tour [5, 7, 9].

Switching Cost Theory provides another useful explanation for differences in fan behavior [8, 10]. Switching costs refer to the economic, psychological, and social costs consumers experience when changing from one product or service to another [8]. In professional sports, these costs include emotional attachment, personal identity, long-established viewing habits, and social relationships with other supporters [8, 10]. Higher switching costs make fans less likely to change their preferences, even when competing organizations offer attractive alternatives [8].

PGA Tour supporters generally have very high switching costs because many have followed the organization for decades and developed strong emotional connections with its traditions and history [6, 8]. Watching PGA Tour tournaments has become part of their lifestyle and personal identity. In comparison, many LIV Golf viewers are attracted mainly by famous players or large prize purses rather than the league itself [5]. Their psychological commitment remains relatively weak, making them more likely to leave if the entertainment value declines or financial incentives are reduced [5, 8].

Financial valuation theories further explain why these differences become more important in a high-interest-rate environment. The Discounted Cash Flow (DCF) model estimates the value of a business by calculating the present value of expected future cash flows, while the Weighted Average Cost of Capital (WACC) measures the average return required by investors [2]. When interest rates increase, WACC also rises, reducing the present value of future earnings and making investors less willing to support projects with uncertain profitability [1, 2]. Consequently, sports organizations with stable operating cash flows and loyal fan communities receive higher valuations than organizations that depend heavily on external financing [2, 3].

The relationship between fan loyalty and financial valuation is therefore especially important in professional sports. Loyal supporters purchase tickets, watch broadcasts, buy merchandise, and engage with sponsors over long periods of time, creating stable and predictable revenue streams [6, 7]. These recurring revenues improve future cash flow forecasts and reduce investment risk, making fan loyalty an important financial asset rather than simply a marketing objective [2, 7].

Although previous research has examined fan behavior, branding, or financial valuation separately, relatively few studies have combined these perspectives within the context of a high-interest-rate environment [2, 6, 7]. This study integrates theories from sport management and corporate finance to explain why the PGA Tour has developed stronger financial resilience than LIV Golf. By combining psychological theories with financial analysis, the paper provides a more comprehensive explanation of how emotional capital contributes to long-term commercial success.

Since 2022, rising inflation and higher interest rates have significantly impacted the global sports industry [1, 3]. Investors have grown more cautious and now expect sports organizations to produce stable cash flows instead of relying on constant external financing [2, 3]. As capital becomes more costly, organizations with uncertain profitability face mounting financial pressure [2].

The sports industry also faces increased competition for consumer attention. Streaming platforms, social media, esports, and other digital entertainment options compete with traditional sports for audience time [3, 4]. Therefore, sports organizations need to cultivate long-term fan loyalty rather than just depending on star athletes or short-term marketing actions [3, 6, 7].

LIV Golf grew quickly with financial backing from Saudi Arabia's Public Investment Fund, heavily investing in player contracts and tournament operations [5]. While these investments attracted elite golfers and global visibility, commercial revenues haven't expanded at the same rate, leaving the league heavily reliant on external funding [5].

The PGA Tour has adopted a more sustainable approach. Long-term media rights agreements, sponsorship contracts, ticket sales, and strong fan loyalty bring in diverse and reliable income [4, 5, 7]. The PGA Tour's long history and established reputation also help strengthen ties with commercial partners and lessen financial uncertainty [4, 7].

Currently, the macroeconomic environment favors sports organizations with steady revenue, strong brand recognition, and loyal fan bases [2, 3, 7]. Compared to LIV Golf, the PGA Tour is in a better position to maintain financial stability. Its competitive edge comes not just from financial resources but also from long-lasting emotional connections with fans [2, 6, 7].

3. Comparative analysis of LIV Golf and the PGA Tour

The comparison between LIV Golf and the PGA Tour shows that the two organizations have very different business models. Both leagues host professional golf tournaments and attract top players, but they differ greatly in financial structure, fan loyalty, and commercial negotiating power [2, 6, 7]. These differences are more relevant in a high-interest-rate environment since investors now prefer organizations with stable and predictable cash flows [1-3].

One major difference is in their cash flow structures. Since its launch, LIV Golf has leaned heavily on financial backing from the Saudi Public Investment Fund (PIF) [5]. A significant portion of this funding has gone to signing bonuses, tournament prize money, and global marketing campaigns [5]. While these investments have drawn world-class golfers, they also lead to very high operating costs [5]. Revenue from broadcasting, sponsorships, ticket sales, and merchandise remains limited, making the league very reliant on external funding [5]. Conversely, the PGA Tour has developed a more diverse business model. Income from media rights, sponsorship agreements, ticket sales, licensing, and commercial partnerships provides steady operating cash flows [4, 5]. This variety in revenue sources helps reduce financial risk and supports long-term sustainability [2, 4].

Fan loyalty is another key difference between the two organizations. The Psychological Continuum Model suggests that loyal fans support a sports organization because of emotional attachment, not just entertainment value [6]. The PGA Tour has successfully fostered this emotional connection through its long history, traditional tournaments, and strong reputation [6, 7]. Many fans watch tournaments each season, buy official merchandise, and remain loyal regardless of short-term performance [6, 7]. This behavior results in predictable revenue and bolsters the league's financial standing [2, 7]. In contrast, LIV Golf has gained viewers due to high-profile players and large prize money, but these motivations are less stable than emotional loyalty [5]. If player contracts change or prize money decreases, fans may lose interest, jeopardizing future revenue stability [5, 6, 8].

The difference in commercial negotiating power is also significant. Strong fan loyalty enables the PGA Tour to secure long-term agreements with broadcasters and sponsors [4, 7]. Partners expect stable audiences and consistent returns on their investments [4]. The league has built relationships with major media companies and global sponsors over many years, enhancing its commercial value [4, 7, 9]. LIV Golf, on the other hand, faces uncertainty in negotiating media rights and sponsorship contracts [5]. Its relatively unstable audience makes many commercial partners hesitant to commit to long-term investments [5]. This weaker negotiating position limits the league's ability to secure consistent commercial income [4, 5].

These differences directly affect financial resilience. Financial resilience is the ability of an organization to operate successfully despite economic challenges [2]. In a high-interest-rate environment, organizations with positive operating cash flows and diversified revenue streams are better equipped to navigate economic uncertainty [2, 3]. The PGA Tour shows strong financial resilience due to balanced revenue sources backed by loyal consumers [2, 4, 7]. LIV Golf, however, is vulnerable as it heavily relies on external investment and has yet to establish stable commercial income [5]. Thus, the gap between the two organizations is not just about financial investment but also about long-term business sustainability [2, 5].

4. Strategic recommendations for improving financial resilience

To achieve long-term financial stability, LIV Golf should gradually lessen its reliance on external investment and create a business model that fosters stable cash flows and loyal fan communities [2,

3]. This study suggests three strategic recommendations focused on enhancing brand value, increasing predictable revenue, and strengthening financial resilience.

The first recommendation is to set up a Legacy Series Alliance. Instead of creating entirely new traditions, LIV Golf could partner with historic golf courses, respected former players, and well-known tournament organizers [7, 9]. Such collaborations would boost the league's credibility while lowering the need for significant infrastructure investments [2, 9]. Working with traditional institutions could also build public trust and draw in more long-term sponsors [7, 9]. Over time, stronger brand recognition would increase fan loyalty and add commercial value [6, 7, 9].

The second recommendation is to introduce a City Franchise System. Similar to successful professional leagues in other sports, city-based teams can strengthen ties between clubs and local communities [4, 10]. Local ownership encourages regional businesses and investors to support the team, while fans build deeper emotional connections with their home clubs [6, 10]. This strategy would diversify revenue sources through local sponsorships, ticket sales, hospitality services, and community events [4]. More importantly, city-based franchises generate stable local cash flows that reduce dependence on a single investor [2, 4].

The third recommendation is to develop the LIV ID Loyalty Bank. Digital technology is crucial for enhancing customer relationships in the sports industry [3]. LIV Golf should create a membership platform that rewards fans for attending tournaments, watching broadcasts, buying merchandise, and participating in online activities [6, 7]. Fans could earn loyalty points that can be redeemed for exclusive experiences, discounted tickets, or limited-edition products [6]. At the same time, this platform would gather valuable first-party customer data, helping the organization understand consumer preferences and provide sponsors with accurate marketing insights [3, 7]. This strategy would convert casual viewers into long-term supporters while opening up additional commercial opportunities [6-8].

These three strategies work together to boost financial performance and fan loyalty. The Legacy Series Alliance builds brand legitimacy, the City Franchise System generates stable local revenue, and the LIV ID Loyalty Bank strengthens emotional connections with supporters [4, 6, 7, 9]. Together, these initiatives can gradually change LIV Golf from a capital-dependent organization into a financially sustainable sports entity. Though these changes will take time and investment, they offer a practical path toward enhancing long-term competitiveness in a high-interest-rate environment.

5. Conclusion

This study examined the impact of a high-interest-rate environment on professional sports organizations by comparing LIV Golf with the PGA Tour. The comparison shows that financial success depends not only on investment but also on strong fan loyalty, brand equity, and diversified revenue sources.

The analysis found that LIV Golf has successfully attracted elite players and public attention but still faces challenges in building loyal fan communities and predictable commercial income. In contrast, the PGA Tour benefits from its long history, strong brand reputation, diversified revenues, and stable relationships with fans, sponsors, and broadcasters. These advantages allow the PGA Tour to maintain stronger financial resilience during periods of economic uncertainty.

To improve long-term competitiveness. These recommendations aim to strengthen fan engagement, improve brand value, diversify revenue sources, and reduce dependence on external capital. Together, they provide a practical roadmap for improving LIV Golf's financial sustainability.

This study has some limitations. Because LIV Golf is privately funded, complete financial information is not publicly available, and some data are based on industry estimates. In addition, this research mainly uses qualitative comparative analysis rather than statistical testing. Future studies could use survey data or financial models to further examine the relationship between fan loyalty, brand equity, and financial performance.

In conclusion, sustainable success in professional sports depends not only on financial investment but also on the ability to build loyal fan communities and stable cash flows. Organizations that successfully combine emotional capital with sound financial management will be better prepared to achieve long-term competitive advantage.

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