



**UNIVERSITY OF GOTHENBURG**  
**SCHOOL OF BUSINESS, ECONOMICS AND LAW**

*Master Degree Project in Innovation and Industrial Management*

# The Road to Success

*A Multiple case study of the European Football industry*

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# Abstract

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**Title:** The Road to Success: A multiple case study of the European football Industry

**Background:** The landscape of UEFA football industry has change in the recent years, football clubs of today have developed into profit-seeking organization and the governing body UEFA has implemented the legislation Financial Fair Play. The new landscape of the industry has change the way football clubs is competing and in order for a football club to compete at the highest level, the club must both improve the sporting performance and the financial performance.

**Purpose:** The purpose with this thesis is to identify internal resources that European football clubs possess in which can be potential sources of Sustained competitive advantage

**Approach:** With the commercialization that has characterize UEFA football industry in the recent years has resulted in that football clubs is no longer only judged on their sporting performance but also on their financial performance. Today, the management of football club has similarities to tradition business organizations. Consequently, the author applies and adapts traditional business theories in order to identify key aspect for a football club in their aim of success on and off the field.

**Result and conclusions:** The findings in this thesis show that there is a strong relationship between a football clubs financial strength and the performance on the pitch. Furthermore, the analysis reveals that the difference between good financial performance and great financial performance lies in a football clubs ability to attract stakeholders. Thus, a football clubs way to success both from a financial and sporting perspective lies in their ability to sign lucrative sponsorship deals with external corporations.

**Key words:** Financial success, sporting success, football finance, competitive advantage, financial fair play,

# Important concepts and definitions

**UEFA:** The Union of European football association, European football highest decision-making body in which monitors and controls the UEFA football industry and the UEFA football competitions.

**The UEFA football industry:** The UEFA football industry consist of all football club based in Europe in which are all divided into domestic league systems around Europe. The domestic leagues are controlled by a national governing body in which have their own regulations and league system. Every year, the best performing clubs in the premium division in each domestic league have the opportunity to participate in UEFA competitions the following year.

**UEFA competitions:** Refers to two annual football competitions, UEFA Champions League and UEFA Europe League. These two competitions are controlled by UEFA and football clubs around Europe can qualify for the tournament via domestic league performance. UEFA Champions League is the highest ranked tournament for the best football club in Europe and the number of clubs from each domestic league in which gets the opportunity to compete in Champions League depends on how high the domestic league is ranked of UEFA.

**European top five leagues:** The five biggest leagues in Europe, English Premier League, Spanish La Liga, German Bundesliga, Italian Serie A and French Ligue 1.

**Premier League:** The English premier football division

**La Liga:** The Spanish premier football division

**Bundesliga:** The German premier football division

**Serie A:** The Italian premier football division

**Ligue 1:** The French premier football division

**UEFA financial fair play regulation:** A financial regulation implemented by UEFA, with the purpose of creating a healthier financial climate within UEFA football industry. A regulation that force football clubs that operates within UEFA football industry to “breakeven” and if a football club violate this regulation, UEFA as monitoring body, has the power to disqualify the football club from future UEFA competitions.

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# 1. Introduction

## 1.1 Problem Background

Today, football is the world's largest sport in terms of consumers and the football industry reaches and influence people from all over the globe on a daily basis. The football industry has its heart in Europe both in terms of market size and sports performance.

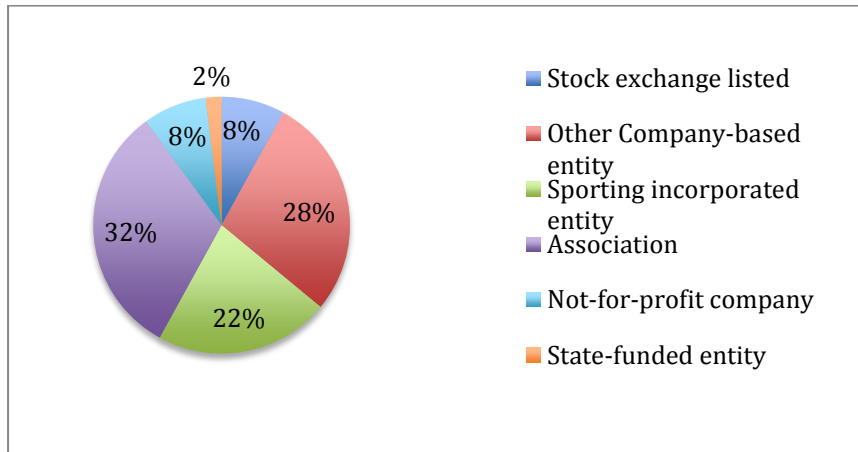
For now, the European football industry does not have the most valuable clubs in the world, in comparison with the U.S National Football league (American football), which possesses 27 of the 50 most valuable sports teams in the world. However, even if the National Football league stands for the top in terms of valuable teams, the European football industry on the other hand stands for depth and width when it comes to global reach. The two big powerhouses from Spain, Real Madrid and Barcelona have 146 million and 148 million followers respectively in social media (Forbes, 2016a). Compared to a more traditional business industry, the football industry, in an emotional perspective, has a major influence on people from all corners of the world regardless of class affiliation or economical conditions (Hoye, 2015; Stewart & Smith, 1999). Young boys growing up in the favelas in Rio De Janeiro in Brazil are dreaming of one day become the next star, people in Sweden are following their favourite clubs on a daily basis thorough different media channels, people all around the world is spending a great amount of their salary in order to experience their favourite team in the flesh and people from the Arab world or Asia are investing billions in one way or another into the European football industry.

### 1.1.1 Non-profit organization becomes Profit-seeking Organizations

Historically, football has taken place on a more national level and football organisation has more or less been driven on an amateur level as non-profit organization, with the sport performance as an essential driver and a measurement of success. Nowadays the football industry is completely different, the globalization of the world has changed the playing field for most industries and the European football industry is no exception. Due to the enormous attraction of the game from all over the globe the European football industry has gone from being a regular sport industry into become an increasingly important economic industry (Soderman, 2013). During the twenty-first century football organizations has gone from non-profit seeking organizations to become profit-seeking organization. Organizations within the football industry have gone from being controlled on an amateur level to organizations that is permeated by professionalism from top to bottom.

This shift to more professional controlled organization has changed the perspective of football organizations in terms of management, consumption and production of a sporting organization (Hoye, 2015). Professional sport organization are often characterised to be controlled in an inferior way in comparison to traditional

business organization with only minor isolated cases of efficient management. Even though, the European football industry has had an explosive growth the past decade and many football organisations have improve their management procedures, this is still a concern regarding how to manage a sport organization. This is probably the result of the lack of management models and methods in how to manage professional sports clubs (Soderman, 2013).



**Figure 1.** Top division football clubs legal form types (UEFA, 2011)

In recent years the demand for more efficient management method and techniques has become a significant area for improvement for football clubs around Europe. (Soderman, 2013) This is a result of the emergence and the commercialization of the European football industry in the beginning of the twenty-first century. This has led to an explosive development and tough competition both domestically and internationally for football clubs within UEFA football industry (Soderman, 2013)

The emergence of the European football industry and the commercialization that characterize today’s top clubs has created a lot of challenges for how to manage and control these new global organizations. Football clubs has gone from being non-profit organization to fully commercial profit-seeking organization and nowadays a football club is not only evaluated on their sporting performance even though the sporting result is the main measurement of success for a football club. This change has led to development of new management techniques and procedures and managing a football club on the highest level is not the same today as it were yesterday (Stewart % Smith, 1999; Soderman, 2013). Due to the fact that football clubs on the highest level is operating as a profit-seeking organization, football clubs applies and utilizes traditional business strategies. However, the utilization of traditional business strategies is done with the understanding that a football club has a lot of similarities to traditional business organizations but it still has its own unique features (Steward & Smith, 1999).

When observing and analysing organizations such as a football club it is vital to understand that a football club will not be judged on the same premises as a traditional business since there are external aspects and pressures from stakeholders which traditional business do not face (Stewart & Smith, 1999). In



order to produce a credible analysis on a football club it is vital to get an understanding of key aspects that differs between the football industry and a traditional business industry (Ogbonna & Harris, 2014). While traditional business generally priorities the financial performance of the organization, football clubs tend to be characterized by a more emotional logic with the sporting performance as a priority and the financial performance only comes on second place (Dimitropoulos, 2014; Ogbonna & Harris, 2014).

People that follows and support a football club often builds a strong relationship to the club, they tends to feel a certain identity, belonging and their loyalty for a club will in most cases stay for all their life and they can easily be seen as something more than a regular consumer (Kennedy, 2013). A football club is dependent on its supporter and it is therefore vital to maintain a good relationship with them. The supporters will also demand the football club to make big investment in forms of new players especially when the club is underachieve on the pitch. These demands from supporters will always be there regardless of the financial situation of the club, and these demands should not be overlooked by the club management, since a weakened relationship with the supporters will most likely have negative impact on the revenue. This implies that the supporters have a large influence on the decision-making process and the club management (Kennedy, 2013). Therefore, when a football club is compared and to traditional business strategies as strategic management, organisational structure, financial management, marketing and so forth it is important to do so in the right context. (Stewart & Smith, 1999; Hoyle, 2015)

### **1.1.2 European football industry landscape with UEFA Financial Fair Play**

In 2009 the worlds economy faced its greatest financial crises in many years, which brought a great number of industries around Europe to become extremely depressed, however this was not the case for the European football industry (Morrow, 2014). Between the years 2007 and 2013 the European football market increased with a rate of 24 % and in 2013 the total revenue from European football clubs exhibited £20bn. (Deloitte, 2014,2015; UEFA 2013) The emergence of the European football industry show no signs of stagnation and in the year 2015 the market size had increased to £22bn and expected to be £25bn in 2017 (Deloitte, 2016)

The European top five leagues (English Premier League, Germanys Bundesliga, Spanish Primevera Division, Italy Serie A and French Ligue 1) stands for 54 % of the total Revenue in UEFA football industry, in 2016. The English Premier League was the forefront of the emergent UEFA football industry, which alone stands for £4bn in total revenue in 2016, which is £2bn more than second placed Germany (Deloitte, 2016). This English dominance in terms of profitability, revenue transfer spending and the value of squads will increase even further the next coming years since the English Premier League has been boosted by a new broadcasting deal worth £5.1bn. This will run over the next three years with the start in the beginning of 2017/2018 season (Deloitte, 2016). When comparing domestic leagues financial performance it is clear that the English Premier league is dominating, however, the same

comparison on a club level the English dominance is not that clear with two Spanish teams (Barcelona, Real Madrid), one German team (Bayern Munich), one French team (Paris Saint-Germain) together with two English teams (Manchester City, Manchester United) on the top six of highest revenue in 2015/2016. (Deloitte, 2017)

Despite the increase in revenue, football clubs put their financial viability at risk in their shortcomings of convert this revenue into sustainable profits (Deloitte, 2014; Kennedy, 2013; Storm & Nielsen, 2012).

Aforementioned attitude from the club management with the sporting performance as a priority resulted in increased debt and persistent deficits due to heavy investments in player transfers and high salaries. In 2011, football clubs around Europe exhibited aggregate operating losses of €382m, and many clubs were operating on the edge of bankruptcy (UEFA, 2016). Therefore, a new legislation was introduced by UEFA in 2010. UEFA, as the highest governing body in the football industry implemented legislation called “Financial fair play regulation” (FFPR) with the purpose of improving European football clubs viability (UEFA, 2010).

FFPR is a legislation in which UEFA monitors clubs financial performance through clubs annual accounting data, where clubs losses or larger investment must be covered by own-generated funds. Sanctions such as disqualification from UEFA tournaments, which for many clubs is an important source of income, will hit clubs if they do not act within this legislation along with missing out on potential sporting success in Europe (Morrow, 2013; 2014; UEFA,2010). With the FFPR, UEFA is trying to change the mind-set in club management into a more controlled way of doing business and since the entry of FFPR European football clubs has gone from an aggregate operating loss of €382m into profit of €727 in 2015 (UEFA, 2016)

To sum up, a football club and its governance must answer to two major stakeholders, their supporters/customer and UEFA. They must be courteous both to the sporting demands from the supports together with the financial constraints of the FFPR. From a revenue perspective, it could be a challenging dilemma, due to fact that both the supporters/consumer and the UEFA are immense sources of revenue for a football club.

## **1.2 Research Problem**

Football clubs who act within the UEFA football industry today find themselves in an industry which is highly complex with unique features compared to traditional business industries. Where a traditional business measures its success in financial and profitable terms, a football club has historically measured its success by sporting results. Due to changes within the football industry, football clubs are now also being judge upon their financial condition, just as traditional business always have been. This shift has led to that the football clubs of today lives in an industry where they are judge upon both their sporting performance along with the financial success (Allemullah, 2012). They are doing so in a unique environment in which their customers have an entirely different relationship to the football clubs compared to traditional businesses, and together with the regulation Financial Fair Play. This legislation requires clubs to implement long-term strategies to avoid being excluded from the UEFA tournaments and miss out on opportunities to both sporting and

financial success. Due to the fact that football clubs currently are managed as profit-seeking organizations, this enables them to be placed in relation to management theories of traditional businesses in the quest to get an understanding of how football clubs can adapt to the new landscape of the football industry, which the entry of FFPR together with the explosive growth of the market has generated.

### **1.2.1 UEFA European football industry from a Resource based view**

Placing football clubs in relation to the traditional management theories is not a new phenomenon, several publications of different extent have previously been developed and the strategic management theories regarding sustainable competitive advantage has been addressed.

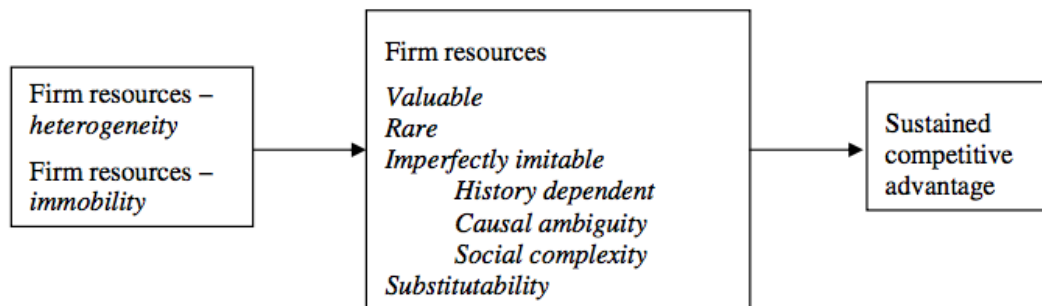
However, due to the aforementioned advent of Financial Fair Play regulations along with the explosive growth of Europe's football industry in the recent years, the landscape of European football has changed and therefore also the conditions for how a football club should be managed in their strive to achieve and sustain competitive advantage in their new environment.

Strategic management and its theories are used by organizations in their aim for superior performance and competitive advantage. One of those theories is e.g. the resource-based view (RBV) developed by (Barney, 1991). Before this theory was brought up to the light, most of the previous theories had been developed through an external industry perspective. The Resource Based view, however, is in contrast a theory on how a firm can establish and sustain competitive advantage from a firm and an internal resources perspective. According to Barney (1991) individual firms that are competing in the same industry has all its own unique and immobile resources and therefore all firms should be seen as heterogeneous. This heterogeneity is what differentiates firms in their performance and these unique resources could help a firm in their pursuit of gaining and sustaining competitive advantage.

The first step in the resource-based view is to identify firm resources, which in turn can then be divided into three different categories, physical capital resources (e.g. a football stadium or training facilities), human capital resources (e.g. experience, know-how) and organizational capital resources (e.g. organization philosophy and organizational systems). For a firm to be able to enjoy competitive advantage they need to utilize these internal resources in a value creation strategy, which in the same time is not implemented by a competitor. Sustained competitive advantage can be achieved when implemented such a strategy in which competitors cannot copy or imitate over a period of time (Barney, 1991).

In order to measure the unique resources within a company to find out if the resources could be heterogeneous and therefore be a basis for sustained competitive advantage. The Resource based view developed four conditions; Valuable; Rare; Imitable; and Non-substitutable which usually abbreviated VRIN in which an internal resource must fulfil to be able to serve as a basis to sustained competitive advantage. Firstly, Valuable, a resource must be valuable in terms of employ the value-creating strategy of the firm. Secondly, Rare, there is a little chance for a competitor to own the same resource. Thirdly, Imitable, it must be imperfectly imitable, which can come from three different sources; unique historical conditions;

causal ambiguity; or social complexity. Lastly, Non-substitutable, there cannot exist any strategically equivalent resources. (Barney, 1991)



**Figure 2.** The Resource based view framework and the relationship between resources and sustained competitive advantage (Barney, 1991).

The figure above is illustrating the framework, which Barney (1991) developed for the Resource based view and the relationship between resource heterogeneity and immobility to Value, Rareness, Imitability and substitutability together with sustained competitive advantage. This framework will be the foundation of this thesis when the author examining how football clubs can utilise their resources in the highly complex European football industry in order to gain and sustain competitive advantage. Also, with the understanding of when analysing traditional business management theories in relation to football clubs it is vital, to do so with the understanding of that these theories need to be adapted and further developed to the special and unique features existing within the European football industry (Ogbonna & Harris, 2014; Stewart & Smith, 1999; Hoyle, 2015)

The quote *"The main variable that gives long term assurance of sports successes is the total turnover of the club"* is a recurring quote in the discussions regarding football in relation to business (Hall, Szymanski & Zimbalist, 2002; Deloitte, 2005-2016).

According to Barney (1991) an organization can enjoy sustainable competitive advantage through financial supremacy and together with the quote above the author of this thesis is arguing that sustain competitive advantage could not only lead to financial success but could also be a potential source of improvement for the sporting performance of a football club.

With this is in mind, the author has developed the following research questions:

Main research question:

*"How can a European football club gain and sustain competitive advantage in their simultaneous strive towards improved financial success and improved sporting performance?"*

Sub question:

“What key success factors could be identified for European football clubs?”

### **1.3 Purpose**

The purpose of this thesis is to conduct a theoretical study on the field of strategic management in a football industry context. The resource-based view should be used in order to identify resources within a football club in which could be a source a both gaining and sustain competitive advantage for the football club in the highly complex football industry.

For the academic world, this thesis will give a theoretical basis on how football club or even sporting organization can address certain new challenges that has occurred as a result of the entry of Financial fair play regulation and the explosive growth of the industry. How football club can transform the more short-term strategies in which is often based on the sporting success and comes with the characteristic of high risk and repeated losses. To more long-term strategies in which focusing on a more sustained financial mindset that will both enhance the sporting competitive position together with diminish the risk for financial setbacks.

## 2. Methodology

*This chapter contains a shorter description of different steps taken and choices which have been made. The research approach and how the data collection was performed are explained further.*

### 2.1 Research approach

The purpose of this method is to identify key success factors for an organization within the football industry, to identify the resources and capabilities, which a top football club possesses. From these findings, then develop an approach for a football club's future strategy in their aim for sustained competitive advantage. This strategy will be a foundation in order to create sustained competitive advantage in the ever-changing football industry and will hopefully lead to success in a clubs sporting performance and in their aim for better financial position. Most of the European top clubs consider themselves to be profit-seeking organization, which means that the theories, which are applicable at other profit-seeking organization, could also be used when analysing a football club. However, this is not the whole reality, if football clubs are only compared and related to traditional business strategy management theories from a business perspective the whole truth will not be visible. Thus, when business theories are related to football clubs it must be in consideration that a football club mainly reach sustained competitive advantages on the pitch and that organization within the football industry are facing several other features that more traditional business organizations do not face. The author will therefor argue for that creating sustained competitive advantage in a business perspective can lead to competitive advantage on the pitch.

In order to answer the research question and to identify key success factors for an organization within the football industry the author has chose to conduct a case study or more specific a multiple case study. A case study could be structured in many various designs and therefore the definition of a case study could be a bit complicated. According to Jacobsen (2002) a case study is a deeper study about a person, a group of people or a unit/organization with the aim to find some general conclusions regarding similar cases. Bryman & Bell (2013) have a similar definition, a case study is focusing on a bounded situation or system and an intensive analyse of the settings within the situation or system and *a single organization, a single location, a person or a single event* are all example of what a case could be. Cousin, (2005) are arguing that a case study does not have the aim to analyse the cases, instead he argues that the case study be a good way of defining a specific case and to study features within in the case in order to understand it. While Creswell (2013) is defining the case study to be a method that explores a real-life, one or several contemporary bounded systems (cases) over time and by using in-depth data collection from multiple sources. According to Stake (1995) there are three different types of case studies, *Intrinsic cases, Instrumental cases and multiple or collective cases*. The multiple or collective cases approach have the settings of exploring a

general phenomenon using more than one case in which can be translated in this thesis to explore the phenomenon of sustained competitive advantage using several different football clubs. Moreover, a case study is an appropriate research design when the an author is trying to answer a question such as “how” and “why” together with research in which is built upon real-life examples (Yin, 2003). When the boundaries between a certain phenomenon and its context are a bit vague, when in this thesis, there is no obvious boundary for sustained competitive advantage in a football context and when the aim of a study is to gain a deeper understanding of a single or multiple phenomena a case study is a good approach. By using a single case study approach, you can gain a deeper understanding with rich information regarding the subject in the research whilst using a multiple case study the researcher could provide for a more robust foundation for theory building (Eisenhardt & Graebner, 2007).

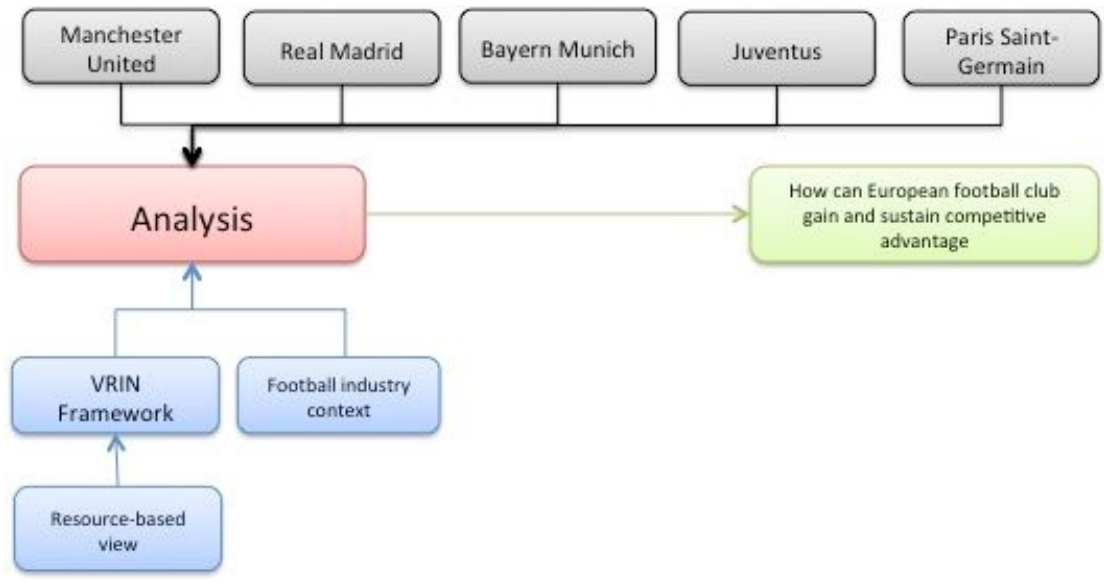
The author have chosen to use multiply case study in this thesis, since the authors aims is not to provide a useful insight in one football club, rather the authors aims is to provide a more general understanding of how top European football clubs can achieve sustained competitive advantage. This is supported by Yin (2013), which claims that in contrast to a single study, a multiple study will allow the author to reach more general findings and to create a more holistic understanding of the phenomenon itself. Using a multiple case study allows the author to get a grip of differences and similarities between the cases, it also allows the author to both analyse the separate cases and also across the situations which makes it possible for the author to argue for either contrasting result from predictable reasons or either display tendencies of similar result (Yin, 2013). Another advantage when performing a multiple case study is that the suggestion and the findings in the study is based on a more convincing theory with a more strongly empirical foundation (Eisenhardt & Graebner, 2007). The most important issue in a research is not the amount of cases or how much time the researcher place in the field per se, rather the vital issue is if the researcher is capable to identify, describe and understand the context of the field together with the ability of the researcher to explain this understanding to its readers. There is no guarantee that a multiple case study will produce the correct insight of the phenomenon and the research question that the author is focusing on (Dyer & Wilkins, 1991).

## **2.2 Data collection Research design**

In this study the author will put European football clubs in relation to Barney (1991, 1995) theory regarding how to guide a profit-seeking business toward a potential sustained competitive advantage from a Resource based view. In the theory Barney (1991,1995) describes how a profit-seeking business can reach sustained competitive advantage against other using a systematic strategic approach of identified internal resources in which is unique and could not be imitated by competitors, and by the fact that European football clubs is nowadays working as a profit-seeking business a profound analysis can be successfully conducted. The challenge in the study is to apply Barney’s strategic method in accordance to unique features of European football industry, with the awareness of both a sporting performance perspective and a financial perspective. The complexity of the football



industry must also be taken in consideration, that the relation between supplier and buyers is different compared to traditional profit-seeking industries. The author will use a descriptive research method to identify internal resources that top European football clubs possesses and perform an analysis inspired by Barney's (1991) VRIN framework in order to gain an understanding on how European football clubs can gain and sustain competitive advantage.



**Figure 3, Model of research design**

To have a general analytic strategy is the best groundwork for conducting a case study analysis and in this thesis the author will first provide a detailed description of each case (football clubs) which in other words is called within case analysis (Creswall, 2013; Yin, 2013). The different cases will be organized after themes and key factors and they will be analysed by a thematic analysis across the football clubs in order to identify key drivers within the football industry.

Using a representative sample from the football industry will work as the foundation of this analysis, which enables the author to objectively identify unique attributes and drivers within the European football industry. Findings from the football clubs will be based on carefully collected empirical data in which forms a relevant and reliable foundation of the understanding of the internal resources toward sustained competitive advantage.

Moreover, the foundation of this thesis, the data that will be analysed, will come from cautiously collected documents that will help the author to gain an understanding of the actual reality. More specific, the author will collect secondary data from policy document, web pages, annual report, official investigation and cases etc. Secondary data is data in which has already by collected with another purpose than for this thesis and when using secondary data the researcher must interpret previous published data in order to find relevant data for this thesis (Jacobsen, 2002). Due to the fact that the secondary data have been collected primarily to serve a different purpose and that the secondary data in this thesis will be collected from many different sources, this can bring high risks (Jacobsen, 2002).



At the same time as this high risk, using secondary data also brings several advantages such as; it is generally time-efficient, a single author can collect data with a greater scale and scope and it is open to interpret the data with the opportunity to uncover relationship that previous researcher have not observed (Smith, 2011). When using secondary data, it is vital for the author to find and use data that is trustworthy. The data that have been collected for this thesis have been critical examined to fit the criteria of being trustworthy enough to build the thesis on. This will help the author the gain an understanding of the actual reality of how football clubs and the football industry is organized today, of the football clubs and industries driving forces, different sources of income, main costs, tangible resources, intangible resources, history, organizational structure, customer relationship, relation between revenue and sports performance and so forth.

The main reason behind this choice of research approach is that the aim of the author is not to find in individual opinion and answers, since the answers from interviews gives a more subjective perspective which is not relevant for this study. The author has therefore chosen this approach by collecting these types of document from various sources in the aim for objectivity. Although, it needs to be mentioned that all subjectivity could not be overlooked, since there will be some form of subjectivity in every study due to the fact that the author chooses different sources of information to answer the research question. The big challenge for the author is in the search for information, to try to have an objective selection of the different sources of information which this study will be based on. This will be done by carefully evaluate the sources and the context which they are derived.

From a replication perspective, it is important to obtain a high level of objectivity. The identification process of the potential internal resources should not be affected by the author's own assumption, rather the result from the identification process of internal resources should be same regardless of who the researcher is and this is something that is highlighted by Jacobsen (2002) who discusses the importance of replication of a research.

#### **2.4 Selection of clubs**

The study is based on a representative sample for the football industry, which will be the foundation of the recommendation that this study will output. Due to the different condition in the club the recommendation from this study might not be applicable at other football clubs in Europe as it is for the selected clubs in this study. The selection of clubs was made on the one criteria; the club with the highest revenues from Europe's top five biggest leagues with only one team from each country. The top five leagues (English Premier League, Spanish La Liga, Germanys Bundesliga, Italy Serie A and French Ligue 1) stands for more than 50% of the total revenue in the European football industry and also have the most participant clubs in UEFA tournaments (Deloitte, 2016; UEFA, 2016). Due to the superior performance both in a financial perspective but also in a sporting performance from clubs within these leagues, the author have chosen to use the clubs; Spanish Real Madrid, English Manchester United, Germanys Bayern Munich, Italian Juventus and French Paris Saint-Germain. All of these clubs has been both powerhouse in their own league and

also when it comes to UEFA Champions League over a long period of time. They are all characterising of how a modern football club is suppose to look like with both success in winning trophies together with great success in a financial perspective. By select top clubs from different countries the study can decrease the risk from geographical differences, economical condition and national regulations. The best example of this is the enormous broadcasting revenue that is currently flowing into the English Premier League but also that the differences in organizational structure, history and brand reputation.

## **2.5 Data Analysis**

After conduction research into the scientific materials and collecting empirical data from the football industry, the analysis of the findings is conducted by comparing the theories and the empirical findings from different aspects. First, by identified potential key success factors for football clubs and secondly, analyse how football clubs internal resources can potentially create sustained competitive advantage. According to Jacobsen (2002), collected data should be systematized and categorized in order for the author to create a structure of the data and to find patterns within the data. Yin (2013) has a similar approach in which he means that it is vital when performing a study to create categories and structure for the gathered information. In order to create a clear and well-defined structure of the thesis, the author has chosen to use similar categories in the empirical chapter and in the analysis with only a few exceptions. Further, all financial figures in the study will be presented in the currency Euro (€.) In the cases where the original financial figures have a difference currency, the author has converted the figures into euro using the currency converter on [www.valuta.se](http://www.valuta.se). The author has taken into account that the value of one currency constantly changes, thus the conversion of historical figures is made by what the currency was worth at the specific time.

## **2.6 Reliability and Validity**

The quality of the research is based on factors such as reliability and validity. These factors can give insider information regarding the extents of the findings from the thesis are generalizable or if the research have the potential of being replicated (Yin, 2013). Further, Yin (2013) discusses the aim of reliability of a research is trying to minimize the errors and the biases in a research and within this multiple case study its important for the author to have a high level of objectivity. Some of the empirical data will be bases on numbers, the advantage of number is that they cannot be biased. The empirical data will come from documents both directly from the football clubs but also indirectly. There is a risk that the empirical data, which are collected directly from the clubs, could be biased due to the fact that the clubs itself wants to display the good side of the club. Thus, the sources to the empirical data must be carefully selected before any generalize conclusion could be drawn from them.

Generalization from a case study cannot be related to a population or in this thesis, generalization from this thesis could not be related to smaller football clubs. Since this study is a multiple case study, it is more possible to draw generalized conclusion from the study, but it is important to consider that these football clubs included in this are in the top of the “food chain” and the circumstances for these football clubs compared to smaller football clubs have a completely different context and

circumstances. The findings from this thesis may therefore not be replicable when performing a similar research focusing on smaller football clubs. Thus, the investigated cases placed in relation to the theoretical framework will serve as examples and will not represent other part of the population. For this thesis, the aim is to place existing theories in relation to the specific football clubs in this thesis in order to describe and get an understanding of football clubs that is currently in the top of the hierarchy in the European football industry. The result of the thesis may not be applicable on smaller football clubs at the moment, however circumstance and contexts can change in the future, and maybe the smaller clubs of today may be in top of the pyramid tomorrow.

### 3. Literature review

#### 3.1 How to define competitive advantage

In order to understand what sustained competitive advantage is and how a firm can enjoy sustained competitive advantage, the first step is to understand the definition of competitive advantage. According to Grant (2010), a firm possesses competitive advantage when a firm earns or has the potential to earn a persistently higher rate of profit compared to its competitors in the same market. The author Dranove (2000) have a similar definition and claiming that a firm that earns a higher rate of profit than the average rate of profit within that specific market is having competitive advantage against its competitors. A firm that over the long run earns superior returns within its industry is according to Ghemawat & Rivkin (1999) enjoying competitive advantage. In most industries the competition is tough, various firms is operating to outperform its competitors and trying to find an approach in which their firm can construct a strategy that could generate superior performance to the firm or in other word gaining competitive advantage. When a firm is able to implementing a strategy that's improve the value creating process of the firm and at the same time, current competitors or potential competitors could not, a firm could enjoy competitive advantage (Barney, 1991). Whilst the first authors (Grant, 2010; Dranove et al, 2000; Ghemawat & Rivkin 1999) claims that a firm can enjoy competitive advantage when a firm provide above-average profit in the long run, Barney (1991) have a different view and claims that competitive advantage is reach when a firms strategy is value-creating and at the same time not implemented by competing firms.

Moreover, competitive advantage can emerge trough either external sources in the industry or internal resources and capabilities within a firm. By identifying key success factors for the industry and identifying their own internal key resources and capabilities, a firm can better develop a strategy that will help them towards competitive advantage (Grant, 2010). In order for a firm to survive and grow within an industry, the firm must understand the key success factors of the industry. To begin with, a firm must understand its customer, understand the needs of the customers and they must produce a product or service that the customer is willing to buy. Secondly, a firm must understand what it takes to survive the competition within the industry (Grant, 2010).

A firm must also identify its internal key success resources and capabilities, since the environment surrounding firms have become more unpredictable, the focus have shift from external market focus to more internal resources and capabilities as a foundation of formulating strategy (Grant, 2010). It is important to understand the difference between resources and capabilities, resources is the productive assets that a firm possesses while capabilities are what a firm can do. In other words, firms capabilities is dependent on what resources a firm is owning due to that the resources form a basis of what a firm can do (Grant, 2010).

### 3.2 What is the Resource based view?

The research based view is no new concepts to the academic world and has its roots all the way back to 1930s when Chamberlain (1933) and Robinson (1933) discussed the heterogeneity of firm as a driver for imperfect competition. A discussion that Penrose (1959) moved further and suggested that a firm heterogeneity is a result of differences in the resources in which an organization possess. Several years later, in 1984 the modern version of resource based view was initiated in "*The Resource Based view of the Firm*" written by Birger Wernerfelt. A paper that highlighted the importance of firms' internal resources and that the focus should lay on the internal resources when formulating a strategy, rather than market conditions (Wernerfelt, 1984). When Barney (1991) published, "*Firm resources and sustained competitive advantage*" the resource based view received its breakthrough. By following the logic of previously works, Barney (1991) suggest that a firm attributes are more important than industrial aspects and that a firms internal resources is the source towards competitive advantage. Since the introduction, the resources based view has had a broad dispersal in the field of Strategic Management due to a great compatibility with already existing theories (Peng, 2001). Hence, the resource based can work as a compliment to other management theories rather than replacing those (Peteraf & Barney, 2003).

In the resource based view, the key for a firm superior performance lay in the internal resources of the firm in which the resources within a firm have the potential to be a source for gaining and sustain competitive advantage (Barney, 1991). When a firm is able to implementing a strategy that's improve the value creating process of the firm and at the same time, current competitors or potential competitors could not, a firm could enjoy competitive advantage. If current competitors or potential competitors is unable to imitate this strategy over a period of time, the firms have the potential to enjoy sustain competitive advantage (Barney, 1991).

Further, the basic idea of Resource based view is to trying to identify internal resources and capabilities that a firm possesses in which could potentially give the firm sustainable competitive advantage. Even if single resources and capabilities can work as a source to potential sustained competitive, the more commonly way towards sustained competitive advantage is resources and capabilities bundled together. Thenceforth, a firm should base their strategy on where and how they going to compete from the identification of which resources and capabilities that potentially can give them sustained competitive advantage (Teece et al., 1997; Bloodgood, 2014). The resources and capabilities a firm possesses are linked to the environment and context the firm is positioned in. Thus, determination of resources and capabilities in which will provide general sustained competitive advantage is not achievable (Barney, 2001; Wernerfelt, 2014). In other words, the first step in order to identify resources and capabilities that can be a source of sustained competitive advantage is to make sure that the resource is of value for the firm's specific market context. Once it is clear that the resource is creating value for the firm in a specific context, one can apply the logic of the resource based view in order to identify if that specific resource or bundles of resources can potentially be a source of sustained competitive advantage (Barney, 2001).

If a firm is enjoying competitive advantage and sustain competitive advantage they cannot assume that it will last forever. It is only indicates that, at the time, the firm is outperforming its competitors but unanticipated event in the environment in which a firms is active within could change the landscape and what once was a source of competitive advantage is no longer a source of it. (Barney, 1991)

The resource based view is generally accepted but as most works, the method has its critics. The authors Priem and Butler (2001) claims that the resource base view does not explain the process how the resources are transformed into sustained competitive advantage. According to Fiol (2001), a firm must constantly change its resources and capabilities, thus a firm can only achieve temporal advantage and sustained competitive advantage is not possible. Other critics claim that the resource based view misses the synergy effect that arise from combinations of resources, a synergy that (Kraaijenbrink et al., 2010) value unlike the resource based view.

### 3.2.1 Resources

In the resource based view a resource is defined as all assets, capabilities, processes, attributes, information, knowledge and so forth that a firm is in possession of. These resources enable firms to identify and implement different strategies with the goal of improve efficiency and effectiveness. (Barney, 1991) All resources within a firm could be divided into three different categories, physical capital resources (such as a football stadium or training facilities), human capital resources (such as experience, know-how) and organizational capital resources (such as organization philosophy and organizational systems) (Barney, 1991). For a company to be able to enjoy competitive advantage they need to use these internal resources in a value creation strategy in which is not implemented at the same time within a competitor and where sustained competitive advantage can be achieved when implemented such a strategy that could not be copied or imitated by a competitor over a period of time (Barney, 1991).

In the resource based view, by using internal resources in a new way a firm could exploit external opportunities in order to acquire new skills and the internal resources constitutes the main part in a firms strive for improved organically performances. Rothaermel (2012) have a similar approach to identify the internal resources within a firm but instead of split the resources in the three categories, physical capital resources, human capital resources and organizational systems. Rothaermel (2012) is dividing the resources in two main categories of resources, Tangible and Intangible.

*Tangible resources* are easily bought which results in that these kinds of resources brings only a small amount of advantage for a firm due to the fact that rivals could also acquire identical resources. A tangible resource is all physical thing a firm posses. Properties, lands, vehicle, inventory, equipment, stocks and cash are all example of tangible resources within a firm (Rothaermel, 2012).

*Intangible resources* are in contrast, all resources within a firm that does not have any physical presence but is still owned by the firm. These kinds of resources are harder for a rival to replicate, they are often immobile and often stays within a firm for a long period of time in which also are firms' main sources of sustain competitive

advantage. Brand reputation, trademarks, intellectual property and business methodologies are all examples of intangible resources within a firm (Rothaermel, 2012). Grant (2010) categorizes resources in tangible and intangible resources just as Rothaermel (2012) but Grant also add a third category, human resources. Human resources is similar to the intangible resources in the sense that they are harder to identify than tangible resources, thus human resources is harder to imitate. This category is similar to Barney (1991) human capital resources and are resources that generates from expertise and experience from the firms employees (Grant, 2010).

### 3.2.2 Heterogeneous and Immobile

The resource-based view is built on two critical assumptions, firstly, it assumes that a firm is heterogeneous through the resource in which they control and possesses, heterogeneous is a result of imperfection market and resources immobility. If various firms would possess the exactly the same combination of resources, they could in theory use the same strategies and thus they would not be able to outperform each other, what firm A is capable of, so is firm B and C and so forth. The result of this would be that no firm could gain or sustain competitive advantage. In most of worlds market of today this is not the reality, the reality is that various firms is exposed to the same external and competing forces but are still able to implement different strategies in order to outperform each other. With that being said, from a Resource based view, a firm could gain and sustain competitive advantage by using different packages of resources (Barney, 1991; Rothaermel, 2012). The second assumption of this view is that a resource is immobile, in other words, a resource could not be transferred between firms, at least not on a short-term basis. Due to this immobility of a resource, competing firms could not replicate a resource from a rival and implement the same strategy in their own firm (Barney, 1991; Rothaermel, 2012).

In the perspective of the resource based view, strategic resources in a firm is heterogeneous and immobile and because of this assumption, these strategic resource have the potential of being a source for sustain competitive advantage (Barney, 1991). The resource based view is focusing on internal sources in which could be a potential source for gaining or sustain competitive advantaged, in contrast to earlier theories such as the well-known "Porter's five forces" (Porter, 1980) in which focusing on competitive advantage from a external and industry perspective.

### 3.2.2 VRIN Framework

For a firm to enjoy sustain competitive advantage, to possess resources and capabilities that could categorizes as heterogeneous and immobile is for itself not enough to generate sustain competitive advantage to a firm. The resources and capabilities must be further analysed and in order to identify what resources and capabilities a firm possesses in which could be potential source of gaining and sustain competitive advantage Barney (1991) developed the VRIN framework.

All resource within a firm does not hold the potential of sustain competitive advantage, according to Barney's (1991) framework, a resource and capabilities within a firm needs to have four attributes, *Valuable, Rare, Imperfectly imitable and Non-substitutable*.

Firstly, a resource must be *valuable* in the sense that it must add value for the firm costumers and it must employ the value-creating strategy of the firm. The resource is valuable if it could enable a firm to implement a strategy that will improve the efficiency and the effectiveness in which could be done by differentiation or/and decreasing cost of the production. (Barney, 1991)

Secondly, a resource must be *rare*, that there is a little chance for a competitor to own the same resource. If a valuable resource within a firm is possessed by only one or a few numbers of firms the resource is considered as a rare and could potential lead to competitive advantage. In contrast if more than a few firms possesses a resource they could all use it in a similar way in which would lead to competitive parity. However, a resource that does not fit in the category of “rare” could still be vital for a firm survival and should not be dismissed. A valuable resource enables a firm to implement a value-adding strategy, in some cases this is not a single resource but is rather a bundle of resources (Physical, human and organisational) that is mixed together in which is used to implement a strategy. In those cases, the analysis of rarity is the same, if more than a few firms are able to implement and use the same strategy, the bundle of resources is not rare and therefor it could not be a source of competitive advantage. The trickiest question when discussing rarity of resources is in which degree of rarity a resource must be in order to be a potential source of competitive advantage. If one firm is possess a unique resource the question of rarity is not tough, but in those cases when a few number of firms is in possession of a particular valuable resource it could still be a source of competitive advantage (Barney, 1991; Barney & Delwyn, 2007; Knott, 2009; Hua-Ling et al., 2012).

Thirdly, a resource must be *imperfectly imitable* in which could come from three different sources, unique historical conditions, causal ambiguity or social complexity. If competing firms cannot obtain a certain resource, the resource has the attribute of imperfectly imitable (Barney, 1991; Dierickx & Cool 1989). Some resources have unique historical conditions, they have developed over a long period of time, it is also means that a firm’s ability to acquire and exploit various resources depends on where the firm is now and the historical journey the firm has made. A firm that possesses valuable and rare resources in which they have acquired during its unique historical journey will be able to implement a value creating strategy that competing firms cannot duplicate. Due to that the competing firms does not have the same unique journey, they cannot obtain certain resources and therefore they are not able to duplicate the value creating strategy (Barney, 1991; Barney & Delwyn, 2007; Dierickx & Cool 1989).

The second source for a resource to be imperfectly imitable is casual ambiguity, which means that competitors cannot identify particular resources within a firm that generates sustain competitive advantage. It is difficult for competing firms to duplicate a successful value creating strategy if they do not fully understand the link between a firm’s resources and sustain competitive advantage. It is possible for competing firm to describe and identify some of the resources that the successful firm possesses in order to imitate these resources. In the perspective of causal



ambiguity, the resources that could be describe does not have to be those resources that generate sustained competitive advantage, instead the real sources for sustained competitive advantage could be some other non-described firm resources (Barney, 1991; Barney & Delwyn, 2007). In the scenario when the firm that possesses these resources have a better understanding of the link between these resources and competitive advantage compared to its competitors, the competitors must fill the knowledge gap in order to be able to imitate the successful firms. This knowledge seeking for competing firm can be both time consuming and costly but until this knowledge gap is filled and the competing firms is able to understand the linked between the resources and sustained competitive advantage the causal ambiguity will (Barney, 1991). When this knowledge gap is filled, the competing firms can acquire necessary resources in order to implement a similar strategy and the sustained competitive will be gone due to it now can be duplicated. Causal ambiguity can only be a source of sustained competitive advantage when all competing firms does not fully understand this link between resources and a firms competitive advantage, due to if one competitors is aware of this link, it is only a question of when until this awareness will spread out to all competitors and the causal ambiguity will be lost (Barney, 1991; Barney & Delwyn, 2007).

The third source for a resource to be imperfectly imitable is social complexity, which means that resources and capabilities within a firm are based on firm's culture or interpersonal relationship and the ability to imitate these resources is significantly constrained. Firm's resources that are socially complex have a wide diversity but it is often possible to identify how a socially complex resource is creating value for the firm in which means that causal ambiguity of these resources is either very small or does not exist at all. With that being said, organizational culture, relationship between managers within in a firm may have a positive impact on the firms' efficiency and effectiveness and without these attribute the improvement in efficiency and effectiveness might not be plausible. In the category of imperfectly imitable complex physical technology is not included, the obvious reason is for physical technologies regardless of it is a machine, a robot or a information management system the physical technology could be purchased of competitors and therefor its imitable. However, it is not that simple, in most cases when a firm utilize a physical technology it involves the use of socially complex firm resources. Several firms might possess the same physical technology but due to difference in firm culture, traditions and social relation the ability of the firm to use the physical technology may differ. In the case that one firm are able to use these complex social resources to fully exploit a physical technology in which competitors also possesses but cannot fully exploit, the firm with the complex social resources may obtain sustained competitive advantage (Barney, 1991; Barney & Delwyn, 2007).

Lastly, a resource must be *non-substitutable*, that there cannot exist any strategically equivalent resources. When two valuable resources could be exploited individually but still implement the same strategy, the two valuable resources are strategically equivalent. If a firm possesses resources that are valuable, rare and imperfectly imitable and if the firm were able to implement a certain strategy in which is not strategically equivalent, the firm would enjoy sustained competitive advantage. On

the other hand, if strategically equivalent resources are indicated that the same or similar strategies may be achieved using different resources, regardless of whether the resources have the attribute of rare and imperfectly imitable or not. Several other firms would then be able to implement the equivalent strategy and no firm would reach sustained competitive advantage. The attribute of substitutability comes in at least two forms, in a resources perspective and in a strategic perspective. In the resource perspective, a resource may not be exactly imitated but a resource may be substituted by a similar resource. A firm that is trying to imitate a certain resource in which gives a firm competitive advantage, to fully imitate this resource may be impossible but it is possible for the firm to develop its own unique resources that may create strategic equivalence even though the resources per se is different. In the strategic perspective, even if two resources are extremely different they could still be strategic substitutes. If one firm is having a charismatic leader with a clear vision for the future and another firm has the same clear vision of the future but is based on systematic, company-wide strategic planning process. The two firms may be strategically equivalent due to that they have the same vision, they only have different ways of achieving it. Thus, the two strategies would be substitutes for one another and in the scenario where several firms have this formal planning system in order to achieve this common vision, no firm would not enjoy sustained competitive advantage despite the charismatic leader is probably a resource in which are rare and imperfectly imitable.

The substitutability of a firm's resources is not always easy to get a grip on, in most cases it is not that easy to decide if a firm's resource is substitutable or not but if several firms have resources that are valuable and substitutable then either of the firms can obtain sustained competitive advantage (Barney, 1991)

Summarizing, in order for a resource to be a potential source of sustained competitive advantage it must pass these four criteria's, Valuable, Rare, Imperfectly imitable and Non-Substitutable. If a resource is adding value for a firm in the sense of improving the value creating strategy in which will improve the efficiency and effectiveness in the production, if a resource is rare in the sense that no competitors or only a few competitors have the possibility to own it, if a resource is imperfectly imitable in the sense that competitors cannot obtain it and if a resource is non-substitutable in the sense that the resource cannot be substituted by a competitor using a similar resource, then can a firm that is controlled such a resource enjoy sustained competitive advantage.

### **3.2.3 Positive reputation**

If a firm has a positive reputation in the relationship with its customer and supplier, this positive reputation may also be a potential source of sustained competition and putting positive reputation in the perspective of the VRIN-framework it is easier to understand how it could be a potential source of sustained competitive advantage. Positive reputation amongst a firm will be rare if only a few competing firms are enjoying it, this positive reputation is often based on historical settings in which are very hard to duplicate. In that sense, due to that the positive reputation of a firm is based on historical events together with the fact that the positive reputation are socially complex due to it has occurred through an informal relationship between firm key

stakeholders, one can argue for that they are imperfectly imitable. If the positive reputation has some substitute it is a trickier question. A potential substitute may be long-term contracts and use of guarantees, but whether the relationship between a firm with positive reputation and its stakeholders is the same as the relationship between a firm that is using guarantees as reassurance and its stakeholders its not clear. However, one thing that is clear is that firms are investing in both positive reputation and thus one can argue for that they are not substitute for one another and if these two does not perceives as substitute then positive reputation could be a potential source of sustained competitive advantage (Barney, 1991)

### **3.2.4 Summary of the resource based view**

The resource base view got its major breakthrough 1991 when Jay Barney published, *"Firm resources and sustained competitive advantage"*, a paper that focused on internal resources for success instead of the otherwise common way of identify external factors and then adjusting to them. According to the Resource based view a firm can gain sustainable competitive advantage from internal resources that the firm possesses, resources that must follow four criteria for have the potential of being a source to sustained competitive advantage. Despite having its critics, the resource based view is in general an accepted theory and will form the basis of this study where Barney's (1991) VRIN framework will be put in a football industry context.

### **3.3 Management and Control of football clubs**

When comparing a professional sport organisation with traditional businesses, the most noteworthy difference is the measurement of success or performance. A traditional business main measurement of success is by optimize their profits, whilst a professional sport organisation historically and still today been measured its success in trophies and performances on the field. If a professional sport organisation is displaying a large profit at the same time as the sporting performance showing negative result, the sport organisation will have a hard time to convince their fans/supporters that it have been a successful year. Even though from a financial perspective the sport organisation had a great year and the shareholder will be pleased, the members, fans/supporter of the sport organisation will still judge the success based on the performance on the field and they will not be pleased until the sport organisation is showing positive performance on the field (Stewart & Smith, 1999; Soderman, 2012).

Historically, a football club have only measure its success through the performance on the football field (Stewart & Smith, 1999; Hoye, 2015; Soderman, 2012). In line with the commercialization of football and the fact that football clubs went from being sport organizations into more traditional business organizations, football clubs started to measure its success both on and off field. (Hoye, 2015; Soderman, 2012). Today, for a football club to be successful, a football club must be controlled both from a sporting perspective and a financial perspective. These two aspects are determining factors in a football clubs strive for long-term success both on and off the field (Szymanski, 2014).

### **3.3.1 Sporting success**

The concept of sporting success is a hard to define, the achievement that one football club calls success another football club call failure, thus the concept of sporting success is to a large extent individual and depends on a football clubs position in the football industry “food chain”. As an example, football clubs in the top of the “food chain” will not accept anything else than winning the domestic league or qualify for the UEFA Champions League whilst a tenth place in the domestic league is classified as success for a smaller football club (Coquard et al, 2005). From a sporting success perspective and due to the fact that football in the end is about winning football games, a football club can reach competitive advantage when a football club has a larger proportions of wins that its competitors (Bar-Eli, 2008).

### **3.3.2 Financial success**

Similar to the sporting success of a football club, the financial success is to a large extend individually evaluated and depends on the size of the football club. However, from a financial perspective there is one basic requirement that football club needs to fulfil towards financial success and that is the UEFA Financial fair play regulation. A regulation as aforementioned was introduced in 2010 and requires football clubs in a short matter of time displaying a financial result of at least breakeven and that a investments and losses must be covered by own-generated funds. If a football club fails to meet this requirement the football club will get sanctions like disqualification from UEFA competitions, fines, withholding or revenues from UEFA competitions, prohibitions to register new players in UEFA competitions etc. (Morrow, 2014; UEFA, 2010).

### **3.3.3 Special feature of sport management**

There are both similarities and differences between sport organisations and traditional business organisation and thus it is interesting to view a sport organisation from a management perspective. Sport organizational has developed these similarities through years of development from non-profit seeking organization into more professional structured and managed profit seeking organization. During the sport organizations quest for more professionalism, the sport organization started to copy practises and values from the business world in which lead to players and administrators become paid employees. There were not only a shift in the employment, leisure activities become branded sport products, supporters/fans become customers and alliances with corporates supporter developed (Hoye, 2015; Stewart & Smith, 1999).

Nonetheless, the similarities grew but there are still some special features that pervade the management of sport organizations. The features that difference a sport organization from a traditional business organisation include an intense emotional relation between members, fans and their clubs in which the sometimes competing goal of sporting success and profitability can generate a tension between the different stakeholders in the organization (Stewart & Smith, 1999).

Historically, a football club has been judge on their pure football abilities, a football club is successful when a football club is winning football matches and trophies, from

the perspective of the fans/supporters this measurement of success is still today what a football clubs is evaluated from. Fans/supporter of a sport organisation have developed a strong affiliation to their favourite club and players, they have an emotional connection to “their” club and they are experience a form of belonging to “their” club. This emotional intensity that fans/supporter have to “their” club is unique for the sport industry and the customer relationship that a football fan/supporter experience to their club is something that rarely exist in a customer relationship to insurance companies, banks or other traditional businesses (Stewart & Smith, 1999). A traditional business needs to satisfy its employees, the overall efficiency, productivity and be quick to respond to changes in the market. In contrast, for a sport organization, this is a bit different, the consumption of sport is based on a strong emotional attachment that are linked to nostalgia, tradition and history. A change in a clubs colour with the aim of creating a more attractive image/brand will probably meet massive resistance from the fans/supporters due to it would go against the history and tradition of the club. Another example is that the best applicants for a coaching job can be overlooked and instead a club will appoint an applicant that has previously shown loyalty to the club (Stewart & Smith, 1999; Fisher & Wakefield, 1998).

All of the above comes from a irrational passion that exist in the sport industry, this irrational passion also exist in more direct way that is called the paradoxical nature of sport. When traditional business is aiming for high product quality to give their customer a high level of consistency and reliability regarding their product and services, customer (fans/supporters) of the sport industry is more attracted to a game with a higher level of unpredictability, in other words, a fans/supporters is more attracted to a game when there is a high level of unpredictability in the outcome of the game instead of practically know which team will win in advance (Stewart & Smith, 1999). In general sport administrators are conservative when it comes to romantic vision, emotions and passion that exist in the sport industry, thus they might overlook the commercial logic and economic rationality only to follow the romantic vision, emotion and passion that have evolved through history (Stewart & Smith, 1999).

In the majority of cases, a fans/supporter/customer has a high level of loyalty towards their favourite team. This high level of loyalty could also appears to the sport competition level as the product “football” being a great example. This creates a low cross-elasticity of demand in the sporting industry, in other words, the possibility of customer of football or a specific team should change and use other sports, competitions or even other teams as a substitute is low (Stewart & Smith, 1999). The entertainment that a match day provides both from live spectators and televisions viewers are often sport specific and the satisfaction a football supporter gets from watching a football game will not be easily transfer to another sport, especially if a football fan is watching his favourite football team. Even at times when supporter are unsatisfied with the performance of their favourite club the probability of this supporters to shift their sporting preferences is still very low. Thus, most sport competitions have the characteristics of a high degree of product loyalty together with an inelastic demand. When a football supporter cannot see his favourite team live or on the TV he is unlikely to use a hockey game as a substitute,

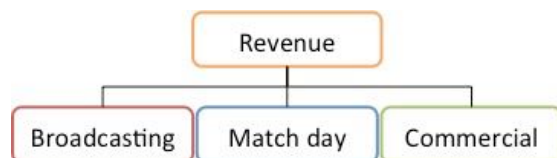
even if hockey game is played nearby on an attractive arena or even if the hockey game had free entrance. This character differentiates the sport industry from more traditional business, if a customer of a computing equipment is dissatisfied with the product in some way, the outcome will probably be that the customer would consider changing provider or products. The low degree of substitution that characterizes sport organisation comes with some advantages but it also has its drawbacks. Due to the low level of substitution the possibility of immediate market penetration could be limited, the fact that sport fans have a strong affiliation to their own sport that is based on an emotional and traditional foundation. Even if for example a hockey organisation is using incentive or price discount to attract new supporters, it is still unlikely for the hockey organisation to win a large quantity of for example football supporters (Stewart & Smitt, 1999; Soderman, 2012; Fisher & Wakefield, 1998).

The emotional attachment that sport supporters perceive for their favourite team creates a club or brand affiliation that is very strong. In sport, supporters have a high level of product loyalty or brand loyalty, supporters will repeatedly consume products that are linked to their favourite team and they will repeatedly watch their favourite team play. Due to the high emotional attachments, increasing ticket prices or if another game with higher quality is played elsewhere will have no effect on the supporters, they still go to consume their own team, either direct on the arena or via television (Stewart & Smitt, 1999; Soderman, 2012; Fisher & Wakefield, 1998).

This brand loyalty also exists in other consumer goods as well but it could range from a very low take away food to moderately high for sports footwear. This emotional attachment and identification that supporters are feeling for a sport organisation is something that other retailer and service organisation would "kill" for. The emotional attachment does not only include identification with the favourite team, but it can also include the identification with the sport itself or a favourite player in which becomes the supporters "hero". Supporters that are enjoying playing football themselves probably will start to follow a specific football team and get a specific footballer as their hero. Supporters will follow their hero, if their hero wears Nike football shoes, so will the supporters. This identification either with the sport, team or player has a powerful influence on how supporters are spending their money. This is something that sport organisation could take advantage of by trying to capture supporters by loyalty and charisma that is connected to either the club itself or players within the club (Stewart & Smith, 1991).

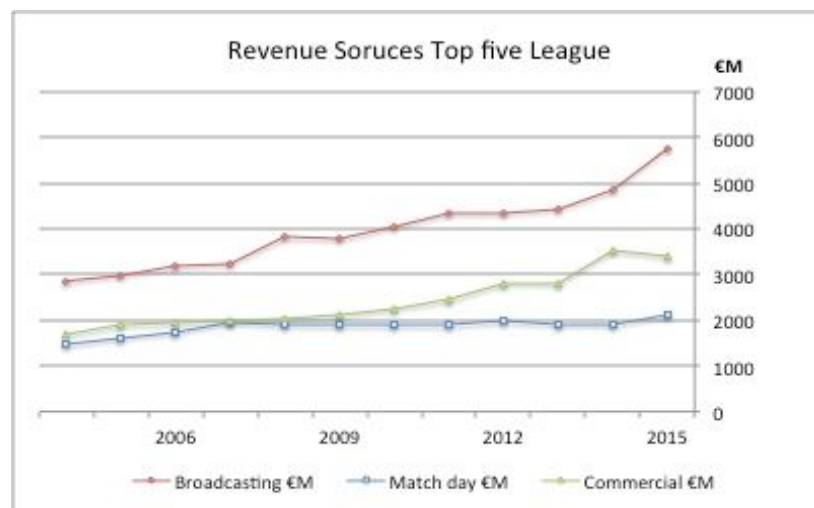
### 3.4 Overview of UEFA football industry

When comparing football clubs, several different metrics can be used, both financial and non-financial. On-pitch success, fan base, revenue, attendance and broadcast audience is just a few example of how football club could be compared. During the recent years the company Deloitte has created a football money league, in which they measure and compare Europe biggest club from a revenue perspective. In this football money league, the focus is on how footballs clubs ability to generate revenue from its operations. The revenue of a football club has three main sources, Broadcasting, Match day and commercial. (Deloitte, 2017)



**Figure 4**, Three main sources of Revenue for a Football club (Deloitte, 2017).

The evolution of revenue for Europe top 5 leagues is demonstrated below, broadcasting is the biggest source for a football club and in 2015 the broadcasting is almost double than commercial and triple the match day revenue. Commercial and Match day income have historically been similar in terms of revenue but from 2010 the commercial revenue has increased more than match day revenue most thanks to the increased sponsor deals that flourish in the football industry today. (Deloitte, 2004-2017)

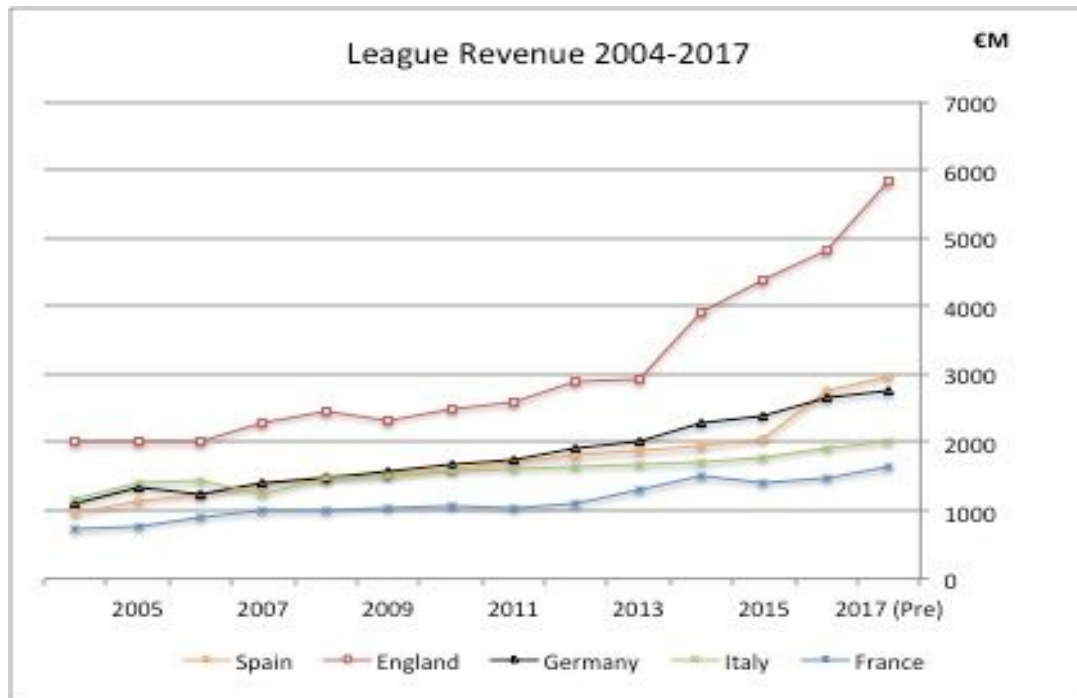


**Figure 5**, The three main revenue channels in Europe top five leagues (Deloitte, 2004-2017)

#### 3.4.1 Revenue channels

Most industries was affected negative by the financial crisis the world met in 2009 but this was not the case for the European football industry (Morrow, 2014) The European football market grew with a rate of 24% during the years 2007-2013 and has not showed any sign of stagnation over the last 20 years with average growth of more that 9% and the revenues of European clubs are today six times greater than 1996. The European football industry has display a long-term consistency when it comes to increasing revenue and its a testament of the increasing interest in the

industry (UEFA, 2015). The figure below demonstrate the increasing revenues numbers of Europe top five leagues where all leagues has had a stable growth from 2004-2016 with the exception that English Premier League from 2013 has showed a drastically rise and are expected to have almost €6B in revenues in 2017. That is almost double the figure of the €3B in revenue that Spanish La Liga is expected to have in 2017 (Deloitte, 2017). This drastic increase of the revenues in English Premier League comes first of all from new broadcasting deals that started in the 2013/2014 season and even better broadcasting deal that started in 2016/2017. (UEFA, 2015)



**Figure 6, Overview of top five leagues revenue (Deloitte, 2004-2017)**

### 3.4.1.1 Broadcasting

Broadcasting revenue is the biggest of the three revenue channels for a football club today and are generated both from domestic and international competition and are driven by the high demand of watching football games on TV all around the globe. Broadcasting revenue for a football club is dependent on the sporting performance both domestic and international, better result domestically will lead to more TV-time and the opportunity to participate in international UEFA competition.

Due to the fact that all countries and their own leagues have individual broadcasting deals the potential for a football club of generating broadcasting revenues is highly depended on in which country a football club belongs. As demonstrated in figure below, English Premier League has a significant better broadcasting deal compared to other top European Leagues. English Premier League signed a major 3-years broadcasting deal worth €2,9B that began from the season 2013/2014 and three years later they signed a even better 3-years broadcasting deal worth €4,1B which extend to the season 2018/2019 (UEFA, 2015). The money that this deals generates are then divided to the different clubs within the Premier League which gives the



English club and advantage compared to clubs in other leagues when it comes to attract player and offer them higher salaries.

Moreover, German Bundesliga are enjoying higher broadcasting deals from the season 2013/2014, the new deal is 50% higher than the previous broadcasting deal.

In most of the leagues the broadcasting money is more or less equally divided to all clubs, for Spanish La Liga, this is not the case, where Real Madrid and FC Barcelona capture a third of the total broadcasting revenue of all Spanish clubs.

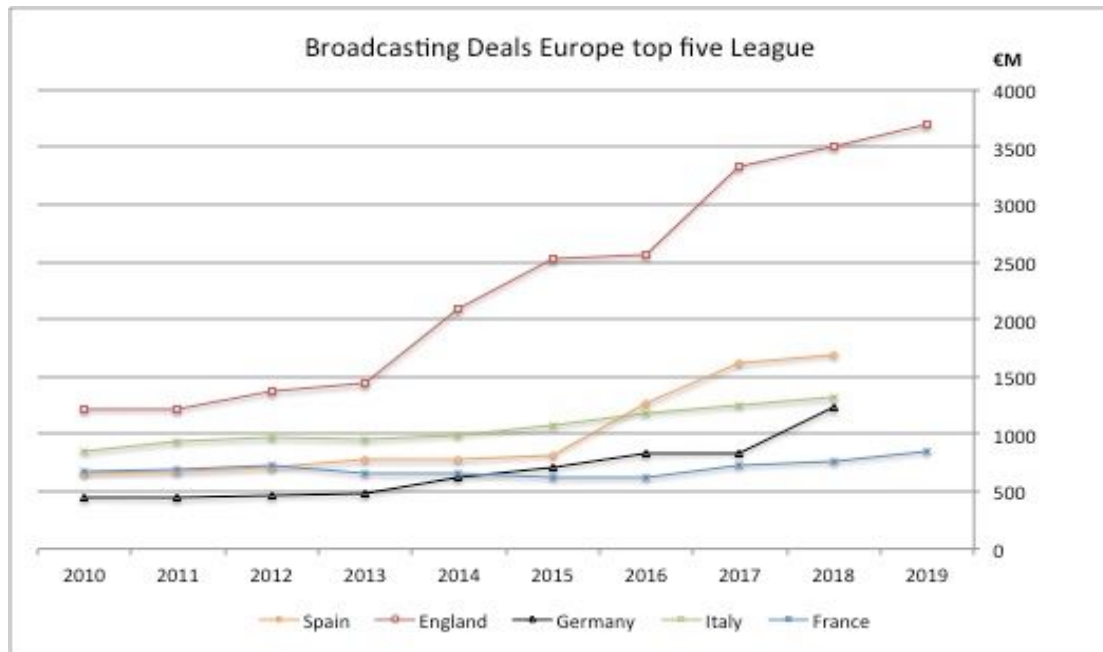


Figure 7, Broadcasting deals for top five league 2010 – 2019 (UEFA, 2015)

Participation in UEFA competitions is another way for a football club to generate higher broadcasting revenue, especially participation in UEFA Champions League. In 2015, Juventus generated €107M in broadcasting revenues from the domestic tv-deal, but thanks to great performance in Champions League they also got €92M in broadcasting revenues from UEFA. (UEFA, 2015)

### 3.4.1.2 Commercial

Since the 2009, Commercial revenue have been the second largest revenue source for European football clubs, this revenue comes primarily from sponsorship deals with companies outside football but also from merchandise and souvenirs tied to the clubs. The size of the commercial revenue is mainly linked to the size of the club, how popular a club is worldwide and this interest around a football club is not only determined by how many fans the club has, it also depends on the environment in which the club is operating. As demonstrates in the picture below, the English league is enjoying far better commercial revenue than rest of the leagues, due to a higher interest on a global scale, more companies are interesting in sponsor English football clubs with the purpose of broaden their own brand through football clubs, thus the higher sponsorship deals. In general, a football club has two major sponsor deals, the kit manufacturer and the shirt sponsor, this sponsorship deals differs significantly from club to club. Manchester United signed a deal with Adidas in 2015 that is worth

£75M annually over 10 years and they also signed a deal with Chevrolet that is worth \$559M over 7 years (Forbes, 2016b). In contrast, Juventus also signed a deal with Adidas in 2016 but there deal is only worth £20M annually over 6 years and a deal with JEEP that is worth around €42M annually.

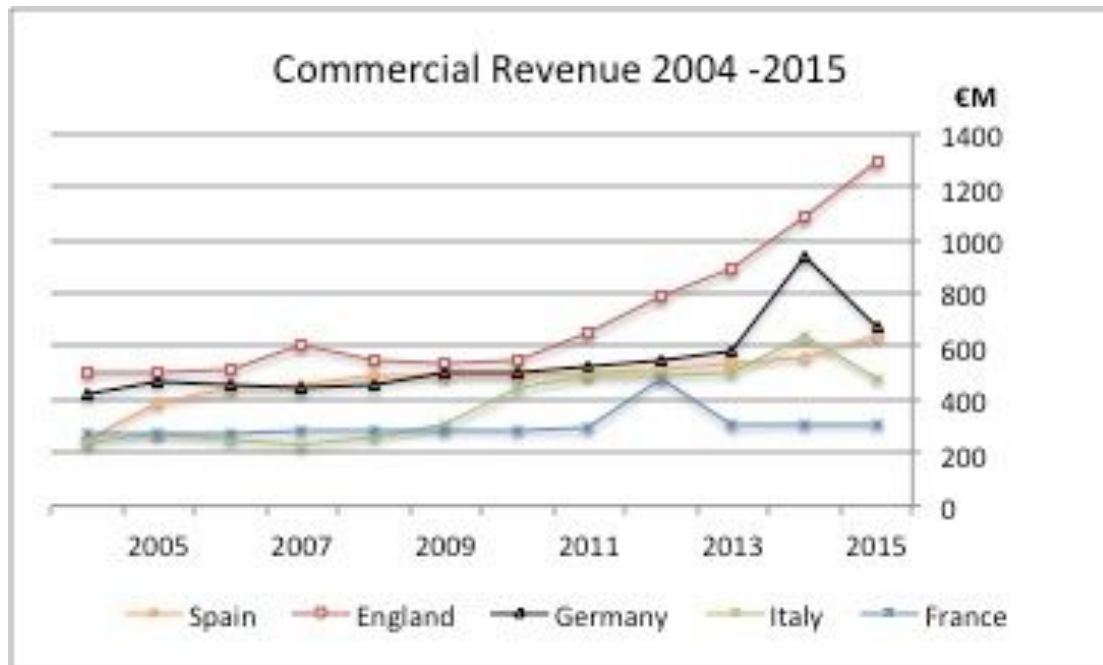


Figure 8, Overview of top five leagues commercial revenue (Deloitte, 2004-2016)

Another way of increasing commercial revenue is through new stadiums, by selling the naming rights or other rights tied to the stadium. When Arsenal built Emirates Stadium in 2004, the airline company Emirates and Arsenal signed a deal worth £100m over 15 years for the naming-rights of the stadium, in 2015 this deal got extended with 5 years and Emirates will pay Arsenal additional £150M for the naming-rights of their stadium (Arsenal, 2016).

### 3.4.1.3 Match day

Match day revenue is generated from Gate receipts from home games for a football club during a season. The Gate receipts including membership, season tickets and everything that being purchased in the arena during a match day. The size of the match day revenue is depended on how many home games a club have during a season, all team have the same number of home league games, but better sporting performance will generate more home games in both domestic cups and UEFA competitions. When Manchester United 2015 missed out on participants in Champions League, there match day revenue decrease with 12% from the year before.

Another vital driver for the match day revenue is the size of the stadium and how much attendance a club can attract. Higher capacity of the stadium means more tickets available, which in turns could potential increase, the match day revenue. With that being said, bigger stadium is not always the answer if you want to increase match day revenue. Since Juventus moved in to their new Juventus Stadium in

2011/2012, they have more than double their match day revenue even though that the new stadium only has half the capacity as the old one.

The figure below illustrating total match day revenue for Europe top five leagues, once again English Premier League is outperforming the other leagues, the main reason for this is the global interest of the English Premier League. The big interest creates a high demand on ticket for matches in Premier League, which in turn affect the ticket prices and the match day revenues. The stagnation of match day revenue in countries like Italy and France is mainly due to the lack of ability to attract live attendance. From the season 2013/2014 Italy showed a 10% decrease in average match attendance from the year before and in the season 2011/2012 former powerhouse AC Milan displayed a 16% decrease in average league attendance.

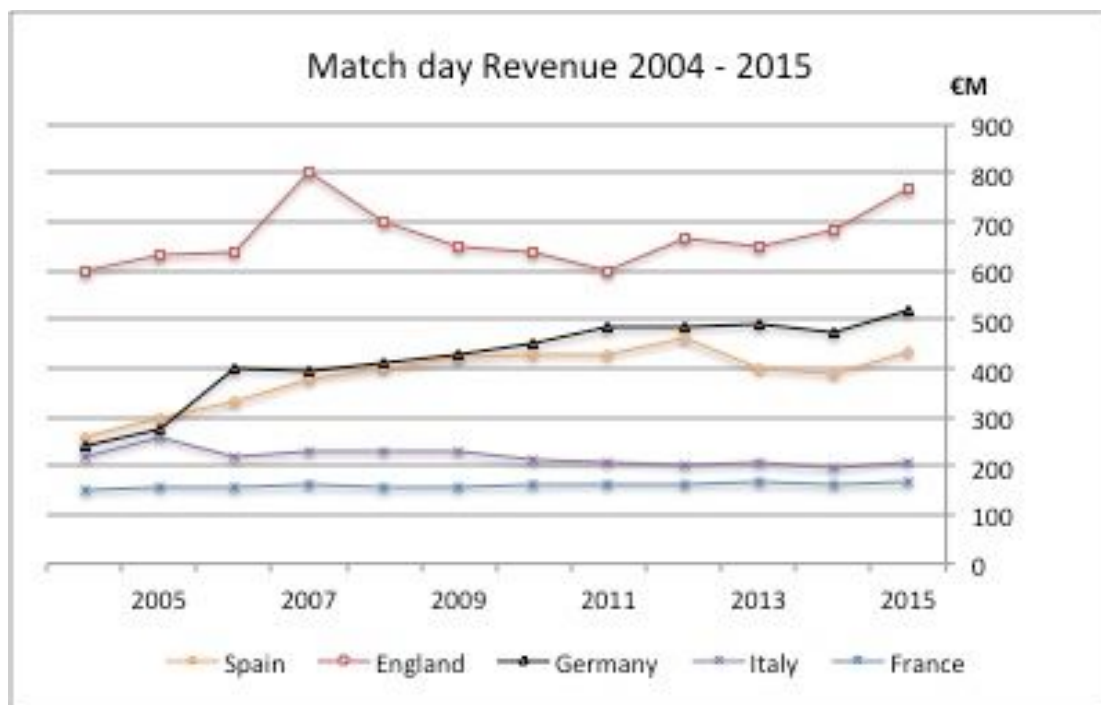


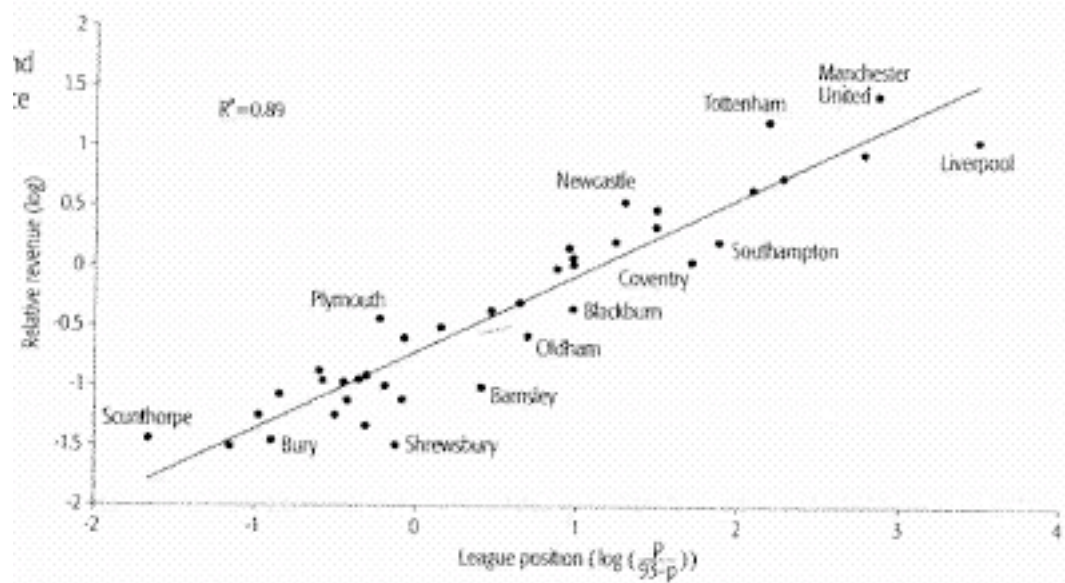
Figure 9, Overview of top five leagues Match day revenue (Deloitte, 2004-2016)

### 3.5 Relation between sporting success and increasing revenue

The quote below is a recurring quote in the discussions regarding football in relation to business and according to several authors a football clubs long-term success on the field is influenced by the financial performance of the football club (Hall, Szymanski & Zimbalist, 2002; Dejonghe, 2004; Soderman 2012; Deloitte, 2006-2017).

*"The main variable that gives long term assurance of sports successes is the total turnover of the club"*

There is a positive relation between increasing revenue and better sporting performance and from a study about English football clubs the authors Szymanski and Kuyper (1999) find out that there was a 89 % correlation between revenue and league positions from the years 1978 to 1997.



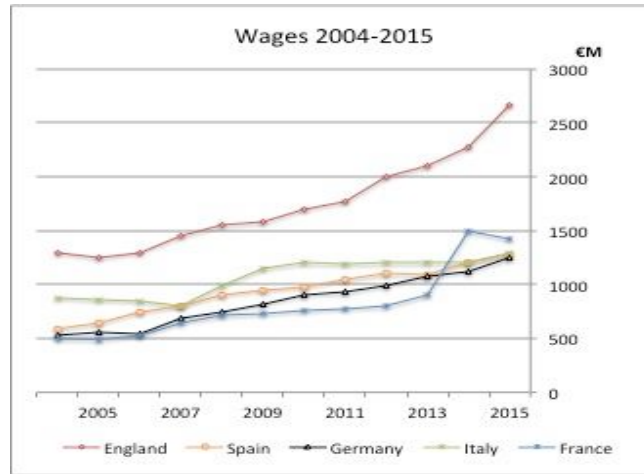
**Figure 10**, Correlation between Revenue and sporting performance (Szymanski & Kuyper, 1999).

It should be added that this data is a bit old, the football industry has a different character today compared to 20 years ago but this correlation is still strong.

According to Deloitte (2013) there is a positive relation between sporting success and increasing revenue and where sporting success domestically will lead to the opportunity to participate in UEFA competitions League, which will boost the revenue for a football club. This relation was clear for German Borussia Dortmund when they in the 2011/2012 season won both the league and the domestic cup together with participant in Champions League for the first times in years and then they displayed a 37% revenue growth In contrast, Juventus display an decrease revenue season 11/12 due lesser performance in the domestic league with the results of no Champions League and missed out on potential revenue. This was also the case for Manchester United, when they missed out on Champions League in the 2014/2015 season there were a temporary stagnation in in their otherwise growing revenue numbers (Deloitte, 2013).

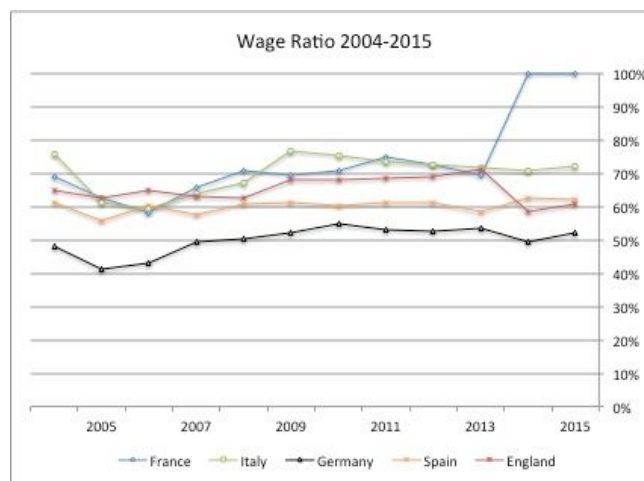
### 3.6 Wages expenditures

Wages expenditure stands for the biggest cost for a football club on European top level, in 2015 European football clubs together paid astonishing €10,6bn in wages to their employees and the wages expenditure represent 62% of all net cost that European football clubs has. The figure below is demonstrating the increasing development of total wages that football clubs in European top five leagues are paying to their player. The trend of increasing wages expenditure is clear in all five leagues and once again the English Premier League is outperforming its competitors in a financial perspective. Rough-and-ready speaking, Spain, Germany, Italy and France have both similar wages expenditure and growth. England on the other hand, has almost twice the size of wages expenditure together with a steeper growth, which follows the same pattern as for Total revenues for European top five Leagues.



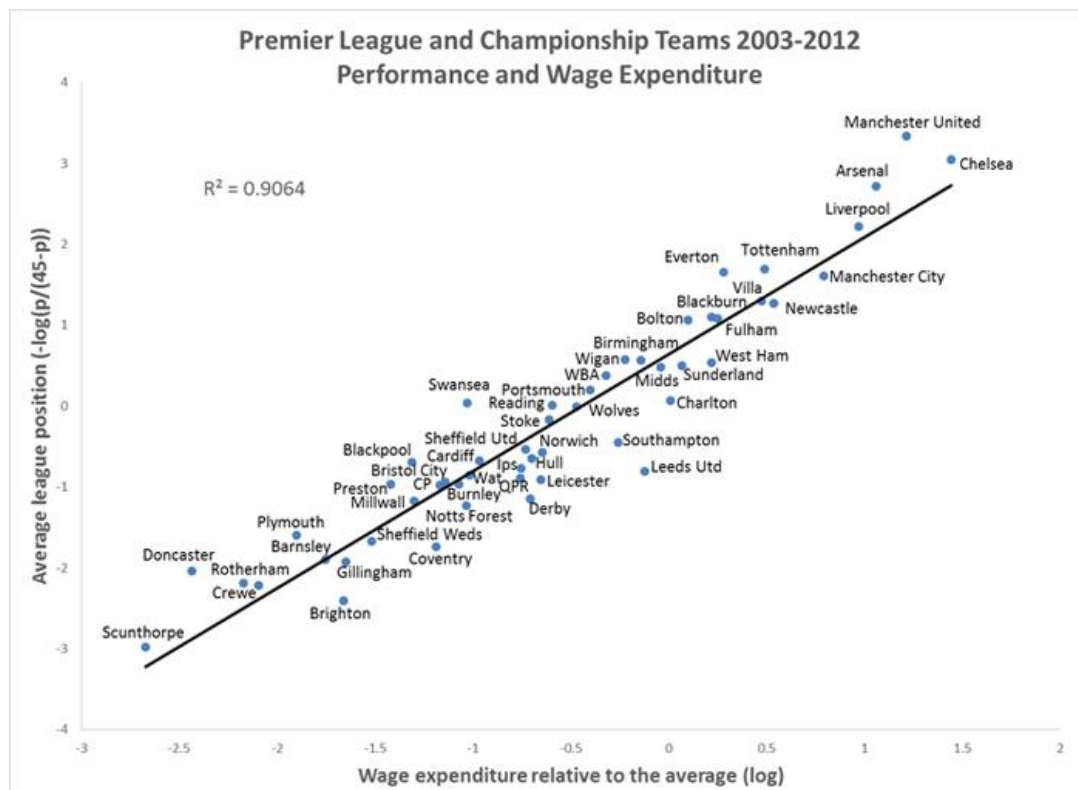
**Figure 11**, Total Wages expenditure of top five leagues 2004- 2015 (UEFA, 2008-2015)

When you divide the wages with total revenue you get a wage ratio, this wage ratio is widely recognised as one of the key financial indicators for football club and it indicates the health of a football club. According to UEFA and their Financial Fair play legislation, a football club is healthy if it has a wage ratio below 70% (UEFA, 2015; Deloitte, 2016). The figure below is displaying the wage ratio in European top five leagues, during the last 15 years it is clear that Germany league is the healthiest from a wage ratio perspective followed by Spain and where England has improved their ratio over the last years. During this 15-year period, all leagues are showing a more or less smooth level in which indicates that the revenue and the wages expenditure has progressed in the same pace with the exception of France. The high increase of France's wage ratio in 2013 is mostly due to the project of Paris Saint-Germain, where the new owners did enormous investments to make Paris Saint-Germain a competitive club in Europe.



**Figure 12**, Wages Ratio of top five league 2004-2015 (UEFA, 2008-2015).

### 3.7 Relation between sporting success and wages



**Figure 13**, Correlation between Wages expenditure and sporting performance of Premier League and Championship team from 2003 – 2012 (Szymanski & Kuper, 2014).

Stefan Szymanski and Simon Kuper (2014) have study the relationship between football clubs wages and their sporting performance for several years. The picture above shows that in the years 2003-2012, that football clubs wages expenditure could explain the variation of a football club league position in more than 90 % of the case. Of course if you study on single season the relation between wages and league position could differ, but over time, the football club that have the highest wages expenditure is also the football club that will enjoy success on the field (Szymanski & Kuper, 2014). Moreover, the relation between wages and sporting success is not something new, Szymanski and his co-author have demonstrated this phenomenon many times, in the period 1974-1989, data from 48 English club displayed similar results. In the season 1996/1997, the correlation between wages expenditure of 69 English club and their league position displayed a 78% correlation. In a study of the German Bundesliga, the author Bernd displays that higher wages expenditure raises the performance on the field significantly over the period 1981/1982 -2002/2003, but with a decreasing rate (Frick, 2011).



## 4. Empiric

### 4.1 Real Madrid

#### General info

**Name:** Real Madrid Club de Fútbol  
**Founded:** 1902  
**Domestic League:** Spanish La Liga  
**Home Stadium:** Estadio Santiago Bernabéu, Capacity 81 044  
**Legal form type:**  
**Owner/Controlling Shareholder:** Club Members  
**Social media follower:** Instagram: 47.9m; Facebook: 101.4m; Twitter 7.1m

#### Main Honours (Until 15/16)

**League Titles:** 32  
**Champions League/European cup:** 11

#### Financials 15/16

**Total Revenue:** €620M  
**Deloitte Football Money league position:** 3  
**Enterprise value:** €3225M  
**Brand Value:** €1056M  
**Net income:** €30,2M  
**Debt/value:** 3%  
**Wage/Revenue Ratio:** 49%  
**Revenue distribution:** Commercial, 48%, Broadcasting, 33%, Match day, 19%

*References: (Brand Finance, 2016; Deloitte, 2017; Realmadrid, 2016; Forbes, 2017a)*

#### 4.1.1 Organisation structure

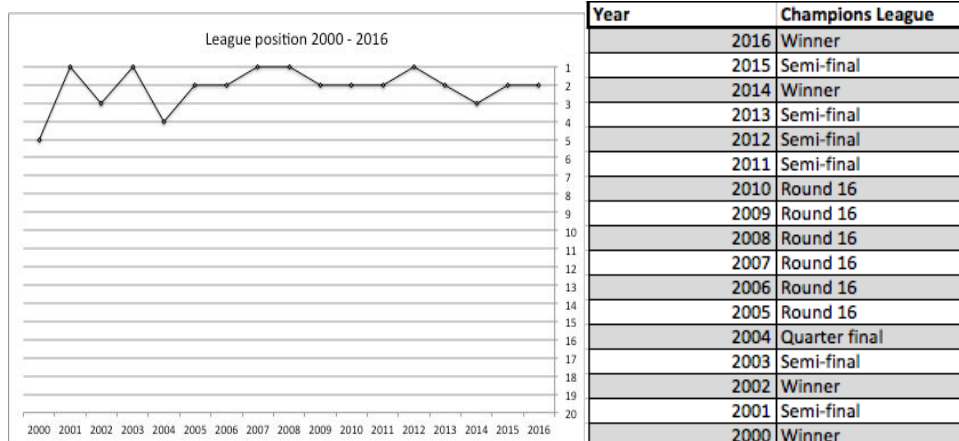
Real Madrid is a member-owned club, which means that they do not have any individual owner, instead they have 92 000 official club members that together are vote for a president every fourth year. Their current president is Florentino Pérez who is president for the second time. An official member of Real Madrid is called *Socios* and it them that control the club either directly or indirectly. To become a *Socios*, it not enough to just pay the annual membership costs, any potential new member also needs to be recommended by two existing member to have the privileges of being an official member of Real Madrid. The 92 000 socios are voting for to form a member assembly of 2000 socios in which will act as represantitves for all 92 000 socios. The member assembly will then have the main responsibility for the financial aspects of Real Madrid and they also have the power to discipline the club president but also authorising the club to borrow money when needed. All candidate that is running for president must give a substantial bank guarantee and the sums of money that is needed to run for office have also insure that the candidates are mostly highly successful businessmen (Srivastava, 2015).

The advantage that Real Madrid gets with a fan ownership is that the organization remains in control of its most importance assets, the fans. This means that the cultural, social and ideological values of the club will remain without the risk of external owner entering and start to change the values of the Real Madrid. Due to the fact that Real Madrid is not owned by a billionaire or a big corporation that could absorb losses or provide increases of capital, make it even more important for Real Madrid to seek a sustainable economic-sport model (Mandis, 2016). This is something that the current president Florentino Perez has encourage, which has led to a strategy called "The Real Madrid Way". Florentino Perez and his leadership team have developed a sustainable circular model that will improve the performance both on and off the field. The foundation of this model lies in creating enterprise value from Real Madrid community's values and expectations. This values and expectation is that Real Madrid should possess the world's greatest players that

are able to match the community’s values of an attacking beautiful style of football, a style that will win championship and capture and inspire the global audience. For example, for a Real Madrid supporter, winning is not enough, which is in direct contrast of the usual idea in football of “win at all costs”. However, Real Madrid has a different standard and demand than others, the values and expectation for Real Madrid is winning with class, style and elegance, the club wants to be both champions and gentlemen’s (Mandis, 2016).

#### 4.1.2 Sporting Performance

Historically, Real Madrid is the most successful team both in Spain with 32 league titles and also in Europe with 11 European cup titles (today Champions League) since it was founded in 1902. Today, whatever competition that Real Madrid is entering, they are always one of the favourite for winning it, perhaps in many eyes the biggest favourite of all clubs. Domestically, Real Madrid consistently challenge for the league title but in recent years they have been defeated mainly by there biggest rival FC Barcelona and Real Madrid has only won Spanish La Liga once in the last 8 years, a hindsight that is burdensome for all Real Madrid supporters who always have the attitude that Real Madrid is the worlds greatest club. For Real Madrid and their supporters second place is never good enough especially when their big rival FC Barcelona is the winner. However, supporters of Real Madrid fans can find joy in the recent year performance in UEFA Champions League, in the last 6 years Real Madrid has gone at least to semi-final and in 2014 and 2016 they stood as champions. The latest six years of great performance was very welcoming by the fans after six consecutive years of not even progress into quarter-finals, once again a hindsight that have been very hard for Real Madrid supporters and their self-image.



**Figure 14,** Real Madrid League performance 2000-2016 (WhoScored, 2017).

**Table 1 –** Real Madrid Champions League 2000-2016 (WhoScored, 2017).

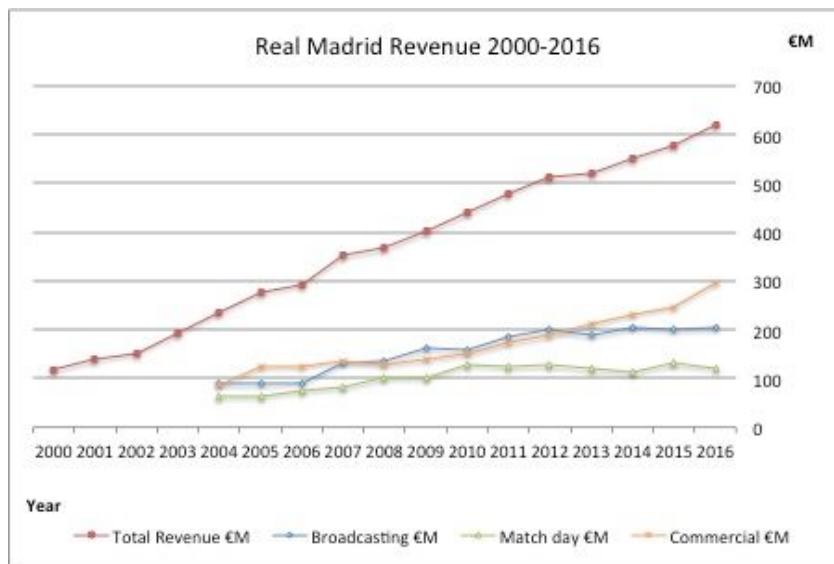
#### 4.1.3 Financial Performance

Before 2016, Real Madrid have been the football club with the highest revenue for 11 consecutive years but are in 2016 beaten by both Manchester United and FC Barcelona (Deloitte, 2017). In 2015, Forbes did a valuation of all sports team around the globe with Real Madrid as number one, a position that Real Madrid kept also in 2016 when Forbes estimated their value to €3.2bn (Mandis, 2016; Forbes, 2017a). Even though Real Madrid lost the top spot in terms of revenues, Real Madrid is still



one of worlds most famous brand and their self-image has not change. Approximately, Real Madrid has 450 million fans around the world, to put that in perspective, 450 millions fans is more than what the all teams in the American football League (NFL) has combined. This big amount of follower creates a financial foundation that most of the teams in the world have a hard time competing against. For example, between the years 2009 to 2014 Real Madrid has the highest average jersey sales in football, which proves the greatness and how big Real Madrid supporters' crow really is (Mandis, 2016).

In financial terms, this great foundation of supporter has enabled Real Madrid to increase their revenue every year since 2000. The revenue growth over the last 16 years is very impressive with around €100m in 2000 to over €600m in 2016, this growth is once again proves the greatness of Real Madrid and how Real Madrid has led the way in the more commercial character that the European football industry has become. This revenue growth becomes even more impressive when the rest of Spain and particular La Liga has had a low growth due to the challenging financial condition that have existed in Spain in the recent years (Deloitte, 2013).

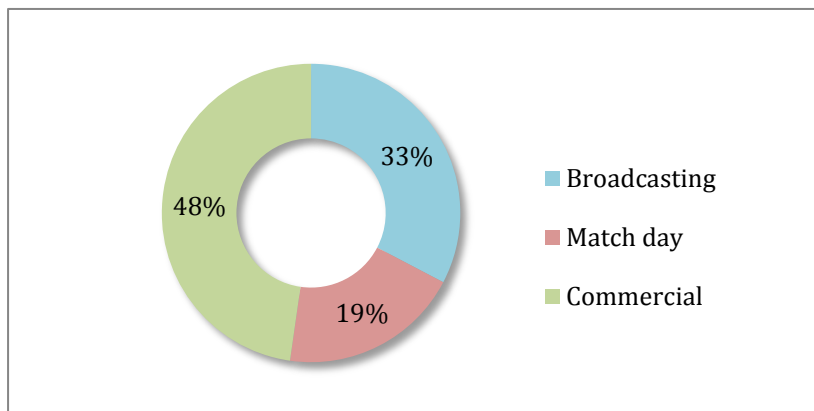


**Figure 15,** Total revenue and revenue sources for Real Madrid 2000-2016 (Deloitte, 2006-2017)

As seen in the figure above until 2012 both the commercial and broadcasting revenue were the two biggest revenue sources but where the commercial revenue sources has increased even further the last 4 years making it stand for almost half of Real Madrid total revenues in 2016 (Deloitte, 2017).

#### 4.1.4 Revenue Channels

As the figure below is demonstrating, commercial revenue stand for almost half of Real Madrid total revenues in 2016.



**Figure 16,** Size of revenue sources for Real Madrid in 2016 (Deloitte, 2017).

##### 4.1.4.1 Commercial

Real Madrid's great performance in commercial revenues is mainly because of their ability to co-operate with big corporation world-wide. Real Madrid strong brand makes it interesting for big corporation all around the globe to start a partnership with Real Madrid. In 2015/2016 Real Madrid have 65 different companies that they worked with, which also lead to a new record in commercial revenues. The two most visible sponsorship deals is with Adidas and the airline company Emirates in which both appears on Real Madrid's match jersey as equipment supplier respectively shirt sponsor. The recent years Real Madrid have had a sponsorship deal with Adidas that generated around €40m annually until 2020, this deal was renewed in the beginning of 2017 with a record breaking deal of around €130m annual for 10 years, the biggest sponsorship deal in football history (Brand finance, 2016). The deal with Emirates, generates around €34m annually, a deal that is expire in 2017 and where Real Madrid are on the verge of signing a new lucrative deal with Emirates.

In 2016, Real Madrid put pen to paper for another big sponsorship deal, when they presented a plan for modernize the current stadium, a plan that will cost around €400m and which are going to be financed by Abu Dhabi based IPIC who will also get the naming rights for the stadium. Not only will IPIV finance the stadium renovation, they will also pay around €25m annual for the naming right for the stadium (Sport360, 2017).

Real Madrid success in commercial revenue lies in their global reach, as mention previously, Real Madrid work with 65 different companies world-wide. Big corporation such as Emirates, IPIC, Microsoft, Mahou and Audi are just a examples of companies that have been associated with Real Madrid for many years. In 2016 global reach was further extended with deals with Korean tire company Hankook who is world leader in their industry. Real Madrid are working on strengthen the club's already great reputation in areas like China and Latin America and also looking into new market such as Africa. A new partnership with Nigerian leading local beer company Star is just one examples of Real Madrid strategy into new regions (Real Madrid annual report, 2016). Moreover, Real Madrid does not only uses its brand to

create partnership with external companies, they also using well-know football players within. A good example of that is an alliance between the Brazilian football player Marcelo and Microsoft, which Marcelo function as an ambassador of Microsoft's social responsibly program. The two Latin American players James Rodriguez and Keylor Navas with enormous influence on the area are working as gurus for Kellog's who is a strong brand in the food industry in South America. Other players like Isco and Gareth Bale are function as brand image for Hugo Boss and Foot Looker (Real Madrid, 2016)

Its not only sponsorship deals that generating commercial revenue, merchandising is another source of commercial revenue. In the season 2015-2016, Real Madrid achieved a global sales record in sport merchandising sector. This record was possible through the recent years success on the field together the fact that Real Madrid possesses some of the world's biggest football players. This two factors generated an increase in demand for merchandise product linked to Real Madrid with 75 % of the sales took place outside of Spain, which once again shows how big Real Madrids global reach is (Real Madrid, 2016).

#### 4.1.4.2 Broadcasting

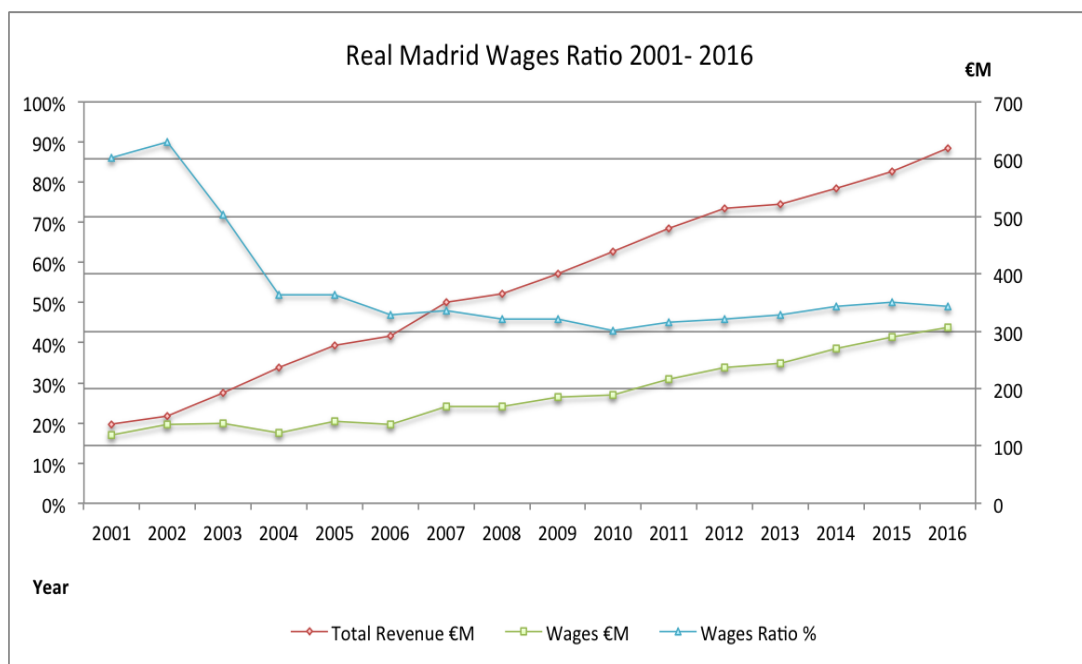
Broadcasting revenue stand for Real Madrid second biggest revenue source with around €200m the recent years, but since 2012 there has been an stagnation in the broadcasting revenue for Real Madrid. This is mainly due to the fact that until 2012 the two big powerhouses in Spain Real Madrid and FC Barcelona got almost all money that Spanish La Liga generated from broadcasting rights due to that the teams in Spanish La Liga can individually negotiate the broadcasting deals. In fact, in 2012, Real Madrid had €200m in broadcasting revenue and the entire Spanish La Liga had in total €704m, this show how skewed the distribution of the broadcasting revenue were. So even if La Liga has increase their broadcasting revenue in total, Real Madrid does not get the same size of the pie, thus the stagnation of Broadcast revenue in recent years. With that being said, Real Madrid still got the highest broadcasting revenue of all football clubs in the world in 2016. (Deloitte, 2017) The great performance in broadcasting revenue is also a result from great sporting performance on the pitch, especially in the UEFA Champions League in which Real Madrid have been at least in the Semi-final for 6 consecutive years (Deloitte, 2017).

#### 4.1.4.3 Match day

The revenue that Real Madrid earns from match day stands for 19 % of total revenues in 2016. In 2016 Real Madrid got earned €121m in match day revenue, which is twice the size of the match day revenue in 2004. From 2004 until 2009 there was a small but steady growth in match day revenue, but in 2010 the growth jump up a notch to a level that has remained for the last 6 years. This is once again mostly because of Real Madrid performance in UEFA Champions League, which have increased the number of home games and thus the higher match day revenues (Deloitte, 2017). Real Madrid already got the third highest match day revenue, but can in the future potential become even higher with the plan of a new stadium in the next coming years as the match day experience for the fans will improves.

#### 4.1.5 Main cost

Due to the increasing revenue that Real Madrid has had in the recent years has led to that also could increase their wages expenditure, as demonstrated in the figure below both Real Madrid's total revenue and their wages expenditure has increase with a high pace the last 16 years. The wages expenditure today is almost three times as high as it was in 2001, but even if the wages expenditure has increased with a high pace, Real Madrid Wage ratio has still decreased. This is due to their exceptional performance in revenue, which has led to that Real Madrid nowadays has a wages ratio below 50% and far away from UEFA's critical line of 70%, which proves that even if Real Madrid has the biggest wages expenditure in football today they still are in a very healthy condition from a wage ratio perspective.



**Figure 17**, Total revenue, wages expenditure and wages ratio for Real Madrid 2001-2016 (Deloitte, 2006 -2017; UEFA, 2008-2016)

## 4.2 Manchester United

### General info

**Name:** Manchester United Football Club  
**Founded:** 1878  
**Domestic League:** English Premier League  
**Home Stadium:** Old Trafford, Capacity 75 643  
**Legal form type:** Private limited company, Listed on New York Stock Exchange  
**Owner/Controlling Shareholders** Glazer Family  
**Social media follower:** Instagram: 17.2m; Facebook: 73.1m; Twitter 10.8m

### Main Honours (Until 15/16)

**League Titles:** 20  
**Champions League/European cup:** 3

### Financials 15/16

**Total Revenue:** €689M  
**Deloitte Football Money league position:** 1  
**Enterprise value:** £2233M  
**Brand Value:** €1077M  
**Net income:** £36.3m  
**Debt/value:** 20%  
**Wage/Revenue Ratio:** 41%  
**Revenue distribution:** Commercial, 52%, Broadcasting, 27%, Match day, 20%

*References: (Brand Finance 2016; Manchester United, 2017a; Deloitte, 2017; Man Utd PLC, 2016; Forbes, 2017b)*

### 4.2.1 Organisation structure

Manchester United is a private limited company registered in Cayman Island that is listed on New York stock Exchange with Red Football LLC as currently largest shareholders with 67.03%. Other large shareholders are Avram Glazer, Joel Glazer, Kevin Glazer, Bryan Glazer and Darcie Glazer who all hold 5.47% each. Due to the fact that the Glazer family have full control over Red Football LLC means that the Glazer family are controlling 98 % of Manchester United PLC (Man Utd PLC 2016). The Glazer family become majority owner of the club in 2005 and since then they have met resistance from major parts of Manchester United's supporters. This resistance started when the fans got the knowledge of that the Glazer family had taken Manchester United's asset as security for the debt that the family got for buy the club. Even if most fans are unhappy with the present owner (a group of wealthy Manchester United supporters have even started a organization for buying back the club) both the sporting performance and the financial performance of Manchester United have been exceptional, if we forget the last three years disappointing sporting performance. Despite Glazer family's full ownership of the club, the Glazer family is aware of that there are other people that operate the sports section of the club in a better way, this has resulted in a clear defined and separate line between Management on the pitch and management off the pitch. The Glazer family only operates at the board level and leaves the daily work that surrounds a football club to the Chairman Ed Woodward.

When the legendary manager Sir Alex Fergusson resign as head coach for Manchester United he left the club as the most successful manager not only for Manchester United but also in the history of British football. During Fergusson's era, Manchester United evolves into one of the world greatest footballs club both on and of the field. Sir Alex Fergusson have been described as far more than just a football manager, he had a central role in the whole organization and according to Manchester United's former executive, David Gill "Steve Jobs was Apple; Sir Alex Fergusson is Manchester United" (Elberse, 2013). Sir Alex Fergusson built the club and are the foundation to Manchester United shared values, that Manchester United is not only a football club, Manchester United is a brand. The sporting success that Sir Alex Fergusson brought to the club have worked as foundation to why Manchester United has so many supporters worldwide and also why Manchester United today is one of the most valuable football clubs in the world.

Despite the fact that the numbers of supporters for a football club is primarily based on the clubs sporting performance over time, but due to the size of Manchester United today together with the rich and unique history, they are not likely to lose any significant number of fans even though the sporting performance should deteriorate (Szymanski, 1998).

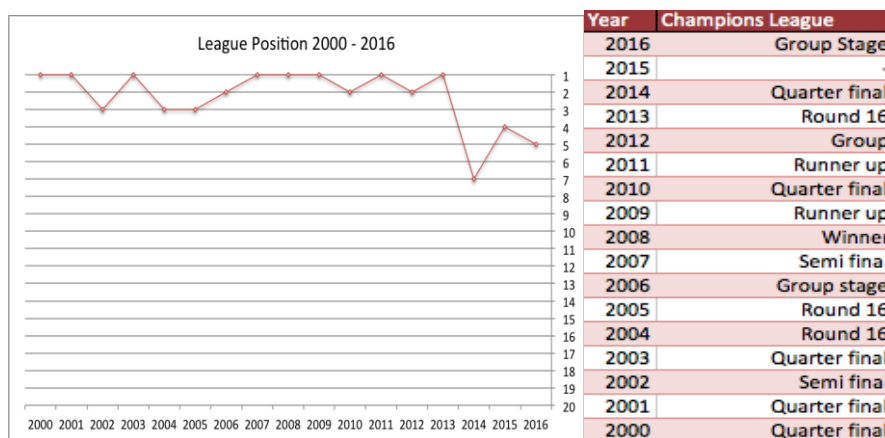
Today, Manchester United is one of the most popular and successful sports team in the world, something that they are very aware of, their current strategy is about how they can take advantage of the already great position that Manchester United finds them in. The strategy is clear, and is divided into four main focuses:

- Expand our portfolio of Sponsors
- Further develop our retail, Merchandising, Apparel & Product Licensing Business
- Exploit new media & content opportunities
- Enhance the reach and distribution of our broadcasting rights

This strategy focuses will increase Manchester United already great position from a financial perspective, and with 659 million followers worldwide together with 40 global and regional partners Manchester United has an exceptional foundation for expanding their organization in the future and making the already powerful brand even more powerful (BrandFinance, 2016).

#### 4.2.2 Sporting Performance

Historically, Manchester United is the most successful club in England with 20 league titles and they have also managed to win 3 European cup titles (today Champions League) since the club was founded in 1878. After seven Premier League titles in 14 years the sporting success of Manchester United has diminished the last three seasons. Before the resignation of the legendary manager Sir Alex Fergusson in 2014, Manchester United was always a club that compete on the highest level, with the best period between 2006 and 2014 when they won the Premier League five times in seven years and at the same time reached the final in Champions League three times and stood as champions in 2008. However, after Sir Alex Fergusson resignation, the times for Manchester United fans have been tougher with fourth place as the best league position in the last three years which also meant that they missed out on a place in Champions League in 2015 for the first time in many years.



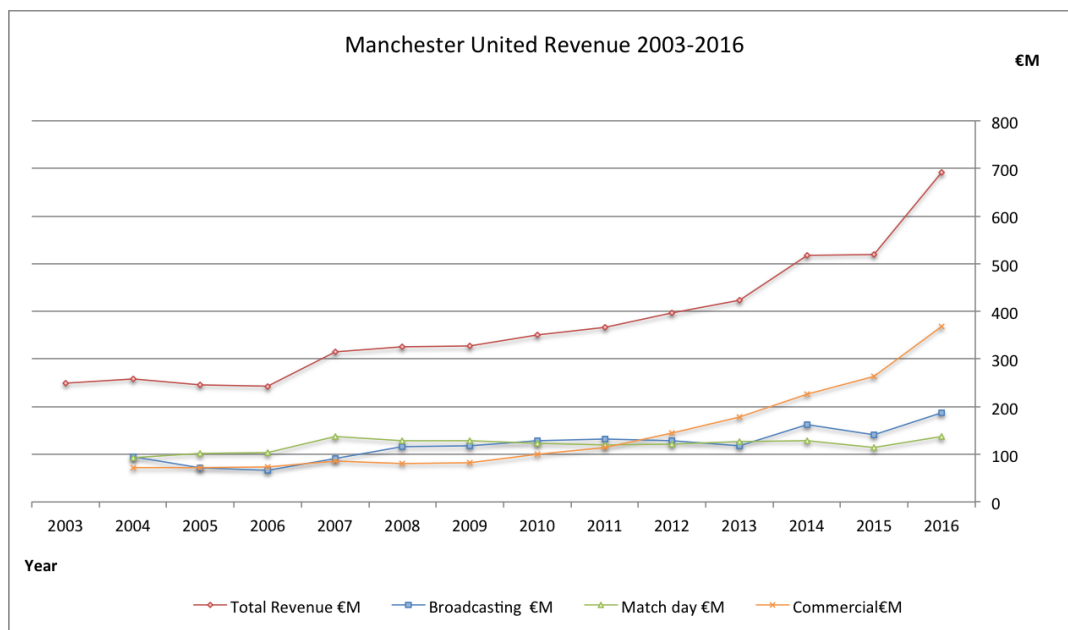
**Figure 18,** Manchester United League performance 2000-2016 (WhoScored, 2017)

Year	Champions League
2016	Group Stage
2015	-
2014	Quarter final
2013	Round 16
2012	Group
2011	Runner up
2010	Quarter final
2009	Runner up
2008	Winner
2007	Semi final
2006	Group stage
2005	Round 16
2004	Round 16
2003	Quarter final
2002	Semi final
2001	Quarter final
2000	Quarter final

**Table 2,** Manchester United Champions League performance 2000-2016 (WhoScored, 2017)

### 4.2.3 Financial Performance

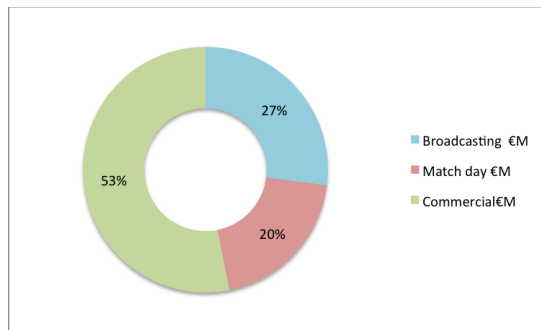
Even if the sporting performance has disappointed Manchester United fans over the recent years, the financial performance has been the opposite and in 2016 Manchester United took over Real Madrid place as number one to become the club with the highest revenue of all football clubs around the globe (Deloitte, 2017). Manchester United has under the 21th century developed into the world's biggest football club in terms of revenue; from 2006 the revenue has increase every year with a slight stagnation in 2015 but was rescued with a drastic growth in 2016. This extraordinary increase in revenue has led to that the brand Manchester United is for the second years in a row the most valuable in the football industry with a brand value of €1.07bn (Brandfinance, 2016). The high brand value is foremost a result of great marketing performance in the two largest economies in the world, China and US. Manchester United has been the dominant football club in Asia and particular in China over the last decade and together with the rapidly growing interest from U.S in recent years there is no signs of that brand value of Manchester United will drop, even if the sporting performance has diminished (Brandfinance, 2016). In a financial perspective, Manchester United can look forward to a bright future. With the world's largest fan base of 659 m followers worldwide together with the new broadcasting deal that English Premier League has signed, the increasing financial performance that Manchester United is demonstrating show no signs of stagnation in the next coming years (Brandfinance, 2016; ManchesterUnited, 2017b).



**Figure 19,** Total revenue and the size of the different revenue sources for Manchester United 2003-2016 (Deloitte, 2006 -2017)

#### 4.2.4 Revenue Channels

As previously mention, Manchester United has displayed an impressive financial performance in the last 13 years and particular in the last 4 years when the growth of the revenue has increase at a higher pace. This is mainly due to performance in the commercial revenues and in 2016 the commercial revenues stands for 53 % of the total revenues that Manchester United is generating.



*Figure 20, Size of Revenue sources for Manchester United 2016 (Deloitte, 2017)*

##### 4.2.4.1 Commercial

As the figure 20 is illustrating, the commercial revenue has not always been the biggest of Manchester United revenue sources but since 2012 the commercial revenue has grown rapidly due to Manchester United ability to sign lucrative sponsorship deals with big corporation through its strong brand recognition together with a strong presence in the two largest economies in the world, China and U.S. This has led to that in 2016, Manchester United is the football club with the highest commercial revenue in the world (Deloitte, 2017). Manchester United's two most visible sponsorship deals is with the equipment supplier Adidas and the shirt sponsor Chevrolet in which both companies logos are appearing on Manchester United's official match jersey. These are also the two sponsorship deals that have taken Manchester United to new heights when it comes to commercial revenues. When Manchester United signed a new sponsor deal with Adidas to become their equipment supplier from 2015 until 2025 it was a new world record in sponsor deals in the football industry, a deal that is worth around €1bn (Forbes, 2015). The match jersey sponsorship deal that Manchester United has with Chevrolet is worth around €510m over a seven years period making Manchester United earn around €172m annually only on its uniform for the next coming seven years (Forbes, 2016b). In addition Manchester United's former shirt sponsor Aon has bought the naming rights for Manchester United well known training ground Carrington together with a sponsorship deal for the training uniforms, a deal worth around €20m annually in the next coming eight years.

Its not only sponsorship deal with external corporation that generates commercial revenues, "retail, merchandising, apparel & product licensing" and "mobile & content" is also two big revenue sources for Manchester United. Even if sponsorship deals are the largest source of commercial revenue, both "retail, merchandising, apparel & product licensing" and "mobile & content" are still important for Manchester United. In 2016, "retail, merchandising, apparel & product licensing" stood for €120m of the total €368m commercial revenue and "mobile & content"



stood for €13m (ManchesterUnited, 2017c). The commercial revenue that generates from “retail, merchandising, apparel & product licensing” is global sales distributed through Manchester United retail centres and e-commerce platforms together with Manchester United’s partners’ wholesale distribution channels. Its includes the sales of sport apparel, training and leisure wear together with other clothing feature that can be associated with the brand Manchester United. The sales also include all the licensed products, all from coffee mugs to bed spreads. Manchester United increase popularity in the world has enabled this revenue source to increase from €44m in 2015 into €120m in 2016 (ManchesterUnited, 2017c). The third source that generates commercial revenue is “Mobile & content”, in which is a mobile telecom partnership in numerous countries that Manchester United has launched, this is possible due to the strength and popularity that the brand Manchester United. They also use their website to market content directly to the followers (ManchesterUnited, 2017d).

#### **4.2.4.2 Broadcasting**

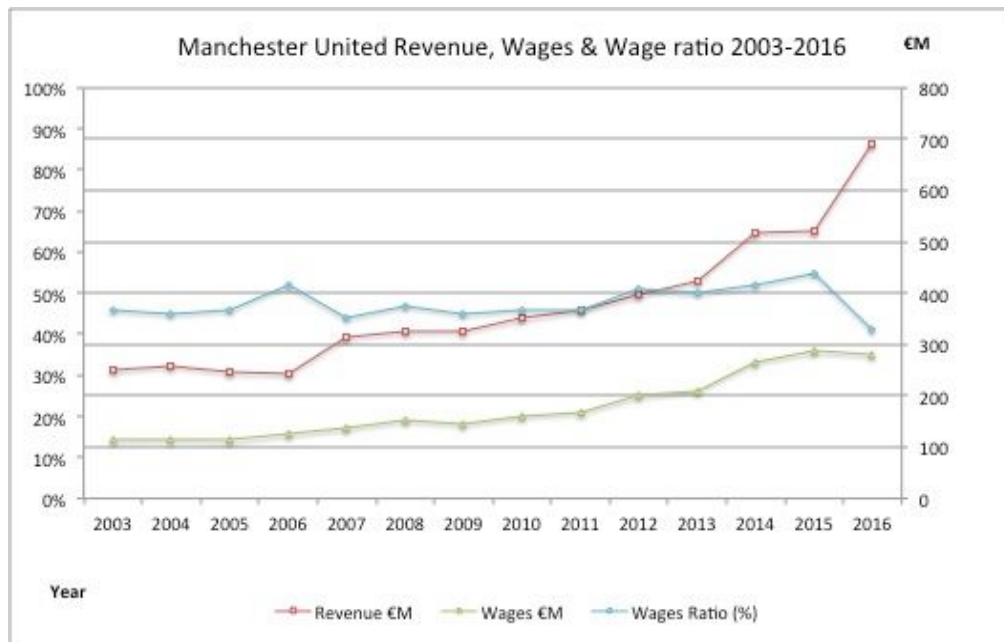
As demonstrated in the figure X regarding revenue channels, the broadcasting revenue stands for 27% of Manchester United total revenues. The broadcasting revenue mainly is generated from domestic broadcasting deals that English Premier League has negotiated. As the figure X is demonstrating, the broadcast revenue for Manchester United has remained on a steady level until 2013 when it was boosted (Deloitte, 2017) This is due to that the English Premier League managed to negotiate a new broadcasting deal with the start in 2014, a record breaking deal regarding TV-rights in which all clubs in English Premier League can enjoy. Due to the high interest on a global scale, English Premier League has succeeded to sign both domestic and international broadcasting deals that no other league can compete with. In the 2013/2014 season, they signed a broadcasting deal worth €4,2bn for the next coming three years, but the interest of English Premier League has continued to grow, which led to that English Premier League signed a new broadcasting deal that started in the 2016/2017 season, an astonishing deal worth €6,4bn over the next coming three years. The money this broadcasting deals generates goes straight into the pockets of the club and thus all Premier League clubs can benefit from these domestic deals with Manchester United as no exception (UEFA, 2015). The enormous popularity that surrounds Premier League facilitates the individual clubs and they do not need to put the same effort in the quest for higher revenues as clubs from other league needs. This new broadcasting deal change the football landscape substantially, due to the fact that smaller clubs in England suddenly have afford the same wages expenditure as bigger clubs in other leagues. Even if the domestic broadcasting deals are massive for English club, the international broadcasting revenue generated from UEFA Champions League is still important for a football club. As demonstrated in figure X, Manchester United broadcasting revenue dropped a bit in 2015 even if the domestic broadcasting deal increased, this is due to the fact that Manchester United did not participate in any UEFA competitions in 2015, which once again proves how important sporting performance is for the total revenue for a football club (Deloitte, 2017).

#### **4.2.4.3 Match day**

In 2016 match day revenue is Manchester United smallest revenue source and it stands for 20% of the total revenues (Deloitte, 2017). That the match day revenue is the smallest has not always been the case, in the beginning of the 21th century, match day revenues was actually the biggest revenue sources of all. The reason for that Manchester United has displayed such great match day revenues is simply called Old Trafford. With the nickname “Theatre of Dreams”, Manchester United flagship stadium has enabled the club to enjoy high match day revenue for many years. Old Trafford is the largest football stadium in England with the capacity of 75 643 attendance and for the last 18 years the average attendance capacity is as high as 99%. In fact, Manchester United is the club with the highest match day revenue of all football clubs in 2016, which once again proves the popularity of the club (Deloitte, 2017). Even if match day revenue has lost it place as Manchester United’s top revenue source it still a strong contributing factor for the club and the fact that it still has increased from 2004 and it only lost it place due to that the other revenue sources has displayed such good result the recent years. Just like the case with broadcast revenues, match day revenue dropped in 2015, this is foremost due to Manchester United missed out on participation in UEFA Champions League in which led to lesser number of home games that season.

#### **4.2.5 Main cost**

Due to the increasing revenue that Manchester United has had in the recent years has led to that also could increase their wages expenditure, as demonstrated in the figure below both Manchester United’s total revenue and their wages expenditure has increase with a high pace the last 13 years. The wages expenditure has almost tripled from 2003 until today, but even with the high increase in wages expenditure Manchester United has held a steady level around 50 % in there wage ratio. The exceptional performance in revenue in 2016 due to better broadcasting deals and foremost improved sponsorship deals has resulted in a drastically drop in the wage ratio. In 2016 Manchester United have a wage ratio as low as 41%, far away from UEFAs critical line of 70%, which proves that even if Manchester United have one of the highest wages expenditure in football today, the football club Manchester United are still in a very healthy condition from a wage ratio perspective (Deloitte, 2017).



**Figure 21**, Total revenue, wages expenditure and wages ratio for Manchester United 2003-2016 (Deloitte, 2006 -2017; UEFA, 2008-2016)

## 4.3 Bayern Munich

### General info

**Name:** FC Bayern München  
**Founded:** 1900  
**Domestic League:** German Bundesliga  
**Home Stadium:** Allianz Arena, capacity 75,000  
**Legal form type:** Unlisted joint-stock company  
**Owner/Controlling Shareholders:** FC Bayern München eV / Club members  
**Social media follower:** Instagram: 9,7m; Facebook: 41,7m; Twitter 4,6m

### Main Honours (Until 15/16)

**League Titles:** 32  
**Champions League/European cup:** 5

### Financials 15/16

**Total Revenue:** €592M  
**Deloitte Football Money league position:** 4  
**Enterprise value:** €2370M  
**Brand Value:** €798M  
**Net income:** €20,6  
**Debt/value:** 0%  
**Wage/Revenue Ratio:** 44%  
**Revenue distribution:** Commercial, 58%,  
Broadcasting, 25%, Match day, 17%

*References: (Brand Finance 2016; Deloitte, 2017; Fc Bayern 2017a; Forbes, 2017c*

### 4.3.1 Organisation structure

In Bayern Munich there is a strong focus on key stakeholders and they put a lot of effort in aligning incentives for all of those that are working in and around the club. By transform Bayern Munich assets such as, players, coaches, the stadium and the fan base into driver of value they have organize the club into benefit from all of those in best possible way. The football club FC Bayern Munich is run under FC Bayern München AG, which is an unlisted joint-stock company. 250,000 members through FC Bayern eV, a sports non-profit organization, collectively own 75 % of FC Bayern München AG and the rest are owned by Adidas AG, Audi AG and Allianz SE with 8.33% each. This ownership structure ensures that the fan base of Fc Bayern Munich is always aligned with the priorities of the club (FC Bayern, 2017b). One thing that differs clubs in Germany from other league is that there is a legislation that forbids corporation owning more than 49% of a club, the reason behind this is that German Bundesliga is trying to encourage club owner to practise a more long-term strategies and avoid risk-taking or debt. This legislation has led to that most of the German clubs are more healthy compared to clubs in other leagues which also becomes clear when looking at the wage ratio where the majority of the German club has a wage ratio around 50% with Bayern Munich as no exception with a wage ratio of 44% in 2016. The encourage of long-term strategies form German Bundesliga together with the big interest that FC Bayern Munich is surrounded by has help Bayern Munich to create partnership with corporation titans that has resulted in increasing revenue over the years. With Adidas, Allianz and Audi as co-owner, Fc Bayern Munich does not only got financial input from them, they also contribute with commercial guidance.

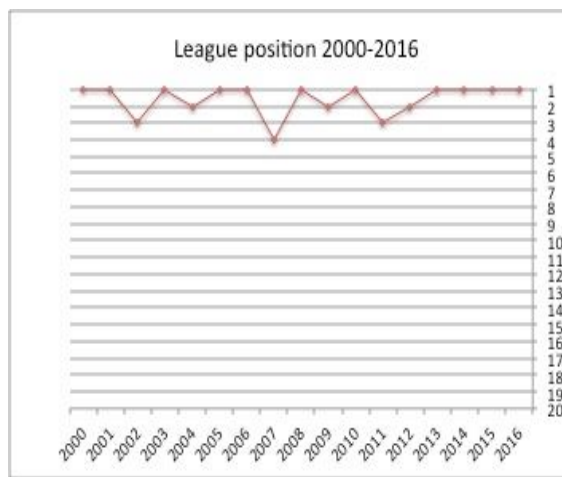
Over the years Bayern Munich has showed up an impressive continuity in performance both on and of the field that both have started with a strong management in the boardroom. Even if players have come and gone, the performance on the field has not faded and this shows how great the fundamentals are within Bayern Munich. There is a collective orientation within the club that helps new player to be integrated into the “Bayern Munich way”, a collective orientation that have been evolved trough a strong organization culture that from the beginning derives from the strong management within the club (Bar-Eli, 2008). A family atmosphere characterizes the organization culture within Bayern Munich and they treat all members with the same love regardless of position in the hierarchy. The fact

that most of the persons on controlling position inside Bayern Munich is former players, this is quite unique in football today and it helps Bayern Munich to create this family atmosphere due to members are sensing a connection with the person on controlling positions (Fc Bayern, 2017c). One good example of this is when the club's long-time leader Uli Hoeneß got sentenced to jail for tax fraud, supporters and members gave Uli Hoeneß their full support unlike rest of the society, this just shows how strong the Bayern Munich family is and how they all stand up for each other.

### 4.3.2 Sporting Performance

Historically, Bayern Munich is Germany's greatest club with 32 league titles and 5 European Cup (today Champions League) titles, only surpassed by Real Madrid and AC Milan, since it was founded in 1900 and the dominance of Bayern Munich in German football show no signs of stagnation. Every new season Bayern Munich is always one of the favourite to win whatever competition they are entering. Domestically, Bayern Munich consistently challenges for the title and they have won the German Bundesliga 11 times in the last 17 seasons. Internationally, in the most coveted trophy in football that is Champions League, Bayern Munich is always one of the favourites. Due to strong performance in the domestic league, Bayern Munich has had the opportunity to participate in UEFA Champions League the last 17 years and stood as winner both the 2000/2001 and 2012/2013 season.

As previously mention, Bayern Munich has always been competitive both domestically and internationally but in the recent years the sporting performance of Bayern Munich has reach new heights with 4 consecutive Bundesliga titles and they only missed out on a semi-final place in Champions League once in the last 7 years.



**Figure 22**, Bayern Munich League performance 2000-2016 (WhoScored, 2017)

Year	Champions League
2016	Semi final
2015	Semi final
2014	Semi final
2013	Winner
2012	Runner up
2011	Round 16
2010	Runner up
2009	Quarter final
2008	Semi final
2007	Quarter final
2006	Round 16
2005	Quarter final
2004	Round 16
2003	Group Stage
2002	Quarter final
2001	Winner
2000	Semi final

**Table 3**, Bayern Munich Champions League performance 2000-2016 (WhoScored, 2017)

### 4.3.3 Financial Performance

The great result that Bayern Munich has showed on the field has also been the case off the field in recent years and it something that Bayern Munich also is aware off.

"There is no doubt Bayern are both on a sporting level and financially at a stage they have never been before." - Bayern Munich Chief Executive Jan-Christian Dreesen (Bundesliga, 2014).

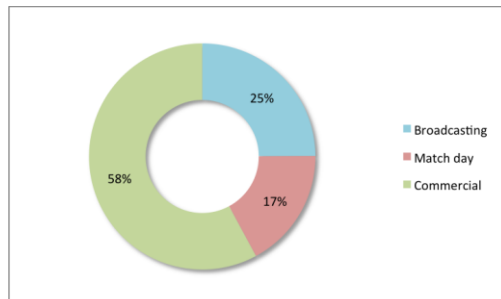
Over the last 13 years, Bayern Munich revenue done a remarkable journey in terms of revenue and has showed an annually growth with the exception of the season 2014/2015 and in 2016 the total revenue was almost €600m which is the fourth highest of all football club in Europe (Deloitte, 2015). Even if Bayern Munich has done remarkable progress in terms of revenues, the most impressive performance is not the size of the revenue growth, but rather the financial health that Bayern Munich is displaying. Of this size, Bayern Munich is one of few clubs that are completely debt free. Another example of their financial health is that Bayern Munich paid off the debt to their stadium *Allianz Arena* 16 years earlier than originally negotiated. An arena that initially was co-owned with another football club TSV 1860 Munich, but is now fully owned by Bayern Munich and leases it back to its former partners. Due to the full ownership of the arena, Bayern Munich has the possibility to lease the arena for example German National team games or music concerts and thus can Bayern Munich increase their revenues.



**Figure 23**, Total revenue and the size of the different revenue sources for Bayern Munich 2004-2016 (Deloitte, 2006- 2017)

### 4.3.4 Revenue Channels

The strong relationship that Bayern Munich has with big German corporations influences the size of the different revenue channels and as the figure below is demonstrating, commercial revenue stands for almost 60 % of Bayern Munich total revenues.



**Figure 24**, Size of Revenue sources for Bayern Munich 2016 (Deloitte, 2017)

#### 4.3.4.1 Commercial

Bayern Munich has displayed a great financial performance and the revenue has grown from €166m in 2004 into €592m 2016, a growth that mainly have been pushed by commercial revenue in which stands for 58 % of the total revenue in 2016. At the same time, both broadcasting revenue and match day revenue have also increased but not at the same pace as the commercial revenue. As demonstrate in the picture above, commercial revenue has for the recent years been Bayern Munich main driver for the revenue and this is due to Bayern Munich a strong ability to intertwine with big corporation outside football (Deloitte, 2017). In 2016, only Manchester United earned more money through the commercial revenue and this show how big and important the commercial revenue is for Bayern Munich. Bayern Munich is benefitting of the fact that Germany is one of the largest commercial market in Europe and together with that they are the club with most supporters in Germany. The two most visible sponsorship deals is with the equipment supplier Adidas and the shirt sponsor Deutsche Telekom in which both companies logos are appearing on Bayern Munich official match jersey. Deutsche Telekom have been the main sponsor on the team jersey for many year and recently signed a four-years extension worth €30m annually. Adidas and Bayern Munich is today associated with each other, this is through a long-term relationship were Adidas not only have been the equipment supplier for many years, but also as previously mention Adidas is owning 8,33 % of Bayern Munich AG. Adidas are currently paying Bayern Munich €25m a year until 2020, a deal which in 2016 got extended 10 years through 2030 worth €888m (Forbes, 2016b).

Moreover, another corporation that owns 8,33 % of Bayern Munich AG is Allianz, a financial services company that today is associated with Bayern Munich home stadium. When Germany hosted the world Cup 2006, the city of Munich wanted a new and better arena that could represent the city and the result was Allianz Arena. In 2005, both Bayern Munich and TSV 1860 Munich could move into a new world-class stadium, without overriding costs that would have been a burden for the club. The corporation Allianz help with the investment by purchasing the naming-right for the new Arena, a deal that costs Allianz €8m per years for 30 years. Since Bayern Munich today fully owns the stadium alone, the payment for the naming-rights for



the arena goes directly to Bayern Munich in which fall into a the stream commercial revenue.

The commercial revenue sources is as mention very important for Bayern Munich and they have several partnership with corporation, a great example of this is when the new head coach Carlo Ancelotti was presented in 2016. In the press conference, all logos of corporation in which Bayern Munich has a partnership were visible, Audi, Allianz, Adidas, Deutsche Telekom, Good Year, Gigaset and Lufthansa to mention a few. The also had bottle drinks from Paulaner Non-alcoholic lined on the table in front of the new head coach.

#### **4.3.4.2 Broadcasting**

As seen in the figure that demonstrating revenue channels, broadcasting revenue stands for 25 % of Bayern Munich total revenues. The broadcasting revenue are generating from domestic broadcasting deals that German Bundesliga has signed but also from international broadcasting in which depends on how far Bayern Munich will go in UEFA Champions League. As the figure is demonstrating, the broadcasting revenue is steady increasing every year, this is due to German Bundesliga has signed enhance broadcasting deals every three years that Bayern Munich can benefit from. The broadcasting revenue that is generating from German Bundesliga is nothing that Bayern Munich directly can control, it is how well the German Football association can sell the broadcasting rights, the only thing Bayern Munich can do to improve this revenue source is to enhance the attractiveness of Bayern Munich so that more people wants to see them play and thus increase the demand of German Bundesliga, which in turn increases the price of the broadcasting rights. This is perhaps something that Bayern Munich has succeed with due to German Bundesliga has signed a new broadcasting deal that start in 2018, a deal that gives German Bundesliga gives German Bundesliga €1.2bn per year, a €400m increase from previously year.

The internationally broadcasting revenues is something that Bayern Munich has a more direct control over, if the team are performing well in Champions League, it will generating more broadcasting revenue from UEFA. Due to the great result in Champions League that Bayern Munich has showed the recent years have helped them to increase the broadcasting revenue sources.

#### **4.3.4.3 Match day**

The revenue that Bayern Munich earns from Match day stands for 17% of the total revenues and the match day revenue have more than doubled from 2004 to 2016, in the first year in the Allianz Arena the match day revenue increase with 62% and after the full acquisition of the arena in 2007 the match day revenue increase with further 26%. Bayern Munich can enjoy higher match day revenue thanks to the move to their new home stadium Allianz Arena and the new home of Bayern Munich has the capacity of 75,000. The main source of match day revenue is the tickets sales, due to the big interest of Bayern Munich both domestically by being Germanys most followed club and also the international interest enable Bayern Munich to sell out almost every home game and in 2016 the average attendance in the league was 75,017. Another factor that influence the match day revenue is number of home games that Bayern Munich is hosting, due to great performance on the pitch both in



domestic cups and foremost in UEFA Champions League has enable Bayern Munich to host more games and thus the match day revenue has increased.

Even if Bayern Munich is selling out most of their home games and that they have maximise number of home games recent years, there are still potential to increase the match day revenues. Due to a fans oriented culture that many German clubs possesses, Bayern Munich offers relative low tickets prices in comparison with other big clubs from other countries (Rambler, 2010).

#### 4.3.5 Main cost

The increasing revenue that Bayern Munich has had during the recent years has led to that they also could increase there wages expenditures. As demonstrated in the figure below, the wages expenditure has had a steady increase from around €150m to more than €250m in 2016. Even if the wages expenditure has increase, Bayern Munich has still one of the best wages ratio within top European football and this proves how well Bayern Munich is operating. The fact that Bayern Munich wages ratio are decreasing and they still are able to compete on the highest European level is very impressive. This is foremost a result of cost controlling strategy from the management where Bayern Munich is combining development of young talent in-house together with external acquisitions of expensive star players. The club has a salary structure that is based on offering high salaries to their star player together with relative low salaries to the younger talents. This is possible due to Bayern Munich attractiveness, which players choose the opportunity to play for Bayern Munich with a lower salary instead of higher salary in another club. This goes in lines with what Bayern Munich executive board chairman Karl-Heinz Rumminigge says “We will never pursue a risky business strategy, but we will continue to sign high quality players. We will invest in a quality, not quantity” (Rambler, 2010).



**Figure 25,** Total revenue, wages expenditure and wages ratio for Bayern Munich 2009-2016 (Deloitte, 2010 -2017; UEFA, 2010-2016)

## 4.4 Juventus

### General info

**Name:** Juventus Football Club  
**Founded:** 1897  
**Domestic League:** Italian Serie A  
**Home Stadium:** Juventus Stadium Capacity 41 507  
**Legal form type:** Public Listed company, Stock Telemet of Italian Stock Exchange  
**Owner/Controlling Shareholders:** Agnelli Family  
**Social media follower;** Instagram: 6,4M; Facebook: 25,5M; Twitter: 4,7M

### Financials 15/16

**Total Revenue:** € 341M  
**Deloitte Football Money league position:**10  
**Enterprise value:** €1150M  
**Brand Value:** €264M  
**Net income:** €4,1M  
**Debt/value:** 4%  
**Wage/Revenue Ratio:** 58%  
**Revenue distribution:** Commercial: 30%; Broadcasting: 57%; Match day: 13%

### Main Honours (Until 15/16)

**League Titles:** 34

**Champions League/European cup:** 2

*References: (Brand Finance 2016, Deloitte, 2017; Juventus, 2017; Forbes, 2017d)*

### 4.4.1 Organisation structure

In Italy, Juventus is known for patience, consistency and efficiency in their long-term strategic planning, something that is quite uncharacteristic for administrations in Italy. The “Juventus style” was a term that emerged in the 1930s in which Edoardo Agnelli, son to the founder of the automotive company Fiat Group and the first in the Agnelli family to control Juventus, was the creator of. This long-term strategic thinking gave Juventus both success on and of the field and is the foundation of the strong organization that characterizes Juventus today. This foundation led not only to success on the football field but also to that Juventus fan base increased in Italy and today Juventus are the most popular football club in the country. In 2010, Edoardo Agnelli’s grandson Andrea Agnelli was appointed as president and became the fourth member of the Agnelli family that had represent Juventus. Today, Juventus Football club is a public listed company and are controlled by EXOR N.V in which holds 63,8% of the share capital in Juventus (Juventus, 2017a). EXOR N.V is one of Europe’s leading investments companies and besides controlling Juventus they also controls Fiat Chrysler Automobile. Both EXOR N.V and Fiat Chrysler Automobile are controlled by the Agnelli family (EXOR, 2016). Since the “calciopoli scandal” in 2006, that resulted in that Juventus was relegated to the second division, Juventus has once again risen to become the leader of Italian Football and one of the most competitive football team in Europe. This has been possible due to their strong organization, a move to a new stadium together with the popularity that Juventus has in Italy.

“The core business of this club is and will always be football. Our tradition is victory, our vocation is economic and financial sustainability in a complex sector,” Andrea Agnelli, Juventus president

Juventus characterizes of a strong winning mentality, a mentality that have emerge through their impressive history both on and of the field, with a underlying purpose to provide their supporters with a high level of enjoyment. Juventus is a club that cherish their traditions and working hard to maintain the club’s code of ethics, promote ethics in the game, building bridges between football and business and at the same time being respectful to their own supporters but also to the football family as a whole (Juventus, 2016).

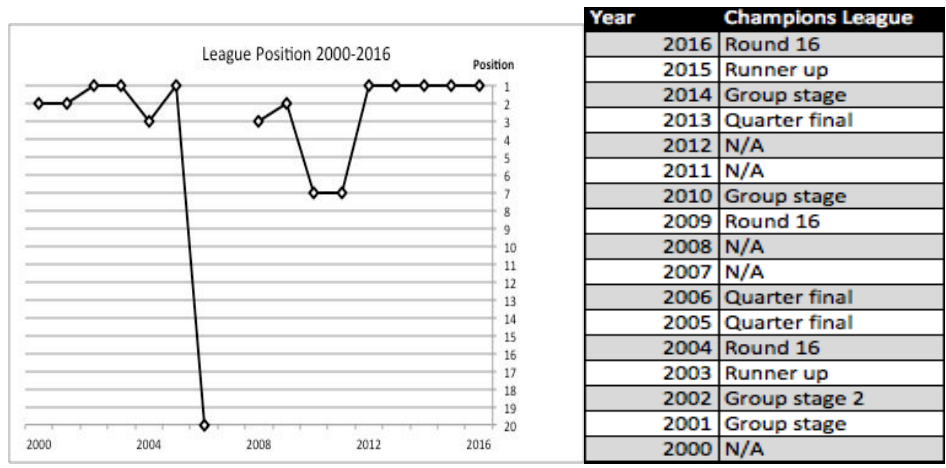
Juventus has a strong awareness of the importance of maintaining a good relationship with their shareholders, thus they put a lot of effort in improving the sporting performance through buying players, invest in better sporting facilities together with improving the brand of Juventus in which will generate larger revenues and potential creating profits for the shareholders. Juventus has a strong focus on sustainability, an integrated structured approach with innovation and open sustainability as the key elements, with the goal of leverage competitiveness due to being better at responding to stakeholders' expectations (Juventus, 2016). This open sustainability is supposed to be inclusive for everyone and with a local and global ("glocal"), economic and dynamic perspective Juventus is committed to share their own expertise and experience regarding sustainability and design a model for other football clubs (Juventus, 2017b).

Moreover, Juventus is aware of the need to improve the stream of revenue, therefore they have in the recent years worked hard to improve the brand and the attractiveness of Juventus. For the season, 2011/2012, they moved in to a new state-of-the-art stadium that gives the supporters better live experience and foremost more revenue (Juventus, 2016). In the beginning of 2017, Juventus enter a new era with a new improved logo, the new logo is a symbol for victory, the distinctive black and white stripes from the playing jersey and an iconic J for Juventus, three elements that are all representing Juventus DNA (Juventus, 2017c).

Juventus has also acquired a renewable 99-years lease of land in the city of Turin closes to Juventus Stadium, an area that is for the new J Village, a building complex that Juventus is currently developing that is schedule to open in the end of 2017. JVillage will include Juventus new headquarter, a training centre, a hotel, an international school and a concepts store (Juventus, 2017d).

#### 4.4.2 Sporting Performance

Historically, Juventus are Italy's greatest club with 34 league titles, since they were found in 1897 they have also won 2 European cup titles (today Champions League). The last 17 years have been a bit of a rollercoaster for Juventus, an impressive sporting performance in the nineties followed up with 3 league titles the first six year into the new millennium. However, after the controversial "Calciopoli scandal" in 2006, Juventus got penalized with relegation to the second division due to involvement in the big match-fixing scandal called "Calciopoli". Juventus bounced back immediately and was back in Italian Serie A after just one year after they was penalized and in 2012 they were back at the top and have not look back since with 5 consecutive league titles and is once again Italy's best football club. Juventus performance in UEFA Champions League have shifted a lot during the last 17 years, with the best results as runners up in 2003 and 2015 and with the five times they did not even qualify for the tournament. The main reason for why they did not participate during some years is due to their relegation to Italian second division and along with a number of unsuccessful players recruitment that Juventus did when they were back in Serie A.



**Figure 26, Juventus League performance 2000-2016 (WhoScored, 2017)**

Year	Champions League
2016	Round 16
2015	Runner up
2014	Group stage
2013	Quarter final
2012	N/A
2011	N/A
2010	Group stage
2009	Round 16
2008	N/A
2007	N/A
2006	Quarter final
2005	Quarter final
2004	Round 16
2003	Runner up
2002	Group stage 2
2001	Group stage
2000	N/A

**Table 4, Juventus Champions League performance 2000-2016 (WhoScored, 2017)**

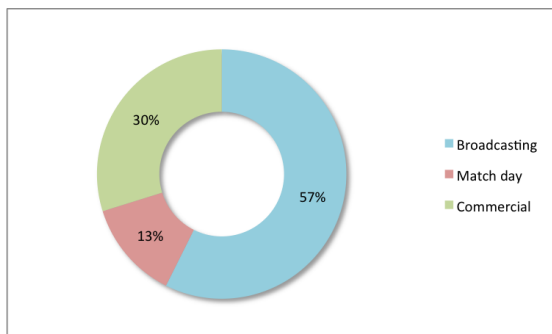
**4.4.3 Financial Performance**

The financial performance of Juventus has during the first 16 years of the 21st century been a bit of a rollercoaster, with an impressive start followed by an enormous drop and then once again climbing towards the top of the European football industry. In 2006, everything changes for Juventus, as previously mention, they were relegate to the second division due to their involvement in “calciopoli scandal”. Before the scandal, Juventus had in 2006, the third highest revenues of all football clubs in Europe, and during a 10 years period Juventus had never dropped out on the top 5 in Deloitte’s Money League (Deloitte, 2006). Juventus fall into the second division affected their financial position, but due to Juventus strong foundation in both the financial and sporting areas, the fall of Juventus did not get as drastic as many had expected. As soon as they were back in Serie A their financial situation started to repair itself, with increasing financial result the first three years. In 2011, they met another financial downturn with a significant drop in revenue, this drop were mainly due to missed out on UEFA Champions League participation in 2011 along with changes in the domestic broadcasting deal, which meant that Italian clubs could no longer conduct individual negotiations with those who owned the broadcasting rights (Deloitte, 2012). After a challenging 2011, Juventus rose once again and with a boost of a new state of the art home stadium Juventus won the Serie A in 2012 and have not look back since with 5 consecutive league titles along with improved performance in UEFA Champions League. Despite the fact that Serie A showed a low growth due to the challenging economic conditions that prevailed in Italy, Juventus has still increased their revenue every years since 2011 (Deloitte, 2013). With the low growth of Serie A in mind, the financial performance of Juventus during the last 5 years becomes even more impressive, in 2013 Juventus accounted for more than three quarters of Serie A €97m revenue growth and Juventus has from 2011 until today more than doubled their revenues (Deloitte, 2014, 2017). In sum, Juventus has gone through some hectic years due to the “calciopoli scandal”, but they gathered its forces and came back stronger than ever, although the football club of Juventus is on the rise, the fact that they belong in Italian Serie A makes Juventus future a bit more trickier compared to other non-Italian clubs. Serie A is not as competitive in a financial perspective compared to other European leagues, thus

the pressure of Juventus own organization is greater when it comes to manage their business due to the fact that they cannot benefit of a strong financial league.

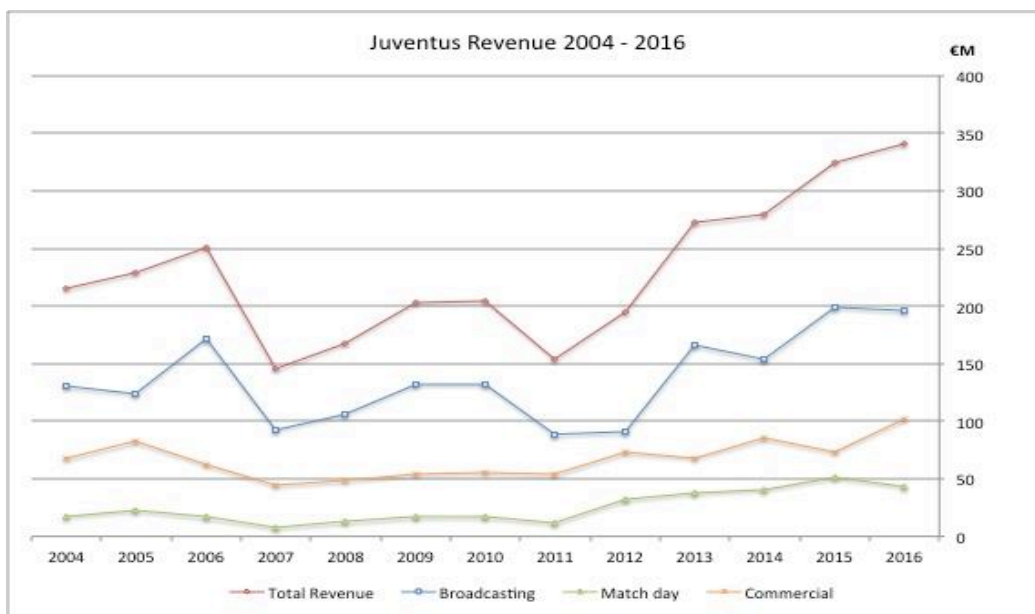
#### 4.4.4 Revenue Channels

As demonstrated in the figure below, Juventus largest revenue source is broadcasting in which stands for more than half of Juventus entire revenues. That the broadcasting revenue is Juventus largest source of revenue is nothing new for them and for the last 13 years this has also been the case, in those 13 years broadcasting revenues has always contributed with more that 50% of the total revenue which shows how important this revenue source is for Juventus (Deloitte, 2004-2017).



**Figure 27**, Size of Revenue sources for Juventus 2016 (Deloitte, 2017)

In the last 6 years, Juventus revenues have annually increased and as previously mention from 2011 until today their total revenues has doubled. During these years the broadcasting revenues also doubled and are the main reason for why Juventus total revenue increased with such rate (Deloitte, 2017).



**Figure 28**, Total revenue and the size of the different revenue sources for Juventus 2004-2016 (Deloitte, 2006 -2017)

#### 4.4.4.1 Commercial

As figure 28 is illustrating, the commercial revenues is Juventus second largest revenue source both today and for the recent years. After 2005 the commercial revenue dropped and has not reached the same height until 2014, the drop is mainly due to the “calciopoli scandal” and that many of the commercial contract that Juventus had before their relegation was renegotiated. After 5 years of stagnation, Juventus commercial revenue started to increase and are for the first time above €100m in 2016. The recent years increase in commercial revenues is mostly due to Juventus sponsorship deals with the automotive industries company Fiat and the equipment supplier Adidas. In 2014, Juventus and Fiat group signed a deal worth €17m annually until 2021, even though Fiat signed the deal with Juventus it is the automotive company JEEP in which will be visible on the official match jersey. American car group Chrysler currently owns JEEP, in which is a global strategic partner of Fiat and thus JEEP will appear on Juventus shirt (Juventus, 2014). The sponsorship deal with Adidas making them become Juventus official equipment supplier start in the 2015/2016 season, a deal worth around €29m annually until 2022. This deal is a big improvement compared to Juventus previously sponsorship deal with Nike that only generated around €12m annually. Both the deal with Adidas and Fiat were the main driving factors for Juventus 5% increase in commercial revenues in 2016 (Deloitte, 2017). Other new agreements with partners such as Samsung and bWin along a deal with the company Sportfive regarding the naming rights of the new stadium worth €75m annually from 2011 until 2023, also had a positive affect on the commercial revenue sources (Deloitte, 2013; Juventus.com, 2017e).

#### 4.4.4.2 Broadcasting

As aforementioned, broadcasting revenues is Juventus largest revenue source and have played a major part to Juventus financial position. Historically, Juventus and other big club in Italy has benefitted from individual broadcasting deals with those who owns the TV-right for Serie A and due to Juventus strong popularity in Italy Juventus has got far better deal compared to other Italian clubs. Due to the individual broadcasting deal Juventus had as high broadcasting revenue in 2006 that English Premier League clubs has today and despite that Juventus was relegated to the second division they still had the sixth largest broadcasting revenue stream in Italy (Deloitte, 2007). For the 2010/2011 season, the individual broadcasting deals abolished and replaced with collective broadcasting deals for all clubs in Serie A, this had a negative impact on Juventus, especially since broadcasting revenue stood for 64 % of the total revenues the year before, their broadcasting revenues decreased to a level lower than Juventus had when they played in the second division. However, it should be added that the drop was not only due to the new collective broadcasting deals, but also by the fact that Juventus missed out on participation in UEFA Champions League did the drop deeper than expected (Deloitte, 2012). Juventus also missed out on UEFA Champions League the next year but were back in the tournament in 2013 in which was the main reason for the exceptional €72m growth in broadcasting revenues. Juventus only advanced to the quarter-final but still received the highest distribution of any club in the competition, since there were only two Italian team that qualified for the group stage, Juventus as the domestic

champion got the biggest portion of the revenue that UEFA allocated to Italian clubs (Deloitte, 2014). In 2015, there was yet another drastic increase in Juventus broadcasting revenues, Juventus went all the way to the final in UEFA Champions League and although they lost the final their performance on the field generated €92m in broadcasting revenue. This €92m along with the €107m from the domestic broadcasting deals resulted in an all-time high in broadcast revenues and this once again proves how strong club can benefit from participate in UEFA Champions League, especially Italian team in which has broadcasting revenue as their largest revenue source (UEFA, 2015)

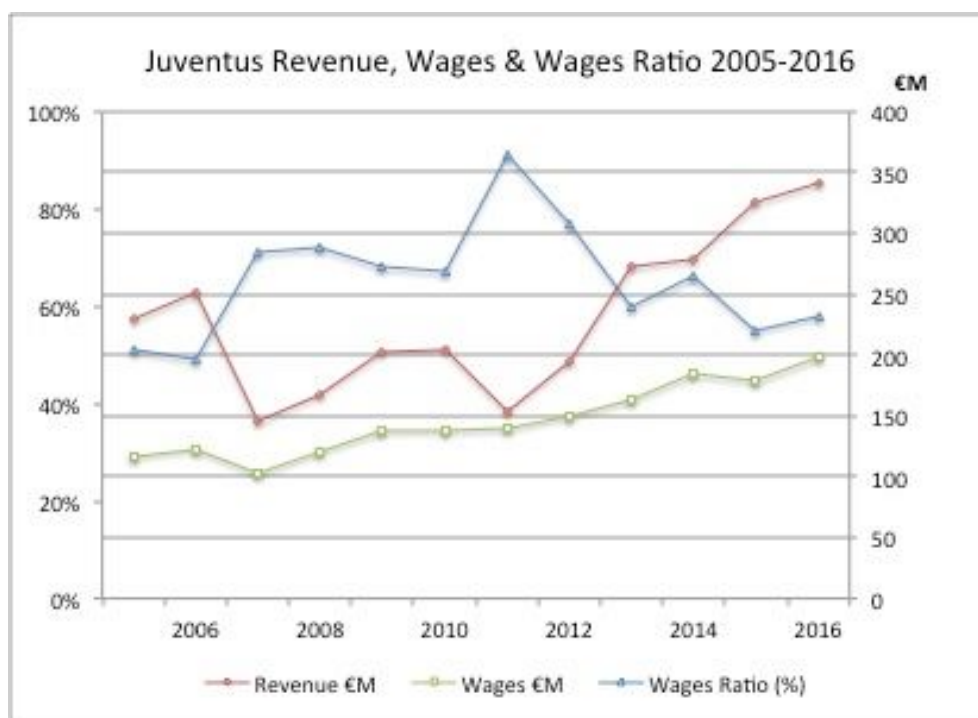
#### 4.4.4.3 Match day

Match day revenue only stands for only 13% of the total revenues in 2016 and is Juventus weakest revenues source and have been that for the last 13 years. In 2005, Juventus had the forth-biggest revenues of all football clubs in Europe but they still had the lowest average attendance on their home games of the top 20 football clubs in Deloitte's money league (Deloitte, 2006). In 2008, of the top 10 football clubs in Deloitte's money league Liverpool was the non-Italian club with lowest match day revenue, but still had three times as high match day revenue as Juventus, which shows how far behind Juventus were in terms of match day revenues (Deloitte, 2010). As demonstrated in figure 29, Juventus match day revenue decrease due to their relegation to the second division and was as low as €7m in 2007 and even if Juventus was back in Serie A the year after the match day revenue source only increased marginally the forthcoming years.

Juventus realized the problematic of such low match day revenue and if they would be able to compete at the highest European level something needed to be done. In 2006, Juventus moved from their old dilapidated home stadium Delli Alpi into Stadio Olimpico in Turin, this move was only temporary and in the season 2011/2012 Juventus moved back to the same place that Delli Alpi once was. The only difference was that Delli Alpi had been demolished and had been replaced with the €150m new State-of-the-art Juventus Stadium (Juventus, 2012). The first year in their new home generated three times high match day revenue than the year before and after 5 years in the new stadium the match day revenues has been fivefold despite the fact that the new stadium had a smaller capacity than the former. With that being said, the new stadium had smaller capacity than the former but after the move to their new home the average attendance on Juventus home games increase with around 16,000 and this is the main reason for the growth in match day revenue (Rambler, 2017). Juventus missed out on participation in UEFA Champions League the first year on the new stadium, thus they did not maximized its potential, something they did the year after and with 27 home games instead of 22 the match day revenue grew even further (Deloitte, 2013). In 2015, Juventus performance their best match day revenue of all time, this once again is the result of a successful UEFA Champions League campaign that ended in the final.

#### 4.4.5 Main cost

Due to the increasing revenues that Juventus has had in the recent years has led to that the wage ratio has dropped to a healthier level. As demonstrated in the figure below Juventus total revenue has increase and their wages expenditure has almost doubled in the last 13 years. Before the “calciopoli scandal” Juventus had a good financial stability with a wage ratio around 50%, but Juventus were relegated and the revenues dropped radically, the problem was that the wages expenditure did not drop at the same rate as the revenue in which resulted in a wage ratio above 70% and put Juventus in a lesser financial position. After a few years of improvement in the revenues, the wage ratio slightly started to decrease, but after the new rules regarding collective broadcasting deals in Italian Serie A Juventus revenue once again dropped. During this period the wages expenditure slightly increased every year and the downfall in revenue in 2011 resulted in a 91% wage ratio, a result far over UEFA critical wage ratio line of 70%. Fortunately for Juventus, the high wage ratio level did not last very long and 2 years later after an impressive growth in revenue, Juventus could once again display a wage ratio on a more stable level and in 2016 Juventus have a wage ratio of 58% in which is a indicator Juventus financial stability (Deloitte, 2017).



**Figure 29**, Total revenue, wages expenditure and wages ratio for Juventus 2005-2016 (Deloitte, 2006 - 2017; UEFA, 2008-2016)



## 4.5 Paris Saint-Germain

### General info

**Name:** Paris Saint-Germain FC4  
**Founded:** 1970  
**Domestic League:** French Ligue 1  
**Home Stadium:** Parc des Princes, Capacity 48 724  
**Legal form type:**  
**Owner/Controlling Shareholders:** Qatar Sports Investments  
**Social media follower:** Instagram: 7,8M;  
Facebook:28,1M;Twitter:4,5M

### Main Honours (Until 15/16)

**League Titles:** 6  
**Champions League/European cup:** -

### Financials 15/16

**Total Revenue:** € 521M  
**Deloitte Football Money league position:** 6  
**Enterprise value:** €720M  
**Brand Value:** €729M  
**Net income:**  
**Debt/value:** 0%  
**Wage/Revenue Ratio:**  
**Revenue distribution:** Commercial: 59%; Broadcasting: 23%;  
Match day:18%

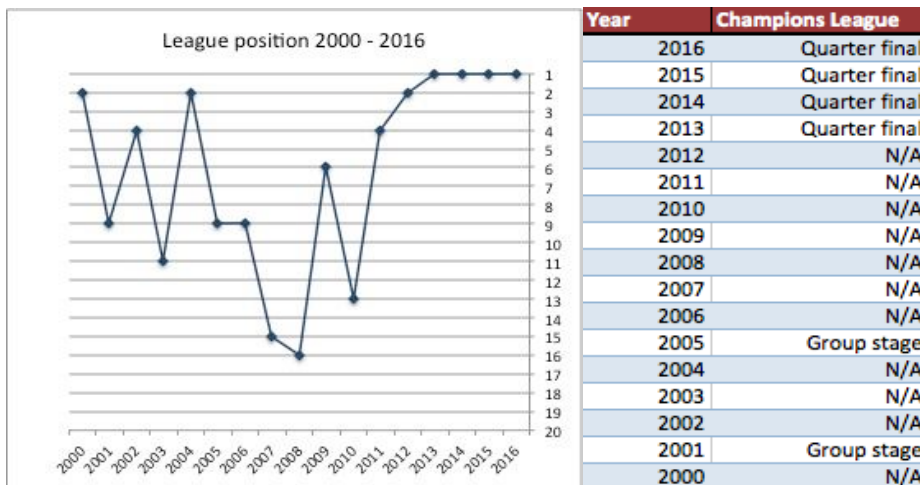
*References: (Brand Finance 2016; Deloitte, 2017; PSG, 2017a; Forbes, 2017e)*

### 4.5.1 Organisation structure

In France, the dominance of Paris Saint-Germain cannot be questioned, the French giant is the only French club on the top 20 of football clubs in terms of revenues. The financial dominance of Paris Saint-Germain has been the foundation of five consecutive domestic league titles (Deloitte, 2017). Before the current owner took over in 2011, Paris Saint-Germain was mediocre football club in France and was miles away from other big European giants. However, in 2011 everything change, even if Paris Saint-Germain did not become dominant over one night, their impressive journey from being a mediocre football club in France into one of the worlds biggest club was performed in a relative short period. Today, Paris Saint-Germain is controlled by Qatar Sport investment, a private shareholding company based in Qatar. With the chairman Mr Nasser Ghanim Al-Khelaifi in front, a former professional tennis player, Qatar Sport investment is focusing in sport and leisure industries and has beside Paris Saint-Germain they also has Burda Sport, Doha Golf & Spa Resort, Doha Marina Club, Al Khaleej Land Development, Nextstep Marketing and Dana Club in their portfolio (QSi, 2017). Paris Saint-Germain is a relatively young football club and their historical sporting performance has not been the best. Therefore, when Qatar Sport Investment took over with the aim of building Paris Saint-Germain to one of the greatest football club on the planet, they had a long journey a head. However, Paris Saint-Germain backed up by Qatar Sport Investment became one of the worlds wealthiest clubs in the world (TheNational, 2015). From day one, Qatar Sport Investmens' chairman Mr Nasser Ghanim Al Khelaifi has had a clear strategy on how Paris Saint-Germain should become one of the greatest football clubs on the planet. *"We are building a team to be one of the best in Europe. To become big, you need to sign players now and that is what we are doing. Obviously, we believe in our targets and objectives, and we are really confident that the dreams are going to come true."* – Nasser Ghanim Al Khelaifi in an interview in 2011 (TheGuardian, 2012). Paris Saint-Germain initiated a partnership with Qatar Tourism Authority in which generated around €200m per annum (Financialfairplay, 2017). This money was later the foundation of the massive players' investments that Paris Saint-Germain did in order to becoming competitive on the highest level in Europe. Successful investment in which has resulted in four years after the new owner took control, Paris Saint-Germain now is the dominant football club in France and one of the most competitive football clubs on the planet.

#### 4.5.2 Sporting Performance

Despite Paris Saint-Germain relatively short history they have won most trophies of all French football clubs and since Paris Saint-Germain was founded in 1970, they have won a total of 32 trophies. Historically, Paris Saint-Germain has not been the most successful club but since the current owner bought the club in 2011 Paris Saint-Germain has had tremendous sporting success. After massive player investments from the owner, Paris Saint-Germain won the French Ligue 1 for the first time in many years and has since that never let go of the pole position in the domestic league. The great sporting performance in the domestic league gave Paris Saint-Germain the opportunity to compete in UEFA Champions League and they have progressed to the quarterfinals in four consecutive years. A great achievement consider the strong competition in UEFA Champions League and that Paris Saint-Germain are a relatively new actor in the biggest football scene in the world.



**Figure 30,** Paris SG League performance 2000-2016 (WhoScored, 2017)

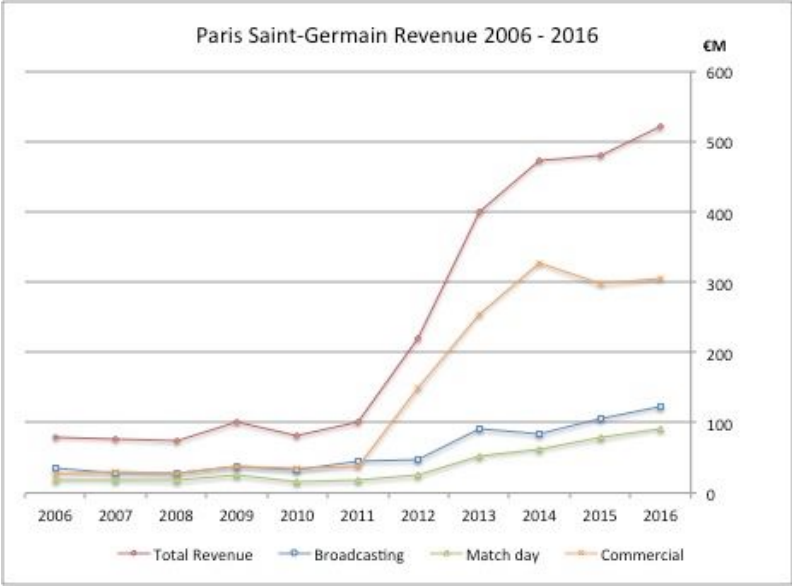
Year	Champions League
2016	Quarter final
2015	Quarter final
2014	Quarter final
2013	Quarter final
2012	N/A
2011	N/A
2010	N/A
2009	N/A
2008	N/A
2007	N/A
2006	N/A
2005	Group stage
2004	N/A
2003	N/A
2002	N/A
2001	Group stage
2000	N/A

**Table 5,** Paris SG Champions League performance 2000-2016 (WhoScored, 2017)

#### 4.5.3 Financial Performance

Just like the sporting performance of Paris Saint-Germain, the financial performance completely changed as soon as the current owner started to control the club. In recent years the club has made an incredible journey, from being a football club that only displayed mediocre financial figures (from a football industry perspective) and that most of the people in the world never had heard of. To be a European powerhouse in the football industry that today can compete on the highest level both in sporting and financial terms. Since 2011, Paris Saint-Germain revenue figure has increased fivefold and are in 2016 displaying the sixth highest revenue of all football clubs in the world (Deloitte, 2017). In 2013, with the new relationship with Qatari investments, Paris Saint-Germain was able to perform the highest ever revenue from a single revenue source to date with a commercial revenue of €254, 7m and from 2013 to 2014 Paris Saint-Germain’s brand value increased with 238% (BrandFinance, 2015). On the account of the enormous commercial revenues that Paris Saint-Germain displayed that year, together with increasing broadcasting and match day revenues Paris Saint-Germain accounted for all of French Ligue 1s revenue growth in 2013. This was the second consecutive years that Paris Saint-Germain increase revenue stood for all of French Ligue 1s revenue growth in which from a financial perspective shows how dominant Paris Saint-Germain was in their domestic league (Deloitte, 2013). After two years

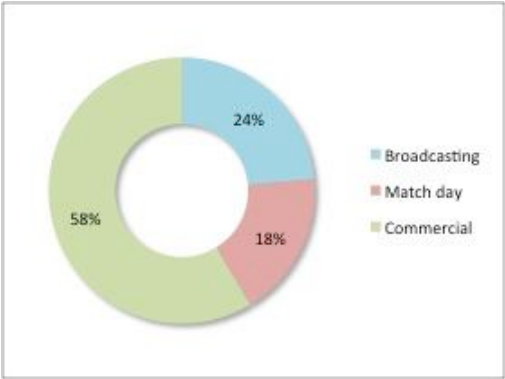
of extreme growth, the pace of the increasing revenue figure started to slow down but they have still showed increasing revenues every year (Deloitte, 2017).



**Figure 31**, Total revenue and the size of the different revenue sources for Paris SG 2006-2016 (Deloitte, 2007 - 2017)

**4.5.4 Revenue Channels**

Paris Saint-Germain has radical improved their financial strength in the last couple of years, this achievement have been possible due to an enormous increase of commercial revenue. As the figure below is demonstrating almost 60% of Paris Saint-Germain total revenues comes from the commercial sources (Deloitte, 2017).



**Figure 32**, Size of Revenue sources for Paris SG 2016 (Deloitte, 2017)

**4.5.4.1 Commercial**

As figure 32 is illustrating, the commercial revenues is today and have been for the last five years Paris Saint-Germain’s largest revenue source. The years before the new owner took control over the club were characterized by stagnation in the financial figures. However, as soon as the new owner entered, the stagnation stopped and Paris Saint-Germain began to grow (Deloitte, 2017). The impressive journey that Paris Saint-Germain has done in the recent years is foremost due to commercial revenues, today this source of revenue is almost nine times as high as compered to what it were back in 2011 (Deloitte, 2017). In 2014, the

commercial revenue stood for 70% of the total revenues of Paris Saint-Germain and the same year Paris Saint-Germain recorded the highest ever revenue figure from a single revenue source in the European football industry (Deloitte, 2015). Paris Saint-Germain great performance in commercial revenue has been possible by strong partnership with big external corporations. Lucrative long-term sponsorship deals have been sign with shirt sponsor Emirates and equipment supplier Nike, agreements that annually generates €58m (BrandFinance, 2016). The club is trying to strengthen their global presence through global partnerships with brands such as Ericsson, Orange, Coca-Cola, McDonalds and Huawei. The club has also a ground-breaking partnership with Qatar Toursim Authority that is worth approximately €200m per annum until 2016. The partnership with Qatar Tourism Authority along with a agreement with the Qatari telecommunication provider Ooredoo in which annually generates €75m strengthen Paris Saint-Germain's already strong presence in the Middle East (Deloitte, 2013; 2015; PSG, 2017b; Financialfairplay, 2013).

#### **4.5.4.2 Broadcasting**

Since 2011, the broadcasting revenue for Paris Saint-Germain has had a slow but steady growth and has during the last 5 years increase almost three times (Deloitte, 2017). The main reason for Paris Saint-Germain's increasing broadcasting revenue is due to their strong performance in UEFA Champions League. Paris Saint-Germain dominance in French Ligue 1 both from sporting and financial perspective cannot be questioned. The problem with such dominance from a single club is that the interest of the French league may deteriorate due to a bad competitive balance. Interested parties is already know in advanced that Paris Saint-Germain is likely to win, which leads to the interest of the French league weakens. Consequently, the French Ligue 1 has a hard time to sign lucrative broadcasting deals compare to other European football leagues (BrandFinance, 2016). In other words, Paris Saint-Germain performance in their broadcasting revenue is foremost done through sporting performance in UEFA Champions League. In 2015, Paris Saint-Germain received €49m in broadcasting revenues from UEFA Champions League and €43,5 from their domestic league, figures that shows the importance of performing in UEFA Champions League (Deloitte, 2016). In relation to other clubs with similar financial strength it is clear that Paris Saint-Germain broadcasting revenues is relatively low. Paris Saint-Germain has the sixth highest revenues of all football clubs in the world but of the top 20 football clubs in terms of revenues, Paris Saint-Germain can only perform the seventeenth highest broadcasting revenue channel (Deloitte, 2017). In the future, Paris Saint-Germain sporting performance in UEFA Champions League will be at an even higher importance if they are going to be competitive from a broadcasting revenue perspective. The fact that other domestic leagues have signed improved broadcasting deals, the French Ligue 1 is likely to fall even further behind, which in turn will have negative affect of the football clubs within the French Ligue 1 (UEFA, 2016).

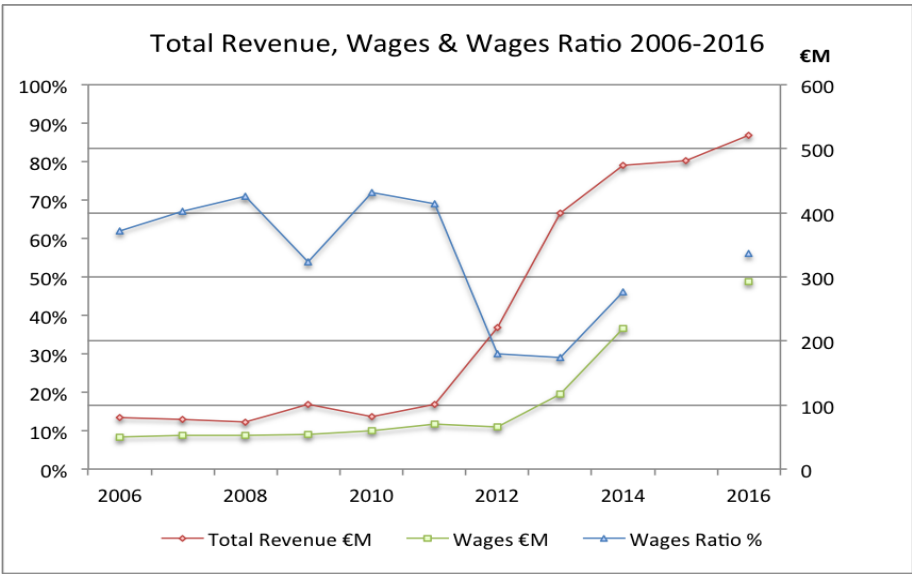
#### **4.5.4.3 Match day**

Match day revenue stands for only 18% of Paris Saint-Germain total revenues, this is the weakest source but it is still important for Paris Saint-Germain financial performance. Before 2011, the Match day revenue along with Paris Saint-Germain total revenue had characterize by an stagnation. However, as everything else in Paris Saint-Germain recent history, the match day revenue started to increase from 2011 and forward and has in the recent years displayed a relatively slow but a steady increase (Deloitte, 2017). The Match day revenue has foremost increase due to Paris Saint-Germain improve sporting performance. The journey

from being a mediocre football club in France into a football club that have won the domestic championship for five consecutive year along with great performance in UEFA Champions League has led to increased ticket sales (Deloitte, 2017; 2016; 2015). The success story of Paris Saint-Germain in the recent years has increased the demand for watching the team play, a higher demand in which has generated higher ticket prices as well. It is not only the increasing ticket prices that have influenced the increasing match day revenues, the domestic sporting success has led to further advance in domestic cups along with participation in UEFA Champions League. This has resulted in a higher number of home games every season for the club, and a higher number of games have a positive influence of the total ticket sales over a season (Deloitte, 2016). Another factor that has led to increased match day revenue is that their currently home stadium Parc de Princes was renovated 2016. A refurbishment that improved the experience for spectators and foremost expanded the stadium’s Corporate Hospitality facilities, which make it possible for Paris Saint-Germain to offer 1000 more hospitality seats (Deloitte, 2016; 2015).

**4.5.5 Main cost**

Since 2011 Paris Saint-Germain has drastically increased their revenue which in turn has resulted in more money available for players’ investment. As demonstrated in figure 33, Paris Saint-Germain increased their wages expenditure as soon as their revenue started to grow. The club wages expenditure shows an almost fivefold increase in the last four years (UEFA, 2016). Before the new owner took over, Paris Saint-Germain financial health was not the strongest, from 2006 to 2011 they demonstrated a more or less wages ratio over UEFAs critical wages ratio of 70%. I line with the increasing revenue the wage ratio started to drop into a healthier level and was below 30 % in the first years of Paris Saint-Germain’s new era. After a few years of heavy player investments Paris Saint-Germain is demonstrating a wage ratio around 50 % today in which is an indicator that Paris Saint-Germain financial health is in a stable condition (UEFA, 2016).



**Figure 33** – Total revenue, wages expenditure and wages ratio for Paris SG 2006-2016 (Deloitte, 2006 -2017; UEFA, 2008-2016)

## 4.6 Summary of the empirical findings

The empirical findings from the five different clubs are summarized in table 6 below, where the author has identified key characteristic of each football club.

	<b>Real Madrid</b>	<b>Manchester United</b>	<b>Bayern Munich</b>	<b>Juventus</b>	<b>Paris Saint-Germin</b>
<b>Ownership</b>	- Member-owned 100% - President election	- Glazer Family	- Member-owned 75%	- Agnelli family	- Qatar Sport Investment
<b>Culture</b>	- Winning - Collectiveness	- Winning - Collectiveness	- Winning - Collectiveness	- Winning - Collectiveness	- No special
<b>History</b>	- Sporting success - Global popularity	- Sporting success - Global popularity	- Sporting success - Domestic popularity	- Sporting success - Domestic popularity	- Short history - Recent sporting success
<b>Brand development</b>	- Sporting success - Global branding - Corporation Partnership - First mover advantage (Global)	- Sporting success - Global branding - First mover advantage (Global)	- Sporting success - Commercial focus - Domestic corporation partnership - Domestic popularity	- Sporting success - Domestic popularity - Corporation partnership - Agnelli family network - JVillage - New logo	- Sporting success - Owner network
<b>Fan base</b>	- Global - Asia, Europe, South America	- Global - U.S & China	- Domestic	- Domestic	- Small
<b>Broadcasting revenue drivers</b>	- Individual domestic deals - Global fan base - Sporting performance	- Massive Premier League deals - Global fan base - Sporting performance	- Collective domestic deal - Sporting performance	- Collective domestic deal - Sporting performance	- Sporting performance
<b>Commercial revenues drivers</b>	- Global brand image - Global sponsorship - Strong presence in Asia, Europe, South America	- Global brand image - Global sponsorship - Naming rights - Strong presence in U.S & China	- Domestic brand - Great relationship with domestic corporations - Move to Allianz Arena	- Domestic brand - Corporation partnership - Agnelli family network - New stadium - Naming rights - JVillage	- Owner network - Corporation partnership
<b>Match day revenues drivers</b>	- High capacity stadium - Global demand - Sporting performance	- High capacity stadium - Global demand - Sporting performance	- High capacity stadium - New Stadium - Sporting performance	- High utilization of capacity - New Stadium - Sporting performance	- Stadium capacity - Sporting performance

**Table 6,** Summary of the five football clubs from the empirical data



# 5. Analysis

## 5.1 Is increasing revenues improves sporting performance and vice versa?

According to various authors, increasing revenue will have a positive influence on the sporting performance for a football club. At first sight, the empirical finding confirms the close relation between higher revenues and sporting success but on a closer look the relation is not as clear. According to Szymanski (1999) a clubs revenues increase when a club’s performance on the pitch improves and vice versa, better sporting performance will increase the demand for attendance, tickets, sponsorship, merchandising and TV income. With that being said, one question comes to mind, how do you measure sporting performance for a football club? An easy way for answering that question is to say, a football clubs performance is measured through winning games. The clubs in this study is on top of the “food chain” in the football industry, thus their performance is not only measured through domestic league success but also through international (UEFA Champions League) success. From a domestic league perspective, Szymanski theory of increasing revenues and sporting performance is supported by the empirical findings in this study with the exception of the recent years performance from Manchester United. The empirical findings is based on the clubs with the highest revenue in 2016 in each of the top five leagues and as the figure below to the left demonstrating, Juventus, Bayern Munich and Paris Saint-Germain all won their domestic league with Real Madrid finish on second place. For the last 17 years Real Madrid, Bayern Munich and Manchester United has been dominant in their domestic leagues and in the period 2000- 2014 have these club combined has only finished outside top 3 tree times and have all displayed increasing revenue every year.

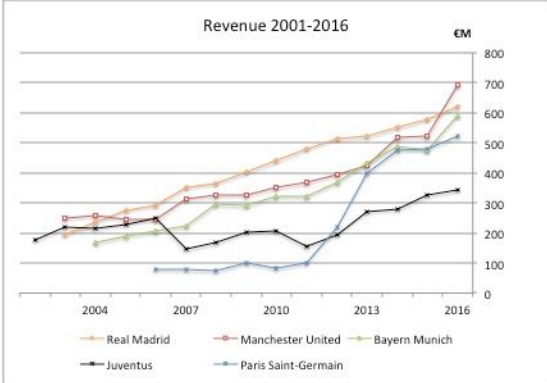
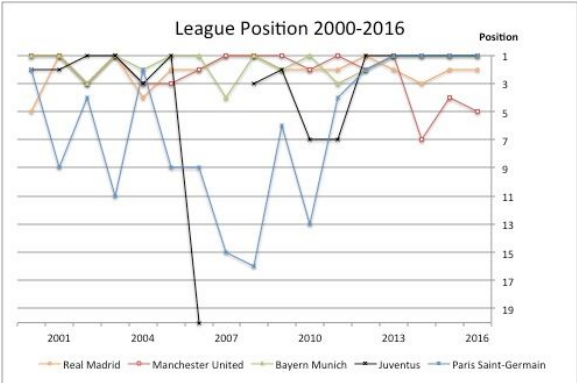


Figure 34, Comparison of League position 2000-2016

Figure 35, Comparison of revenues 2000-2016

Szymanski’s theory is further enhanced when looking at Juventus result on and off the field the last 17 years. Juventus began the new millennium impressive with 3 league titles the first 6 years together with increasing revenue stream. When they for 2006/2007 season were relegated to the second division due to the “Calciopoli scandal”, their revenue drop drastically. Juventus regrouped and was back in Serie A next coming year and with two good league performance the first two years the revenues started to increase once again, but their league performance dropped once again and so did their revenues. However, as soon as Juventus was back on winning track on the field their revenue started to increase and for 5 consecutive years Juventus has finish as champions and their revenue has increased every year. This once again strengthens the theory of the two-way relation between sporting

performance and increasing revenues. As previous mention, the empirical findings support the theory with one exception, Manchester United's performance the recent years



Despite highest revenues of all football clubs in the world, with an impressive increase of €192m in 2016 and one of the highest revenues in previous years they have only reach 7th, 4th and 5th place in the league in the latest years, a result that contradicts Szymanski's theory. The impressive performance from Manchester United in revenue in 2016 is a result of two main factors, *first*, English Premier League signed a new record-breaking broadcasting deal that started in 2016, a deal that all English club could benefit from, which is not based on sporting performance on the club itself but rather the popularity of the "product" Premier League. *Secondly*, Manchester United signed two massive sponsorship deals with both their equipment supplier Adidas and with shirt sponsor Chevrolet, deals that increased their commercial revenue with more than €100m in 2016. These sponsorship deals was a result of great sporting performance that Manchester United has displayed during the first 14 years of the new millennia, sporting performance that has been the foundation of Manchester United great fan base and brand recognition worldwide. Hence, Manchester United's revenues have increase despite inferior sporting performance. Even if the case of Manchester United is an exception regarding the two-way relation of sporting performance and increasing revenues, it still raises a few questions. Can Manchester still increase their revenue with inferior sporting performance the next coming years? How many years of inferior sporting performance can Manchester United display before they start to loose the big interest that surrounding the club? Have Manchester United built a foundation of worldwide popularity so big that the sporting performance does not longer play a part of increasing revenue? These are questions that are impossible to answer today and only the future will tell how successful Manchester United will be on and off the field.

From an international perspective, the relation between increasing revenues and sporting performance is a bit weaker. Manchester United with the highest revenues have not even qualify for UEFA Champions League due to weak domestic performance and Juventus with almost half of the revenues of Manchester United have shown strong sporting performance in the tournament the recent years, this are only two example of how increasing revenues is not always improving the sporting performance of a football club. On the other hand, both Real Madrid and Bayern Munich is both displaying increasing revenue and have showed strong performance in the UEFA Champions League, also Paris- Saint Germain has improved their internationally sporting performance since their revenue drastic increase from 2013 onwards With that being said, Szymanski's theory is not stating that the highest revenue will generate the best sporting performance per se, but stating that increasing revenue will improve the sporting performance of a football club. In general this is also the case for these football clubs, especially from a domestic league perspective and perhaps the clearest example of this is Paris Saint-Germain's journey from being a mediocre football club to become the dominant club in France and also highly competitive in UEFA Champions League as soon as their revenues increase drastically due to the new owners heavy investments.

As Szymanski (1999) claims, the relation between sporting performance and increasing revenues is a two-way relation, that increasing revenues influence sporting performance and that sporting performance influence increasing revenues.

In the perspective of better sporting performance improves the revenue stream, Szymanski's theory becomes even clearer. As previous mention, improved sporting performance of a football club will increase the viewer demand, both live in the stadium and via television, it will also increase the sponsorship and merchandising sales and so forth. A football club has three main revenue sources, *Broadcasting, Commercial and Match day*, from the empiric findings its clear that all tree of these revenue sources are in different way affected by a football clubs sporting performance and reinforces Szymanski's (1999) theory of the relation between sporting performance and increasing revenues. Better sporting performance will lead to increased broadcasting revenues through a higher demand of watching the club play on TV, in a sporting performance perspective the broadcast revenue will foremost increase through participation in UEFA Champions League or similar international tournaments due to more televised games will be played in a season. All of the clubs have domestic broadcasting deals and for all of the club besides Real Madrid these domestic broadcasting deals are collective for the entire domestic league, thus the specific club's sporting performance will not increase the domestic broadcasting revenues. However, through better sporting performance, a club will have the opportunity to participate in UEFA Champions League in which will lead to more broadcasting revenues from UEFA and the longer a club advances in the tournament, the higher broadcasting revenues will they receive. When Juventus advance all the way to the final in 2015, they received more than half of their total broadcasting revenues from UEFA, which shows how performing on the field can increase the revenue stream for a football club. Sporting performance in UEFA Champions League also affects match day revenues, participation in UEFA Champions League means more home games for a club and therefore the club can sell more tickets in which generates a higher match day revenues. Once again Juventus is a great example, in 2015 when they reach the final Juventus presented all time high match day revenues, which is a result of more home games played that year. In contrast, when Manchester United in 2015 did not even qualify for UEFA Champions League meant fewer home games that year and their match day revenue fell to a level that they have not displays since 2006. Another example is Paris Saint-Germain, they have increase their match day revenue from €25 in 2012 to €92,5 in 2016. This result was possible due to improved sporting performance domestically in which lead to increase interest of the club in terms of ticket sales but also the fact that they have since 2013 qualified for the UEFA Champions League every year compared to only qualify for the tournament 2 times the former 13 years. Qualification for the UEFA Champions League has generated more home games every season since 2013 and is a driving force in their increasing match day revenues.

Both broadcasting revenues and match day revenue is directly connected to a club year-to-year sporting performance due the fact that more home games will increase ticket sales and more televised games in the UEFA Champions League will increase the piece of the broadcasting money pie that UEFA divides to all participating clubs. The third main revenue source, commercial revenue, is not directly connected to the year-to-year sporting performance of a club. However, the sporting performance still influence the commercial revenue but in a more long-term way, if Manchester United latest three years is overlooked, Manchester United, Real Madrid, Bayern

Munich have displayed impressive sporting performance the last 17 years. This sustained sporting success has help these clubs to increase their commercial revenue more or less every year since 2004 (at least, empiric data only reach to 2004), the domestic sporting performance along with highly comperitive in UEFA Champions League have enable these clubs to sign massive sponsorship deals with external corporation. Corporations that through partnership with these clubs will appear on live-TV or other media channels and thus broaden their marketing scope and brand recognition through football. Long-term domestic sporting success along with participation in UEFA Champions League generates a better bargaining power for football club when signing sponsorship deals due to more corporations wants to be seen in the big shop windows that football is, especially UEFA Champions League. The increasing commercial revenues for these football club is also a result of a higher interest of the football industry as a whole in which lead to more corporation wants to be a part of this industry in one way or another. However, there exist examples of when the commercial revenue is influenced by more short-term sporting performance. When Juventus were relegated to the second divisions in Italy their commercial revenue dropped significantly, the fact that Juventus was no longer a part of the top division in Italy their sponsorship deals had to be renegotiated in which resulted in lower sponsorship deals for Juventus. It should be added that this happening of relegation of a football club that in high up the “food chain” is very rare and no big conclusion should be drawn from this.

Hitherto, the discussion on the two-relation between increasing revenues and sporting performance has only included the fact that there is a liaison between them and how sporting performance are influencing the revenues stream. However, one question remains, in which way is increasing revenues influencing the sporting performance? According to Szymanski (2014), the market for football players is well-developed and the better and more quality player, the higher the cost for a football club to buy the player. Thus, if a football club revenues increases, they have a better chance of purchase high quality player in which will improve the sporting performance of the club.

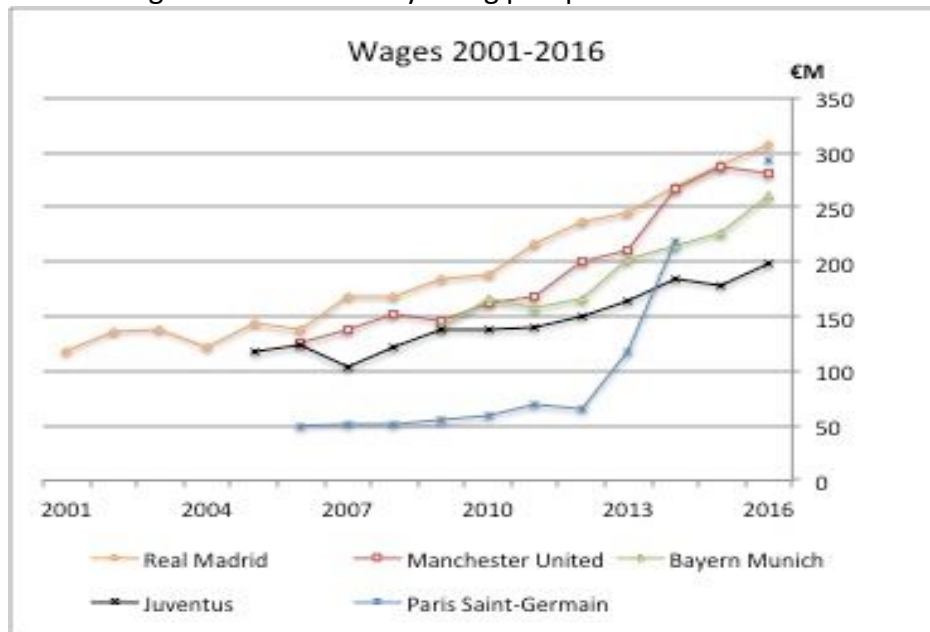
## **5.2 Generates higher wages improved sporting performance?**

As previous mention, the market for football players is a well-developed and the better the player, the higher wages must a football club offer in order to be able to acquire a player (Szymanski, 2014). Hence, football club with higher revenues have a better potential to acquire better players with higher salary in which will generates better sporting performance. High wages itself will not give a football club enhanced sporting performance, a football club cannot acquire random players and give them higher wages and believe that this will improve the sporting performance. However, high wages attracts better players and better players will generates improved sporting performance for a football club (Szymanski, 2014). The result from Szymanski’s (2014) study of the correlation between wages expenditure and better sporting performance showed that it was a 92% correlation between the two. Which in short means, that the higher wages expenditure, the better sporting performance, but as Szymanski (2014) points out, the correlation is based on a long period and for any one given season the correlation is weaker. With the previous two-way relation of sporting performance and increasing revenues in mind, the correlation between

wages expenditure and sporting success is not surprising at all. With a well-developed player market, the best players will have the highest salaries and with the assumption that the best players brings the best condition for sporting success, the correlation between wages and sporting performance is natural.

Szymanski's (2014) study is based on domestic league performance and due to the fact that the empirical data in this study is based on 5 different clubs from 5 different leagues an analysis of wages and sporting performance must be done in a similar but different way.

As the figure below demonstrating, all clubs wages expenditure has increase more or less every year for the last 10 years, but at different rate. Paris Saint-Germain drastically increase in wages expenditure have generated 4 consecutive domestic league titles and Real Madrid, Bayern Munich and Manchester United increasing wages expenditure has help them to be dominant domestically (if Manchester United last 3 season is overlooked). For this study, an analysis on domestic league performance and wages expenditure cannot be done due to the fact that the empiric data only represent 1 club from each country, the only thing that can be said is that, all of the clubs are dominant in one way or another in their domestic league and that they have all increasing wages expenditure during that period. This increasing wages expenditure is probably a result of the increasing revenues for these football clubs and the huge amount of money being pumped into the football industry.



**Figure 36, Comparison of wages 2001-2016**

If we instead look at the wages and sporting performance from an international perspective (instead of domestic) and put focus on performance in UEFA Champions League in relation to wages expenditure the correlation become a bit weaker. Once again it is the case of Manchester United and Juventus that opposes from what the theory says, Manchester United has higher wages expenditure than both Juventus and Bayern Munich and almost as high as Real Madrid and Paris Saint-Germain but their sporting performance in UEFA Champions League is in recent years lesser compared to the other clubs. In Juventus case, the link is even weaker, Juventus have wages expenditure far lower than the other football giant and they still

perform in UEFA Champions League. It should be added, despite the weaker relation between wages and sporting performance for Manchester United and Juventus in the recent years, this relation is still strong for the other clubs. After Paris Saint-Germain increased their wages expenditure they started to compete on the highest level, Real Madrid with the highest wages of all club have reach at least semi-finals in the competition for 6 consecutive years and Bayern Munich also with high wages expenditure has only missed out on at least a semi-final place on two occasion the last nine years. One important factor when analysing international sporting performance is that the best club can go against each other already in the round of 16 due to that the matches is decided by a draw. Hence, the best club can meet early on in tournament in which can have a strong impact on a clubs performance and thus one cannot draw conclusion from one specific season.

### **5.3 Combination of the two relationship**

So, if increasing revenues improves the sporting performance and that higher wages also influence sporting performance in a positive way, should not football club's strategy be designed according to these truths? Historically, this has actually been the case for football clubs, they have spend a lot of money on acquiring new players with the expectations that these players should help the club to improve the sporting performance. It was exactly these short-term strategies that put a lot of football clubs in financial problems, many football club invested in new players with funds that they expected to receive from increasing revenues. They had the idea that, if they invested today, their sporting performance would improve which in turn should increase their revenue. Wages expenditure is generally known in advance whilst revenues is not, at this stage we know that size of the revenues is in some extent dependent on the sporting performance and short-term strategy of acquiring players with high salaries lead to that football club exposed themselves for financial risk. It is these short-term strategies and the risk that comes along that UEFA identified and felt the need to intervene. To prevent football club to use these short-term strategies and instead implement more long-term sustainability in European football, UEFA introduces the Financial fair play regulation. Despite some clubs managed to cover their losses from the short-term strategies through rich owners or by gambling, UEFA still wanted to stabilize the economic climate in football and in 2013 the legislation was implemented. Due to the introduction of Financial fair play one can argue that short-term strategies of heavy investment in players is no longer an option, as long as the club could not cover such investments with own-generated funds in advance. Thus, football club of today must find alternative ways of improving their sporting performance. With that being said, investment in new player is still a good way of improving the sporting performance, as long as the investments as reasonable and realistic for a clubs financial situation.

The purpose of UEFA Financial Fair play is to create a healthier financial climate within European football, but what happens with the competitiveness in the industry when a football club only can make investments covered by own-generated funds. Football clubs with high revenue streams will be able to offer higher salaries compared to football clubs with lower revenue streams. Thus, the football club that are financial strong today will be able to acquire better players. With the assumption that better players will improve the sporting performance and improved sporting

performance improves the financial performance. Financial strong football club of today will then grow at a higher rate compared to club with less financial strength. According to the empirical findings, in 2016 Manchester United total revenues is twice the size of Juventus total revenues, which in theory means that Manchester United could spend twice as much on wages compared to Juventus. Even though both Manchester United and Juventus cases showed a weaker link between wages and sporting performance, over time the correlation is still strong in which one can argue that Manchester United will outperform Juventus over time both from a financial and sporting perspective. Manchester United can invest in better players through offering higher wages, which will lead to improved sporting performance, which in turn will improve the financial performance and so forth.

#### 5.4 The never ending cycle in football industry

To sum up the discussion regarding football clubs ways to reach success on and of the field, the author understands that the two-relation between increasing revenues and sporting performance have a positive affect on football clubs and their strive for success. At the same time, the relation between wages expenditure and sporting performance also has a positive affect on the success despite the fact that increasing revenues and wages expenditure are in some ways antagonisms. However, the fact that with increasing revenue a club as better potential on spend more on wages so the fact that these two relationships in some way interacts is not that surprising. The two relationships is summarised in the figure below in which demonstrating that sporting performance and financial performance is both influence each other.



*Figure 37, The never ending cycle of Sporting performance and Financial Performance*

Moreover, the outcome of the cycle is not dependent on in which part you start, once you're in the cycle the sporting performance and financial performance will influence each other. Paris Saint-Germain started their journey with owner that did heavy investments which affected their sporting performance whilst Manchester United, Real Madrid, Juventus and Bayern Munich has had years of success on the field which has generated stronger financial performance.

#### 5.5 European football industry drivers and key success factors

As previously mention, a football club has three main revenue sources, *Broadcasting, Commercial and Match day*, these sources of revenues are key for a football club financial performance and therefor also key to a football clubs sporting performance as the former chapter discussed the high correlation between increased revenues and sporting performance. Thus, these sources of revenue are a

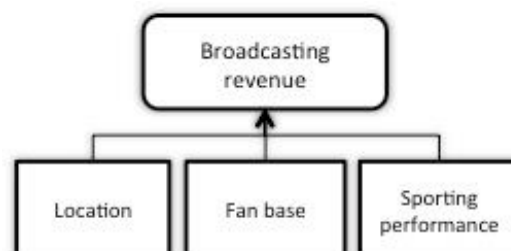
foundation of the football industry drivers and by further analysing these sources more specific key success factors for a football club can be identified.

### 5.5.1 Broadcasting

When you compare the total revenue of all clubs in the top five leagues in Europe, broadcasting revenue is the largest and stands for more than half of the total revenue in 2016. With this fact, one can easily argue for that broadcasting revenues is the most important revenue sources for football club, but in a closer look this might not be the case. If focus is switched from the total of the top five league into to the empirical findings in this study you get another result. In fact, only Juventus has broadcasting revenue as highest revenue source. The four other clubs has instead commercial revenues as their top source, but more on that later.

Broadcasting revenue is based on two deals, domestic broadcasting deals and international broadcasting deals. All clubs besides Real Madrid, have collective broadcasting deals from their domestic league in which means that the club itself have no direct influence on how much money they will receive. With that being said, a club like Manchester United increase the interest of English Premier League by their worldwide fan base in which generates more viewers and more people purchasing the “product” Premier League. More viewers mean higher broadcasting deals in which generate more money for the clubs. Real Madrid has a more direct influence on the domestic broadcasting deal due individually negotiations directly with the part that owns the broadcasting rights. Real Madrid’s popularity both domestically and internationally enables them to get much better deal than smaller clubs in Spain. This individually broadcasting deal gives Real Madrid a competitive edge against other club both in Spain but also in Europe. The international broadcasting deals is based solely on sporting performance in UEFA competitions, the longer you advance in a UEFA Competition the more revenue will it generate. The broadcasting revenue that comes from UEFA is vital for clubs like Bayern Munich, Juventus and Paris Saint-Germain, due to that they belongs in less attractive domestic leagues. Manchester Untied and Real Madrid are not as dependent on revenue from UEFA due to massive domestic broadcasting deals.

In sum, football clubs broadcasting revenues is highly dependent on in which domestic league a club belongs, together with how far a club can advance in UEFA competitions. The overall trend for these club in terms of broadcasting revenues is clear, football club at the highest level all have increasing broadcasting revenue with no sign of stagnation. The strong interest that surrounds the football industry today pushing the prices for broadcasting rights, more people pay for watching football, money that in the end is distributed to the clubs in one way or another.



**Figure 38,** Factors influencing broadcasting revenues



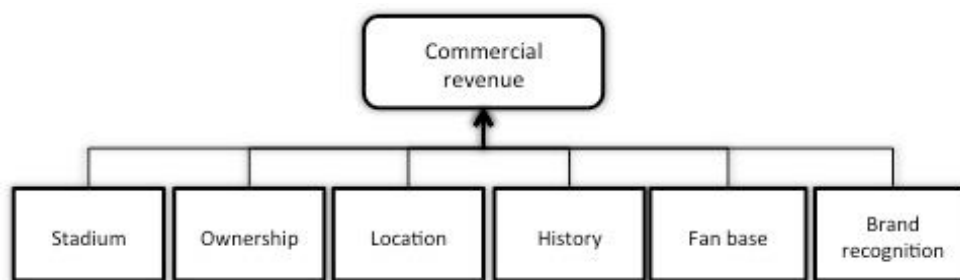
### 5.5.2 Commercial

For all clubs within the top five leagues, commercial revenue is the second largest source of revenue but as previous mention the empirical findings of this study shows a different result with the exception of Juventus. For 4 out of 5 clubs today, the commercial revenue stands for at least half of the clubs total revenues and despite commercial revenue not being Juventus largest it still stands for one third of the total revenues. The dominance of commercial revenue has not always been the case, for all clubs beside Bayern Munich, broadcasting revenue have historically been the largest revenue source. The increasing global interest of the European football has led to more and more corporations are willing to be a part of the industry, hence increasing sponsorship deals for football club, and top clubs in particular. Commercial revenue is foremost based on sponsorship deals, thus a football clubs ability to tie up big corporation is vital for football clubs competitiveness. The empirical findings suggest that a football clubs ability to sign large sponsorship deals depends on several different factors. Clubs like Manchester United and Real Madrid can attract big sponsorship deals due to their strong global presence. Manchester United and Real Madrid showed impressive sporting performance together with great management skills in a time when commercialisation struck the football industry. This gave both clubs a form of first mover advantage in the new era that the football industry entered a first mover advantage that generated a massive global fan base and are the foundation of the global presence of both clubs today. Bayern Munich ability differs slightly but is equally competitive, only Manchester United has higher commercial revenue than Bayern Munich. The fact that Bayern Munich belongs and operates in Germany enables them to sign sponsorship deal with big German corporation and they are benefitting from that Germany, as a country, is one of Europe strongest commercial economies. Big German corporations as Adidas, Audi and Allianz are all shareholders in Bayern Munich and together with several external partnerships with other German corporation and the domestic popularity Bayern Munich have the ability to generate massive commercial revenues. Paris Saint-Germain has neither the global presence nor support from domestic corporations but they can still produce high commercial revenues figures. The reason for this is Paris Saint-Germain's owner, Qatar Sport Investments and since the new owner took over in 2012, Paris Saint-Germain commercial revenue has increased tenfold. The new wealthy owner enabled Paris Saint-Germain to grow into one of the largest football club in the world and it foremost due to enormous increase of commercial revenue. The only club that does not have commercial revenue as the largest source of revenue is Juventus, Juventus suffers from the poor growth and low attractiveness that characterizes the Italian Serie A. It is more problematic for Juventus to sign lucrative sponsorship deals with external corporations due to the lower attractiveness of Serie A, a truth that becomes even clearer when one comparing Juventus and Manchester United sponsorship deal with Adidas. Both clubs signed in 2016 a deal with Adidas to become their equipment supplier for the next coming years but with the difference that Manchester United gets around €80m annually whilst Juventus only gets around €30m annually. The massive difference between the two deals indicates that the more attractive scene a football club belongs to, the more lucrative sponsorship deals can a football club get. Another way for a football club to increase commercial revenue is by selling the



naming-rights for their stadium. Bayern Munich and Juventus have both moved to new stadiums and by signing a sponsorship deal regarding the naming-rights for the stadiums they can increase their commercial revenues. Selling the naming-right for the stadium is not unique for a football club, many club searches for new way of increasing their revenues and selling naming-right for their stadium is one way to do it. Manchester United took the sales of naming-rights to a new level when they sold the naming-rights for their training facilities, in which once again proves that Manchester United is always at the forefront when it comes to business.

A clubs ability to tie up sponsorship deals is vital in their quest for better financial performance, an ability that can be generated from different sources. History, previous sporting success, fan base, location, sport faculties and ownership are all contributing in some way or another for clubs commercial revenues.



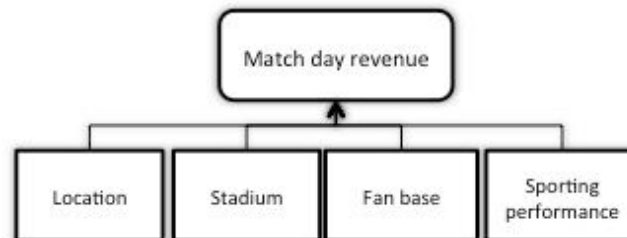
*Figure 39, Factors influence commercial revenues*

### 5.5.3 Match day

Match day revenue stand for the smallest source of revenue both in for all clubs combine in Europe top five leagues and for the clubs in this study. The main driver for match day revenue is ticket sales, the more people that are attending live games, the more ticket will be sold and thus the match day revenue will increase. However, what is then influencing the ticket sales? From the empirical finding one can see that ticket sales are influence by the sporting performance of a club and the stadium. Better sporting performance generates higher number of home games per season in which has positive affect on the total number of tickets available during that particular season. The empirical findings suggest that when clubs participate in UEFA Champions League their match day revenue increase and when they not participate their match day revenue decrease. This is mainly due to participation in UEFA Champions League gives a football club a higher number of attracting home games, which will increase the total ticket sales for a year.

The other factor that influences ticket sales is the football stadium in which a football club possess, at first one can easily think that stadium with higher capacity will generate more revenue but even if this is true in a way the capacity of the stadium is not the only factor. Juventus moved from an old stadium with high capacity into a smaller more modern one and the result was that their match day revenue increase, despite that the new stadium only had half of the capacity as the former. Manchester United and Bayern Munich both possess a stadium that has the capacity of around 75 000, but they differ with approximately €40-€50 million every year in match day revenue for the last 14 years. This means that for the last 14 years Manchester United match day revenue has been €560-€700 million greater than

Bayern Munich despite the fact that they have similar capacity in their stadiums. Thus, the capacity itself is not the most important factor. Manchester United's superior performance compared to Bayern Munich is a result that has been generated of the global attractiveness that Manchester United possesses. A global attractiveness in which increase the demand of watching Manchester United play, which in turn enables Manchester United to raise the ticket prices. Hence, higher match day revenues than Bayern Munich.



*Figure 40, Factors influence Match day revenues*

#### 5.5.4 Summarizing of the revenue channels

Summarizing, when looking at the top five leagues revenue source it is clear that broadcasting revenue is the largest source of revenue followed by commercial revenue and then match day revenue. By the fact that broadcasting revenues is twice the size of commercial revenue and triple the size of match day revenue one could easily argue for that it is the broadcasting deals that is the main driver of the football industry. However, the empirical findings in this study show a differently result, where 4 out 5 clubs have commercial revenues as their largest source of revenue and only Juventus revenues sources follows the top five leagues total revenue sources with broadcasting as number one. The fact that the empirical findings are based on football club at the top of the “food chain” and it not follows the rest of the industry indicates that top club are competing in a slight different way than the smaller clubs. The reason for that commercial revenue is the largest source of revenue for these top clubs is mainly due to their ability to tie up massive sponsorship deals with big corporations and these sponsorship deals are achievable due to the enormous global interest that surrounds football clubs at the top of the pyramid.

From the analysis above, the author have identified key success factors for a football club:

- History
- Brand Recognition
- Owner
- Location
- Fan base
- Stadium
- Sporting performance

## 5.6 European football clubs from a resource based view

In order to further analyse the key success factors from a resource based view and to get a deeper understanding on how a football club can gain and sustain competitive advantage the key success factor is translated into internal resources for a football club. According to Rothaermel (2012), all resources that an organisation possesses can be divided into two categories: *Tangible and Intangible*, but in order to perform a more suitable analysis in this study a third category is added. Grant (2010) is also dividing resources into tangible and intangible but with the difference that he also adds a third category, *human resources*. Thus, the analysis in this section will be done from a combined way of dividing resources.

### Tangible resources

Tangible resources are all physical things an organization possesses, physical things that are easily purchased and therefore only bring a small amount of advantage for the organization (Rothaermel, 2012). A football club possesses several different tangible resources but for this study the most important tangible resources is a football clubs home stadium

### Intangible resources

Intangible resources are all resources that do not have any physical presence but still owned by the organization. Resources those are harder for competitors to replicate, often stays within a firm for a long period of time and are the main source of sustained competitive advantage (Rothaermel, 2012). From the identified key success factors, a football clubs history, brand recognition and fan base are the most critical intangible assets a football club possesses.

### Human resources

The expertise and effort from the employees within an organization is categorised as human resources and similar to the intangible resources, human resources are harder to replicate and thus it can potential possess a higher value for the organization compared to the tangible resources (Grant, 2010). A football club consist of several different important people, players, medical staff, coaches, chefs, cleaners and so forth. All people within a football club is important on in one way or another but from a human resources perspective in this study, the focus is on the owner.

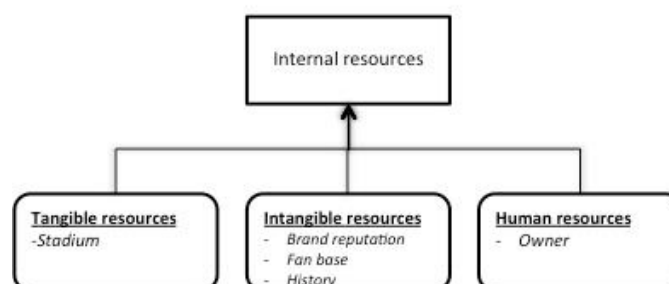


Figure 41, Internal resources of football clubs

## 5.7 How can European football club gain and sustain competitive advantage

First of all, Football club can measure competitive advantage from two perspective, sporting results and financial result. Traditionally, football club have only measure its success by sporting result but the new landscape in football and the fact that football industry has become more and more commercial, a financial measurement is also interested. The discussion below is how football club can reach competitive advantage or sustained competitive advantage through internal resources.

In the resource based view, the key for a firm superior performance lay in the internal resources of the firm in which the resources within a firm have the potential to be a source for gaining and sustain competitive advantage (Barney, 1991). When a firm is able to implementing a strategy that's improve the value creating process of the firm and at the same time, current competitors or potential competitors could not, a firm could enjoy competitive advantage. If current competitors or potential competitors is unable to imitate this strategy over a period of time, the firms have the potential to enjoy sustain competitive advantage. (Barney, 1991)

No one can argue against that a stadium as a resource is creating value for a football club, but despite the value that a stadium is creating for a football club it can hardly be a potential source for competitive advantage. Since a stadium is a tangible resource that is relatively easy bought and relatively easy for competing clubs to replicate, a stadium as resource will probably never give a football club competitive advantage. Consequently, stadiums will be taken out of the equation in the future analysis and focus will be on the intangible and human resources.

According to the resource based view, in order for a resource to be a potential source of sustained competitive advantage it must have the four following attributes, *valuable, rare, imperfectly imitable and non-substitutable* (Barney, 1991). With that being said, previous sections has already discussed how these resources generates value for a football clubs and therefore the attribute of value will not be included in the analysis below.

### 5.7.1 Owner – Human resource

For a resource to have the potential of being a source for sustained competitive advantage it must be rare, in which means that if more than a few organization is in possession of a resource, the resource will not be a source of sustained competitive advantage (Barney, 1991). When analysing owner as a human resource in relation to term rare, one can easily argue for that an owner is far away from rare due to the fact that all organization or in this case all football clubs have an owner. Thus, owner as a resource is not rare and will not have the potential of creating sustained competitive advantage. However, a closer look might tell another story, it is not the owner itself that is of importance, rather it is the capability that the owner possesses that can make a difference. The empirical finding shows that a football club can have different types of owner, different types that all have their own way of contribute to the clubs success. Real Madrid and Bayern Munich is both controlled by their members whilst an external corporation controls Manchester United, Juventus and Paris Saint-Germain. Football clubs that having external corporation as owner can benefit from the network that these corporation possesses, by using the owners

network a football club can increase the financial performance through better sponsorship deals. Thus, they can become more competitive from both a financial perspective and a sporting perspective due to the strong two-way relation between the two. In other word, the owner's ability to improve the financial performance of a football club through their own network can potentially lead to competitive advantage for a football club. Perhaps the best example of this is the owner of Paris Saint-Germain, through the owners strong connection to wealthy corporation in Qatar, Paris Saint-Germain has been able to sign extremely lucrative sponsorship deals in which has made them competitive at the highest level. Despite that the empirical findings only covers 5 different clubs, the fact that Juventus has the tenth highest revenue stream of all football clubs in the world (about half the revenue stream compared to Manchester Unites at first place) and their owners are incapable of signing big lucrative sponsorship deals indicates that the owner of Paris Saint-Germain's ability to sign lucrative deals is rare. Thus, this ability can potentially be a source of competitive advantage. With that being said, a resource can only be a source of competitive advantage if it has the attribute of being rare, but in which degree of rarity must a resource be in order to potentially create competitive advantage? As previously mention, if only a few organization is in possession of a resource it could potentially create competitive advantage, but how many is "a few"? Exactly like Barney (1991) discusses, this is the trickiest question regarding rarity of a resource. In the football context, an owner's ability to improve the financial performance is probably not rare. Even if Juventus cannot compete in that sense with Paris Saint-Germain all the other clubs from the empirical findings can in which indicates that despite the owner of Paris Saint-Germain's great connection with Qatar, an ownerships ability to sign lucrative sponsorship deals is not rare and therefor it cannot be a source of competitive advantage.

### 5.7.2 History, fan base and brand recognition – Intangible resources

The resources, *history, fan base and brand recognition* of a club is all connected to each other. The empirical findings suggest that the size of football clubs fan base is linked to the history of a football clubs and that both the history and the fan base in turn have a strong link to a football clubs present brand recognition. Clubs like Manchester United and Real Madrid have a massive worldwide fan base today, which have been generated trough great performance on and of the field in the past. The great worldwide fan base creates a worldwide presence, a global presence that heavily influences the brand recognition of these clubs. According to several authors (Fisher & Wakefield, 1998; Soderman, 2012 Stewart & Smith, 1999) football fans have an emotional connection to "their" club, an emotional connection that restrict a football fan of consuming other football clubs. In other word, a devoted football fan never switch club due to their strong emotional belonging to their "own" club. With this in mind, clubs with great fan base today will probably not loose any huge amounts of fans for tomorrow.

The resources *history* and *fan base* is the foundation of the *brand recognition* and as Barney (1991) suggesting, in some cases a single resource itself does not create value but together with other resources it can generate competitive advantage for an organization. The empirical finding shows that the brand recognition is vital for a

clubs financial performance, the higher brand recognition on a global scale, the easier for the club to improve their financial performance. If a football club have strong brand recognition, their financial ability improves and foremost gives them the capability to sign better and more lucrative sponsorship deals. However, can this brand recognition be a potential source of sustained competitive advantage? The empirical findings suggest that only two clubs can sign lucrative sponsorship deal through great global presence in which indicates that this ability is rare and thus can potentially be a source of competitive advantage. Further, for a resource to be able to bring sustained competitive advantage it must also have the attributes of being imperfectly imitable and Non-substitutable. According to the resource based view, a resource is imperfectly imitable, as the name suggest, when others cannot imitate the resource and one of the sources for a resource to be imperfectly imitable is *unique historical conditions*. Some resources within an organization are developed over a long period of time and that the resource that the organization possesses today is a result of historical events. This is relatable to brand recognition, where the brand recognition for a football club today is based on what has happen in the past. Manchester United and Real Madrid is good examples of this, where their history characterized of great sporting performance on the field together with great management of the field. The historical journey of these two clubs, have been the foundation to the worldwide brand recognition they possesses today and a brand recognition that few other clubs can compete with. Hence, one can argue for that the resource, global brand recognition, that both Real Madrid and Manchester United possesses, is imperfectly imitable due to that other clubs cannot obtain the same abilities as the global brand recognition can produce and therefor this resource can potentially be a source to sustained competitive advantage for a football club. But for the brand recognition as a resource to potentially give a football club sustained competitive advantage it must also have the attribute of being non-substitutable. That there cannot exist any strategically equivalent resources that can could potentially give the same value for an organization. From the empirical findings it is clear that the brand reputation that Manchester United and Real Madrid possesses is not non-substitutable, Paris Saint-Germain have the ability to sign equivalent sponsorship deals through their owner's connection and network and Bayern Munich also have the ability through strong partnership with large German corporation.

With all of the above being said, even if those resources individually cannot function as a source of sustained competitive advantage, some football club is still displaying better financial performance than others. Manchester United with the highest revenue of all football clubs in the world is from revenue perspective showing superior performance against all other and therefor they have competitive advantage.

## 6. Conclusion

### 6.1 Sponsorship deals is the future

Since the beginning of the new millennia European football industry has enter a new era, an era that characterise by commercialization in which put pressure on football club to not only winning football games but also to improve their financial performance. Recently, the European football industry has gone from being foremost a sporting industry to being a multi-billions industry that influences people and corporation all over the world. The big flow of money resulted in that football club tried to buy their success through short-term investment, which created an unstable financial climate in the industry. Consequently, UEFA introduces a legislation that forced club into more long-term strategies. The changes in the European football landscape created questions regarding a football clubs strive to success in which resulted in following research question:

*“How can a European football club gain and sustain competitive advantage in their simultaneous strive towards improved financial success and improved sporting performance?”*

To be able to answering the research question, the author needed to gain an understanding on which key drivers of success a football club’s has. The result from this study shows that a football club have three main drivers of revenues, broadcasting, Commercial and Match day in which all are influenced on a football clubs sporting performance on one way or another. In order for a football club to be competitive at the highest level, a football club must be driven both from a sporting performance perspective and a financial performance perspective. A football club will always be judged by their merits on the field, but since there is a relatively strong connection between sporting performance and financial performance, something which this study confirms, a football club’s road to success goes both through the football field and the management room. With that being said, this positive connection between sporting performance and financial performance shows some glimpses of weakness, especially from an international sporting performance perspective. For example, Manchester United cannot match Juventus sporting performance in UEFA Champions League in recent years despite that Manchester United is twice as big from a financial perspective. This is only one of many examples that give a small indication that financial strength is of lesser importance in UEFA Champions League compared to football clubs domestic leagues.

More important for this study is how football clubs own resources can influence the main revenues sources and if certain resources have the potential to be a source to sustained competitive advantage. The sporting performance are taken out of the equation and the focus is on only the financial performance of a football club the result of this study shows that the most important resource for a football club to gain sustained competitive advantage is their ability to sign lucrative sponsorship deals. A football club’s ability to sign lucrative sponsorship deals is vital in their aim for better financial performance and this ability is also the main difference between good financial performance and great financial performance.



Aforementioned, the result of this study reinforces the relatively positive relationship between sporting performance and financial performance. However, the result from this study also indicates that a third aspect is important in a football clubs strive for success and as the figure below demonstrating this aspect is a football clubs stakeholder.



**Figure 42, Cycle of success for football clubs**

A football club’s sporting performance influence the stakeholders of the club, in this case the stakeholder is foremost the fans and external corporation. Great sporting performance make a football club more attractive, more fans will watch the games in which is an important source of revenue but foremost the more attractive a football club is the better sponsorship deals they can sign.

To return to the research question, a football club can gain and sustain competitive advantage if they have the ability to sign lucrative sponsorship deals with external corporations. This ability will improve the financial performance of a football club and which is known by now will positively affect the sporting performance of a football club. Additionally, the financial strength a football club possess today is an important factor for the financial performance of tomorrow. With the assumption that higher quality player cost more money, a football club that today possess the strongest financial position can attract better players in which will improve the sporting performance of the club which in turn influence the sporting performance and potential stakeholders. The financial strength becomes even more important since UEFA implemented the financial fair play regulations and the fact that football club must cover its expenses with own-generated funds. This means that football clubs with the strongest financial position have an advantage over others due to the fact that short-term solutions with massive investments are no longer possible. Thus, the financial strength that a football club possess today in terms of own-generated funds may potentially act as a source to competitive advantage and in the long run as a source to sustain competitive advantage.

Furthermore, since the short-term solution of using a “sugar daddy” is no longer permitted and only a few football clubs have the ability to sign massive sponsorships deals, the football industry will probably be even more segregated in the future. Football clubs that have the ability to sign massive sponsorship deals today will improve their financial performance and their sporting performance at a higher rate than those who does not possess this ability. Thus, the financial strong footballs club of today will be even stronger in the future.



## 6.2 Limitations

An important limitation in this research is that it only scratches the surface of the five football clubs that the research consists of, which only gives a cursory glance of how these clubs work. The lack of detailed information about the football club affects the outcome of this study, where more detailed information could potentially provide a deeper understanding of the research question. More limitation of this study is the number of football clubs and the competitiveness of the football clubs. Where a bigger sample of football clubs would help the authors to get a more accurate picture of the reality, at least since the top layer consists of more clubs than the five clubs that are included in this study. To only have football clubs in the top layer of the football industry is also a limitation of this study where a comparison between the best club and the others could give a clearer result of how a football club can reach competitive advantage.

## 6.3 Future research

Here follows some recommendations and suggestions for future research. Future research should extend this research by only focusing on football clubs from the same country. By comparing football clubs within the same league, you will have a sample of football clubs within different parts of the food chain in which could give a more detailed result of why and how some football clubs are outperforming others. Another suggestion for future research is to examine what factors have caused football clubs to fail in their hunt for sporting success. Finally, it would be interesting to see how the massive broadcasting deals that the English Premier League have signed will affect the industry and if these massive broadcasting deals will change the competitive landscape of the European football industry.

## 6.4 Final words - The beautiful game

In the end, football will always be football, a game that consists of 90 unpredictable minutes in which almost anything can happen. No matter how much you prepare for a game or even a whole season, unpredictable events will occur, key players with injuries, red cards on wrong players in important games, unstable weather conditions or one single player's mistake can lead to losing a game and miss out on domestic success or the opportunity to participate in the UEFA Champions League. This unpredictability creates the fact that all football clubs can work day and night to develop the best possible strategy in their strive for success. However, even if they would discover the magic formula for success, there still would be no guarantee of success on the football field.

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