Strategic Management in Football
How the European top club could adjust to UEFA financial fair play and simultaneously create conditions for competitive advantage within the changing UEFA football industry

Hampus Rikardsson
Linus Rikardsson

Tutor: Hans Andersson

Spring semester 2013
ISRN Number: LIU-IEI-FIL-A--13/01423--SE
Department of Management and Engineering (IEI)
English title:
Strategic Management in Football - How the European top club could adjust to UEFA financial fair play and simultaneously create conditions for competitive advantage within the changing UEFA football industry

Authors:
Hampus Rikardsson and Linus Rikardsson

Tutor:
Hans Andersson

Publication type:
Master Thesis in Business Administration
International Business and Economics Programme
Advanced level, 30 credits
Spring semester 2013
ISRN Number: LIU-IEI-FIL-A--13/01423--SE

Linköping University
Department of Management and Engineering (IEI)
www.liu.se
Summary

Background
The external requirements for the European top clubs within the UEFA football industry are changing. Due to mismanaged finances during a significant period of time derived from the clubs’ ruthless aim for short-term sporting success, UEFA (The Union of European Football Association) has decided to change the rules of the game. UEFA’s newly implemented financial fair play regulations, with the main requirement of breaking even, force clubs that aim to participate in future UEFA competitions to drastically improve their financial performance. Consequently, we are witnessing a fundamental shift in the European top club’s upcoming strategy. From now on, the club must go from pursuing a short-term strategy almost exclusively based on the quest for sporting success, to successfully implement a long-term strategy that besides being based on the main purpose of sporting success also is characterized by the quest for financial success.

Purpose
The purpose with this thesis is to provide guidance towards the European top club’s adjustment to UEFA financial fair play and its simultaneous achievement of competitive advantage within the changing UEFA football industry.

Approach
With the more decisive aim for profitability, the similarities between the European top club and a profit-seeking firm become evident. Consequently, the authors apply and adapt business strategic management theories to formulate a long-term strategy based on the simultaneous achievement of profitability and improved sporting performance.

Results
Formulating a long-term strategy based on the simultaneous quest for financial and sporting success, the authors finally come to an understanding of how the European top club possibly could comply with financial fair play and simultaneously create conditions for competitive advantage within the changing UEFA football industry.

Key words
Financial fair play, profitability, sporting performance, margin and sporting enhancing activities, competitive advantage
Important concepts and definitions

In order to comprehend the essence of this thesis, we recommend the reader to carefully examine the below listed concepts and definitions, related to the sport of football and strategic management.

**UEFA (The Union of European Football Association)** - The European football’s highest decision-making body that monitors, regulates, and controls the UEFA football industry and the UEFA competitions (UEFA, 2012a).

**The UEFA football industry** - The UEFA football industry consists of football clubs divided into 53 domestic league systems mostly situated in Europe. Each domestic league system is composed by a top division and several subdivisions in which football clubs become promoted and relegated due to sporting performance. The domestic leagues are controlled by respective country’s league committee and are held once a year. The best performing clubs play in the top division and have every year the opportunity to qualify for UEFA competitions where they compete internationally with clubs from other top divisions about becoming champions of Europe (Benchmarking report, 2011).

**UEFA Competitions** – Refers to the European competitions commonly known as Champions League and Europa League, controlled and managed by UEFA and held on a yearly basis. Champions League is the highest ranked competition and does only include the highest placed football clubs in each domestic league in the UEFA football industry. The number of participants from each domestic league depends on the leagues’ respective ranking (see Appendix 1-2 for a more detailed description).

**European top (football) clubs** – Refers to the 654 top division clubs in the 53 domestic leagues that participate or aim to participate in UEFA competitions and will be monitored by UEFA with regard to financial fair play (UEFA Benchmarking report, 2011). We will use “European top football club”, “European football club”, “European top club”, “football club”, and “club” interchangeably throughout the thesis.

**The European top club’s core offering** – Refers to the game performed at the home stadium during matchday, directly consumed by the customers, either live or through broadcasting.

**UEFA’s financial fair play regulations** - A set of financial rules recently implemented by UEFA to assure the sustainability of European football clubs, with the main obligation of breaking even. If such requirements not are achieved, UEFA possesses the power to exclude clubs from future UEFA competitions (see chapter 3.0. for a more detailed exposition).

**Sporting success** – Sporting success is hard to define since it must be individually determined by each club’s sporting objectives. Though, it depends on the club’s sporting results on the field, and thus on its sporting performance (i.e. its ability to win games).

**Financial success** - When using the concept of financial success, we refer to the club’s minimum financial achievement of breakeven, which is determined by the club’s financial performance (i.e. its ability to create financial margins).

**Competitive advantage** – When using the concept of competitive advantage, we refer to a club that is experiencing a superior sporting success relatively competition within the same market place.
Table of contents

1.0 Introduction ............................................................................................................................. 1
  1.1 Background ............................................................................................................................. 1
    1.1.1 The football clubs’ priority of sporting success ................................................................. 1
    1.1.2 UEFA changes the rules of the game ................................................................................. 1
  1.2 Research problem .................................................................................................................... 3
    1.2.1 The challenge of combining sporting and financial success ............................................. 3
    1.2.2 The European top clubs as profit-seeking organizations ............................................... 3
    1.2.3 Competitive advantage within the UEFA football industry ............................................ 4
  1.3 Purpose ................................................................................................................................... 5
  1.4 A modern perspective in football strategic management ....................................................... 6

2.0 The background to UEFA financial fair play ......................................................................... 7

3.0 The UEFA financial fair play regulations .............................................................................. 10

4.0 Method .................................................................................................................................. 12
  4.1 How to respond to our question of issue ............................................................................... 12
    4.1.1 Applying Grant’s strategic approach for competitive advantage ....................................... 12
      4.1.1.1 How to identify the UEFA football industry’s key success factors ............................. 12
      4.1.1.2 How to identify the internal key resources and capabilities ..................................... 12
      4.1.1.3 Obtaining the strategic fit ......................................................................................... 12
    4.1.2 Implementing Porter’s value chain analysis to identify the critical activities ................. 15
    4.1.3 Formulating a final strategy by developing our own strategic framework ..................... 15
  4.2 Method implications ............................................................................................................... 16
    4.2.1 Targeting the general European top club ......................................................................... 16
    4.2.2 The UEFA football industry as a non-zero-sum-game .................................................. 16
  4.3 The thesis’s upcoming structure ............................................................................................ 16
  4.4 Disposition ............................................................................................................................... 17

5.0 Empirics .................................................................................................................................. 18
  5.1 The drivers of the UEFA football industry ........................................................................... 18
    5.1.1 Revenue channels ........................................................................................................... 18
      5.1.1.1 Matchday revenue .................................................................................................... 22
      5.1.1.2 Broadcasting revenue ............................................................................................. 22
      5.1.1.3 Commercial revenue ............................................................................................... 20
    5.1.2 Main costs ....................................................................................................................... 22
      5.1.2.1 Wage costs .............................................................................................................. 22
      5.1.2.2 Transfer costs ......................................................................................................... 23
  5.2 The football club’s income statement .................................................................................... 24
  5.3 The examination of three successful European top clubs ................................................... 25
    5.3.1 FC Barcelona ................................................................................................................... 26
    5.3.2 Manchester United ......................................................................................................... 31
    5.3.3 FC Bayern Munich ......................................................................................................... 36

6.0 Results of empirical findings ................................................................................................ 41
  6.1 Summary of the drivers of the UEFA football industry ........................................................ 41
    6.1.2 Revenue channels ........................................................................................................... 41
    6.1.3 Main costs ....................................................................................................................... 42
  6.2 Summary of the three successful clubs’ respective strategy ................................................. 42

7.0 Analysis .................................................................................................................................. 44
  7.1 The virtuous circle of financial performance and sporting success ..................................... 44
    7.1.1 The positive two-way relation between increasing revenue and sporting success ........ 44
    7.1.2 The positive relation between increasing wage costs and sporting success ............... 45
7.1.3 The risk of irresponsibly combining the two relations ........................................ 45
7.1.4 Holding true the virtuous circle ........................................................................ 46
7.2 Identifying the primary sources of competitive advantage .................................... 47
  7.2.1 Industry analysis of the UEFA football industry ............................................... 47
    7.2.1.1 The concepts of value creation and value capture .................................. 48
    7.2.1.2 Porter’s five forces framework ............................................................... 49
    7.2.1.3 Summarizing the European top club’s industry environment ............... 54
  7.2.2 Identifying the UEFA football industry’s key success factors ....................... 55
  7.2.3 Identifying the European top club’s internal key resources and capabilities .... 57
    7.2.3.1 Identifying the internal key resources .................................................... 57
    7.2.3.2 Identifying the internal key capabilities .................................................. 58
7.3 Obtaining the strategic fit for competitive advantage .......................................... 60
7.4 Recommending the European top club’s critical activities ................................... 61
  7.4.1 Value chain analysis ....................................................................................... 62
    7.4.1.1 Inbound logistics – to make or to buy? .................................................... 63
    7.4.1.2 Operations – the creation of a winning team and further use value .......... 65
    7.4.1.3 Outbound logistics – the distribution of the use value created .............. 73
    7.4.1.4 Marketing and sales – attracting buyers through the use value created .... 76
  7.4.2 Summarizing our recommended value creating activities ............................... 78
    7.4.2.1 Summarizing the linkages ....................................................................... 78
    7.4.2.2 Taking advantage of UEFA’s financial fair play exclusions ................. 79
7.5 Formulating the final strategy towards financial fair play and competitive advantage 79
8.0 Conclusions ............................................................................................................ 82
  8.1 The road towards the responding of our purpose ............................................... 82
  8.2 Assuring the validity of our recommended strategy ............................................ 83
  8.3 The general applicability of our recommended strategy ..................................... 83
  8.4 Implications for the European top clubs and their proximate environments ....... 84
  8.5 Implications for the field of football strategic management ............................... 86
  8.6 Suggestions on future research ........................................................................... 87
  8.7 Final words .......................................................................................................... 88
9.0 Appendix ................................................................................................................ 89
10.0 References ............................................................................................................. 93
1.0 Introduction

1.1 Background

1.1.1 The football clubs’ priority of sporting success
Traditionally, football clubs have been considered as non-profit organizations (Hemstrom, 2005). Based on “the amateur sport idea” (Soderman, 2012:2), the clubs have in contrast to economic associations not combined economic activity with the purpose of satisfying members’ economic interests, but rather their idealistic interests of reaching sporting success. Hence, even though economic activity has been a condition for survival, football clubs’ main purpose has always been to achieve sporting success on the field (Hamil et al, 2010).

However, as suggested by Cross & Henderson (2003), football clubs have in the last decades gone from providing leisure activities to become business organizations, resulting in that the differences have faded between football clubs and profit-seeking organizations. But, even though the majority of the football clubs within the UEFA football industry today consider themselves as for-profit organizations (see figure 1), they have in lack of clearly stated rules ignored financial performance and ruthlessly kept working towards their main purpose of achieving sporting success on the field. In order to face the intense competition, football clubs have based their strategies on the quest for building the most competitive squads no matter the costs, by continuously relying on funds raised from rich owners and/or creditors who have shared the mutual interest of short-term sporting success. Any losses have been covered by owners’ and/or creditors’ further equity injections into the club. Here, clubs such as British Chelsea FC, Manchester City, and French Paris SG could function as demonstrating examples during recent years. Such short-term strategies, characterized by high risk, moral hazard, and the greed for sporting success, have caused a vicious spiral leading to inflationary effects on wages and transfer costs, seriously risking bankruptcy across European football. Such destinies have, among others, British Portsmouth FC, Leeds United, and Scottish Glasgow Rangers experienced in modern time, resulting in falling competitiveness by relegations to lower divisions and negative consequences for their proximate environments. Taking into account the European top clubs’ average solvency of 15% in 2011 and that 38% of the clubs reported negative equity (more liabilities than total assets) during the same year (UEFA benchmarking report, 2011), we understand that the risk for potential bankruptcies still is considered as high within the UEFA football industry.

1.1.2 UEFA changes the rules of the game
Though, the external requirements for the European top clubs are changing. Due to mismanaged finances during a significant period of time, UEFA has, in its quest for assuring the clubs’ sustainability, implemented new financial fair play regulations that force the European top clubs that aim to participate in future UEFA competitions to financially break even through own efforts. This means that it will no longer be possible to continuously raise

Figure 1. Top division legal form types (UEFA benchmarking report, 2011)
external funds to cover up for losses and large player investments – such funds must from now on mainly be own-generated. Clubs not complying with such requirements will risk exclusions from future UEFA competitions, and thus to miss out on not only opportunities for sporting success, but also significant revenue.

Taking into account that more than 50% of the clubs within the UEFA football industry made losses in 2011 (figure 2), the question to consider is how prepared the European top clubs actually are to face the financial fair play requirements. UEFA’s General Secretary Mr. Infantino is hesitating: “The financial losses are still at a dangerous level, and many clubs do still have a significant work to do in implementing new strategies in accordance with financial fair play” (Chaplin, 2012:1). At the moment, UEFA expects that 62% of the European top clubs will fail the first real assessment in spring 2014 (UEFA benchmarking report, 2011); however, as concluded by Mr. Infantino: “the assessment will be done for the first time next year, so there is still a little bit of time” (UEFA, 2013a:1).

There is an ongoing discussion with regard to the seriousness of financial fair play. Some clubs have indicated on certain restrictions towards the acceptance of competing within the new financial requirements in a morally correct way, and instead showed intentions of trying to get around the requirements by stretching the implemented rules. For instance, to be able to keep investing in the playing squad, the newly rich French club Paris Saint-Germain has recently taken financial shortcuts by reporting further equity injections from its owner as commercial revenue (Hansson, 2013). However, warning eight clubs in Europe due to overdue payables in December 2012, UEFA indicated on that it takes the financial fair play very seriously. Among them was the newly rich Spanish top club Málaga CF, recently reaching the UEFA Champions League quarter finals, which now is adventuring its participation in upcoming UEFA competitions (CFCB, 2013). With UEFA’s demonstrated willingness to fully exploit the financial fair play regulations in mind, this thesis is based on the assumption that the clubs respect the financial fair play regulations and their consequences, and thus start competing within the new financial requirements in a morally correct way.
1.2 Research problem

1.2.1 The challenge of combining sporting and financial success
Consequently, we are witnessing a fundamental shift in the European top clubs’ upcoming strategies (figure 3), and this is where the implementation of financial fair play gives rise to a research problem that needs to be further investigated. As Aleemullah (2012:1) states, “as the European football has translated into the modern era, the concept of success has grown to encompass both an ability to win trophies on the pitch, and a complimentary financial muscle”. Due to financial fair play, the majority of the clubs face the tough challenge of going from pursuing short-term strategies almost exclusively based on the quest for sporting success, to successfully implement long-term strategies that besides being based on the main purpose also are characterized by the quest for financial success. This might be easier said than done, considering the general absence of financial performance in previous strategies.

Figure 3. UEFA financial fair play gives rise to the research problem of how the European top clubs could implement long term strategies based on the simultaneous quest for sporting and financial success (inspired by Grant, 2010)

1.2.2 The European top clubs as profit-seeking organizations
With the simultaneous quest for sporting and financial success, the similarities between the European top clubs and the profit-seeking organizations become even more evident. Even though the sporting dimension still distinguishes the two parties, making the strategy formulation more complex for the clubs as they must combine financial and sporting performance, the clubs must similar to the profit-seeking organizations start focusing their strategies around the aim for profitability. Reaching profitability, the clubs would not only avoid sporting punishments by complying with UEFA’s financial fair play requirements, but also be able to invest in further squad improvements through own-generated funds, enabling the clubs to keep working towards their main purpose of sporting success.

The arising similarities between the European top clubs and the profit-seeking organizations are visually demonstrated in figure 4. In order to improve the financial performance, the clubs can similarly either increase revenue, decrease costs, or do both simultaneously. Reaching profit, the clubs would besides complying with the financial fair play requirements also logically increase equity, enabling them to 1. Use their own-generated funds for further investments in the quest for further sporting success, and/or 2. Improve the overall poor financial health by increasing the solvency through retained earnings or reduced debt.

Figure 4. UEFA’s financial fair play requirements force the European top clubs to act like profit-seeking organizations
1.2.3 Competitive advantage within the UEFA football industry

Due to the similarities between the European top clubs and the profit-seeking organizations, we argue that business strategic management theories could be successfully applied in order to understand how the clubs possibly could adapt their strategies in accordance with financial fair play. There are a lot of theories from the field of business strategic management that help us analyze and explain the complex opportunities for the profit-seeking organization. Though, as Miller (1997) indicates, such theories must certainly be adapted and further developed to a sports business such as the UEFA football industry, since it, as we will see, after all is based on some unique fundamentals that distinguish it from the traditional profit-seeking industry.

Grant (2010) and Ngowi & Rwelamila (1999) suggest that the primary objective in strategy formulation is to achieve competitive advantage; hence, to become successful as a football club, it seems similarly to a profit-seeking firm critical to base the strategy on the establishment of competitive advantage. Ghemawat & Rivkin (1999:49) suggest that “a firm that earns superior returns within its industry over the long run is said to enjoy a competitive advantage over its rivals”, while Besanko, Dranove & Shanley (2000: 389) mean that a firm has a competitive advantage in a market “when it earns a higher rate of economic profit than the average rate of economic profit of other firms competing within the same market”. As noticeable, such definitions relate competitive advantage to a firm’s achievement of superior economic profit relatively competition. Though, to successfully apply the concept of competitive advantage on the European top club, we argue similarly to Miller (1997) that such concept must be adapted to the unique fundamentals of the football business. As Porter (1980:15) claims, “competitive advantage is at the heart of a firm’s performance in competitive markets”. Considering that the European top clubs’ main performance takes place on the field, we argue that it is justifiable to claim that competitive advantage within the UEFA football industry also logically is achieved in sporting terms on the field. This is supported by Bar-Eli et al. (2008:76), claiming that “winning is a central construct in sport, and therefore a sport organization would be viewed as outperforming competition when it has a larger proportion of wins”. In football, wins are translated into points earned; consequently, the European top club’s competitive advantage is measured in number of points earned at the end of the season. With such definition, we understand that only one club within the same market place can be considered to enjoy competitive advantage (if we not experience an extremely rare situation of two teams finishing with the same amount of points earned). Though, as the UEFA football industry due to its unique division system is composed by several domestic league systems and thus gives rise to various market places, we understand that multiple clubs simultaneously can enjoy competitive advantage within the UEFA football industry. Then, the UEFA competitions give rise to further market places, creating additional opportunities for competitive advantage, but this time in the competition among the most competitive clubs within the industry.

As UEFA possesses the power to exclude European top clubs from participation in future UEFA competitions, the financial fair play regulations will in case of not being complied consequently restrict the clubs’ opportunities for competitive advantage within the UEFA football industry. Similar to a profit-seeking firm, the clubs will always try to take the shortest way to competitive advantage, but due to the financial fair play requirements, the European top clubs must from now on take the detour past breakeven to keep all opportunities open for competitive advantage. The assumption here is that all European top clubs strive for the ultimate sporting success (which only could be achieved by participation in UEFA competitions), and thus not are willing to restrict their opportunities for competitive advantage within the UEFA football industry. Consequently, assuming that all European top clubs will
strive for complying with the UEFA financial fair play requirements of breaking even, they must primarily reach financial success (i.e. \( \geq \) breakeven) to not restrict the opportunities for competitive advantage.

However, to fully exploit the opportunities for competitive advantage, it is not enough to reach breakeven. As we know, the European top club’s competitive advantage is to be achieved on the field; consequently, to create conditions for competitive advantage, the club must logically improve its sporting performance. Though, we argue that conditions for competitive advantage also could be enhanced by financial measures taken by the club, since there seems to be a close positive relation between profitability and sporting success. This is supported by Bar-Eli et al. (2008:79), stating that “there are other firm assets, not necessarily [directly] focused on sport or functional management, which come into play when considering the clubs’ general, or business, success”. As we know, any generated economic surplus will most likely be reinvested into the squad to improve the club’s sporting performance, and further, the ability to reach breakeven is critical to avoid sporting obstacles in terms of punishments from UEFA. Hence, profitability rather than breakeven, together with improved sporting performance, seem to be the way to fully exploit the opportunities for competitive advantage within the changing UEFA football industry (figure 5).

1.3 Purpose

Considering the challenge of combining improved financial performance with the main purpose of achieving sporting success in upcoming strategies, the purpose with this thesis is to provide guidance towards the European top club’s adjustment to UEFA financial fair play and its simultaneous achievement of competitive advantage within the changing UEFA football industry.

In order to achieve our purpose, we must respond to the following question of issue:

- **How can the European top club go towards profitability and simultaneously improve its sporting performance?**

By responding to our question of issue, we aim to contribute to that the European top clubs substitute their short-term strategies almost exclusively based on sporting success, characterized by repeated losses, high risk, and moral hazard, by long-term strategies that besides being based on sporting success also are characterized by sustainable financial health. Such strategies would not only ensure the clubs’ sporting competitive positions, but also reduce the risk for potential bankruptcies and thus further stabilize the clubs’ proximate environments.
1.4 A modern perspective in football strategic management

The concept of competitive advantage has been related to football several times before, but barely in relation to the strategic challenge of adjusting to financial fair play. For instance, with the aim to analyze competitive advantage in professional team sports, Dolles & Soderman (2012) develop a framework of the football club’s “network of value captures”, where they examine the football club’s different customer relations and their related value capturing activities. Bar-Eli et al. (2008) take an inside-out approach and investigate how two successful football clubs within the UEFA football industry historically have gained competitive advantage. Further, Soderman (2012) discusses how football clubs might learn from businesses by transferring best practices from profit-driven organizations to the football industry, while Gómez, Kase, and Urrutia (2010) present a framework relating the concept of value creation to the sport industry. As noticeable, even though competitive advantage obviously has been implemented on football, few have related the concept to UEFA’s recently game-changing financial fair play requirements. Hence, there seems to be a gap ready to be tapped within the field of football strategic management in order to provide a more profound understanding of how to reach competitive advantage within the UEFA football industry in modern time.
2.0 The background to UEFA financial fair play

In this thesis, the implementation of UEFA financial fair play is treated as an empirical starting point for further analysis of how the European top club could adjust its strategy to keep aiming for competitive advantage within the changing UEFA football industry. This means that we instead of looking backwards to analyze the reasons to financial fair play, will look forward and analyze the club’s opportunities for upcoming strategies. However, to get a better understanding of the club’s challenge to adjust to the changing environment, we find it necessary to understand the background to UEFA’s decision to implement such tougher financial requirements. Hence, this chapter treats the reasons to UEFA’s implementation of the financial fair play regulations.

The background to UEFA’s implementation of financial fair play is the financial distress that has characterized the European football and systematically increased during the last decade. Such financial distress is mainly a product of the clubs’ short-term strategies described in the introduction, resulting in significant risks of bankruptcy, which among others British Portsmouth FC, Leeds United, and Scottish Glasgow Rangers have experienced in modern time.

According to Financialfairplay (2012), Portsmouth FC went in bankruptcy in 2010 after adopting a wage system totally dependent of further cash injections from its owners. When the owners stopped to inject further equity into the club, Portsmouth FC was relegated to the third division where it is still struggling today.

In the case of Leeds United, the club chose, differently from Portsmouth FC’s approach, to fight the intense competition by requesting additional funds from creditors (Realbusinessrecovery, 2010). Such funds were used to heavily invest in the playing squad, but when the club underperformed on the field, it missed out on huge sources of expected revenue, resulting in an inability to repay the debt (Vrooman, 2007). Consequently, the club had to sell off its best players, and ended up as relegated from the English Premier League in 03/04. Nowadays, Leeds United is playing in the second division after being struggling in the third division for many years, far away from the glory in the top of European football.

However, as indicated in the introduction, it is not only the clubs themselves that might be affected by potential bankruptcies. As told by Den osynlige handen (2012), due to mismanaged tax planning derived from its quest for competitiveness in the UEFA football industry, the Scottish dominant Glasgow Rangers went into bankruptcy in 2012, resulting in a start over in the lowest Scottish division. However, Rangers’s destiny did not only affect the club itself, but also its proximate environment. As a result of the disappearing of the giant and its huge crowd of supporters from the Scottish Premier League, the Scottish top division lost a significant part of its tradition, glory, and attractiveness. In addition, the aggregated revenue dropped; broadcasting backed as well as revenue derived from sponsorship and matchday activities. As the example of Glasgow Rangers demonstrates, football clubs are similar to banks system critical, since innocent parties such as other clubs, supporters, and partners risk to become negatively affected by one single club’s actions. Once the negative spiral is started, the risk that it escalades is massive, leading to critical consequences for not only the club itself, but also for its proximate environment.

Nowadays, the financial distress appears across the whole world of European football. According to UEFA’s benchmarking report (2011), an investigation of more than 650
European top division clubs showed that over 50% made losses and that 20% of the clubs spent over 120% of revenue in 2011. As figure 6 demonstrates, the aggregate loss grew by 183% from 2007-2011, resulting in a total loss of €1.7B in 2011.

It is not the ability to generate revenue that mainly put the clubs into financial distress. As stated in UEFA’s benchmarking report (2011), the average revenue of the UEFA football industry has despite the economic crisis grown by 5.6% per year during the last five years, demonstrating an overall ability across the industry to generate revenue. Instead, it is increasing wages and transfer costs, derived from the clubs’ efforts to attract and retain the best players in their quest for short-term success that mainly explain the extensive financial problems. In 2010, total costs corresponded to 113% of total revenue, where wages and transfer costs corresponded to as much as 71% (UEFA benchmarking report, 2011). As further told by Deloitte (2012a), the important wage/revenue ratio does nowadays exceed UEFA’s recommended limit of 70% in three of the top five leagues (English Premier League, Spanish La Liga, German Bundesliga, Italian Serie A, and French Ligue 1), meaning that an operating profit will be barely possible to reach.

The question to consider is how football clubs, several of them publicly traded and responsible for other stakeholders’ interests, have been allowed to be run with such poor financial management, especially when taking into account the football industry’s importance in society. Morrow & Hamil (2003) stresses the social consequences, pointing out that a football club’s operations not only affects the direct community of supporters, but also a wider notion of different groups related to a particular geographical, social or religious space. Even Dolles & Soderman (2012) treat this question by emphasizing the economic aspect, claiming that the football business represents a significant percentage of various nations’ GDP, as it drives other sectors such as media and transportation. We argue that the answer to the overall financial irresponsibility among the football clubs is twofold, and in both cases related to moral hazard. Back in the 18th century, Adam Smith (1776) argued that on account of the bank system, mismanaged business between two parties could negatively affect an innocent third party, since all parties were closely integrated with one another. A couple of centuries later, when referring to the American bank system and the financial crisis that paralyzed the world in 2008, Dowd (2009:142) related Smith’s thoughts to the concept of moral hazard, which he defined as appeared when “one party is responsible for the interest of another, but has an incentive to put his or her own interest first”. Since clear parallels from the recklessly defined bank system could be drawn to the pursued short-term strategies within the
UEFA football industry, one could suppose that Dowd defined the European top club as we know it today. Here, a demonstrating example is the above mentioned Scottish dominant Glasgow Rangers.

Encouraged by forces in the local communities, football clubs have given us the sensation of being “too big to fall”, and way too important in society. As Storm (2012) points out, in case of financial distress, often not only management and owners, but also supporters and authorities, do everything they possibly can to save the club’s existence. Dolles & Soderman (2005:22) supports this conviction, stating that “football is firmly rooted in the local setting and a vital part of the cultural and social make-up of local communities, and as a result, community funds or pooled resources can be justifiably spent to keep clubs in business. In this sense, football clubs remain largely untouchable by economic forces that determine the fate of other companies”. Possessing such favorable conditions in the local communities, clubs have consciously taken higher risks, knowing that they through moral hazard most likely will keep existing in one way or another. The behavior of moral hazard has been further enhanced by the division system that football is resting on, as it in the case of a potential bankruptcy allows the club to start over in a lower division and thus prevents the club from completely disappearing.

Summarizing the background to the tougher financial requirements, we consider the clubs’ financial distress derived from the irresponsible behavior characterized by moral hazard together with its immediate consequences for their proximate environments as the main reasons to UEFA’s implementation of financial fair play.
The UEFA financial fair play regulations

To obtain a better understanding of the club’s challenge to adjust to financial fair play and the strategic opportunities that arise with it, we do also find it necessary to take a closer look at UEFA’s financial fair play regulations as such. Hence, we will in this chapter examine what the financial fair play actually implies. As defined above in Important concepts and definitions, UEFA’s financial fair play regulations is a set of financial rules implemented by UEFA, with the ultimate purpose to assure clubs’ sustainability within the world of European football. The first real assessment will be done in Spring 2014, and will require a significant improvement of the football clubs’ financial performances (Financial fair play, 2012). With the main requirement of breaking even, financial fair play aims to:

- Introduce more discipline and rationality in club football finances;
- Improve the economic and financial capability of the clubs, increasing their transparency and credibility;
- Decrease pressure on salaries and transfer fees and limit inflationary effect;
- Encourage clubs to compete with(in) their revenues;
- Encourage responsible spending for the long-term benefit of football;
- Protect the long-term viability and sustainability of European club football;
- Ensure that clubs settle their liabilities with players, social/tax authorities, creditors, and other clubs on a timely basis.

The objectives indicate on UEFA’s willingness to protect the European football clubs’ viability as well as their proximate environments. UEFA’s General Secretary Mr. Infantino highlights that “the clubs have the responsibility to take very seriously. It is not about just one club that might go bankrupt. The whole of football cares, because the consequences of a club going bankrupt are felt across the game” (Gibson, 2013:1).

In practice, the financial fair play regulations are based on football clubs’ financial results, meaning that clubs in a short matter of time must be able to break even. However, as Goateron (2012) explains in table 1, there is an adjustment period established by UEFA, composed by 5 monitoring periods that together range over a period of 6 seasons (demonstrated by the colored areas), allowing initial but reducing losses in order to facilitate the football clubs’ adjustment process to the new financial requirements of breaking even. We are currently in the 12/13 season, which is included in monitoring period 1. During this 2-year period, the maximum deficit allowed is €45M. However, from monitoring period 3, which started this current season and ranges over the next two, the maximum deficit allowed is €30M, which is an average of (only) €10M a season. The maximum deficit allowed after the 2016/2017 season will continue to decrease in order to adjust to the breakeven level (€0M).

<table>
<thead>
<tr>
<th>Monitoring periods</th>
<th>11/12</th>
<th>12/13</th>
<th>13/14</th>
<th>14/15</th>
<th>15/16</th>
<th>16/17</th>
<th>Max deficit allowed*</th>
<th>Football season affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>€45M</td>
<td>14/15</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>€45M</td>
<td>15/16</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>€30M</td>
<td>16/17</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>€30M</td>
<td>17/18</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>€30M</td>
<td>18/19</td>
</tr>
</tbody>
</table>

Table 1. Financial fair play system overview (Goateron, 2012)
At the end of each season and monitoring period, the clubs need to produce their financial results and the information needed to prove that they meet the financial requirements in order to get the license for taking part in upcoming UEFA competitions.

As UEFA financial fair play (2012) points out, there are some exclusions built into the system, allowing the clubs to exclude costs in following areas when calculating the maximum deficit allowed:

- Financing costs related to construction of tangible fixed assets, such as stadium development
- Youth team development costs
- Expenditure on community development activities

Clubs failing to meet the financial requirements will be sanctioned. As seen in table 2, there are a number of potential sanctions for not complying with the financial fair play rules. What sanction that will affect the failing club depends on the grade of violation, where warning is the mildest sanction and exclusion from future UEFA competitions and withdrawal of title/award are the most severe punishments.

This means that clubs failing to perform financially risk to become excluded from upcoming UEFA competitions, and thus miss out on not only further sporting success, but also significant revenue. The column “Football season affected” in table 1 demonstrates in what season the potential punishment is applied and as noticeable, there is a gap in one season between the monitoring period in which the failure was committed and the application of the punishment. For instance, if a club fails to meet the financial fair play requirements in monitoring period 1, it will face the sanction during the 14/15 season.
4.0 Method

4.1 How to respond to our question of issue

The purpose with our method is to provide a relevant and reliable approach that guides us towards the responding of how the European top club can reach profitability and simultaneously improve its sporting performance in order to create optimal conditions for competitive advantage within the changing UEFA football industry. Hence, not only sporting, but also financial measures could form the basis for the European top club’s strategy formulation towards competitive advantage. Consequently, to respond to our question of issue, we will in this thesis formulate a long-term strategy based on identified and recommended margin and sporting enhancing activities that we argue should form the basis for the club’s simultaneous quest for profitability and improved sporting performance.

4.1.1 Applying Grant’s strategic approach for competitive advantage

As the European top club could be considered as a profit-seeking organization, we suggest that the critical activities could be identified by applying business strategic management theories, if carefully adapted to the fact that the club’s competitive advantage is achieved on the field. Grant (2010) provides a systematic strategic approach that guides the profit-seeking firm towards the potential for competitive advantage, and we argue that the same profound analysis could be successfully applied on the European top club. Our challenge in this is to successfully apply Grant’s strategic approach in accordance with the unique fundamentals of the UEFA football industry, taking into account that factors such as the nowadays simultaneous quest for sporting and financial success, the division system, and the complex bargaining relationships with suppliers and buyers, differ from the traditional profit-seeking industry.

Grant (2010) suggests that there are two primary sources of competitive advantage: the external sources, which refer to the industry’s key success factors, defined as “those factors within the firm’s market environment that determine the firm’s ability to survive and prosper” (Grant, 2010:86), and the internal sources, which refer to the potential of the firm’s resources and capabilities to build competitive advantage. The key to a successful strategy that creates conditions for competitive advantage is to obtain a strategic fit between the external and internal environment. Consequently, in the European top club’s quest for competitive advantage, we will primarily recognize the external key success factors that characterize the UEFA football industry, and then identify the closely related internal key resources and capabilities in order to obtain the necessary strategic fit. Grant’s (2010) strategic approach for competitive advantage is summarized in figure 7.

![Figure 7. The strategic fit between the external and internal environment that creates conditions for competitive advantage (Grant, 2010)]
4.1.1.1 How to identify the UEFA football industry’s key success factors

As the UEFA football industry’s identified key success factors will form the general frame for the club’s strategic opportunities, and thus the basis for further analysis, we must assure their reliability and validity. Hence, we must strive for a realistic approach (Mik-Meyer & Justesen, 2012) that stays objective and goes beyond own assumptions and subjective experiences. Jacobsen (2002) emphasizes replicability as the most important indicator to the research-effect, meaning that our method must be of such objectivity that our identification of the UEFA football industry’s key success factors would be approximate to those of other researchers.

Consequently, to identify the industry’s key success factors, we will implement a descriptive research method (Jacobsen, 2002) by performing a representative industry analysis inspired by Porter’s five forces framework (Porter, 1979), enabling us to objectively identify the UEFA football industry’s drivers and unique characteristics. Such industry analysis will rest on carefully collected empirical data that forms a relevant and reliable basis for the understanding of the external sources of competitive advantage. The industry analysis will rest on document studies that allow us to understand the actual reality of the industry. More specifically, we will collect secondary data from policy documents, web pages, annual reports, official investigations, cases etc. These findings will contribute to the understanding of the industry’s drivers of profitability, such as revenue channels, main costs, and bargaining relationships. The reason to the chosen approach is our quest for objectivity; a few interviews with individuals providing their subjective opinions would most likely not give any significant input. Instead, we find it much more reliable to select relevant information from the huge volume of secondary data that is publicly available on this field, particularly derived from the clubs own willingness to share concrete information. Here, we must be aware of that some subjectivity logically will come into play, so the challenge of our document studies will be the quest for an objective selection, considering the substance of the empirical material - its relevance, reliability, and usefulness. This is to be achieved by carefully evaluating the sources and the context from which they are derived.

In addition to document studies, the industry analysis will also rest on small-N-studies. The phenomenon of how the European top club can achieve competitive advantage within the changing UEFA football industry by simultaneously reaching profitability and sporting success is characterized by ambiguity and a need of further understanding. Such phenomenon should according to Jacobsen (2002) be appropriately investigated by an intensive approach, and more specifically by performing the above mentioned small-N-studies. Consequently, an important part of our empirical investigation will be the qualitative examination of three of the most successful European top clubs, namely Spanish FC Barcelona, British Manchester United, and German FC Bayern Munich, which all are considered to have succeeded to reach competitive advantage through a high level of both financial and sporting success during a significant period of time. As the implementation of financial fair play reshapes the fundamentals of the industry, resulting in the quest for both sporting and financial success, we argue that such clubs provide critical input to the industry analysis, and thus further guidance towards the identification of the changing UEFA football industry’s key success factors.

4.1.1.2 How to identify the internal key resources and capabilities

The three successful European top clubs will be particularly important as role models when identifying the internal sources of competitive advantage, namely the club’s internal resources and capabilities. The selection of the three examined European top clubs is based on our perception of sporting and financial success. Even though such selection always will be
subjective, we have consciously chosen clubs which sporting and financial performance in the last 10 seasons (02/03-11/12) most likely are generally considered as superior relatively competition (see 5.3 The examination of three successful European top clubs). The decision to exclude contributions from other leagues is based on the absence of clubs that live up to our requirements of sporting and financial success.

Due to the fact that our small-N-studies are based on a few diversified units and an undetermined number of variables (Jacobsen, 2002), our approach enables us to go deep into detail of each investigated club’s internal strategy and examine the possible origin to the clubs’ respective competitive advantage. This allows us to highlight the phenomenon from different angles, and thus possibly identify any common pattern that could explain the clubs’ roads to sporting and financial success. The clubs’ successful internal strategies will later be used in order to interpret an optimal European top club which, by being composed by the clubs’ identified internal key capabilities, provides guidance towards the European top club’s competitive advantage.

In our selection of the three successful European top clubs, we have strived for obtaining such a reliable representation as possible of what it takes for the European top club to achieve competitive advantage. This explains why the three selected clubs are spread across different regions in Europe. With such approach, we are able to capture several perspectives of the phenomenon of achieving competitive advantage within the changing UEFA football industry, and thus minimize the risk of generating an incorrect picture. In this way, we do also spread the risk of possible effects derived from geographical differences, economic conditions, and national regulations. For instance, as treated in our empirical findings, broadcasting revenue does mainly rest on different national regulations, and the ability to generate matchday revenue does certainly depend on the general economic situation in each country. Basing our empirical findings on clubs mainly from a certain country, we would logically obtain an unrepresentative understanding of the underlying conditions of how to achieve competitive advantage, resulting in that our strategic recommendations would be less applicable across the industry. On the other hand, if we instead of performing small-N-studies chose to collect our empirical data from a larger group of units, we would possibly obtain a larger coverage of the industry as such and thus enhance the general applicability of our findings. However, with such approach, we would in lack of resources not be able to dig deep enough into each club’s internal strategy, and thus risk missing out on the identification of valuable sources of competitive advantage.

As indicated, what could speak against our small-N-study approach is our quest for generalizing the outcome of our findings. Our goal is to recommend a strategy that is realistic to implement by the majority of the European top clubs in their quest for competitive advantage, but by including small-N-studies in our investigation, we are risking a reduced applicability of the critical capabilities identified from the primary sources of competitive advantage. Due to different conditions, it might not be realistic for all European top clubs today to achieve the financial and sporting success that have characterized FC Barcelona, Manchester United, and FC Bayern Munich over such a long period of time. However, even though all clubs due to unique internal conditions obviously not will be able to implement such complete strategies that characterize the three examined clubs, we argue that their successful strategies could function as best practices and something to strive for in the European top club’s simultaneous quest for financial and sporting success. In addition, as demonstrated by our empirical findings, both FC Barcelona and FC Bayern Munich implemented turnaround strategies that rapidly allowed them to convert modest performance
to success both on and off the field, justifying that a lot can be achieved in a short matter of time with the right strategy formulation. Hence, the selected clubs’ characteristics and strategic measures are considered to form a proper basis for what the European top club could strive for in its quest for competitive advantage within the changing UEFA football industry.

4.1.1.3 Obtaining the critical strategic fit
Once the key success factors from the UEFA football industry and the internal key capabilities from the optimal European top club are identified, we should, by using Grant’s (2010:127) model “The links among resources, capabilities and competitive advantage”, logically be able to obtain the strategic fit that forms the basis for the European top club’s potential for competitive advantage within the UEFA football industry.

4.1.2 Implementing Porter’s value chain analysis to identify the critical activities
Obtaining the strategic fit by using Grant’s strategic approach, we will be able to assure what critical capabilities the European top club should strive for in its simultaneous quest for profitability and sporting performance. Once having identified the internal key capabilities, we will take advantage of Porter’s (2008) value chain analysis, as it allows a further disaggregation of the capabilities into concrete value creating activities. By this step, we will be able to identify and recommend the margin and sporting enhancing activities that we argue should be undertaken by the European top club in its quest for competitive advantage. In this way, we will logically complement our so far descriptive study with normative elements. When it comes to the margin enhancing activities, we will recommend activities that increase revenue, decrease costs, or do both simultaneously. Hence, even though the European top clubs as we know have demonstrated an increasing ability to generate revenue during recent years, we have not restricted our recommended activities to the more problematic and challenging cost side. The reason is that the clubs most likely must continue compensating the elevated costs mainly related to player investments by further increasing revenue.

Even though Porter’s value chain was created for analyzing the value creating process of a profit-seeking firm (Porter, 2008), we argue that the same approach could be favorably applied on the European top club, as it due to the financial fair play requirements similarly to a company must strive for profitability. This is supported by Porter (1990), claiming that the overall logic of the framework could be favorably applied in all industries. Though, to be successfully applied, we must once again consider the unique fundamentals of the UEFA football industry, and adapt the value chain analysis thereafter.

4.1.3 Formulating a final strategy by developing our own strategic framework
Having identified and recommended the critical activities, the final step to respond to our question of issue is to reorganize them into a long-term strategy. This is to be achieved by developing a strategic framework that by being built on Bowman & Ambrosini’s (2000) concepts of value creation and value capture reorganizes the activities with regard to their revenue increasing and cost reducing effects. By favorably linking financial performance to sporting success, the strategic framework facilitates the formulation of a strategy that, by being composed by the recommended activities, provides guidance towards the European top club’s simultaneous achievement of profitability and an improved sporting performance, and thus competitive advantage within the changing UEFA football industry.
4.2 Method implications

4.2.1 Targeting the general European top club
In upcoming chapters, we will target the general European top club within the UEFA football industry, representing the numerous clubs that are in need of adjusting their strategies to the financial fair play requirements and thus most likely are responsive to our recommended strategy. The reason to targeting the general European top club is the essence of the meaning of competitive advantage, and thus in fact not explained by anything else than technical reasons. Having in mind that competitive advantage often is considered to be limited to one party within a given market place, it would not make sense to directly target all clubs within the UEFA football industry. With that said, the usability of our recommended strategy is not restricted to any club – all clubs within the industry could favorably take advantage of our recommended strategy in their quest for competitive advantage. Then, what club that actually achieves the competitive advantage, is in turn determined by each club’s ability to enhance its sporting performance relatively competition.

4.2.2 The UEFA football industry as a non-zero-sum-game
If all clubs could implement value creating strategies in their quest for competitive advantage, we do also understand that the UEFA football industry not is restricted in terms of value. Implementing value creating strategies, the clubs would most likely succeed to increase revenue on an aggregate level, contributing to an increase of the industry’s total value. Hence, this thesis is based on the perspective that one club’s increase in revenue not automatically implies a decrease in another’s (even though the market shares logically are affected). This could for instance be seen when clubs simultaneously increase their fan bases, where an increase in one not results in a decrease in the other since supporters usually not switch teams. The same appears on the commercial side, where a high sponsorship deal not implies that another club is restricted to a less valuable deal. In other words, the competition within the UEFA football industry is not characterized by any zero-sum game among the clubs.

With that said, aiming to encourage the European top clubs to implement value creating strategies in their simultaneous quest for profitability and competitive advantage, we want to emphasize that we not directly target the UEFA football industry as such, although the increase in the general European top club’s revenue certainly contributes to an increase in the industry’s total value.

4.3 The thesis’s upcoming structure
Our method for responding to our question of issue has implications for the thesis’s upcoming structure. Before implementing business strategic management theories to guide the general European top club towards competitive advantage, we will in the next chapter examine our empirical findings of the UEFA football industry. This structure allows us to take advantage of a rich inflow of information not restricted by any theory, resulting in an ability to later perform the analysis in an open and receptive manner, supported by relevant theory. The decision to later combine theory and analysis is based on the perception that the theory, in terms of being crucial for the strategic approach towards competitive advantage, is most appropriately placed in direct relation to the analysis and not as a separate part.
4.4 Disposition

Here follows a disposition of the upcoming chapters in order to guide the reader throughout the thesis.

Chapter 5. Empirics
In this chapter, we present our empirical findings regarding the drivers of the UEFA football industry and the three successful European top clubs’ respective strategy.

Chapter 6. Results of empirical findings
Here, we conclude the results of our empirical findings.

Chapter 7. Analysis
In the analysis, we apply business strategic management theories in order to formulate a long-term strategy towards the general European top club’s simultaneous achievement of financial fair play and competitive advantage within the changing UEFA football industry.

Chapter 8. Conclusions
In this final chapter, we discuss the implications of our findings.
5.0 Empirics

Our empirical findings of the UEFA football industry are organized as follows: primarily, we examine the general findings of the drivers of the UEFA football industry, including revenue channels and main costs. Then, we continue by demonstrating a general example of the football club’s income statement, which forms the basis for the club’s strategic opportunities for profitability. Finally, our empirical findings are concluded by our qualitative examination of the three successful European top clubs FC Barcelona, Manchester United, and FC Bayern Munich, and later summarized in 6.0. Results of empirical findings.

5.1 The drivers of the UEFA football industry

5.1.1 Revenue channels

Deloitte’s *Football Money League* (2013), described by themselves as “the most contemporary and reliable analysis of the clubs’ relative financial performance”, annually ranks the top 20 football clubs within the world of football by their ability to generate revenue from daily operations. As of Deloitte’s Football Money League (2013), player transfer fees excluded, revenue is typically divided into *matchday revenue*, *broadcasting revenue*, and *commercial revenue* (figure 8). In 2013, the top 20 clubs’ revenues were distributed as demonstrated in figure 9.

The evolution of each revenue channel in €M (03/04-11/12) is demonstrated in figure 10, calculated with regard to each year’s top 20 clubs in generating revenue (Deloitte, 2005-2013). As shown, broadcasting is the highest generating revenue source, followed by commercial revenue which has experienced a rapid increase since 09/10, while matchday revenue has had a more modest evolution since 03/04.
Deloitte (2013) describes each revenue channel and what main aspects they are derived from.

5.1.1.1 Matchday revenue

Matchday revenue is mainly generated from gate receipts (including membership and season tickets), and depends therefore highly on the number of home games played each season. For instance, British Manchester United experienced an 11% decrease in matchday revenue in 11/12 since they played four fewer games at its home ground Old Trafford compared to the previous year. Conversely, and due to three extra home games in the Champions League finals, British Chelsea FC increased matchday revenue by 15% in the same year.

Another driver of matchday revenue is the potential of attracting live attendance, which during the last years mainly has been derived from new stadium facilities. By moving from Stadio Olimpico to Juventus Stadium, Italian Juventus FC increased the average league home attendance by 63% to around 36,000 in 11/12, leading to an increase in matchday revenue from €0.4 million to €1.4 million per game. As a result, total matchday revenue almost trebled to €31.8 million, despite the fact of playing four fewer home games compared to previous season. Another club benefiting from new stadium facilities is British Arsenal FC, which moved to Emirates Stadium in 2006 (Deloitte, 2007). The average league attendance of Emirates Stadium was 60,000 in 11/12, and in combination with Champions League participation, Arsenal FC became the only club of the top 20 demonstrating matchday revenue as the most important revenue source, generating 41% of total revenue.

Reversely to clubs benefiting from building new home stadiums, there are several clubs among the top 20 suffering from decreasing or limited matchday revenue, mainly derived from the lacking ability to attract live attendance. For instance, Italian AC Milan faced a drop of 9.6% in average league attendance to 48,487 in 11/12, and is still struggling to generate matchday revenue from the ageing San Siro stadium. Internazionale, AC Milan’s neighbor at San Siro, is similarly to AC Milan struggling with decreasing matchday revenue. Experiencing a 29% drop in 11/12, mainly derived from the 16% decrease in average league attendance to 44,577, matchday revenue nowadays corresponds to only 13% of the club’s total revenue.

Although the majority of the top 20 clubs regularly increase matchday revenue, some of them are demonstrating unused capacity. Spanish FC Barcelona, second placed in Football Money League 2013, increased matchday revenue by 5% in 11/12; however, the club’s average home league attendance was 75,069, meaning that FC Barcelona demonstrated an average unused capacity of 24.4% during its domestic home games in 11/12. Other examples are the above mentioned AC Milan and Internazionale, demonstrating unused capacity of 39% and 44% respectively, as well as French Olympique Lyonnais, demonstrating unused capacity of 23% in 11/12.

5.1.1.2 Broadcasting revenue

Broadcasting revenue is composed by revenue generated from both domestic and international competitions, and is driven by Pay-TV operators’ high demand of games throughout the season. Broadcasting revenue depends positively on domestic league performance and participation and performance in UEFA competitions, where the difference between participating in Champions League and Europa League is significant when it comes to generated revenue. For instance, German Borussia Dortmund’s €28.3 million (88%) increase in broadcasting revenue in 11/12 was mainly derived from receiving €25.6 million in UEFA contributions due to Champions League participation, in comparison to the previous €4.5
million in UEFA contributions from its participation in Europa League in 10/11. Chelsea FC is another example demonstrating the importance of Champions League football. Ending up as Champions League winners in 2012, Chelsea FC got €59.9 million in UEFA contributions, which compared to the previous year’s quarterfinal effort led to a €15.4 million increase in broadcasting revenue. With regard to domestic broadcasting revenue, Manchester City received the highest contribution of all clubs (€74.9 million) after winning the Premier League, corresponding to a €6.1 million increase from finishing in third place during the previous year.

The potential of generating broadcasting revenue varies across European football since the establishment of broadcasting deals differs from league to league. In England, the Premier League announced a new three year deal worth £3 billion, resulting in a potential increase of £20-30 million per season for England’s top clubs. Similarly to Premier League, German Bundesliga announced a new deal from 13/14, worth 50% more than the current deal. Conversely, the Spanish league clubs’ broadcasting rights are individually negotiated, leading to an unequal distribution of broadcasting revenue, where the top clubs Real Madrid and FC Barcelona capture the main part. This results in less broadcasting revenue for the rest of the Spanish clubs and thus a further inequality among them and their European colleagues.

5.1.1.3 Commercial revenue
Commercial revenue includes revenue generated from primarily sponsorships derived from commercial deals with companies, but also merchandising generated from the sale of souvenirs to supporters, and is mainly driven by the club’s ability to negotiate favorable commercial deals, which in turn depends on the club’s popularity. For instance, Manchester United’s new sponsorship deal with General Motors and Chevrolet is worth up to €54 million for the 14/15 season, putting the club ahead of FC Barcelona which current top deal with Qatar Sports Investments brings around €30 million per season. Aleemullah (2012) points out another example, highlighting British Liverpool FC’s commercial success derived from a restructuration of previous sponsorship agreements. Breaking the previous deal with Adidas, which generated £12 million per season, the club recently signed a new sponsorship deal with Warrior worth up to £25 million per season. Similarly, Liverpool FC signed a new sponsorship agreement with the investment bank Standard Chartered, worth £20 million per season, which more than doubles the last deal’s contribution with Danish brewer Carlsberg. The club’s co-owner John W. Henry stated, “When we came, it was a great time of instability. People have talked about this idea of virtuous circles. The stronger we are commercially, the stronger this club can be” (Aleemullah, 2012:1).

Commercial revenue can be critical for many clubs. In fact, it is usually the most important revenue source in German football. In the case of Bayern Munich, it stands for more than the half of the club’s total revenue. In 11/12, the club increased merchandise revenue by €13.5 million (31%), resulting in an increase in commercial revenue of €23.9 million (13%) to the record amount of €201.6 million. This makes Bayern Munich the first club ever to generate over €200 million from a single revenue source. Another example of successful merchandising is German Borussia Dortmund, which succeeded to increase merchandise revenue by 61% in 11/12, mainly driven by the opening of its fifth souvenir shop in town.

New stadium facilities are often an important driver to increase commercial revenue. Increasing commercial opportunities were for instance the main driver behind Juventus’s 36% increase in commercial revenue in 11/12. In order to enhance commercial revenue, it is
argued that a number of Italian clubs, among others AC Milan and Internazionale, must consider a similar approach by investing in new home stadiums.

**The positive two-way relation between sporting success and increasing revenue**

According to Deloitte (2013), there is a positive relation between sporting success and increasing revenue. Domestic sporting success that results in participation in UEFA competitions is particularly important to enhance revenue. Winning the domestic double and reaching the group stages in Champions League 11/12, above mentioned Borussia Dortmund demonstrated a €50.6 million (37%) increase in total revenue. The same appeared to Manchester City, which due to its inaugural participation in the Champions League group stage demonstrated a total revenue growth of 51%. Reversely, Italian AS Roma experienced a 19% decrease in total revenue due to its failure to qualify for the group stages in Champions League in 11/12.

According to Szymanski and Kuypers (1999), the positive relation does also hold true starting off with increasing revenue. Figure 11 demonstrates Szymanski and Kuypers’ (1999) regression of the relation between generated revenue and league finishing position, made in English football between the seasons of 1978-1997. The 89 percent degree of explanation demonstrates that the assumption that increasing revenue is invested in sporting return is very reasonable.

![Figure 11. Szymanski and Kuypers’ (1999) regression of the relation between generated revenue and sporting success](image.png)
5.1.2 Main costs
As the UEFA benchmarking report (2011) demonstrates in figure 12, the UEFA top division clubs’ total costs corresponded to 113% of total revenue in 2010. As it also demonstrates, the clubs’ costs can be divided into costs related to player investments (employee/wage costs and transfer costs), operating expenses, and non-operating expenses, where costs related to player investments corresponded to as much as 71% of the UEFA top division clubs’ total costs in 2010, and thus are considered to be the football club’s main costs (figure 13).

As the UEFA benchmarking report (2011) demonstrates in figure 14, costs related to player investments have increased from corresponding to 62% of revenue to 71% of revenue since 2007. In fact, wage costs increased by as much as 38% between 2007 and 2011, and combined with net transfer costs it corresponded to a total increase of 42%. As the UEFA top division clubs increased total revenue by 24% during the same period, this means that costs related to player investments increased by 18 percentage points more.

5.1.2.1 Wage costs
As of Deloitte (2012a), wage costs have increased so dramatically that the important wage/revenue ratio nowadays exceeds UEFA’s maximum safety limit of 70% in three of the top five leagues in Europe, including English Premier League 70%, Italian Serie A 75%, and French Ligue 1 75%.

Liverpool FC is an example of a club taking measures to fight such worrying numbers, adopting a new wage system in 2010. As emphasized by financial fair play (2013), the club’s new owners immediately started out with a restructuring of the player wage system in 2010, going from a fixed wage system independent of players’ sporting performance to a variable
wage system depending on the players’ sporting performance on the field. As a result, total wages were reduced by 8% from 10/11 to 12/13, contributing to a decrease in the wage/revenue ratio from alarming 70% to a more solid level of 59% within the same three year period.

The positive relation between wage costs and sporting success
Though, according to Szymanski and Kuypers (1999), there is a positive relation between wage costs and sporting success. Their regression of the relation between wage costs (players and officials) and league finishing position on English clubs between 1978-1997 gives a 92 percent degree of explanation (figure 15).

5.1.2.3 Transfer costs
Besides the rapidly increasing wages, the massive transfer spending does also contribute to the rapid increase in costs related to player investments. According to Transfermarkt (2013), the Premier League clubs’ net transfer spending (transfer revenues less transfer expenditures) has been negative and generally decreasing every year since the opening season in 1992, ending up in a deficit as huge as £364.4M in 12/13 (figure 16).
5.2 The football club’s income statement

The above described revenue channels and main costs form the basis for the football club’s income statement, visually demonstrated in the example of FC Bayern Munich’s income statement from 2011 in figure 17 (Rambler, 2012).

As noticeable, “Other expenses” (all operating expenses excluding wages & salaries) form a significant part of the club’s total operating expenses.

Player acquisitions are annually amortized under “Player amortization”. Football clubs usually utilize straight line amortization, meaning that any transfer fee is amortized over the lifetime of the purchased player’s contract.

Any profit on player sales is in turn reported under “Profit on Player Sales”.

UEFA Financial fair play’s implications on the income statement

As earlier examined in 3.0. The UEFA financial fair play regulations, there are some exclusions that UEFA takes into consideration when monitoring the European top clubs’ income statement with regard to the financial fair play regulations. The main exclusions appear as costs related to:

- The construction of tangible fixed assets (development of stadium/facilities etc.)
- Youth team development
- Community development activities

Hence, costs related to above mentioned areas will be excluded from the club’s income statement when monitored by UEFA with regard to financial fair play.
5.3 The examination of three successful European top clubs

FC Barcelona, Manchester United, and FC Bayern Munich are three top clubs that have established their positions in Deloitte Football Money League as three of the best clubs in generating revenue. As demonstrated by figure 18, the three clubs have finished 2nd - 4th place in the last 5 seasons (Deloitte, 2005-2013). In addition, they have also consistently been fighting in the top of their domestic leagues for a decade (figure 19), indicating on not only financial, but also sporting success.

Figure 18. Evolution of FC Barcelona’s, Man Utd’s, and Bayern Munich’s Football Money League positions 03/04-11/12 (Deloitte, 2005-2013)

Figure 19. League finishing position of FC Barcelona, Man Utd, and Bayern Munich 03/04-11/12 (Europeancuphistory, 2013a,b,c)

General information
Name: Fútbol Club Barcelona
Founded: 1899
Domestic League: Spanish La Liga
Home Stadium: Camp Nou (99,354)
Legal form type: Not-for-profit organization
(Entirely owned and controlled by its members)

Main Honors (until 11/12)
League Titles: 21
Champions League Titles: 4

Financials 11/12
Total Revenue: €483M
Deloitte FML position: 2
Net Income: €48M
Wage/Revenue Ratio: 54%
Revenue Distribution:

General information
Name: Manchester United
Founded: 1878
Domestic League: English Premier League
Home Stadium: Old Trafford (75,765)
Legal form type: Private limited company

Main Honors (until 11/12)
League Titles: 19
Champions League Titles: 3

Financials 11/12
Total Revenue: €396M
Deloitte FML position: 3
Net Income: £23M
Wage/Revenue Ratio: 45%
Revenue Distribution:

General information
Name: FC Bayern Munich
Founded: 1900
Domestic League: German Bundesliga
Home Stadium: Allianz Arena (69,901)
Legal form type: Member-owned joint stock company

Main Honors (until 11/12)
League Titles: 22
Champions League Titles: 4

Financials 11/12
Total Revenue: €368M
Deloitte FML position: 4
Net Income: €11,1M
Wage/Revenue Ratio (10/11): 49%
Revenue Distribution:

(FC Barcelona, 2013a; Deloitte, 2013; FC Barcelona Memoria, 2012)

(Manchester United, 2013a; Deloitte, 2013; Man Utd PLC, 2012)

(FC Bayern München, 2013a&b; Deloitte, 2013; FCBayern München AG, 2012; Europeancuphistory, 2013a; Rambler, 2012)
5.3.1 FC Barcelona

Sporting performance
During the last decade, FC Barcelona has experienced its most successful sporting era in the club’s history (FC Barcelona, 2013a). As demonstrated in figure 20, the Spanish top club has won the Spanish La Liga five times since 04/05 and has not ended up worse than 3rd in the domestic league since 02/03. In addition, with the only exception in 03/04, “Barça” has qualified for the Champions League every season. Since then, the team has continuously improved its Champions League performance, succeeding to reach at least the semifinals in the last five years and ending up as European champions at three times since 05/06 (table 3).

Financial performance
FC Barcelona has not only reached sporting success on the field, the Catalan club has also made a remarkable progress in terms of financial performance. As demonstrated earlier, the club has advanced from a modest 7th place in generating revenue to establish itself in the top of Football Money League during the last decade. From the 02/03 season, which contained one of the largest losses in the club’s history (Hamil et al, 2010), FC Barcelona has constantly succeeded to increase revenue by successfully increasing all three revenue channels (see figure 21). This has contributed to a solid ability to reach breakeven with the only exception of 09/10’s loss of €80M, mainly derived from the dispute with the television company Sogecable (FC Barcelona Memoria, 2010).
Broadcasting revenue has been the main driver of revenue during later years even though the rapid increase in commercial revenue resulted in a shift of largest generating revenue stream in 11/12. Even matchday revenue has increased during the last decade, although its evolution has been more modest. The overall increase in revenue has contributed to a stable wage/revenue ratio that nowadays is closer to 50% than the critical level of 70% (figure 22).

Figure 22. Evolution in wage/revenue ratio 07/08- 11/12 (FC Barcelona Memoria, 2012)

**FC Barcelona’s membership model of ownership**

As told by Hamil et al (2010), FC Barcelona is per definition a not-for-profit organization totally owned by its socios (members). Paying an annual payment, the socios have the right to elect president and members to the board, who are then responsible for the governance of the club.

**“More than a club”**

FC Barcelona’s successful strategy is often summarized by referring to its slogan of being “more than a club”, which roots actually go back to the very beginning of the club. When founding the Catalan club in 1899, Joan Gamper assured that the purpose was not only the original reason of playing football, but also to be a club that actively served its “country” (Barcelona, 2013b). The aim was to create a club symbolizing the Catalan identity and democracy, governed by its members and open to everyone, and in 1932, the club stated that “its popularity undeniably included elements that are not related to sport” (Barcelona, 2013c).

Hence, already from its birth, the club was meant to be a symbol of Catalonia, its people, and their culture, and these fundamental values have created a unity so strong that it is successfully comparable to what other people feel for their nations. Even today, one of the club’s primarily objectives is to transmit the historical values of FC Barcelona, which take expression in the description of FC Barcelona as “a club that competes in a sporting sense on the field, but that also beats, every day, to the rhythm of its people’s concerns” (Barcelona, 2013c). As board member Marc Ingla stated: “FC Barcelona’s competitive edge is the level of adhesion and identification of its affiliated supporters [members] and other supporters with the club and the close link that is generated between the two” (Hamil et al, 2010).

**FC Barcelona’s turnaround strategy**

As told by Hamil et al (2010), the club implemented a turnaround strategy in 2003, in an attempt to turn the negative spiral that the club recently had experienced both on and off the pitch. Sportingly, the club had not won anything for the last four years, and financially it was in an even worse situation. Heavily indebted, the club experienced one of its largest net losses in history (-164 €M), mainly derived from decreasing revenue and uncontrolled costs resulting in a wage/revenue ratio of as much as 88%.
Hence, the newly elected president Joan Laporta faced a critical challenge. Laporta understood the critical relation between sporting and financial performance; building a strong team that performed on the field was considered as a driver of all revenue sources. As the club’s marketing vice president stated, “the best promotion is a good performing team and a great show on the field” (Richelieu and Pons, 2006:241). Though, since FC Barcelona was not (and still is not) a limited company, it was unable to raise external capital in its attempt to build a competitive team. Consequently, the club had to implement a new internal strategy focused on the maximization of the revenue drivers and further cost control. The idea was to improve the quality of the squad and thus the club’s sporting competitiveness by funds generated from improved financial results. Such financial results were supposed to be derived from off-field activities divided into three specific areas: global branding (including corporate social responsibility), commercial activities, and internal rationalization. The global branding was critical, as the vision was to reposition the club as leader in the world of sport and media. As Laporta stated back in 2003, “we must succeed in achieving a situation where a young boy in Singapore or Tokyo wears a Barça shirt” (Hamil et al, 2010:483).

Laporta’s first strategic move was to appoint a new group of high performing professional directors, possessing not only valuable business and entrepreneurial experience, but also a profound supporting relation to the club.

The importance of La Masía

The rebuilding of the squad was based on the idea of maintaining a sustainable brand image by creating a team rather than collecting a group of individual star players. As the club understood, if entirely based on the destiny of individual star players, the brand image and its related revenue sources would be too volatile and situate the club in a position where it was unable to control its brand image. Consequently, FC Barcelona’s brand strength was supposed to be embedded in the club itself, and not exclusively in individual star players. Hence, FC Barcelona built a team primarily based on own-produced players from its strong youth development system, carefully complemented by key recruitments of star players. In this way, the youth academy La Masía, considered as the most effective production line in the world of football (Smith 2010), had a crucial role in the rebuilding process of the team, which is testified by the club’s annually investments of £5M (Kay, 2010). Relating the proportion of La Masía products in the club’s first team (figure 23) to the club’s sporting performance in the same years, these investments have shown to paid off. Also, remarkable is that such own-produced players not only have been the essential input for FC Barcelona’s sporting success, but also for the Spanish national team’s, which has ended up as European and World Cup champions in the three latest international tournaments (table 4). The quality of La Masía was once again proved when the yearly nomination of the best European footballer was held in 2010 - all three nominated players, Andrés Iniesta, Lionel Messi, and Xavi Hernández, were originally educated and raised in La Masía (Uefa, 2010a).

![Figure 23. Proportion of squad from “La Masía” (Barcelona, 2013d)](image_url)

<table>
<thead>
<tr>
<th>Tournament</th>
<th>La Masía Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro Cup 2008</td>
<td>8 players</td>
</tr>
<tr>
<td>World Cup 2010</td>
<td>9 players</td>
</tr>
<tr>
<td>Euro Cup 2012</td>
<td>9 players</td>
</tr>
</tbody>
</table>

Table 4. Number of La Masía products in the Spanish team (Uefa, 2010b; Fifa, 2010; Worldsoccer, 2012)
The positive effects of La Masía go beyond the sporting performance on the field. As a consequence of its ability to supply the first team with world class players, La Masía has resulted in that FC Barcelona not has been in need of basing the recruitment strategy on mainly external player acquisitions. Football-observatory (2013) highlights that the club’s line-up in 2013 cost €144M, which could be compared to its biggest rival Real Madrid’s line-up of as much as €410M.

The La Masía approach has resulted in a continuity that not only imbues the playing squad, but also appears in other areas of the club. For instance, when a new manager was recruited in 08/09, FC Barcelona appointed the Catalan reserve manager Josep Guardiola, former La Masía product and first team captain, demonstrating the club’s quest for identity and continuity even in transition. Then, when Guardiola decided to leave the club in 2012, he was substituted by Tito Vilanova, former La Masía product and Guardiola’s right hand for four years in the first team and several years in the reserve team (FC Barcelona, 2013e). An outcome of this continuity is also the sporting philosophy of tiki taka, characterized by ball possession and offensive football (Leong, 2009), that imbues the entire club and goes beyond any individual coach’s tactical reasoning.

The global brand image
Hamil et al (2010) points out that as a result of the conscious strategy of building a brand image based on the team rather than on individual players, fans around the world identify themselves more strongly with FC Barcelona as a club, than with any individual star player, leading to a stronger and much more sustainable brand image for the club. Consequently, FC Barcelona has constantly extended its fan base of both members and supporters, leading to the achievement of having most fans in Europe, corresponding to a total of 58 million supporters in 2010 (FC Barcelona, 2013f). In addition, there were 1,444 official supporter clubs registered worldwide. With regard to the members, the total number has constantly increased since 1910 and was as high as 177,246 in 2011 (Barcelona, 2013g).

In addition to building its brand image around the team, Hamil et al (2010) emphasizes that FC Barcelona’s did also enhance its brand value by a conscious approach of extending the promotion of the club outside of Spain. This was mainly done by implementing the Corporate Social Responsibility (CSR) Program, considered by Hamil et al (2010:492) as “among the most extensive of any sporting organization anywhere in the world”, and strongly related to the club’s quest for being “more than a club”. In pace with the increasing number of supporters worldwide, the club felt obligated to take social responsibility, and the best way to do that was to become “more than a club” across the whole world. Hence, in 2006, the club extended its activities related to the FC Barcelona Foundation by going from a local focus to more of a global approach. The club signed a 5-year deal with UNESCO (The United Nations Educational Scientific and Cultural Organization) to relate the football to areas such as education and social inclusion. In addition, FC Barcelona started collaboration with UNICEF (United Nations International Children Emergency Fund), which obligated the club to donate €1.5M annually and spread UNICEF’s reputation across the world by wearing its logo on the shirts. In this way, FC Barcelona became unique in the world of football. From FC Barcelona’s stand of point, this deal was part of the club’s strategy to globalize its brand since such a unique deal allowed the club to globally establish the conception of being “more than a club”.

Additional commercial activities
FC Barcelona’s global branding strategy did not only contribute to an increase in the total brand value (which in 2012 was valued to $580M by Brand Finance PLC, 2012), but was also closely related to the increasing commercial revenue. As a direct consequence of the extension of its fan base, FC Barcelona increased its merchandising, and the CSR approach contributed even more to the increasing commercial revenue. Besides the influence from the branding strategy, the commercial revenue was further enhanced by an aggressive sponsorship strategy based on important sponsorship agreements with global partners. Besides the deals with UNESCO and UNICEF, the club extended its commercial deal with Nike in 06/06 (worth €30M a year), while commercial deals with global partners such as Coca-Cola, Estrella Damm, and La Caixa also were established. This commercial strategy, supported by the increasing brand image, increased commercial revenue by 313% between 03/04 and 11/12 (Deloitte, 2005-2013). To further increase the revenue stream, FC Barcelona chose to enter its first real shirt sponsorship deal ever by closing a long-term deal with Qatar Sports Investments in 11/12, estimated to be worth €30M annually.

Internal rationalization
In addition, Hamil et al (2010) highlights that, besides working with the revenue side, the club did also make significant improvements on the cost side. FC Barcelona’s cost structure was a critical issue in 2003, demonstrated by a wage/revenue ratio of 88%. In order to improve its cost control, the club implemented a wage system based on both team and individual performance. In 05/06, the wage costs consisted of 18% related to the team’s success on the field, and another 18% related to the individual player performance. A similar wage performing system was implemented for management executives. The club’s overall improvements in cost control contributed to a decreasing wage/revenue ratio, which was down to 49% in two years.

Concluding FC Barcelona’s turnaround strategy
Hamil et al (2010) concludes that FC Barcelona’s turnaround strategy transformed the club’s performance both on and off the field. The branding strategy as well as the implemented commercial activities resulted in increasing commercial revenue which together with the internal rationalization improved the club’s financial results. After the disastrous financial loss of - €164M in 02/03, the club succeeded to reach breakeven during the six following years, and in addition, the critical wage/revenue ratio went from 88% in 02/03 to stabilize around the 50% level. This allowed the club to keep investing in star players, but not at the expense of its financial results. By combining such investments with talented own-generated products from La Masia, the club created a team that started the most successful sporting era in the club’s history, which in 11/12 had resulted in five league titles and three Champions League titles.

As a consequence of the increasing domestic and international sporting performance, FC Barcelona did also experience a significant increase in broadcasting and matchday revenue. The increase in broadcasting revenue was mainly derived from the club’s improved Champions League performance, even though the launch of “Barca TV” and successful individual negotiations of broadcasting rights in Spain also contributed to the increase (Hamil et al, 2010). This resulted in a total increase of 172% in broadcasting revenues between 03/04 and 11/12 (see figure 21 above). In turn, matchday revenue was enhanced by the consistent Champions League participation, which together with a 54% increase in club memberships between 2003 and 2008, an overall extension of the fan base, and the capacity of Camp Nou (Hamil et al, 2010), resulted in a total increase of 101% in matchday revenue between 03/04 and 11/12 (figure 21).
5.3.2 Manchester United

**Sporting performance**

In the last decade, Manchester United has won its domestic league five times (including three consecutive victories from 06/07 to 08/09), and has not ended up worse than 3rd (figure 24). During the same period, the club has qualified for Champions League every season, reached the final at three times, and won it once (table 5).

**Financial performance**

As already examined, Manchester United has been one of the front figures when it comes to generating revenue in the world of football, finishing among the top four in the Football Money League every season in the last decade. The constantly increasing revenue has been an outcome of a decent growth in all three revenue channels (figure 25), contributing to profit each year in the last decade, with the exceptions in 04/05, 07/08, and 09/10 when the demonstrated losses were £6M, £58M, and £44M respectively. The reason to the two significant losses had nothing to do with the club’s operating performance - they were derived from financial costs that needed to be paid during these seasons as a consequence of the club’s increased borrowing in 2005 (Conn, 2008; Gibson, 2010).
Manchester United’s increasing revenue stream has encouraged the club to reach a very sound wage/revenue ratio, almost constantly below 50% and far from the critical level of 70% (figure 26).

Private limited company
As of Man Utd PLC (2012), Manchester United is a private limited company listed at the New York Stock Exchange with the American Glazer family as majority-owner, controlling 98.70% of the club.

Manchester United’s strategic approach
Manchester United’s sporting and financial successes in the last decade are an outcome of its conscious aim to comply with the vision from 2004: “to be the best football club both on and off the pitch”, backed up by a medium-term strategic plan that was divided into five key areas:

- To maintain sporting success;
- To build a stronger relation with the fans worldwide;
- To leverage the global brand;
- To develop media rights;
- To maximize the use of Old Trafford

The plan was that the compliance with these activities would help Manchester United to boost all three revenue channels and thus reach profit in the medium run (Man Utd’s annual report, 2004).

As demonstrated above in figure 25, the club’s all three revenue channels have had positive evolutions since these strategic objectives were announced in 2004. After experiencing a remarkable increase of 34% in 06/07 and being the overall driver of Manchester United’s total revenue for several years, matchday revenue was replaced by broadcasting revenue as the club’s most critical revenue source in 09/10, after a 76% growth from 05/06 to 07/08, and a solid growth thereafter. However, the lowest generating revenue source so far, commercial revenue, made a remarkable progress to replace both matchday, and broadcasting revenue as Manchester United’s highest generating revenue source in 11/12.

Sporting performance explains the critical brand image and global fan base
Manchester United emphasizes its sporting performance through the history as an important driver to the building of one of the world’s leading sporting brands, valued to a total of $853M by Brand Finance (2012) in 2012, and the stunning fan base that today is estimated to 659M around the globe (Manutd, 2013a). Based on a survey made by the market research
firm Kantar on Manchester United’s behalf in 2012, the club had doubled its fan base within a five year period to the massive amount of 659M, corresponding to closely a tenth of the world’s population, and to 41% of all football followers. As a result of the club’s conscious approach of building a strong relation with its international fan base by positioning exhibition games and tours in emerging markets during pre seasons, 90% of the club’s fan base is today found internationally in emerging markets. The half of the amount is settled in Asia, while the rest is evenly distributed in Africa, The Middle East, Europe, and America (Manchester United fan base doubles, 2012). Though, if the huge crowds of supporters primarily were attracted by the club’s sporting performance over time, Szymanski (1998) suggests that they would not switch side because of a temporary decreasing sporting performance since they most likely are stuck with the unique history of the club. Manchester United’s commercial director Richard Arnold claims that: “those fans are not fickle. It is a myth to say that football support is transient: who you support changes less than who you are married to” (Manchester United fan base doubles, 2012). In addition, Arnold means that the intensity of rivalry only deepens the fans’ emotions, and passion for the team. Andrews (2004) supports this statement, claiming that Manchester United has been dominating when it comes to attracting fans domestically, even in tougher periods such as during its local rival Liverpool FC’s glory days back in the 70’s and 80’s. Szymansky (1989) emphasizes that such fan support was critical for the clubs long-term survival, providing the basis for the Ferguson era that began for real in the early 90’s and was to become the club’s most successful time in history. According to the club today, the strong brand value and the solid fan base are the fundamentals that form the basis for further generated revenue from all three revenue channels (Manutd, 2013a).

**Matchday activities**
After succeeding to reach full capacity in every single home game since the 97/98 season (Manutd, 2013a), Manchester United took the strategic decision to expand its home stadium Old Trafford with 8,000 seats in 2006, resulting in a total capacity of 76,000 for the 06/07 season. This contributed to an 34% increase in matchday revenue (European football brands, 2011), leading to a world record of £137.5M in matchday revenue during one season (Deloitte, 2008). Since then, Manchester United has continued succeeding to sell out Old Trafford, and due to the club’s high sporting performance each season, it has succeeded to reach a high number of home games, generating solid matchday revenue of over £120M a season (Deloitte, 2008-2013).

**Broadcasting activities**
The significant growth in broadcasting revenue in 06/07 and 07/08 could partly be explained by the tremendous sporting success that Manchester United experienced during these seasons, together with the favorable broadcast deal that was made between Premier League and the television companies in 07/08. In addition, Manchester United’s strong brand enabled the club to partner with Mobile telecom and TV providers in 44 and 56 countries respectively. These initiatives further increased broadcasting revenue, and contributed to an ability to reach an aggregated audience of 3B worldwide in the 11/12 season (Manutd, 2013a).

**Commercial activities**
Having matchday and broadcasting revenues almost maxed out, Brand Finance (2012) claims that the commercial revenue stream logically has been Manchester United’s recent focus to further increase revenue.
Brand Finance (2012) emphasizes United’s strong brand, huge fan base, and commercial unit as the main reasons to the rapid increase in commercial revenue during recent years. The ability to attract leading companies (derived from the strong brand and huge fan base) as well as the commercial innovation with regard to closing important sponsorship deals (derived from the commercial unit) are two main drivers of the commercial revenue stream. Manchester United’s ability to increase its shirt sponsorship deals over the years is a main aspect that explains the steep curve that recently has characterized the evolution of the commercial revenue stream. As demonstrated in figure 27, the club has succeeded to constantly improve its deals, going from the Vodafone partnership worth £9M annually in 2004, to the Aon deal worth £20M annually in 2011.

Figure 27. Evolution of shirt sponsorship deals 04/05- 11/12 (European football brands, 2011:7)

Looking ahead, Manchester United is demonstrating signs of further commercial innovation. From 2014, General Motors will replace Aon as the club’s main sponsor, generating almost £400M in six years. Instead, Aon will grace Manchester United’s training kits as well as replacing Carrington as the name of the club’s training facility, bringing in additionally £200M in the eight coming years (Larsson, 2013).

**Continuity, strong winning culture, and youth development**

Sportingly, the club, characterized by a remarkable continuity and a strong winning mentality, has almost no matter of generation kept performing on the pitch. Going back to the postwar period in 1945, Sir Matt Busby took over the club, and would stay around for 25 years (Manutd, 2013b). Szymanski (1998) points out that already from the start, Busby made sure to make Manchester United his own club by insisting to possess the managing control, even though this was unusual at this point in time. Busby built up his team with youngsters and implemented a philosophy based on an attractive match-winning football. His work resulted in 13 titles, including five league titles, and one European cup title (Manutd, 2013b).

Manchester United’s current manager Sir Alex Ferguson took over the club in 1986 and has now been the club’s manager for 27 years. This is the longest period of time that any premiership manager has been managing a team (Manutd, 2013c). After being struggling in the bottom of the league in 1986, Sir Alex Ferguson continued on Sir Matt Busby’s path and implemented a strong winning culture at Old Trafford that has been sustained ever since independently of player generation, resulting in almost 40 titles so far (Manutd, 2013c). During “the Ferguson era”, Manchester United has won 12 of its 19 domestic league titles, and two of its three Champions League titles. Almost the rest were, as we already know, won by Sir Matt Busby (Manutd, 2013d).
Szymanski (1998) points out that similar to Sir Matt Busby, Sir Alex Ferguson implemented early a youth development system that could supply the first team with talents. Sir Alex has often based his team on a group of Manchester lads raised in the club’s youth academy, complemented by the external acquisition of coming men. For instance, of the 93/94 squad, over 10 players started their careers in Manchester United. This side was influenced by the 74/75 generation, consisting of players such as Gary Neville, David Beckham, Nicky Butt, and Paul Scholes. Another own product in this team was the Welshman Ryan Giggs, who had belonged to the first team already since the 90/91 season (Historical squads, 2013). This generation of players was about to stay in the club for a long period of time, contributing to Manchester United’s sporting success in the 90’s and during the first period of the new millennium. When it comes to Paul Scholes, and Ryan Giggs, they are still today playing vital roles in Manchester United’s quest for further sporting success at Old Trafford at an age of 38 and 39 respectively. With such experience, they are still leading a squad which in this current season consists of almost 10 young talents raised in the club’s youth academy, recently promoted to Manchester United’s first team by Sir Alex Ferguson (Historical squads, 2013; Aboutmantud, 2013a,b).
5.3.3 FC Bayern Munich

**Sporting performance**
FC Bayern Munich has similarly to FC Barcelona and Manchester United experienced significant sporting success during the last decade. As demonstrated in figure 28, the German giant has won its domestic league five times since 02/03. In addition, after winning the Champions League in 2001 (Bayern, 2013c), FC Bayern has qualified for Champions League every year with the only exception of 07/08, and constantly participated in the later stages of the competition, with the finals 09/10 and 11/12 as the best results during this period of time (table 6).

**Financial performance**
During the last decade, FC Bayern Munich has made a remarkable journey in terms of generating revenue, going from a modest 9th place in Football Money League 03/04 to stabilize itself as the 4th best club in the world (Deloitte, 2005-2013). In fact, the turnover of €368M in 11/12 was the biggest turnover ever to be reported by the club (Deloitte, 2013). The ability to steadily increase revenue has contributed to a solid financial performance during this period of time, reaching profit all years except for the 03/04 season (loss of €3,4M) (FC Bayern München AG, 2012).

---

**Table 6. Champions League performance 02/03-11/12**

<table>
<thead>
<tr>
<th>Season</th>
<th>Qualification</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/03</td>
<td>X</td>
<td>1st round</td>
</tr>
<tr>
<td>03/04</td>
<td>X</td>
<td>1/8 Finals</td>
</tr>
<tr>
<td>04/05</td>
<td>X</td>
<td>1/4 Finals</td>
</tr>
<tr>
<td>05/06</td>
<td>X</td>
<td>1/8 Finals</td>
</tr>
<tr>
<td>06/07</td>
<td>X</td>
<td>1/4 Finals</td>
</tr>
<tr>
<td>07/08</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>08/09</td>
<td>X</td>
<td>1/4 Finals</td>
</tr>
<tr>
<td>09/10</td>
<td>X</td>
<td>Final</td>
</tr>
<tr>
<td>10/11</td>
<td>X</td>
<td>1/8 Finals</td>
</tr>
<tr>
<td>11/12</td>
<td>X</td>
<td>Final</td>
</tr>
</tbody>
</table>

**Figure 28. League performance 02/03-11/12**

**Figure 29. Evolution in revenue, revenue channels (Deloitte, 2005-2013) and net income (FC Bayern München AG, 2012) 02/03-11/12**
As Rambler (2012) states, even though player wages have grown by €51M since 05/06, FC Bayern Munich has due to the constant increase in revenue succeeded to maintain the important wage/revenue ratio around the level of 50% (figure 30), far below the critical level of 70%. In addition, by reducing wages from €166,3M in 2010 to €157,7M in 2011, the club succeeded to decrease the wage/revenue ratio to as low as 49%.

**Figure 30. Evolution in wage/revenue ratio 05/06-10/11 (Rambler, 2012)**

### FC Bayern Munich’s fan ownership model

As told by Duffelen (2010), FC Bayern Munich is similar to other Bundesliga clubs majority-owned by its members, and thus per definition not “business per se, although elements of the club can be run as such” (Duffelen, 2010:1). The ownership model has its origin in the 51% rule, stating that the members must own at least 51% of the club. Consequently, FC Bayern can keep overall control of the club and simultaneously raise external capital, although the rule reduces the possibilities for external investments through private equity injections (Deloitte, 2012a). As of FC Bayern (2012), FC Bayern Munich is run as the joint stock company FC Bayern München AG, which is not publicly listed but indeed privately minority-owned. The membership-owned and controlled registered club FC Bayern München e.V. owns 81.8% of the company, while the rest of the 18.2% is privately owned by sports goods manufacturer Adidas AG and automobile company Audi (FC Bayern, 2013d).

### FC Bayern Munich’s strategic approach

**Continuity and strong management**

Bar-Eli et al. (2008) suggest that FC Bayern Munich’s successful strategy is mainly an outcome of strong management, rather than an outcome of a “stable and constant pool of players” (Bar-Eli et al., 2008:79), as the club constantly has kept performing on the field although players have come and gone. A fundamental aspect to this has been the club’s collectivistic orientation, resting on clear group structures that smoothly have integrated new players into the organizational culture. This organizational culture has been derived from a strong management characterized by a remarkable continuity (Rambler, 2010) that still today is considered to be a vital part of FC Bayern’s strategy. The legendary footballer Franz Beckenbauer, who played in the first team from 1964-1977, became later president and stayed until 2009, when he was replaced by Uli Hoeness, previous player and General Manager since 1979.

**Recruitment strategy based on youth development and star players**

As further told by Bar-Eli et al. (2008), appointed as General Manager in 1979, Uli Hoeness had the vision of building a strong team that once again could fight in the top of European football after an unusual period of poor sporting performance considering the club’s tradition.
of sporting success. In order to do this, he started an aggressive recruitment strategy based on funds mainly generated from the ability to attract live attendance to the massive Olympic stadium that had been the club’s home since the Olympic Games in 1972. Such recruitment strategy was characterized by the combination of developing young talents and purchasing expensive star players, often attracted from the club’s main rivals in German Bundesliga. The idea behind such recruitment strategy was not only to reach sporting success, but also to increase revenue – star players brought greater income in terms of merchandising and broadcasting revenue. Hoeness stated: “This [star players] is precisely what football fans are interested in” (Bar-Eli et al. 2008:90). As told by Rambler (2010), the club is still today characterized by the same successful recruitment strategy, although the development of young players has been given a more important role. The excellence of the club’s academy was clearly demonstrated during the Champions League final 2010, where four own-produced players entered the field.

Commercial focus
In addition to implementing the successful recruitment policy, Hoeness also realized that the club was in need of new sources of income (Bar-Eli et al., 2008). As FC Bayern ever since the move into the Olympic Stadium had been highly dependent of matchday revenue, a source mainly depending on sporting performance and influenced by unstable factors such as weather, Hoeness searched for more stable revenue channels. Consequently, he started focusing on big sponsorships, and thus formed the basis for what was about to become the club’s most important revenue source in the 2000s.

As demonstrated in figure 29, FC Bayern Munich’s financial success is mainly explained by the club’s ability to generate commercial revenue. Commercial revenue has increased by 92% since 03/04, and has regularly contributed to more than 50% of the club’s total generated revenue. As already mentioned, breaking the €200M limit in 11/12, FC Bayern became the very first club in history to generate over €200M from a single revenue source (Deloitte, 2005-2013). Remarkable is that FC Bayern’s commercial revenue on its own would position the club at the 12th place in Football Money League (Rambler, 2012).

The underlying factors to such commercial success are the long-lasting relationships with key domestic sponsors such as Adidas, Audi, and main shirt sponsor Deutsche Telekom, along with taking advantage of the favorable climate on the German corporate market that has resulted in a large portfolio of corporate premium partners (Deloitte, 2013). As of Deloitte (2013), the unique strategic partnership with Adidas, worth €25M annually, was extended by eight new years during 2012, and is particularly important as it allows the club to take advantage of significant synergies (Brand Finance, 2011). Owning 9.1% of the stakes in FC Bayern München AG, Adidas has an active role in the club and contributes not only financially, but also with commercial guidance. Similar to the strategic partnership with Adidas, FC Bayern has agreed upon a close collaboration with its other private owner and also premium partner AUDI AG, committing the automobile firm to invest a total amount of €200M into the club until 2019 (Deloitte, 2010). In addition to such close strategic partnerships, the club collaborates closely with another eight corporate premium partners, including Coca Cola, HypoVereinsbank, Imtech, Lufthansa, Paulaner, Samsung, Yingli Solar, and Bwin (FC Bayern, 2013e), each contributing with €4-8M per year, and another 13 classic partners each paying the club additionally €2-4 a year (Rambler, 2012). Furthermore, the decision to sell the stadium name to the insurance company Allianz for another €90M brings an additional €6M a year (Rambler, 2012). President Uli Hoeness concluded: “In sponsoring we are number one in Europe” (Rambler, 2012:1).
In addition to sponsorships, commercial revenue is also enhanced by FC Bayern’s merchandising activities. Taking into consideration that merchandising corresponded to as much as 28% of total commercial revenue in 11/12, the 31% increase in merchandise revenue in 11/12 was critical for the club’s achievement of the €200M record in commercial revenue (Deloitte, 2013). Here, domestic star players play a crucial role, contributing to the domestic sale of merchandise products (Rambler, 2012).

As of Deloitte (2009), another factor to the commercial success is the increasing commercial opportunities that emerged when moving to the new home stadium Allianz Arena in 2005. After acquiring 100% ownership of the stadium in November 2007 and thus enabling the club to capture all value derived from related revenue channels such as name rights, stadium tours, hospitality, executive boxes, catering, and the rival 1860 Munich’s rental of the stadium until 2025, commercial revenue increased by as much as 65% between 06/07-07/08 (see figure 29).

As claimed by Brand Finance (2012), the commercial success has contributed to the second highest brand value in the world of football, reaching a value of $786M in 2012. This value was derived from a growth of 59% from the previous year. The club’s brand is especially strong domestically (Brand Finance, 2011), having in mind that the club has been generally considered as representative for the German football after the club’s long tradition of sporting success and the numerous contributions to the national team’s successes in the 1970s (Bar-Eli et al., 2008). Though, the club is also popular worldwide, reaching a total number of 3,202 official fan clubs (up 8.5% from the previous year) in 2012 (FC Bayern, 2012). As of FC Bayern (2012), the club could also demonstrate a total number of 187,865 club members in 2012, corresponding to a 9.6% increase from the previous year.

**Matchday revenue**

Even though commercial revenue obviously has a significant impact on FC Bayern’s ability to generate revenue, the club does also generate important revenue from its other two main sources. Similarly to the move into the Olympic Stadium in 1972, matchday revenue was logically enhanced by the move to Allianz Arena in 2005, allowing the club to increase the average home league match attendance from 53,000 to 67,000 (Deloitte, 2007). This move contributed to that matchday revenue increased by 62% during the first full season (05/06) in the new stadium (see figure 29 above). Similarly to commercial revenue, matchday revenue was further enhanced by the 100% acquisition of Allianz Arena in 2007, contributing to a further increase of 26% in 07/08 (Deloitte, 2009).

Thanks to the combination of hosting many home games (derived from continuously reaching later stages in Champions League), and regularly selling out the 69,000 capacity of Allianz Arena, matchday revenue has continuously increased during later years, reaching €85,4M in 11/12 (Deloitte, 2013). In fact, FC Bayern’s average attendance is the fourth largest in Europe, only beaten by FC Barcelona, Borussia Dortmund, and Manchester United (Rambler, 2012).
Even though FC Bayern Munich continuously is maximizing matchday revenue in terms of used capacity, there are still opportunities to increase revenue from match days since the club due to its fan oriented culture (and similarly to other German clubs) offers relatively low ticket prices (Rambler, 2012). In the 08/09 season, the average cost of a ticket to a Bundesliga game was around €20, while a game in English Premier League was priced over twice as much (Rambler, 2010).

**Broadcasting revenue**
Movements in broadcasting revenue have mainly depended on the club’s sporting performance, and in particular the performance in Champions League (Deloitte, 2005-2013). The 19% decline in 07/08 was a direct consequence of the failure to qualify to the prestigious tournament, while the two Champions League finals in 09/10 and 11/12 resulted in a 20% and a 13% increase respectively (see figure 29 above). The club’s broadcasting revenue has been further enhanced by improved collective broadcasting agreements (Deloitte, 2008).

**Cost control**
Besides working on increasing revenue, FC Bayern Munich has also based its strategy around some conscious choices with regard to cost control. As told earlier, the club’s recruitment strategy is underpinned by combining the development of young players with the acquisition of more expensive star players. However, as claimed by Rambler (2012), the club has developed a successful salary structure approach based around the balance of offering relatively low salaries to in particular younger players developed in-house, and paying higher salaries to attract international star players. As commented by Executive board chairman Karl-Heinz Rummenigge with regard to the club’s selective approach: “We will never pursue a risky business strategy, but we will continue to sign high quality players. We will invest in quality, not quantity” (Rambler, 2012:1). As a result of the salary structure approach and the constant increase in revenue, FC Bayern has maintained the wage/revenue ratio constantly around 50% during later years.
6.0 Results of empirical findings

6.1 Summary of the drivers of the UEFA football industry

6.1.2 Revenue channels

Concluding 5.1. The drivers of the UEFA football industry, we have been able to identify following revenue channels and their respective drivers:

- **Matchday revenue**
  - Number of home games played
  - Ability to reach full capacity
  - Home stadium development

- **Broadcasting revenue**
  - Popularity

- **Commercial revenue (incl. merchandising)**
  - Potential to attract sponsors
  - Volume of fan base
  - Home stadium development

**Figure 32. The UEFA football industry’s revenue channels and their respective drivers**

- As of our empirical findings, matchday revenue depends to a high extent on number of home games played, which in turn directly depends on the sporting performance during a season. In addition, the ability to reach full capacity is also critical for matchday revenue, and depends positively on the club’s popularity (enhanced by sporting performance among other things). Also, the revenue channel could be further enhanced by home stadium development.

- Broadcasting revenue depends on TV operators’ demand, which in turn is determined by the club’s popularity among the viewers. In addition, sporting performance is critical, since league finishing position, and participation and performance in UEFA competitions increase broadcasting revenue.

- In turn, popularity (mainly derived from sporting performance) is the main driver of commercial revenue, since the potential to attract sponsors and volume of fan base increase both sponsorships and merchandising. Commercial revenue could be further enhanced by home stadium development, since new stadiums often provides additional commercial opportunities.

With the above description of the revenue channels in mind, empirical findings further suggest that there is a positive two-way relation between sporting success and increasing revenue:

**Figure 33. The positive two-way relation between sporting success and increasing revenue**

Further sporting success enhances all three revenue channels

Increasing revenue generates funds for further squad improvements
6.1.3 Main costs
In addition to the revenue side, we have been able to identify the industry’s main cost of player investments, including wage costs and transfer costs. Empirical findings justify a positive relation between wage costs and sporting success, which is graphically interpreted in figure 34.

![Figure 34. The positive relation between wage costs and sporting success](image)

6.2 Summary of the three successful clubs’ respective strategy
Concluding our qualitative examination of FC Barcelona’s, Manchester United’s, and FC Bayern Munich’s respective strategy that has resulted in both sporting and financial success, we have been able to identify following activities directly related to the creation of margins:

- **Cost reducing**
  - Youth development
  - Internal rationalization

- **Revenue increasing**
  - Sustained global brand image
  - Development of worldwide fan base relationships
  - Community activities
  - Commercial activities

**Margins**

- **Cost reducing**
  - Selective salary structure approach

- **Revenue increasing**
  - Long-lasting corporate relationships
  - Home stadium development
  - Strong domestic brand image

**Margins**

FC Barcelona’s turnaround strategy is mainly characterized by revenue increasing activities such as the building of a sustainable global brand image, development of worldwide fan base relationships, unique community activities, and value enhancing commercial activities, as well as the cost reducing activities of youth development in La Masia and internal rationalization.

Manchester United’s ability to go towards profitability is mainly a product of the conscious strategic approach of focusing on the building of a sustainable global brand image, development of worldwide fan base relationships, the expansion of Old Trafford, as well as the critical commercial innovation.

FC Bayern Munich’s financial performance is mainly explained by revenue increasing activities such as its long-lasting relationships with corporate partners, the home stadium development of Allianz Arena, and the strong domestic brand image, together with the cost reducing activity of the selective salary structure approach.
Our empirical findings of FC Barcelona’s, Manchester United’s, and FC Bayern Munich’s successful strategies are fully summarized in table 7 below, where we have identified the general strategic aspects and key characteristics, including the direct margin enhancing activities identified above.

<table>
<thead>
<tr>
<th>Identified strategic aspects</th>
<th>FC Barcelona</th>
<th>Manchester United</th>
<th>FC Bayern Munich</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal form type</td>
<td>Member-owned (100%) not-for-profit organization</td>
<td>Private limited company</td>
<td>Member-owned (81.8%) joint stock company</td>
</tr>
<tr>
<td>History</td>
<td>Tradition of sporting success “More than a club” - social, cultural, and political symbol</td>
<td>Tradition of sporting success Sustained popularity</td>
<td>Tradition of sporting success Domestic popularity</td>
</tr>
<tr>
<td>Management and Organizational culture</td>
<td>Successful recruitment of key people</td>
<td>Successful recruitment of key people</td>
<td>Successful recruitment of key people</td>
</tr>
<tr>
<td></td>
<td>Continuity</td>
<td>Continuity</td>
<td>Continuity</td>
</tr>
<tr>
<td></td>
<td>Collectivism</td>
<td>Collectivism</td>
<td>Collectivism</td>
</tr>
<tr>
<td></td>
<td>Winning culture</td>
<td>Winning culture</td>
<td>Winning culture</td>
</tr>
<tr>
<td>Recruitment policy</td>
<td>La Masia products complemented by star players</td>
<td>Manchester lads complemented by external coming men</td>
<td>Own talents complemented by star players (often domestically)</td>
</tr>
<tr>
<td>Brand development</td>
<td>Sporting success</td>
<td>Sporting success</td>
<td>Sporting success</td>
</tr>
<tr>
<td></td>
<td>Global brand image based on collectivism and “More than a club”</td>
<td>Global branding</td>
<td>Domestic popularity</td>
</tr>
<tr>
<td></td>
<td>Most fans in Europe</td>
<td>Global fan base attraction</td>
<td>Commercial focus</td>
</tr>
<tr>
<td>Commercial revenue drivers</td>
<td>Sustained global brand</td>
<td>World leading brand</td>
<td>Domestic brand</td>
</tr>
<tr>
<td></td>
<td>Global sponsorships</td>
<td>Global sponsorships</td>
<td>Long-term relationships with domestic corporate partners (synergies)</td>
</tr>
<tr>
<td></td>
<td>CSR</td>
<td>Massive fan base</td>
<td>Multiple sponsorship deals</td>
</tr>
<tr>
<td>Matchday revenue drivers</td>
<td>Sporting performance</td>
<td>Sporting performance</td>
<td>Sporting performance</td>
</tr>
<tr>
<td></td>
<td>Superior home stadium capacity</td>
<td>Home stadium expansion</td>
<td>Move to Allianz Arena</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Full capacity since 97/98</td>
<td>Full capacity</td>
</tr>
<tr>
<td>Broadcasting revenue drivers</td>
<td>Sporting performance</td>
<td>Sporting performance</td>
<td>Sporting performance</td>
</tr>
<tr>
<td></td>
<td>Individual broadcasting deals</td>
<td>Global brand image</td>
<td>Collective broadcasting deals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Collective broadcasting deals</td>
<td></td>
</tr>
<tr>
<td>Cost control</td>
<td>Variable wage system based on performance</td>
<td></td>
<td>Selective salary structure approach</td>
</tr>
</tbody>
</table>

Table 7. Summary of the three successful European top club’s respective strategy
7.0 Analysis

Forming the basis for the analysis of how the general European top club could go towards profitability and simultaneously improve its sporting performance in order to create conditions for competitive advantage, the results of our empirical findings play a crucial role in upcoming chapters. Our approach has allowed us to collect relevant and reliable information of the UEFA football industry in an open-minded way, resulting in an objective description of not only the industry and its main drivers, but also of the three successful European top clubs’ respective strategy.

Before identifying the general European top club’s primary sources of competitive advantage, we suggest that we primarily dig deeper into the relation between financial performance (i.e. the ability to go towards profitability) and sporting success. The reason is that the relation between financial performance and sporting success guides us towards appropriate recommendations of activities that create conditions for competitive advantage.

7.1 The virtuous circle of financial performance and sporting success

7.1.1 The positive two-way relation between increasing revenue and sporting success

Our empirical findings suggest that increasing revenue and sporting success are closely related, depending positively on one another in a two-way direction. That sporting performance creates conditions for increasing revenue seems undoubtedly clear, and is also supported by Szymanski (1998:3), claiming that “as club performance improves, revenues grow as a result of increased attendance, higher ticket prices, increased sponsorship, merchandising, and TV income”. As known by now, the European top club generates revenue mainly from three revenue channels: matchday, broadcasting, and commercial revenue (player transfer fees excluded). Examining our empirical findings, all three investigated clubs experienced increasing matchday and broadcasting revenue directly derived from increasing sporting performance, and the same appeared to commercial revenue, as sporting success enhances the club’s popularity and thus its commercial ability. As Szymanski (1998:3) puts it: “fans and sponsors are attracted by success: so better performance attracts higher income”. Manchester United highlighted its historical sporting performance as a key driver to the building of its leading brand in the world of football, which has resulted in a fan base of almost a tenth of the world’s population, forming nowadays the basis for United’s various revenue streams. Commenting on Manchester United’s strategy, Gerrard (2004:73) does in particular highlight the relation between sporting success and increasing revenue, claiming that: “Man Utd enjoys the benefits of a virtuous circle of success. Sporting success enhanced its revenue streams, allowing the club to spend more on playing talent to achieve further sporting success”. Similarly, FC Barcelona has constantly extended its fan base through the conscious approach of building a brand image based on the successful team. Such fan base has increased not only matchday, broadcasting, and merchandise revenue, but also sponsorship revenue derived from attracted sponsors.

Our empirical findings demonstrate that the positive relation also holds true starting off by increasing revenue; Szymanski and Kuypers’ (1999) regression between generated revenue and league finishing position suggests that it is very reasonable that any surplus derived from generated revenue is invested in sporting return through squad improvements. This is
supported by Aleemullah (2012:1), stating that “success on the field is proportional to the revenue you earn, and vice versa, as revenue is reinvested in quality transfers/athletic salaries, to improve the playing squad”. We should also remember what Liverpool FC’s co-owner John W. Henry earlier referred to as the idea of virtuous circles, claiming that “when we came, it was a great time of instability. People have talked about this idea of virtuous circles. The stronger we are commercially, the stronger this club can be [sportingly]” (Aleemullah, 2012:1). A more concrete example is FC Barcelona, which in 2003 based its successful turnaround strategy on the idea of improving the quality of the squad by own-generated funds derived from global branding, community activities, commercial activities, and internal rationalization.

7.1.2 The positive relation between increasing wage costs and sporting success

In addition to the positive two-way relation between increasing revenue and sporting success, empirical findings do further emphasize a clear positive relation between increasing wage costs and sporting success. Szymanski and Kuypers’ (1999) regression between English clubs’ wage costs and league finishing position between 1978 and 1999 demonstrates the validity of such relation. Szymanski (1998:3) supports this, claiming that “there is a well-developed market for players that ensures that better-quality players can attract higher wages. As a result, higher wage expenditure improves [sporting] performance”. Hence, wage costs is a measure of the value of the playing squad; the better players, the higher wages, and the better players, the greater conditions for sporting success on the field. Having in mind the positive relation between increasing revenue and sporting success, the positive relation between increasing wage costs and sporting success is in fact not surprising at all, considering that any generated surplus most likely is reinvested in squad improvements through further player investments, including wage expenditures.

7.1.3 The risk of irresponsibly combining the two relations

So, if increasing revenue creates conditions for further sporting success and the same appears to increasing wage costs, one could argue that a strategy based on these relations could be the ultimate strategy in the club’s quest for competitive advantage. Upon closer reflection, this is also the strategy that the majority of the European top clubs have applied. Remember the adopted short-term strategies characterized by repeated losses, high risk, and moral hazard that forced UEFA to implement the financial fair play in order to protect the long-term sustainability in European football. These strategies were based on the idea of constantly improving the squads by further player investments through funds expected to come from increasing revenue. As we learned, the danger with such strategies appears when the greed for short-term success on the field grows so big that rushing costs derived from the overspending on players no longer can be covered by own-generated revenue. The clubs make losses, and if external parties eventually refuse to give a helping hand to cover up for the poor financial management, the clubs might end up in bankruptcy. The reason is that while wage costs are generally known in advance (wages are usually set before the sporting outcome of the season), there is no guarantee for revenue since all revenue streams to some extent, as we have seen, depend on subsequent sporting performance. Hence, clubs pursuing such short-term strategies risk experiencing financial issues that, if ending up badly, devastate the chances to comply with their main purpose of achieving sporting success on the field. Do not forget what happened to Portsmouth FC (with its rushing wage payments based on owners’ insecure equity injections), Leeds United (with its approach to finance its squad with massive loans before expected sporting success), and Glasgow Rangers (with its miserable tax planning to generate profit for further squad improvements). Some clubs have succeeded to
manage the obvious risks with such strategies, either by covering operating deficits and debt with rich owners’ further equity injections, or by gambling on creditors’ willingness to keep the clubs alive. However, having in mind the obvious risks for the general European top club and its proximate environment, we argue that such strategies no longer should be considered. In fact, such strategies will even barely be possible to adopt, taking into account UEFA’s intentions with the financial fair play regulations, indicating on that any needed funds must be own-performed in advance by the club’s operating business. Also, as one of the main objectives with financial fair play is to “decrease pressure on salaries and transfer fees and limit inflationary effect”, a strategy based on increasing wage costs will not be sustainable. Hence, even though there is a positive relation between wage costs and sporting performance, we argue that the club must find alternative ways to reach sporting success that not are based on the ruthless overspending, causing the inflationary effects in European football. Here, it is important to emphasize that there is nothing wrong with further investments in the quest for sporting success, as long as the funds are own-generated in advance; better players is the way to improve a football club’s team, as better supplies is the way to improve a company’s product. However, in order to adapt to the financial fair play requirements, and thus avoid sporting punishments, the club must, besides increasing revenue, improve its cost control by starting a more responsible and careful spending, where the spending on external player acquisitions represents a minor role in a more sustainable strategy towards sporting success.

7.1.4 Holding true the virtuous circle
Summarizing the discussion about the general European top club’s way to sporting success, we understand that the clear positive two-way relation between increasing revenue and sporting success strongly indicates on a positive relation between financial performance (the ability to create margins) and sporting success, even though the relation between increasing wage costs and sporting success somewhat paradoxically reduces this logic. However, as later examined, we suggest that there are cost reducing alternatives which in their unique ways simultaneously as they reduce costs, create conditions for further sporting success at long-term, holding true the positive two-way relation between financial performance and sporting success even when margins are created by decreasing costs. Thus, the positive two-way relation between financial performance and sporting success is visually demonstrated in figure 35.

![Figure 35. The virtuous circle of financial performance and sporting success](image)

As argued above and demonstrated in the model, it does not matter where we start in the virtuous circle of financial performance and sporting success; once a strategy is established that increases one aspect, conditions are created for increasing the other. Then, if successfully managed, a process is started that simultaneously leads to sporting and financial success.
7.2 Identifying the primary sources of competitive advantage

Concluding the positive two-way relation between financial performance and sporting success, we have now obtained the necessary pre-understanding of the fundamental driver of the UEFA football industry to continue towards the responding of how the general European top club can go towards profitability and simultaneously improve its sporting performance in its quest for competitive advantage.

As already indicated, the first step in this process is to identify the European top club’s primary sources of competitive advantage. Let us start with the identification of the industry’s key success factors. In upcoming chapters, we will come back to the nevertheless important internal sources of competitive advantage, which refer to the critical internal resources and capabilities that possibly could create conditions for competitive advantage.

The external key success factors form the general frame for the club’s strategic opportunities within the changing UEFA football industry. To identify such factors, we implement a representative industry analysis, theoretically inspired by Porter’s five forces framework (Porter, 1979) and empirically supported by our findings of the UEFA football industry. As Bar-Eli et al. (2008:75) state, the football club’s shift from originally being a not-for-profit organization to become a commercial business requires the evaluation of its industry by “using a formal strategic analysis, so that the value-creating processes that are utilized for gaining a competitive standing can be identified”.

7.2.1 Industry analysis of the UEFA football industry

Our empirical findings have given us a primary understanding of the UEFA football industry’s characteristics regarding revenue streams, cost structure, buyers, and suppliers. As demonstrated, the primary revenue sources in the industry are matchday, broadcasting, and commercial revenue, while main costs are composed by costs related to player investments, mostly referred to wage costs. Based on these facts, we have obtained a certain understanding of the general European top club’s principal buyers (supporters and companies) and supplies (football players). Furthermore, FC Barcelona’s, Manchester United’s, and FC Bayern Munich’s strategies have contributed to a deeper understanding of what it takes to become successful within the UEFA football industry.

As previously described, the UEFA football industry is divided into 53 domestic league systems mainly situated in Europe, each one consisting of a top division and several subdivisions, in which the clubs are divided with respect to sporting performance. Within this system, the general European top club is part of the dominating segment of clubs that are currently playing in the top divisions, and thus are affected by financial fair play.

In order to implement an appropriate industry analysis that forms the basis for the understanding of the industry’s key success factors, we must focus on the right areas. As stated by Grant (2010:64):

> The prerequisite for effective environmental analysis is to distinguish the vital from the merely important. To do this let us return to first principles. For the firm to make profit it must create value for customers. Hence, it must understand its customers. Second, in creating value, the firm acquires goods and services from suppliers. Hence, it must understand its suppliers and manage relationships with them. Third, the ability to generate profitability depends on the intensity of...
competition among firms that vie for the same value-creating opportunities. Hence, the firm must understand competition. Thus, the core of the firm’s business environment is formed by its relationships with three sets of players: customers, suppliers, and competitors. This is its industry environment.

Although the UEFA football industry is characterized by the unique fundamental of the simultaneous quest for sporting and financial success, and thus is different to traditional profit-seeking industries, we argue that the same idea of the three sets of players could be favorably utilized to analyze the general European top club’s industry environment. The reason is, as known by now, that the main differences between the football club and a profit-seeking firm are fading away with the recently implemented financial fair play regulations, forcing the club to aim for profitability. Hence, in order to understand the general European top club’s industry environment, we must examine the club’s vertical relationships with customers and suppliers, as well as the existing competition. Understanding such relationships, we will create conditions for formulating a strategy that favorably enhances the general European top club’s opportunities for profitability and thus competitive advantage within the UEFA football industry.

7.2.1.1 The concepts of value creation and value capture

Though, before examining such relationships, a prerequisite is to understand that the football club in its quest for profitability similar to the traditional profit-seeking firm must base its strategy around the concepts of value creation and value capture. According to Grant (2010), the creation of value for the customer forms the basis for profit. Value is created when the offering is of such kind that the customer is willing to pay a price that exceeds the cost of producing the offering. Bowman & Ambrosini (2000:3) describes it in a similar way, meaning that a firm primarily must create use value in order to create conditions for profitability, which is defined as the subjectively perceived value by the customer and translated into monetary terms as “the price the customer is prepared to pay for the product”. Hence, in order to create conditions for profitability on a primary basis, the club must first of all be able to offer a product that creates (use) value for the customer.

But how is value created then? Bowman and Ambrosini (2000:1) claim that “the source of [use] value and hence profits is the combination and deployment of labor with other resources”. Consequently, labor is the primary source of profit, and Bowman and Ambrosini (2000) suggest that differential labor is considered as the source of profit since it refers to the heterogeneous labor across firms, for instance employees possessing special talents and unique skills.

Although value is created, it does not necessarily result in value captured by the firm. As stated by Grant (2010), the surplus of the value created is due to competitive forces distributed between customers and producers. If the competition is high among producers, prices will fall and customers will therefore capture a larger part of the created surplus in consumer surplus, defined as “the difference between the price they [the customers] actually pay and the maximum price they would have been willing to pay” (Grant, 2010:65). Consequently, a smaller part of the surplus of the value created will stay with the producers (as producer surplus). Similarly, Bowman & Ambrosini (2000) explain that the difference between the use value created (in monetary terms the highest price the customer is willing to pay) and the price they actually pay (the exchange value) is the consumer surplus. The customer will always choose the offering that implies the highest consumer surplus; hence,
the firm must manage its bargaining relationship with its customers by differentiating its offering to such grade that it implies as much use value as possible to the customer.

As demonstrated by Bowman & Ambrosini (2000) in figure 36, the consumer surplus can either be increased by increasing the perceived use value (and keeping the price constant), by reducing the price (and keeping the use value constant), or by doing both simultaneously. In this example, the customer would choose product D since it would imply the highest consumer surplus.

![Figure 36. The different approaches to increase the consumer surplus (Bowman & Ambrosini, 2000:3)](image)

However, as stated by Bowman & Ambrosini (2000), the producer surplus must then be further distributed among the producer and its suppliers, meaning that the firm cannot retain all of the exchange value in terms of profit. How much of the exchange value that is captured by the firm depends on the firm’s bargaining power relatively resource suppliers. As Peteraf (1994) points out, the firm will benefit less of the value captured from customers if the resource supplier possesses a powerful bargaining position, and thus is able to capture a larger portion of the total value created.

With Grant’s (2010) and Bowman & Ambrosini’s (2000) theories in mind, we understand that the club’s ability to manage the relationships with customers, suppliers, and competitors is critical in its quest for profitability, as respective relation with the three sets of players in different ways affects the process of value creation and value capture.

7.2.1.2 Porter’s five forces framework
In order to analyze the club’s external relationships with its buyers, suppliers, and competitors, we argue that Porter’s (1979) five forces framework could be successfully applied if slightly adapted. Porter’s framework is composed by the implications of five competitive forces, referred to as the threats of potential entrants and substitutes, the competition of existing rivalry, and the bargaining relationships with buyers and suppliers. However, to make this framework useful for analyzing the club’s proximate industry environment, we find it necessary to adapt it and exclusively focus on the existing degree of competition as well as the vertical relationships with buyers and suppliers, and thus excluding the horizontal forces of potential entrants and substitutes. The reason is that the unique characteristics of the UEFA football industry, together with our entire focus on the club’s quest for competitive advantage within its immediate competition with other European top clubs, reduce the significance of the horizontal forces to such extent that they almost become irrelevant. Remember what Grant (2010:64) stated, “The prerequisite for effective environmental analysis is to distinguish the vital from the merely important”.

49
The irrelevance of potential entrants

The UEFA football industry is different compared to other profit-seeking industries when it comes to the threat of potential entrants. Even though entry barriers can complicate the entrance, a start up in a traditional profit-seeking industry can, when ready to face competition, normally enter the industry and immediately start competing on equal terms with already established competition. However, this is not the case in the football business, as the industry is constructed by domestic league systems in which the football clubs are divided with regard to sporting performance. Due to this structure, the clubs do only switch position with one another when they perform differently, resulting in that poor sporting (or financial) performance do not lead to the disappearing of the football club; instead, the worst case scenario is that it is replaced by another club and only has to start over in a lower division. Hence, the divisional structure results in that the UEFA football industry consists of a fairly constant number of football clubs that normally due to sporting performance only switch sporting position with one another from season to season. As a consequence of our focus on the immediate competition with other European top clubs, a potential entrant would be a club that enters the top division and thus starts competing about UEFA competition qualification. Taking the season based division system in mind and thus understanding that it would require a certain time of increasing sporting performance for the majority of the potential entrants to start competing on equal terms with the clubs within the European top football club segment, the discussion regarding the threat of potential entrants become irrelevant.

The irrelevance of substitutes

Bar-Eli et al. (2008:75) suggest that “sport is now a commercial business in which the game is the product”. Hence, as Soderman (2013) points out, when it comes to substitutability, one could argue that the potential substitute products to a football game are many, since football could be considered to be part of the sports business and thus a part of the entertainment industry. Miller (1997) defines the substitutability as reasonably high for sports businesses since being part of the entertainment industry expands the range of products available. However, as we aim to encourage the general European top club in its quest for competitive advantage within the UEFA football industry, we rather focus on the immediate competition with other top clubs within the industry, than examine the competition in relation to other substitutes such as other sports and entertainment offerings. An analysis of such broad dimensions would be irrelevant to our purpose. To respond to our purpose, it would neither be relevant to analyze buyers’ propensity to substitute the football game for other sporting events such as a basketball game or a hockey game, nor to examine the competition from other entertainment events such as a theater show or a music concert. Analyzing how the general European top club could adjust to financial fair play and simultaneously create conditions for competitive advantage within the UEFA football industry, it is more relevant to restrict the industry analysis to the club’s immediate competition with other European top clubs.

On the other hand, as our focus is on analyzing the competition with other top division clubs, one could argue that the boundaries for substitutability should be drawn more narrowly by focusing on the substitutability from lower division clubs’ offerings that currently not are part of the European top club’s immediate competition, but indeed part of the UEFA football industry. However, as later examined in Buyers, the dominating buyer behavior within the UEFA football industry is characterized by such loyalty and devotion that it results in an almost non-existent propensity to switch to another offering, making a further analysis of substitutability even from lower division clubs irrelevant.
Suppliers
Having an essential role in the production of the core offering of the game, the football players could be considered as the football club’s main supplies. Similar to raw material in a manufacturing company’s production process, football players are the critical input in the club’s production of the game. On the market, the players are often owned by clubs; consequently, when the general European top club seeks to supply the team, it must negotiate with the club that owns the player, resulting in that the selling club logically could be considered as the supplier to the general European top club. In the case of acquiring a player not owned by any club (i.e. as a free agent), the player becomes its own supplier. Hence, the European top club can meet two suppliers on the market when looking for supplies, either a competing club that owns the player, or the player that directly represents himself (here, we have consciously chosen to exclude the involvement of football agents in order to simplify the analysis of the general European top club’s supply side relationships).

Good players create conditions for further success on the field, and are thus important drivers of revenue since an improved sporting product enhances all three revenue channels. As our empirical findings demonstrate, a high performing team attracts audience to consume the game either live in the stadium or through broadcasting, while it also enhances commercial revenue by attracting new supporters and sponsorships. Due to the players’ importance to the football club’s sporting and financial success, they do generally possess a high bargaining power, resulting in that the players capture the majority of the value created. This is supported by Bowman & Ambrosini (2000), claiming that many football players in fact of being considered as differential labor are particularly aware of their unique skills and thus end up in more favorable bargaining positions.

Obviously, not all players within the UEFA football industry possess the necessary unique skills to be considered as differential labor. However, assuming that the European top club seeks for the best players in its quest for competitive advantage, we can be reasonably confident that the average player that the general European top club negotiates with possesses a relatively high bargaining power. Then, it does not really matter if the club negotiates with a competing club about purchasing a player or directly with a free agent; the gifted player’s high bargaining power will in the majority of the cases most likely situate the general top club in an inferior bargaining position, even though the ownership circumstances have an effect on the value captured by the club. Representing himself as a free agent, the player will most likely be able to exploit his superior bargaining power to negotiate a favorable contract. Though, if owned by a competing club, the talented player’s bargaining power will in addition be transferred to the selling club in its negotiation with the general European top club, resulting in the commanding of a premium price in terms of a high transfer fee. As the latter includes negotiation with not only the player, but also the owning club, we understand that such alternative also results in more value captured by the supply side.

That football players in general possess high bargaining power and capture the majority of the value created is supported by our empirical findings. As demonstrated earlier, the top division clubs’ costs related to player investments corresponded to as much as 71% of total revenue in 2010 (up from 62% in 2007), contributing to the fact that total costs corresponded to as much as 113% of total revenue during the same year. This means that the club in general is prepared to make losses in order to pay its suppliers, indicating on low price sensitivity as the club in its quest for sporting return no matter the costs keeps investing in expensive players. The intense competition among the clubs on the field has intensively driven the supply side competition (contributing to inflationary effects on player wages), resulting in even higher
bargaining power for the players. The extent of the players’ bargaining power is further demonstrated by the fact that the wage/revenue ratio nowadays exceeds the maximum limit of 70% in three of the top five leagues. That the players as a consequence of their favorable bargaining positions often capture the most value within the European top football segment is further supported by Grant (2010:139), stating: “In most professional sports, it appears that strategies based exclusively on signing superstar players result in the players appropriating most of the rents, with little surplus available for the clubs – this was certainly the fate of Real Madrid, Chelsea, and Manchester City soccer clubs in recent years”.

In addition to the players’ significance, empirical findings do also demonstrate that management plays a critical role in the European top clubs success both on and off the field. For instance, President Joan Laporta played a key role in FC Barcelona’s turnaround strategy, the managers Sir Matt Busby and Sir Alex Ferguson built up Manchester United’s highly sporting performing entity over the long-term, and Uli Hoeness transformed FC Bayern Munich into a winning machine both on and off the field. Hence, it is fair to say that management, by transforming the raw material into a final product, similarly to players possesses a key role in the production of the core offering. Though, as it does not capture the majority of the value created and thus not is considered to have a significant reducing effect on the potential for profitability, we have chosen to put more attention to the supplier relationships with the players.

**Buyers**

Examining our empirical findings, buyers can typically be divided into supporters and companies, where both are essential drivers of revenue. Supporters’ demand is particularly important when it comes to generating matchday and broadcasting revenue. In addition, they do also play a significant role on the commercial side, as the fan base attracts sponsorships agreements and is the main driver of merchandising revenue.

Supporters’ buying behavior is a unique aspect that differentiates the UEFA football industry from other industries. Fisher and Wakefield (2012) point out that supporters’ loyalty and unmoved devotion to a particular club often are independent of sporting performance, resulting in that supporters’ buyer behavior is generally characterized by extremely high switching costs and almost a nonexistent propensity to switch to start supporting another team. This leads to a relatively low bargaining power for the supporters. Dolles & Soderman (2005:22) supports this conviction, stating that football supporters’ loyalty restricts their consumption of other clubs’ offerings: “A devoted fan never switches a football club…genuine football fans never sympathize with the enemy”.

As earlier examined, economic theory suggests that the customer always will choose the product that implies the highest consumer surplus (product D in figure 36), but having in mind the supporters’ nonexistent propensity to switch to another team, the discussion regarding consumer surplus becomes different within the UEFA football industry. Since the majority of the supporters will stick to their favorite teams, the maximization of consumer surplus is more about encouraging already existing supporters to repeat purchase, rather than attracting supporters from other clubs. Though, taking into account that it also exists a group of neutral supporters at a given point in time, looking for a favorite team to give their devotion to within the UEFA football industry, the maximization of consumer surplus is also important to attract new supporters. Hence, to not only encourage existing supporters to repeat purchase, but also neutral supporters to start supporting the team, the question to consider in order to maximize the consumer surplus is why supporters are attracted by a club’s offering.
On a primary basis, the underlying explanation is according to Soderman (2013) the
emotional relationships that football gives rise to, since the club’s quest for winning is directly
transferred to the fans by emotions. This is supported by our empirical findings; for instance,
Manchester United’s sporting success is generally considered as the underlying explanation to
the club’s building of its worldwide fan base. Once attracted, the supporters’ emotional
experience does also seem to be critical in order to encourage them to repeat purchase. As
stated by Dolles & Soderman (2005:19), “football business is different, a close to religious
engagement for the fans. They are tractable persons, easily guided, and football is an inspiring
and emotional channel for them”. According to Dolles & Soderman (2012:17), there seem to
be various reasons explaining the supporters’ propensity to repeat purchase:

Cost is certainly not the sole argument in the football business for fans, whereas
fun, excitement, skilled players, and regional embeddedness might be all good
reasons for supporting a team. The bottom line may be the corporate culture of the
football club as the underlying culture helps to determine the value that consumers
place on the football club.

When it comes to the companies’ role as buyers, empirical findings suggest that they are
especially important for commercial revenue, driving the critical sponsorship agreements. As
we have seen, companies are primarily attracted by clubs possessing a high brand value and a
large fan base since they gain popularity and enhance sales by being related to such high
valued partners (here, FC Barcelona and Manchester United are good examples). Consequently, clubs possessing a strong brand and a well developed fan base possess a relatively high bargaining power in their relationships with companies.

**Industry rivalry**

Taking into account that there are over 650 clubs in the 53 top divisions, immediately
competing about becoming the best sportingly performing football club within the European
top club segment in the UEFA football industry, the concentration among existing clubs is
considered as high, resulting in an intense competition both on the supply side as well as the
demand side. This is supported by Szymanski (1998:3), stating that “football is a highly
competitive market… All the clubs compete intensively with each other to attract supporters
and to obtain the best players”.

Due to the clubs’ mutual interest in achieving sporting success on the field, and the players’
importance for such success, the competition on the supply side is as we have seen extremely
high. In addition, with the implementation of financial fair play and the nowadays quest for
profitability, competition on the demand side has been further intensified in order to generate
more revenue. With such competition, we understand the critical challenge the club is facing
in attracting customers, and the increasing importance of *differentiation* that comes along with
it, defined by Grant (2010:246) as the providence of “something unique that is valuable to
buyers beyond simply offering low price”. Empirical findings demonstrate a general ability to
differentiate the core offering of the game within the European top club segment, since
revenue constantly has increased during recent years. Here it is worth to emphasize that
sporting performance often has had an important role in the clubs’ differentiation strategies,
resulting in the attraction of both supporters and companies. This is particularly remarkable in
FC Barcelona’s and Manchester United’s respective strategy. In addition, there are further
ways to differentiate the core offering. Here, FC Bayern Munich is a good example, which by
home stadium development improved its core offering and consequently increased revenue.
However, due to the intense competition on the supply side, further differentiation will most likely be required in order to reach profitability within the changing UEFA football industry.

7.2.1.3 Summarizing the European top club’s industry environment

Concluding the European top club’s relationships with the three external sets of players (suppliers, buyers, and competitors), we have reached a more profound understanding of the European top club’s proximate industry environment, visually demonstrated in figure 37.

![Diagram of the European top club’s proximate industry environment](image)

Figure 37. The European top club’s proximate industry environment (inspired by Porter, 1979)

As summarized in figure 37, the general European top club’s suppliers possess a relatively high bargaining power due to the fact that the players are generally considered as differential labor, that the cost of players represents a significant part of the club’s total costs, and that the competition about the players is high among the European top clubs. In turn, the buyers in terms of supporters possess a relatively low bargaining power due to their unique buyer behavior of deep loyalty and devotion to the team, resulting in high switching costs. In addition, the clubs’ general ability to generate revenue further indicates on a certain ability to differentiate the core offering, also contributing to the supporters’ propensity to consume the offering. When it comes to the bargaining relationships with companies, clubs possessing strong brands and large fan bases are situated in favorable bargaining positions.

The intense competition with other clubs and the suppliers’ high bargaining power seem to have exceeded the benefits the clubs possess in their bargaining relationships on the demand side, considering that the majority of the clubs so far have shown such a regular inability to translate generated revenue into net income. This implies a tough challenge for the general European top club to not only find ways to further increase revenue, but also to manage its supply side activities in order to reach profitability.
7.2.2 Identifying the UEFA football industry’s key success factors
Indicating on the industry’s drivers, unique fundamentals, and the potential for profitability, the industry analysis of the UEFA football industry, together with the empirical examination of the three successful European top clubs’ respective strategy, provide a solid basis for the identification of the industry’s key success factors. In order to identify such factors, Grant (2010:87) suggests that we respond to the two following questions:

- What do the customers want?
- What does the firm need to do to survive competition?

As stated by Grant (2010:86), these are the two questions that must be successfully answered in order to survive and prosper within an industry: “first, it [the firm] must supply what customers want to buy; second, it must survive competition”. Applying such questions on the general European top club, we must first identify the supporters’ as well as the companies’ needs and preferences, and then examine what the club must do to satisfy such needs in order to prosper in the competition with the other top division clubs within the UEFA football industry.

**What do the European top club’s customers want?**

**Supporters**

- As identified in the industry analysis, although supporters choose to support a team of various reasons, they are primarily attracted by the emotional experience of winning, and thus the club’s *sporting success*.

- Once attracted by the club, the supporters’ unique buyer behavior of deep loyalty and devotion often makes them stay independently of product performance. However, to repeat purchase, they seem to seek maximizing their emotional experiences.

**Companies**

- As emphasized in the industry analysis, the companies are seeking for *high valued partners* in order to gain popularity and enhance sales.

**What does the club need to do to survive competition?**

- In order to attract supporters on a primary basis, the club must satisfy the supporters’ primary need of the emotional experience of winning. Hence, the club must create a *winning team*. In addition, as our virtuous circle of financial performance and sporting success demonstrates, *financial performance* is essential to create conditions for further sporting success.

- To maximize the supporters’ emotional experiences, and thus encourage them to repeat purchase, the club must maximize the *consumer surplus* through *use value creation*.

- In order to attract companies, we have seen that the general European top club needs to develop a *strong brand* and a *large fan base*.
The UEFA football industry’s key success factors

- To create a winning team, empirical findings of the three successful European top clubs have shown the importance of recruiting key management, successfully recruiting and developing differential labor in terms of players, and enhancing team development through collectivism and continuity. In addition, to demonstrate financial performance in the quest for further sporting success, the ability to create margins is critical.

- To maximize the consumer surplus through use value creation, empirical findings have shown that the European top club should differentiate its offering to such extent that it implies as much value as possible to the supporters.

- To develop a strong brand and a large fan base, our empirical findings demonstrate that sporting success is essential. In addition, brand management (incl. commercial innovation), and the ability to favorably differentiate the offering, encourage the brand value and the extension of the fan base.

The UEFA football industry’s key success factors and their respective origins are summarized in table 8.

<table>
<thead>
<tr>
<th>What do the club’s customers want?</th>
<th>What does the club need to do to survive competition?</th>
<th>The UEFA football industry’s key success factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporters</td>
<td>Create a winning team</td>
<td>Recruitment of key management</td>
</tr>
<tr>
<td>Sporting success</td>
<td></td>
<td>Recruitment and development of differential labor</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Team development through collectivism and continuity</td>
</tr>
<tr>
<td></td>
<td>Demstrate financial performance</td>
<td>Ability to create margins</td>
</tr>
<tr>
<td>Maximization of emotional experiences</td>
<td>Maximize the consumer surplus through use value creation</td>
<td>Differentiation</td>
</tr>
<tr>
<td>Companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High valued and attractive partners</td>
<td>Develop a strong brand and a large fan base</td>
<td>Sporting success</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Brand management (incl. commercial innovation)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Differentiation</td>
</tr>
</tbody>
</table>

Table 8. The UEFA football industry’s key success factors
7.2.3 Identifying the European top club’s internal key resources and capabilities

Having identified the UEFA football industry’s key success factors, we will turn our focus towards the identification of the general European top club’s internal key resources and capabilities. As earlier described in the method, this will be done by interpreting an optimal European top club which, by being composed by the identified internal key resources and capabilities from the three investigated successful European top clubs’ internal approaches, provides further guidance towards the general European top club’s simultaneous achievement of profitability and further sporting performance, and thus competitive advantage.

From a strategic management perspective, the internal resources and capabilities seem particularly important in the contemporary quest for competitive advantage. As Grant (2010:122) argues: “As firms’ industry environments have become more unstable, so internal resources and capabilities rather than external market focus has been viewed as a more secure base for formulating strategy”. Having in mind the current changes that the implementation of financial fair play gives rise to within the UEFA football industry, we understand that this also might be the case for the general European top club, resulting in that focus should be on the club’s internal environment in upcoming strategy formulation. Hence, the identification of the internal key capabilities will form a critical basis for our recommended strategy.

7.2.3.1 Identifying the internal key resources

Grant (2010:127) emphasizes the importance of distinguishing between the firm’s internal resources and capabilities, as resources are “the productive assets owned by the firm”, while capabilities are “what the firm can do”. Hence, resources form the basis for developing organizational capabilities. Grant (2010) suggests the division of a firm’s resources into three different types: tangible, intangible, and human resources.

Tangible resources

According to Grant (2010), tangible resources consist of the financial and physical assets owned by the firm. Because of their characteristics, the resources are easy to identify and thus not considered as sources of competitive advantage. In the UEFA football industry, we identify financial strength and sporting facilities (such as home stadium and training facilities) as the most important tangible assets.

Intangible resources

Conversely to tangible resources, intangible resources are those assets which are harder to identify, for instance a firm’s reputation and culture (Grant, 2010). As a consequence, intangible resources are considered to possess a higher value than tangible resources. Examining our empirical findings of the three successful European top clubs, we have been able to identify reputation (including brand image and unique vertical relationships with buyers and suppliers) and organizational culture as critical intangible assets.

Human resources

Grant (2010:130) claims that “the firm’s human resources comprise the expertise and effort offered by employees”. Similar to the intangible resources, such resources are valuable since they are harder to identify. As clearly demonstrated by the successful European top clubs, players in terms of differential labor are essential in the value creating process. However, empirics show that not only players’, but also management’s skills and know-how have played a critical role in the most successful clubs’ success both on and off the field.
Consequently, the optimal European top club’s internal key resources are summarized in table 9.

<table>
<thead>
<tr>
<th>Tangible</th>
<th>Intangible</th>
<th>Human</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Financial strength</td>
<td>- Reputation (brand image, unique vertical relationships with buyers and suppliers)</td>
<td>- Skills and know-how of players and management</td>
</tr>
<tr>
<td>- Sporting facilities (home stadium, training facilities)</td>
<td>- Organizational culture</td>
<td></td>
</tr>
</tbody>
</table>

Table 9. The optimal European top club’s internal key resources (inspired by Grant, 2010)

7.2.3.2 Identifying the internal key capabilities

Though, possessing relevant resources is not enough for the general European top club in its quest for competitive advantage; instead, developing the right capabilities seems to be the way to superior performance. As Grant (2010:127,152) states:

Individual resources do not confer competitive advantage, they must work together to create organizational capability. Hence, capability is the essence of superior performance...In sport it is common to see resource-rich teams failing to match the achievements of teams that create strong capabilities from modest resources. In European soccer, teams built with modest finances and without the acquisition of top-class players frequently outplay star-studded teams built from massive finance outlays.

As we have seen in the UEFA football industry during later years, it has not been enough to acquire the best resources in terms of players and expect them to give rise to competitive advantage, as in the case of Real Madrid, Chelsea FC etc.; instead, relevant organizational capabilities have been the source of competitive advantage (Grant, 2010). Here, FC Barcelona, Manchester United, and FC Bayern Munich are good examples, as they all indicate on possessing the organizational capabilities needed to achieve competitive advantage within the changing UEFA football industry.

Financial management

Examining our empirical findings about these clubs, we understand that the optimal European top club is characterized by the capability of good financial management, obviously related to the resource of financial strength. Clubs possessing such ability do not only create conditions for complying with UEFA financial fair play and thus avoiding sporting sanctions, but also for improving the sporting performance since additional funds could be used for further squad improvements. Hence, financial management is of essential importance in the general European top club’s upcoming strategy formulation in its quest for competitive advantage.

Brand management

Financial management, i.e. the ability to create margins, has shown to be enhanced in different ways. The exploitation of the resource reputation has been essential in the clubs’ quest for profitability, where the capability of brand management has formed a critical part by encouraging the vertical relationships with buyers. Remember how FC Barcelona built up a unique brand image by exploiting its historical values and the conception of being more than a club, resulting in the largest fan base in Europe, while Manchester United mainly took advantage of its long tradition of sporting success and thus built up what is considered to be the largest fan base in the world. Such large fan bases have in turn formed the basis for
increasing revenue streams in all areas by attracting companies to enter sponsorship agreements, enhancing sales of merchandising, maxing out stadium capacities, and further increasing the demand of broadcasting.

Commercial innovation has been an important aspect of the clubs’ brand management to further increase commercial revenue. Commercial innovation helped FC Barcelona to successfully exploit the opportunities for incorporating CSR into its brand strategy in addition to basing it on the conception of being more than a club. In turn, Manchester United developed a strong commercial unit that helped the club to close innovative sponsorship agreements, while FC Bayern Munich developed unique long-term strategic relationships with corporate partners characterized by shared synergies.

Differentiation of the core offering and the creation of a winning culture
Besides brand management, the capability to further differentiate the core offering, also encouraging the vertical relationships with buyers, has shown to be critical in order to create margins by increasing revenue. Such capability is supported by the exploitation of multiple resources such as sporting facilities, organizational culture, and human know-how. For instance, the strategic decision to move into Allianz Arena in 2005 improved the total core offering of FC Bayern Munich, resulting in increasing matchday and commercial revenue. Further, the differentiation of the core offering has shown to be particularly enhanced by the capability to create a winning culture, not only when it comes to the vertical relationships with buyers, but also with suppliers in terms of players. In the case of FC Barcelona, La Masia, resting on Catalan identity, collectivistic values and a common philosophy of how football should be played (tiki taka), has supplied the first team with local world class talents which due to the collectivism and common identity have been retained. This has resulted in a remarkable continuity that in turn has been essential for the creation of the winning culture that nowadays characterizes the club. In this way, FC Barcelona has achieved to differentiate its core offering towards suppliers, resulting in not only the retention of local talents, but also the attraction of external star players. In turn, the winning culture, underpinned by collectivism and common identity, has been favorably exploited on the demand side in order to further increase margins. The winning culture attracts new supporters to satisfy their primary need of winning through the consumption of the core offering, while the club’s conscious distribution of its strong and preserved organizational culture, enabling the club to create a deeper meaning for the supporters, encourages existing supporters to repeat purchase.

Recruitment of key management together with the already emphasized continuity, seem to be the most critical factors in the creation of a winning culture. For instance, Manchester United’s sporting success during an aggregated period of 50 years is almost exclusively explained by the presence of two outstanding managers, Sir Matt Busby and Sir Alex Ferguson, while FC Bayern’s return to be a winning machine both on and off the field certainly can be related to Uli Hoeness’s entry into the club in 1979 and his continuous presence ever since. With continuity, outstanding management has been able to create a winning culture over the long-term, which collectivistic values and characteristics have been so well attached that they have remained constant independently of generation, enabling the club to continuously develop in the right direction towards sporting success.
**Vertical integration management**

As indicated in the example of FC Barcelona above, the complex capability of vertical integration management, referred to as the balancing of the recruitment policy between in-house development of own talents and appropriate external player acquisitions, forms a critical part in the creation of a winning culture. Remarkable for all of the three investigated European top clubs’ recruitment policies has been the conscious exploitation of their youth academies through youth development, forming the basis for the creation of the team and later complemented by appropriate player acquisitions.

Consequently, the optimal European top club’s internal key capabilities are concluded in table 10.

<table>
<thead>
<tr>
<th>The optimal European top club’s internal key capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial management</td>
</tr>
<tr>
<td>Brand management</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Table 10. The optimal European top club’s internal key capabilities (inspired by Grant, 2010)

### 7.3 Obtaining the strategic fit for competitive advantage

Concluding our discussion about the optimal European top club’s internal key capabilities, we have now identified the general European top club’s external and internal sources of competitive advantage. Though, as further stated by Grant (2010), to make the two sources of competitive advantage valid, there must be a strategic fit between the external and internal environment. Bringing together the UEFA football industry’s key success factors with the general European top club’s internal key capabilities by using Grant’s (2010:127) model “The links among resources, capabilities and competitive advantage”, we understand that this is also the case (figure 38). Upon closer reflection, such fit is logic; as we have identified the internal key capabilities from three successful clubs that demonstrate signs of competitive advantage, there should logically be a strategic fit with the industry’s key success factors, which as we know reflect those factors that are vital for prospering within the industry.

![Figure 38. The critical strategic fit for competitive advantage (inspired by Grant, 2010)](image-url)
7.4 Recommending the European top club’s critical activities

The strategic fit between the external and internal environment justifies that the identified internal key capabilities (i.e. financial management, brand management (incl. commercial innovation), differentiation of the core offering, creation of a winning culture (incl. management and continuity), and vertical integration management) are those capabilities that the general European top club should base its upcoming strategy formulation on to create potential for competitive advantage within the changing UEFA football industry. Though, in order to more profoundly understand how such capabilities could be exploited in a successful strategy towards the simultaneous achievement of profitability and improved sporting performance, we suggest a further disaggregation of the identified capabilities into concrete margin and sporting enhancing activities, which form the basis for the club’s value creating process. As described in the method, this will be done by taking an activity-based view (Porter, 2008) and using Porter’s value chain analysis.

Porter (2008:36) describes the logic behind his value chain analysis in the following way:

Every firm is a collection of activities that are performed to design, produce, market, deliver and support its product. All these activities can be represented using a value chain. A firm’s value chain and the way it performs individual activities are a reflection of its history, its strategy, its approach to implementing its strategy, and the underlying economics of the activities themselves.

As further told by Porter (2008), the activities are divided into primary activities, which are directly involved in the value creating process of the product to buyers, and support activities, which are critical for the primary activities to work. The primary activities are divided into the five subsequent main areas inbound logistics, operations, outbound logistics, marketing and sales, and service, all linked to the support activities, which in turn are divided into procurement, technology development (including R&D), human resource management, and infrastructure (figure 39).

Examining the essence of the value chain, we understand that a well-performed analysis of the activities and their linkages allows us to evaluate each of the activity’s contribution to the value creating process. As demonstrated in figure 39 and told by Recklies (2001:1), the outcome of such value creating process is profitable margins, which are obtained if the organization is able to create an offering for which “the customer is willing to pay more than the sum of the costs of all activities in the value chain”. Hence, the value chain analysis links the internally performed activities to the organization’s competitive position, where well-
performed activities and well-managed linkages imply a source of competitive advantage. Since such competitive advantage is expressed in the margin, we argue that the value chain analysis is an appropriate tool to apply in order to recommend what critical activities the general European top club should undertake, and integrate with one another, in its quest for profitability. Though, as the European top club’s competitive advantage ultimately is to be achieved on the field, we argue that we must adapt the value chain analysis to the unique fundamental of the simultaneous quest for sporting and financial success. Consequently, implementing Porter’s value chain analysis on the general European top club, the outcome of the value creating process is not only profitable margins, but also sporting success.

Each of the relevant activities in the value chain is described below, according to Porter’s (1985:39-43) own definitions.

### Primary activities

**Inbound logistics:** Activities associated with receiving, storing, and disseminating inputs to the product

**Operations:** Activities associated with transforming inputs into the final product form

**Outbound logistics:** Activities associated with collecting, storing, and physically distributing the product to buyers

**Marketing and sales:** Activities associated with providing a means by which buyers can purchase the product and including them to do so

### Support activities

**Technology development:** Activities that can broadly be grouped into efforts to improve product and process

**Human resource management:** Activities of recruiting, hiring, training, developing, and compensating personnel

**Firm infrastructure:** Activities of general management, planning, finance, accounting, legal, government affairs, and quality management

#### 7.4.1 Value chain analysis

As pointed out throughout the thesis, our recommended activities will either increase revenue, decrease costs, do both simultaneously, and/or improve the sporting performance. The reason to why we choose to put attention to the revenue side is that even though the general European top club has demonstrated an increasing ability to generate revenue, such progress has simply not been enough to reach profitability, considering the elevating costs on the cost side. Though, as the real problem lies on the problematic cost side and more specifically in relation to costs related to player investments, we will also take on the challenge of analyzing how the general European top club could decrease such costs, but not at the expense of its sporting performance since the club’s main purpose as we know is to achieve sporting success.

As noticeable, we have chosen to entirely focus on costs related to player investments, and thus not consider costs referred to “other expenses”, which in fact have shown to constitute a significant part of the European top club’s total costs (see figure 17. The football club’s income statement, p. 24). The reason is that such costs are considered to be necessary for the club’s daily operations, while costs related to player investments have shown to be the biggest reason to the clubs’ so far demonstrating inability to make profit, justifying their further need of reduction.
7.4.1.1 Inbound logistics – to make, or to buy?
Starting off with inbound logistics, i.e. activities related to the control of inputs, we understand that such primary activity is critical for the general European top club, since football players as the main supplies are considered to be such valuable for the club’s value creating process. Here, the identified capability of vertical integration management comes into play. As claimed by Grant (2010), vertical integration management deals with the decision of which vertically linked activities the firm should take on. What is relevant in this case is the backward vertical integration, which refers to the ownership and control of inputs. Here, the ultimate question for the firm is to make, or to buy, and the more a firm makes, the higher is its vertical integration. This question could clearly be related to the European top club’s recruitment policy and the consideration of whether basing it on the in-house development of young talents (to make) or on the external recruitment of players (to buy). This is supported by Dolles & Soderman (2012), claiming that one of the club’s principal questions is whether to develop or purchase a player.

Youth development
As we have seen, remarkable for FC Barcelona’s, Manchester United’s, and FC Bayern Munich’s respective strategy has been the presence of strong youth development. The most obvious example is FC Barcelona, where its youth academy La Masía has increased the proportion of own-developed players from 40% to 70% in the first team since 2007. As the club during this period has experienced its most successful sporting era in history, we understand that youth development has been the keystone in the club’s remarkable sporting success. Similarly, Manchester United’s golden generation of own-produced players in the early 90’s contributed to the club’s sporting success over the long-term. With this in mind, we argue that well performed youth development, derived from the capability of vertical integration management, is critical for supplying the first team and thus an essential primary activity in the general European top club’s value creating process. Dolles & Soderman (2012) supports our conviction, meaning that the development of young talented players is vital for the team’s sporting performance.

External player acquisitions
In addition to make, the club can also choose to buy. When it comes to the external recruitment of players, we must remember that investments in external players are totally necessary for the club, as better players is the way to improve the team in the club’s quest for further sporting success. This is supported by our empirical findings, demonstrating the positive relation between increasing wage costs (as an indicator of the quality of the playing squad) and sporting performance. The in-house development of own talents is on its own insufficient to generate sporting success, and must therefore to some extent always be complemented by the activity of external player acquisitions. Though, as the European top club from now on must aim for profitability in order to comply with UEFA financial fair play and simultaneously create conditions for competitive advantage, such investments must be carefully considered in order to avoid rushing costs related to player investments. Here, scouting and player integration are critical support activities, since well performed scouting allows the club to find appropriate and affordable players, while player integration is vital in order to integrate the new players into the organizational culture.

The positive financial effects of youth development
Applying Grant (2010), the question whether to base the recruitment strategy on to make or to buy is determined by the relative cost between the transaction costs of acquiring external players on the market (often implying double negotiations, contributing to both transfer fees and wage costs) and the administrative costs of developing players internally. As stated by
Grant (2010:350), “if the transaction costs associated with organizing across markets are greater than the administrative costs of organizing within the firm, we can expect the coordination of productive activity will be internalized within firms”. Relating this to the European top club, empirics demonstrate that it is obvious that the transaction costs of externally investing in mature players in the majority of the cases exceed the administrative costs of developing talents internally, making a recruitment policy based on youth development favorable from a cost-reducing perspective as it enables the club to capture more value. As earlier examined, FC Barcelona’s recruitment policy based on youth development resulted in not only decreasing wage costs, but also a more careful transfer spending, contributing to a total line-up cost of €144M in 12/13, which could be compared to its rival Real Madrid’s recruitment policy of external player acquisitions, resulting in a line up worth as much as €410M in the same season. This is particularly interesting since FC Barcelona during recent years has demonstrated a superior sporting performance compared to its rival from the Spanish capital, highlighting the potential efficiency of youth development in both financial and sporting terms. The reason to that transaction costs normally exceed the administrative costs seems to be the mature players’ high bargaining power, derived from the fact of being aware of their unique skills as differential labor. As emphasized by Grant (2010:139), “strategies based exclusively on signing superstar players result in the players appropriating most of the rent, where little surplus available for the clubs”. Here, we must remember that the question not entirely must be about making or buying; the club can also choose a recruitment strategy characterized by the acquisition of cheap players with high potential for further development. In this way, the recruitment policy would rather be more evenly distributed between making and buying, than based on one aspect. In fact of being more related to making than what a policy exclusively based on buying is, such recruitment policy would be more favorable from a cost-reducing perspective. Here, the support activity of scouting would become increasingly important, taking into account the challenge of finding cheap players with high potential.

Another financial advantage is that the risk of basing the recruitment policy on youth development seems significantly lower than the risk of basing it on external player acquisitions. In an industry where the outcome of the investments is hard to predict, McGrath (2010) suggests that a real-option approach of small initial investments could be more appropriate than an approach of substantial initial investments. In this way, one can avoid the “black hole” of negative cash flows that often is faced on the insecure assumption of future cash flows (figure 40).

![Figure 40. A real-option approach vs. substantial initial investments (McGrath, 2010:9-10)](image)

Relating this theory to the European top club, we are able to draw clear parallels to the question whether to make or to buy. The development of young talents which later supply the first team could be considered as a real-option approach which due to smaller initial
investments in facilities and player contracts significantly reduces the risk compared to the risk of substantial investments in external mature players at long-term contracts. Here, FC Barcelona is again a good example, which instead of basing its recruitment strategy on external player acquisitions annually invests £5M in La Masía. The reason to the elevated risk of substantial investments is that if the external player investment (often including both a large transfer fee and a high payroll) finally not pays off in sporting terms, the market value will decrease, leaving the club with high operating costs in terms of wages and a minimal chance to recoup the investment through a resale.

Reversely, a cheap own-developed player will most likely increase its market value, and thus enable the club to make profit on a possible sale. This is supported by Dolles & Soderman (2012), agreeing with that the development of own players can generate in further revenue through future player sales. Logically, there is an important linkage between youth development and the primary activity of marketing and sales, where the possibilities of selling own-produced players in order to make profit are further treated.

**Recommended recruitment policy based on youth development**

Taking into account the European top club’s simultaneous quest for profitability and improved sporting performance, we recommend a recruitment policy based on a primary activity of in-house development of young players, complemented by external player acquisitions that are carefully scouted and integrated into the organizational culture. In this way, the club would strive for creating differential labor instead of buying it. The reason to such recommendation is that youth development not only has a direct cost reducing effect on player investments, improving the club’s cost control and enabling the club to capture more value in its quest for complying with financial fair play, but also seems to create conditions for increasing sporting performance (holding true the virtuous circle of financial performance and sporting success even when starting off by decreasing costs). This means that youth development is an appropriate activity to adopt in the general European top club’s upcoming strategy, proving that sporting success not necessarily must be an outcome of rushing costs related to external player investments. Since youth development also reduces the risks related to external player acquisitions and simultaneously creates conditions for the club to cash in on future sales of own-produced players, such activity seems optimal in the club’s quest for profitability.

Having a reducing effect on the problematic player investment costs (that corresponded to 71% of the top-division clubs’ total costs in 2010), a recruitment policy based on youth development would also encourage the compliance of UEFA’s main objectives to “decrease pressure on salaries and transfer fees and limit inflationary effects”, and “encourage responsible spending for the long-term benefit of football”. Having in mind that UEFA in addition excludes costs related to youth development and construction of tangible fixed assets such as training facilities in its monitoring process with regard to financial fair play, a strategy based on youth development would not imply any cost enhancing effects on the income statement when monitored by UEFA.

### 7.4.1.2 Operations – the creation of a winning team and further use value

**Team development**

Having developed and acquired the required inputs, the next step in the general European top club’s value creating process is operations, where the inputs are transformed into the final product form, i.e. the team that will perform the core offering of the game. Here, we argue that team development, derived from the capability of creating a winning culture, is a critical
primary activity, as it as we will see in different ways encourages the creation of a winning team, and thus helps the club in its quest for complying with its main purpose of sporting success. Supported by the activity of player integration, it allows the young footballers from the youth academy and the external recruitments to become united into a collective team that eventually is supposed to deliver a high sporting performance during the core offering of the game.

**The importance of management**

Team development is a primary activity that can be enhanced in various ways. Normally, it takes logically place close to the team, often during the daily sporting practices on the training ground. Hence, being in the daily contact with the team, management is essential in the team developing process, and thus in the preparation of the core offering of the game. This is supported by Bar-Eli et al. (2008:80), stating that management has been “the most notable firm asset” in FC Bayern Munich’s regular sporting success over a significant period of time, and also supported by our empirical findings, especially in the case of Sir Alex Ferguson, playing the main role in Manchester United’s progress as a team. Consequently, a critical support activity to the daily operations is the recruitment of key management, especially referred to as the recruitment of appropriate and competent coaches who possess the ability to create a winning team.

**Organizational culture - the essence of team development**

Though, examining our empirical findings, we argue that it is justifiable to claim that team development, and thus the creation of a winning team, also is an outcome of more ambiguous internal processes not directly related to the sporting activities on the training ground. Here, we have identified the creation of organizational culture as a critical support activity. Not only FC Barcelona’s, but also Manchester United’s, and FC Bayern Munich’s respective strategy has been characterized by a remarkable organizational culture, mainly resting on the core values of collectivism and continuity, which has enhanced winning beyond time horizons. Grant (2010:155) defines organizational culture as “the capacity for organizational members to comprehend one another and collaborate together without continual managerial direction, which depends upon shared perceptions, common values, and behavioral norms - all elements of the complex phenomenon that we refer to as organizational culture”. Examining such definition, we understand that the complex phenomenon of developing an organizational culture rests on several underlying capabilities that need further explanation.

**Cooperation through team performance incentives**

In order to create a favorable organizational culture, Grant (2010:181) claims that cooperation is critical, defined as the ability of “aligning the interests of individuals who have different goals”. Grant (2010) states that one way to align the individuals’ different interests, and thus avoid a potential cooperation problem where people do not collaborate, is to establish performance incentives that link remuneration to performance. According to Grant, such wage system is particularly appropriate in environments where performance is easily measurable. As sporting performance in football is easy to measure (the result of the team’s performance is known immediately after the game), we argue that such incentives could be appropriately implemented in football in order to enhance cooperation. Empirics show that wage systems based on variable wages in relation to performance is common among the clubs; however, to be favorably implemented and form the basis for a collectivistic culture that enhances the development of a winning team, we argue that such incentives must be based on team performance rather than individual performance. As claimed by Bowman & Ambrosini (2000:10), even though football players due to their unique skills and talents often are
considered as differential labor and thus possess a high bargaining power when it comes to negotiating individual contracts, a player’s individual contribution to the team result could be hard to identify since the player is a part of a team where “the combined result of individuals’ contribution is greater than the sum of each contribution”. In a football club, the created use value is an outcome of the team’s collective work rather than the individual player’s, and as a consequence, remuneration should logically be linked to team performance (e.g. matches won or clean sheet) to become effective for enhancing cooperation. In case of basing the remuneration on individual performance, and thus encouraging the dispersion of individuals’ interests, we would conversely risk encouraging the cooperation problem instead of preventing it.

Consequently, we argue that the general European top club should implement a remuneration system mainly based on team performance and thus enhance the collectivistic culture in its quest for creating a winning team. Empirical findings show that such approach has been favorably implemented before, while also bringing some positive side effects related to cost reduction. A critical strategic measure in FC Barcelona’s turnaround strategy back in 2003 was to implement a wage system based on both team and individual performance not only for the players, but also for management executives. Besides aligning the individuals’ different interests, which might have contributed to the club’s increasing sporting performance, the club improved its cost control, resulting in a decreasing wage/revenue ratio from 88% to a solid level of 50% in two years. Another example is Liverpool FC, which due to the implementation of a variable wage system managed to decrease the wage/revenue ratio from the critical level of 70% to the more solid 59% in three years.

Hence, having a direct reducing effect on the club’s main costs of wages, the establishment of collective performance incentives is favorable in the general European top club’s quest for profitability to comply with UEFA financial fair play. Similarly to youth development, such establishments would improve the club’s cost control, contributing to that the club would work proactively against one of the industry’s most critical problems, the inflationary effects on wage costs. Besides encouraging the club in its quest for profitability, we argue that the establishment of collective performance incentives also could have a positive effect on the club’s sporting performance. Even though our empirical findings do not demonstrate any clear relation between team performance incentives and improved sporting performance, we are convinced that all forms of initiatives that enhance cooperation in such a collectivistic sport as football could contribute to a better team performance. If that is the case, we can consider the establishment of team performance incentives as another activity that besides youth development proves that sporting success not necessarily must be an outcome of increasing costs.

Cooperation through shared values
Besides establishing performance incentives, Grant (2010) emphasizes another favorable mechanism to manage the cooperation problem, namely the establishment of shared values. Grant (2010:182) claims that “the role of shared values and behavioral norms among organizational members is a powerful force aligning individual actions with company strategy”. Again, FC Barcelona is a good example, which shared values of the Catalan identity and democracy, together with the conception of being “more than a club” even go beyond the playing squad to imbue the entire club, including its members. Hence, the general European top club should in its quest for creating a strong and viable organizational culture based on cooperation and collectivism that forms the basis for further sporting performance
not only implement team performance incentives, but also shared values that together align the individuals’ different interests.

**Coordination through continuity**

Though, as stated by Grant (2010), the ability to cooperate is not enough in order to establish a solid organizational culture. Besides working towards common established goals, the coordination, i.e. the capability of “harmonizing different activities” (Grant, 2010:181), is critical for generating efficient production. Here, the most critical control mechanisms is routines, as repetitive activities, once derived from established rules and mutual adjustments, become deeply rooted within the organization to such extent that they characterize the organizational behavior, the shared values, and the philosophy, allowing the organization to automatically perform in a collective manner. As the development of routines requires time, this leads us to one of the firm’s as well as the European top club’s most critical capabilities in the creation of an organizational culture that underpins the development of a winning team - continuity. Commenting on Borussia Dortmund’s 4-1 victory against Real Madrid in the 1st semifinal in 2013 year’s UEFA Champions League, Niva (2013:1) explains the relation between continuity and sporting success:

> The core of this team has grown up together. They have played together since childhood, stood together on Südtribune [Dortmund’s massive supporter section], and worked hard during numerous training sessions lead by coach Jürgen Klopp. Year after year, they have sweated and been welded together, and tonight, all years of effort were paid off during one single game.

Andrews (2004) suggests that there is a clear positive relation between sporting performance and managerial continuity. He points out British Arsenal, Aston Villa, Liverpool, and Manchester United in the top not only when it comes to England’s most successful teams in history, but also in terms of managerial continuity. As stated by Andrews (2004:82):

> There is a very clear link in professional team sport between team performance and managerial tenure. Successful teams tend to have long-serving managers. Successful managers acquire considerable tacit knowledge, building up their experience with individual players and the club organization and culture.

Examining our empirical findings, we understand that all three investigated top clubs’ respective strategy indicates on a remarkable continuity which, through developed routines, has resulted in an ability to coordinate the internal activities to such extent that it has formed a solid basis for the development of a strong organizational culture and a winning team. In the case of Manchester United, the demonstrated continuity has, together with the strong winning mentality, resulted in that the club almost independently of generation has kept performing on the pitch. The club succeeded twice to recruit key management in terms of Sir Matt Busby and Sir Alex Ferguson, and it is obvious that the only factor that has seemed to possess the power to separate these successful managers from the club is aging. With such continuity, both managers were allowed to create a strong winning culture that always was based on a solid ground of own-produced players’ collective values that, through routines, kept the club’s winning culture sustained. As Andrews (2004:80) chooses to put it:

> A major source of Manchester United’s sustained competitive advantage in the sporting domain has been its development of a group of highly talented home-
grown players who have contributed to a high shared experience and continuity that rival clubs have been unable to match over a sustained period.

FC Barcelona is another example of a successful club whose recipe for success is spelled continuity. The way-winning philosophy of tiki taka and the collective conception of being “more than a club” are elements that have imbued the entire club for a significant period of time, and the cornerstone of the youth academy La Masía in which such elements are developed and learned has produced like-minded players and coaches that have prospered together over decades. Such continuity across all disciplines has resulted in deeply embedded routines that generate a strong and sustained organizational culture characterized by common values and unwritten norms, guiding the individual players to collectively strive for the common conception of always being “more than a club”. Continuity could also explain FC Bayern Munich’s successful strategy both on and off the field, which is perfectly personified in current President Uli Hoeness, previous player and General Manager since 1979. Such managerial continuity has permitted the German club to establish unwritten norms and clear group structures that form a solid organizational culture based on collectivistic orientation.

The positive effects of team development
To sum up, we understand that the primary activity team development, supported by the recruitment of key management, and further enhanced by the creation of a strong organizational culture that primarily rests on the capabilities cooperation (encouraged by team performance incentives and shared values), and coordination (developed through routines generated from continuity), is critical for the club’s ability to create a winning team, and thus sporting performance in its quest for competitive advantage. As sporting performance eventually increases all revenue channels, we do also understand the essential role of team development as a contributor to the ability to create margins and thus the compliance with UEFA financial fair play.

Further use value creation through differentiation
Though, in the quest for competitive advantage, we recommend the general European top club to go beyond the direct sporting perspective of the core offering and focus on how to enhance the offering’s total value as the unique experience that is supposed to meet the supporters’ whole set of needs and preferences. This is supported by Dolles & Soderman (2005:25), who, when referring to the increasing importance of the financial aspect in football, claim that one of the football industry’s key success factors nowadays is the ability to “manage the whole set of possible products and offerings”. As we will see, the sporting aspect of team development is still essential for the total value created; however, there seem to be additional activities off the field, not directly related to the team’s sporting performance, which further contribute to the increase of the total value of the offering to the supporters, responding to their identified need of maximizing the emotional experience.

As we know, the supporters’ emotional experience is enhanced by increasing the consumer surplus through further use value creation. Hence, we argue that the club, in its quest for not only attracting new supporters, but also encouraging existing supporters to repeat purchase, should differentiate its offering to such grade that it implies as much use value as possible to the customers. Having this in mind, differentiation is considered to be a primary activity in the general European top club’s value creating process, derived from the identified key capability of differentiating the core offering.
In order to understand how the European top club possibly could maximize the use value creation through further differentiation of the core offering, we suggest a threefold based approach where the use value created is divided into three specific areas. Developing value creation from a “beauty perspective”, Aman & Andersson (2012) further stretch Popper’s (1978) theory about “the three worlds”, composed by the physical world (the physical object), the psychological world (the subjective experiences, feelings, and observations of the object), and the world of the products of the human mind (the actual idea behind the objects) by suggesting that an offering’s total value is not only an outcome of its functional value (what it serves for). An offering’s total value is also composed by a certain symbolic value, i.e. the actual meaning of it, and an aesthetic value, referred to as the subjective experience of it, which all together increase the total use value created by interacting with one another (figure 41). As the functional and symbolic value form the basis for the core offering of the game, they are consequently examined in operations, while the aesthetic value is treated in the next step of the value chain, outbound logistics, as it is directly experienced during match day.

![Diagram of threefold perspective of value creation](image)

**Figure 41. Aman & Andersson’s threefold perspective of value creation**

Applying such threefold value creation approach on the European top club’s differentiation strategy, we will understand that the club’s core offering of the game has the potential to go far beyond the fact of just being an ordinary football game between two teams. As stated by Dolles & Soderman (2005:8):

> Customer experience matters more than the economic experience…they seek to take their hard-earned time – and harder-earned money – to spend it on more engaging, more memorable, and more highly valued experiences. As a consequence, experiences must provide a memorable offering that will remain with the consumer for a long time, but in order to achieve this, he or she must be drawn into the offering such that a sensation is felt. And to feel that sensation, the consumer must participate actively. This requires highly skilled actors who can dynamically personalize each event according to the needs, the response, and the behavioral traits of the consumer.

**Functional value – The creation of a winning team**

The general European top club’s functional value corresponds to what the club actually serves for – to provide a football team that competes about sporting success on the field. Hence, the club’s functional value can be further enhanced by activities that increase the team’s sporting performance.
Throughout the value chain analysis so far, we have been able to identify some critical activities that we argue form the basis for the European top club’s sporting performance, and thus for its functional value. First of all, we identified the recruitment and development of differential labor in terms of youth development and careful player acquisitions as critical inputs for the club’s value creating process, forming the basis for the team that delivers the core offering of the game. Once possessing the inputs, we argued that team development, directly related to the recruitment of key management and the complex phenomenon of organizational culture, is critical to further enhance the sporting performance. Here, we identified cooperation (encouraged by collective performance incentives and shared values), and coordination (developed through routines generated from continuity), as keystones for the establishment of a strong organizational culture that encourages the creation of a winning team.

A high functional value seems particularly important in order to attract new supporters. As earlier mentioned by Dolles & Soderman (2012), new supporters might choose to support a team for fun, excitement, and skilled players, which could all be considered as characteristics of a high performing team. If we also have in mind the supporters’ primary need of winning, we understand that a team possessing a high functional value expressed on the field through its sporting performance is critical for the club to attract supporters, resulting in, as already examined, a potential increase in all three revenue channels. Consequently, the better the team performs on the field, the higher potential for profitability. Having this in mind, we recommend that the European top club takes advantage of the above identified opportunities to increase its functional value to such a high extent as possible in order to increase the total use value created for the supporters, resulting in, as already examined, a potential increase in all three revenue channels. Consequently, the better the team performs on the field, the higher potential for profitability. Having this in mind, we recommend that the European top club takes advantage of the above identified opportunities to increase its functional value to such a high extent as possible in order to increase the total use value created for the supporters. In addition, as the creation of functional value also logically contributes to the achievement of the club’s main purpose of sporting success, we cannot recommend the activity enough in the general European top club’s quest for competitive advantage within the UEFA football industry.

Symbolic value – The creation of more than a winning team

Football is played to win, but our satisfaction has to be double. Other teams are happy when winning, even though they are lacking identity...However, there is something much more important and sustainable than just the result: the heritage.

- Xavi Hernández, team captain FC Barcelona (Rojo, 2013:1)

Symbolic value creation on the demand side

Examining the three successful European top clubs’ respective strategy, we argue that their sustainable successes are an outcome of more ambiguous factors than just the functional value created. If the huge crowds of supporters are attracted by the clubs’ respective sporting performance over time, they are most likely retained by other factors. Remember the existing supporters’ loyalty and deep devotion that go beyond sporting performance. We argue that such characteristics could be explained by the creation of symbolic value, defined as the actual meaning of the core offering, further enhancing the total use value created and thus encouraging existing supporters to repeat purchase. As stated by Ravasi & Rindova (2004:3), offerings seem to be increasingly consumed as a consequence of the symbolic value created, which they define as “the social and cultural meanings associated with a product, which enable consumers to use it to communicate about their identity, status, and social group membership”. As examined below, there are several ways to increase the symbolic value, and thus mainly contribute to an increased propensity among existing supporters to repeat purchase.
Organizational culture

In the case of FC Barcelona, the club’s symbolic value creation is best described by its tradition of being “more than a club”. Examining former board member Marc Ingla’s comment that “FC Barcelona’s competitive edge is the level of adhesion and identification of its affiliated supporters and other supporters with the club and the close link that is generated between the two” (Hamil et al, 2010:487), we understand the critical role the symbolic value might possess in the total use value created. As earlier examined, FC Barcelona is a club that symbolizes the Catalan identity and democracy which values go beyond the sporting performance on the field. Already from its birth, the club has meant to be a symbol of Catalonia, its people, and its culture, and such values have created a unity so strong that it is comparable to what other people feel for their nations. As noticeable, the tradition of being “more than a club” is closely related to the creation of a strong organizational culture that imbues the entire club. Such culture, underpinned by the club’s history and traditions, enhances the supporters’ symbolic value, as it generates a social and cultural meaning that gives the supporters a sensation of common identity and belongingness. Hence, we understand that the support activity creation of organizational culture not only enhances team development and thus the functional value, but also has a critical role in the creation of symbolic value.

Local connections

The symbolic value can be further enhanced by the incorporation of own-produced talents into the first team, indicating on an important linkage between youth development and differentiation through symbolic value. As stated by British Everton FC’s manager David Moyes in 2011, “the supporters appreciate the attitude and commitment shown by home produced players” (Dolles & Soderman, 2012:12). Seeing a local kid making progress through the youth academy and finally reaching the first team is always special for local supporters, especially if becoming a key player. This is especially notable in FC Barcelona’s successful strategy, where the youth academy La Masía constantly has produced key players to the first team, and the same appears to Manchester United and FC Bayern Munich, which respective team has been characterized by the constant presence of local contributions.

Social integration

Another way to create a deeper meaning of the core offering is to perform community development activities that enforce the linkages to society. In the case of FC Barcelona, this was favorably done by the incorporation of corporate social responsibility, which further enhanced the conception of being “more than a club” and thus the club’s worldwide popularity. Being closely related to branding, the community development activities are positioned under the primary activity of marketing and sales.

Symbolic value creation on the supply side

In addition to be essential for demand side differentiation, the creation of symbolic value can also be useful when it comes to the differentiation on the supply side. A club possessing an organizational culture that rests on a unique history, traditions, shared values, and local connections, and thus transmitting a deeper meaning than just the basic serving of providing a football team, does certainly not only retain own-produced talents from the region, but also attract external players. Sharing mutual values and local connections since childhood, local talents will most likely possess an intrinsic motivation that goes beyond the extrinsic motivation of the amount on the pay check, contributing to a greater passion and willingness to fight for the club’s colors (remember Niva’s comments on Borussia Dortmund’s youth development as the reason to the club’s recent success). When it comes to external player
acquisitions, the club’s bargaining power will most likely be higher if it is able to attract external players by other reasons than money. Again, FC Barcelona is a demonstrating example, as its playing philosophy tiki taka through the transmission of the organizational culture during a significant period of time has attracted external players to come to the club. “Everybody wants to play for Barcelona” is a common expression in the world of football, and such perception goes most likely beyond extrinsic remuneration. Retaining and attracting differential labor by intrinsic motivation, the creation of symbolic value through an attractive organizational culture could be considered as an effective tool on the supply side, having a close linkage to the club’s functional value by directly contributing to the club’s sporting performance.

**Recommending the creation of symbolic value**
Consider the advantages for both the demand side and supply side differentiation, we recommend that the European top club puts more attention to the creation of symbolic value in its value creating process towards maximizing the total use value created. The general European top club does certainly possess some type of unique history, traditions, and values that have been developed since its origin, and the challenge lies in transmitting such symbolic values in order to enhance the total value of the core offering to not only buyers, but also suppliers in terms of players. Maximizing the symbolic value, the club will not only encourage existing supporters to repeat purchase, resulting in increasing revenue and thus an increasing ability to make profit, but also attract differential labor, directly enhancing the functional value and thus the sporting performance.

7.4.1.3 Outbound logistics – The distribution of the use value created

A football game is intangible, short-lived, unpredictable and subjective in nature. It is produced and consumed by the spectators in the arena at the same time mostly with a strong emotional commitment from the fans. In recent years those football games have been transformed into media events for the benefits of millions of spectators… The growth of ‘second-hand’, or vicarious experiences, is huge. Such mediatised events affect even the stadium or arena they are attached to, attaining the power to transform ordinary places into special sites.

- Dolles & Soderman (2012:13-14)

Having transformed the inputs into the final product form through team development, and differentiated the core offering to such extent that it so far maximizes the total use value created, it is time to distribute the offering to buyers in outbound logistics. As already known, this is done when the team performs the game in front of its supporters at its home stadium, which at the same time is broadcasted to the rest of the supporters around the world. Hence, outbound logistics treats not only matchday, but also broadcasting revenue, since broadcasting is a direct reflection of the live experience. To enhance them both, we will focus our discussion around how the European top club possibly could add more value to the matchday experience during its home games.

Aesthetic value – The subjective experience of the total core offering created
Continuing our threefold use value creation, we understand that it is during the game the aesthetic value is created and transmitted, as it is in this moment the supporters subjectively experience the club’s core offering, not only live, but also through broadcasting. As we will see, the aesthetic value is enhanced by the interaction with the functional value and the symbolic value created earlier in the value creating process, but there are also ways to directly
enhance the direct experience of the game, and thus, together with the functional and symbolic value created, maximize the total use value created of the club’s core offering.

The interaction with the functional and symbolic value during match day

Experiencing the game live at the home stadium or in front of the TV, the supporters are primarily interested in satisfying their primary need of winning. Hence, the functional value of the team, which is supposed to deliver a satisfying sporting performance by winning the game, is vital for the aesthetic value created, enhancing the supporters’ subjective experiences.

The symbolic value created does further increase the subjective experience of the game, as it through the creation of a deeper meaning of the core offering provokes strong emotions, contributing to the responding of the supporters’ second need of maximizing their emotional experiences. Here, the creation of a strong and transparent organizational culture is essential, as it through its social and cultural meaning transmits shared values, a common identity, and a sensation of belongingness to the supporters. During the game, such value could for instance take expression in common songs, symbolic TIFO, common outfits, and expressive flags and banderols, contributing to an experience of deep unity among the audience. By actively participating in the production of the core offering of the game, the supporters do clearly contribute to the creation of aesthetic value by the co-creation of value, described by Ramaswamy & Gouillart (2010) as the engagement of customers and other stakeholders into the process of value creation (figure 41).

In addition, giving the supporters’ another reason to be proud of, the presence of own-produced local players in the team does further contribute to the strong emotion of identity, and thus to the total aesthetic value created.

Home stadium development

The aesthetic value created through the interaction with the functional and symbolic value created can be further enhanced by concrete activities that directly increase the subjective experience of the game. Empirical findings suggest that such activity is home stadium development, referred to as either the construction of a new stadium or the rebuilding of the existing one. That the aesthetic value is enhanced by home stadium development is proven by the immediately increasing ability of several clubs to attract live attendance when moving into new stadiums or developing existing ones, resulting in drastically increasing matchday revenue. Here, already mentioned Juventus FC, Arsenal FC, FC Bayern Munich, and Manchester United are good examples. In addition, home stadium development does further enhance broadcasting and commercial revenue, as new stadium facilities normally increase TV-viewers’ demand of the game as well as the commercial opportunities. By its revenue
enhancing effects, we understand that *home stadium development* is critical in the European top club’s creation of aesthetic value, and thus could be considered as a keystone in the creation of further use value in outbound logistics. Hence, even though home stadium development initially most likely requires additional funds (depending on the financial solution), we recommend the European top club to explore the possibilities of such activity.

**Putting together the functional, symbolic, and aesthetic value created**

Concluding the European top club’s transmission and further creation of aesthetic value, we understand that the total use value created through differentiation depends on the dynamic integration between the functional, symbolic, and aesthetic value created. While the grade of functional value determines the club’s sporting performance on the field, we have seen that the symbolic value and aesthetic value added enable the club to maximize its differentiation, resulting in a higher use value created and thus increasing consumer surplus for the supporters. Hence, with the recommended threefold use value creation approach, we argue that the club increases its ability to respond to the supporters’ needs of winning and maximization of emotional experiences, resulting in not only an increasing propensity to repeat purchase among existing supporters, but also an increasing ability to attract new ones. Gaining popularity and extending the fan base, we have seen that the club enhances the possibilities for increasing all three revenue channels, leading to an increased ability to attract new ones.

Gaining popularity and extending the fan base, we have seen that the club enhances the possibilities for increasing all three revenue channels, leading to an increased ability to reach profitability in the quest for competitive advantage. The total use value created through the interaction between the functional, symbolic and aesthetic value is summarized in figure 42.

**Figure 42. The European top club’s total use value created through differentiation**

7.4.1.4 Marketing and sales – Attracting buyers through the use value created

The total use value created in inbound logistics, operations, and outbound logistics is recognized and further enhanced in the fourth and final step in the European top club’s value creating process – marketing and sales. It is through activities related to marketing and sales supporters become attracted to buy the product, and to recognize and further enhance such activities, the primary activity of *brand management* is essential, logically related to the identified key capability brand management.
Attracting local and international supporters

Examining what attracts supporters, we understand that the majority of the earlier identified activities in the European top club’s value creating process could be considered as branding enhancing activities. As stated by Dolles & Soderman (2005:30), “simply put, the brand is standing for everything about a football club”. Primarily, as supporters are attracted by winning, all identified activities that enhance the team’s functional value could be seen as branding-enhancing. Remember what FC Barcelona’s marketing vice president stated back in 2006: “The best promotion is a good performing team and a great show on the field” (Richelieu & Pon, 2006: 241). This is supported by Manchester United’s strategy formulation, emphasizing the club’s high and preserved sporting performance as the single largest factor to the building of the world’s largest fan base. However, to retain supporters, it has been shown that other values than the functional value are of importance, since existing supporters’ preferences often go beyond winning. Here, activities related to the creation of symbolic and aesthetic value could be seen as branding enhancing, if appropriately recognized and further enhanced through brand management (see the example of FC Barcelona below).

Branding activities related to the creation of symbolic value seem particularly important for the general European top club, as such activities, by transmitting the club’s origin and local identity, encourage the club in the establishment of a local fan base, resulting in a solid basis for revenue. However, the local supporters are always limited in numbers, meaning that a club seeking to extend its fan base in order to increase revenue must go beyond its local community and attract an international fan base. This is supported by Dolles & Soderman (2005:22), claiming that “identifying markets around and develop that markets is both necessary and possible. The brand perspective can help a team build a strong brand and work toward longer term viability”.

In order to reach such international fan base, Dolles & Soderman (2005) suggest that the club must pursue a different strategy compared to the local attraction approach, and this presents challenges for the brand management. As a result, the support activity of commercial innovation has shown to be critical, enabling the club to identify appropriate markets and find creative ways to extend the relation with fans on distance. Here, FC Barcelona’s worldwide exploitation of “being more than a club” could function as a demonstrating example, investing in community development activities related to CSR around the world and thus attracting new supporter groups within new market places. Another good example is Manchester United’s conscious approach of positioning exhibition games and tours closely to their international fans during pre-seasons, contributing to that 90% of the club’s massive fan base is found internationally in emerging markets.

Attracting companies

Attracting a large fan base, the club does in turn attract the other group of buyers within the industry - the companies, looking for high valued clubs in order to gain popularity and increase sales. Mainly composed by revenue derived from sponsorship agreements with companies, it is here the commercial revenue stream comes into play. Commercial revenue has in fact become increasingly important, considering that such revenue channel not is restricted by any limit, which could be the case in matchday revenue (through the capacity) and broadcasting revenue (through the collective deals). Even here, commercial innovation seems to be a critical support activity. Bar-Eli et al. (2008:92) suggests that a reason to FC Bayern Munich’s competitive advantage is its ability of “making new rules and not playing with the old existing ones”. As we know, this has resulted in a commercial revenue stream that has increased by closely 100% in ten years, corresponding to over 50% of today’s total...
revenue and contributing to that the club is the first in history to generate over €200M from a single revenue source. Such remarkable commercial success is mainly a result of the club’s long-lasting and synergy enhancing relationships with corporate partners, contributing to a superior knowledge in brand management. In addition, moving into Allianz Arena in 2005 and acquiring 100% ownership in 2007, the commercial innovation allowed the club to take advantage of the increasing commercial opportunities, and thus capture all generated revenue related to its home stadium. One way that usually is exploited in order to take advantage of the commercial opportunities at the home stadium is to arrange sponsorship agreements with corporate partners, allowing them to reach out to their customers by being present during match day. Considering that the club through brand management in this case increases the companies’ presence during match day, contributing to improved pre and post game events, we understand that brand management also is reflected in the aesthetic value creation in outbound logistics. Another example of successful commercial innovation is Manchester United’s innovative sponsorship deals with corporate partners. For instance, after constantly improving its shirt sponsorship revenue over a five-year period, the club did simultaneously find new ways to increase sponsorship revenue by signing a training kit sponsorship deal and selling the name rights to its training facilities.

**Recommending a larger focus on brand management and commercial innovation**

As we have seen, brand management and commercial innovation are critical to further enhance revenue. As stated by Dolles & Soderman (2005:22), “the more you leverage your brand community and transcend both the local market and the sports arena, the more you increase the potential revenue pie for your team”. Highlighting its unique strengths and characteristics, the club creates conditions for attracting not only a local and international fan base, but also companies. With this in mind, we recommend the general European top club to invest in brand management and commercial innovation, allowing the club to invent new ways to generate revenue in its quest for profitability.

**Enhancing revenue by future sales of own-produced players**

As earlier treated in inbound logistics when recommending a recruitment policy primarily based on youth development, we emphasized that a financial advantage of such approach could be the possible profit on future sales of own-produced players. Since developing players from early ages not implies any significant costs while the young players’ market value most likely also will increase with progress over time, the club could possibly make high profit on own-produced players, by selling them in a later stage of their careers to other clubs for solid transfer fees. Hence, in the quest for profitability, we recommend the general European top club to explore such alternative from season to season, although the club obviously should retain its best players in its quest for competitive advantage.
7.4.2 Summarizing our recommended value creating activities

Having adopted an activity based view by implementing Porter’s (1985) value chain analysis on the European top club’s value creating strategy based on the identified internal key capabilities, we have now been able to identify and recommend the margin and sporting enhancing activities that we argue need to be undertaken by the general European top club in its simultaneous quest for profitability and improved sporting performance. Our recommended margin and sporting enhancing activities are visually demonstrated in the interpreted value chain in figure 43, clearly demonstrating that the purpose of the activities is to contribute to the club’s simultaneous achievement of profitability and improved sporting performance.

![Figure 43. Our recommended value chain for the general European top club (inspired by Porter, 1985)](image)

7.4.2.1 Summarizing the linkages

Summarizing our recommended value creating approach, we understand that the activities and the linkages between them are of essential importance for the general European top club’s simultaneous quest for sporting and financial success.

Starting off in inbound logistics to supply the team, we recommend a recruitment policy primarily based on youth development, complemented by careful player acquisitions supported by scouting and player integration.

In operations, where the club creates a winning team of the supplies in its quest for sporting success, we recommend team development as the primary activity, enhanced by the critical support activities of recruitment of key management, player integration, team performance incentives, and the creation of a strong organizational culture built on cooperation, coordination and continuity. Such activities contribute to the club’s differentiation by enhancing the functional value. Though, to further differentiate the core offering in the club’s quest for profitability, we recommend an increased focus on the creation of symbolic value, taking advantage of the strong organizational culture, youth development, and community development activities. By its ability to increase players’ intrinsic motivation, we do also emphasize the positive effects the symbolic value might have on the functional value.
Having created a winning team, we enter outbound logistics where the club either live or through broadcasting delivers the game to its supporters from its home stadium. Here, we recommend the creation of aesthetic value as the primary activity to further differentiate the core offering of the game, either by the interaction with the functional and symbolic value created or directly through home stadium development. The aesthetic value is further enhanced by corporate partners’ presence during match day, derived from brand management in marketing and sales.

Finally, in marketing and sales, we identify brand management as the critical primary activity, recognizing and enhancing the so far identified value creating activities, and thus attracting not only supporters, but also companies in the club’s quest for profitability. To attract the various buyers, we emphasize the importance of the support activity of commercial innovation, creating new opportunities for increasing revenue. In addition, we recommend community development to further enhance the symbolic value created, while the sale of own-produced players, related to youth development, is another activity that possibly could increase revenue.

7.4.2.2 Taking advantage of UEFA’s financial fair play exclusions
As noticeable in the value creating process, we recommend activities related to youth team development, construction of tangible fixed assets (home stadium development), as well as community development. Taking into account that all costs related to activities in these areas are excluded by UEFA in its monitoring process with regard to financial fair play, we understand that such activities allow the club to increase the opportunities for revenue without risking sporting sanctions, as outlays for investments related to these activities do not count. Hence, such activities create conditions for the compliance with financial fair play, and thus keep all opportunities open for competitive advantage within the UEFA football industry.

7.5 Formulating the final strategy towards financial fair play and competitive advantage
Having identified and recommended the critical margin and sporting enhancing activities, the final step to respond to our question of issue is, as pointed out in the method, to formulate a long-term strategy which based on the identified activities provides guidance towards the general European top club’s compliance with financial fair play and competitive advantage. This is done by reorganizing the activities identified in the value chain into an own-developed strategic framework that is built on the unique fundamental of the simultaneous quest for sporting and financial success within the changing UEFA football industry. The reason to such approach is that, even though Porter’s value chain after being adapted to the characteristics of the UEFA football industry is an appropriate tool for identifying and recommending the critical activities in the general European top club’s value creating process, it is not sufficiently developed to visually demonstrate each activity’s respective impact on the margin and contribution to competitive advantage. Hence, to formulate a concrete strategy for the general European top club in its simultaneous quest for sporting and financial success, we suggest a further reorganization using our own-developed strategic framework.

As seen in figure 44 below, we have on a primary basis built our strategic framework on Bowman & Ambrosini’s (2000) concepts of value creation and value capture, and thus primarily formulated our recommended strategy around value creating (i.e. revenue increasing) and value capturing (i.e. cost reducing) activities, although it also contains directly sporting enhancing elements. Due to the identified difficulties on the problematic cost side,
we have consciously chosen to base our strategy around differentiation to further increase revenue in the quest for profitability. Though, in order to comply with UEFA financial fair play and improve the club’s cost control and long-term viability, we have complemented our differentiation strategy with cost reducing elements, enabling the club to capture more of the value created, but without risking the club’s main purpose of sporting success. The reason is that such cost reducing elements have shown to also have a directly sporting enhancing effect, further complementing our directly sporting enhancing activities in the club’s quest for the ultimate competitive advantage.

The different steps in the strategic framework, and thus in our recommended long-term strategy towards UEFA financial fair play and competitive advantage, are examined below.

1) Starting off with the directly value creating activities on the demand side, we recommend an implementation of differentiation activities that create a deeper meaning of the core offering, encouraging not only existing supporters to repeat purchase, but also attracting new supporters. Such activities are collected under symbolic value creation, containing the creation of a common organizational culture, local contributions to the first team, and community development activities. In addition, we recommend differentiation activities that enhance the subjective experience of the club’s core offering of the game, further attracting supporters to consume the offering. Such activities are compiled under aesthetic value creation, containing the integration with symbolic and functional value during match day, and home stadium development. Further, brand management and commercial innovation form a critical part of our recommended strategy, since such activities not only recognize and further enhance the other value creating activities, but also create additional commercial opportunities, attracting both supporters and companies. Finally, we recommend the club to financially take advantage of its youth development, exploring the opportunities for making profit on the sale of own-produced players that not are considered to be of essential importance in the club’s quest for competitive advantage.

2) The revenue increasing activities create conditions for profitability and thus the compliance with UEFA’s financial fair play requirements of breaking even, which level is visually demonstrated by “BEP” in the framework. Though, such activities do not imply profitability as long as the club is incapable of capturing the required value created. Hence, to enable the club to capture more of the value created, we recommend that the club, besides differentiating the core offering on the demand side, simultaneously put more attention to the supply side and the critical bargaining relationships with players. Here, we recommend the club to decrease its main costs by implementing a recruitment policy based on youth development complemented by careful player acquisitions, together with a remuneration system based on team performance incentives.

3) Implementing the recommended revenue increasing and cost reducing activities, we argue that the general European top club would go towards profitability, and succeed to comply with UEFA financial fair play. The potential for complying with UEFA financial fair play is further enhanced by the fact that costs related to several of the activities (i.e. youth development, home stadium development, and community development) that we recommend are excluded in UEFA’s monitoring process with regard to breakeven.

4) Reaching profitability and financial success, the club will generate funds that could be used for careful player acquisitions in its quest for competitive advantage. This is demonstrated by the virtuous circle, demonstrating the positive relation between financial and sporting success.
5) Though, in the quest for competitive advantage, we know that the club also most likely must make further progress on the field. As a consequence, we recommend that the club besides implementing margin enhancing activities also make serious efforts to directly improve its sporting performance. Here, we recommend the club to increase its functional value by implementing activities related to team development, such as recruitment of key management, as well as the cost friendly activities creation of organizational culture (incl. cooperation, coordination, continuity), and symbolic value creation that further increases players’ intrinsic motivation.

6) In addition to the directly sporting enhancing activities, our recommended cost reducing activities on the supply side, i.e. the recruitment policy based on youth development complemented by careful player acquisitions and the remuneration system based on team performance incentives, are also considered to increase the club’s sporting performance. This is demonstrated by the arrow going from the supply side to “the potential for competitive advantage”. In this way, we understand that our recommended strategy encourages the club to improve its sporting performance without enhancing the main costs related to player investments, allowing the club to simultaneously create conditions for financial and sporting success.

7) Reaching sporting success (demonstrated by “the potential for competitive advantage”), the club would, through the virtuous circle, increase the potential for enhancing all three revenue channels, again contributing to financial success.

8) Finally, entering the virtuous circle in both directions by the simultaneous achievement of profitability and improved sporting performance, our recommended long-term strategy provokes a process that enables the general European top club to not only comply with UEFA financial fair play, but also create conditions for achieving competitive advantage within the changing UEFA football industry.

Figure 44. Our recommended long-term strategy towards the simultaneous achievement of UEFA financial fair play and competitive advantage within the changing UEFA football industry.
8.0 Conclusions

8.1 The road towards the responding of our purpose

Our journey towards the understanding of how the general European top club possibly could implement a long-term strategy that allows the club to simultaneously reach sporting and financial success had its beginning in the empirical starting point of UEFA’s implementation of financial fair play. Considering the ruthless short-term strategies that generally had been adopted by the clubs so far, characterized by repeated losses, high risk, moral hazard, and the almost exclusive quest for short-term sporting success, the financial requirements of breaking even implied a tough challenge for the European top club. From now on, the club had to go from pursuing a short-term strategy approach, almost exclusively based on achieving sporting success on the field, to a long-term strategy that, besides creating conditions for complying with the main purpose, simultaneously was based on the quest for financial success. Hence, as stated by UEFA General Secretary Mr. Infantino, the European top clubs had “a lot to work on in reorganizing their activities [and in] implementing new strategies in accordance with financial fair play” (Chaplin, 2012:1).

Consequently, in the encounter between the implementation of UEFA financial fair play and the European top club’s ruthless aim for sporting success, a research problem emerged, which later would be defined as the phenomenon as well as the question of issue of how the European top club possibly could go towards profitability and simultaneously improve its sporting performance to create conditions for competitive advantage within the changing UEFA football industry. Such phenomenon was about to be explained by applying business strategic management theories mainly related to the achievement of competitive advantage.

Crucial for further analysis was the underlying discussion about the identified positive two-way relation between financial performance and sporting success, referred to as the virtuous circle, giving us a primary understanding of the UEFA football industry’s most essential fundamental. We learned that sporting success creates conditions for further financial performance as it enhances all three revenue channels, and that financial success, through the avoidance of UEFA’s sporting punishments and further squad investments, most likely results in further sporting success. Reaching such understanding, we were now ready to continue our journey towards the responding of our question of issue.

The first step in this process was to objectively identify the primary sources of competitive advantage, referred to as the external key success factors and the internal resources and capabilities. Primarily, we identified the industry’s key success factors mainly from an industry analysis based on our empirical findings of the UEFA football industry. Here, we identified recruitment of key management, recruitment and development of differential labor, team development, differentiation, brand management, the ability to create margins, and the overall sporting success as the UEFA football industry’s key success factors. Having identified the UEFA football industry’s key success factors, we derived the general European top club’s internal key capabilities. Here, our qualitative examination of the three successful European top clubs was essential, having in mind that all these clubs are characterized by a remarkable sporting and financial success over time, and thus considered as role models for the general European top club in its simultaneous quest for complying with UEFA financial fair play and competitive advantage. This approach resulted in the identification of vertical integration management, creation of a winning culture (incl. management and continuity), differentiation of the core offering, brand management (incl. commercial innovation), and financial management as the general European top club’s internal key capabilities. Then,
relating the external and internal sources of competitive advantage to each other, we obtained the necessary strategic fit for a potential competitive advantage, justifying the validity of the identified internal key capabilities in upcoming strategies.

Consequently, our derived internal key capabilities formed the basis for the determination of the general European top club’s critical margin and sporting enhancing activities. Such activities were identified and recommended by applying the value chain analysis, resulting in the concrete primary activities recruitment policy based on youth development and complemented by careful player acquisitions, team development, differentiation, home stadium development, brand management, community development activities, and the sale of own produced players. Here, worth to highlight is our threefold use value creation approach for further differentiation, enabling us to understand that the general European top club’s value creating process goes beyond the creation of direct functional value, and could be further enhanced by the creation of symbolic value (a deeper meaning) and aesthetic value (an enhanced subjective experience). In addition, to make the primary activities work appropriately, we recommended support activities such as the recruitment of key management, the creation of an organizational culture, team performance incentives, and commercial innovation.

Having identified and recommended the critical margin and sporting enhancing activities, the final step in order to respond to our question of issue was to formulate a long-term strategy that based on the identified activities provided guidance towards the European top club’s compliance with financial fair play and competitive advantage. This was achieved by reorganizing the identified activities into our own-developed strategic framework built on the unique fundamental of the simultaneous quest for sporting and financial success, enabling us to finally understand how the European top club possibly could comply with financial fair play and simultaneously create conditions for competitive advantage within the changing UEFA football industry.

8.2 Assuring the validity of our recommended strategy

Even though we theoretically have responded to our purpose, we must also assure the validity of our recommended strategy in practice. On a primary basis, one could question the strategy’s validity, being derived from only three units’ characteristics within a large industry. Though, as stated in our method, our small-N-study approach based on a few diversified units and an undetermined number of variables, has enabled us to go deep into details, resulting in the profound understanding of the phenomenon of how to simultaneously reach sporting and financial success within the UEFA football industry, an understanding that has formed the basis for our strategy formulation. In addition, the obtained strategic fit between the external and internal sources of competitive advantage justifies the validity of the identified internal key capabilities, and thus the validity of the identified activities that our recommended strategy is based on.

8.3 The general applicability of our recommended strategy

Our recommended strategy is based on the assumption that the European top clubs choose to face UEFA’s financial fair play requirements in a morally correct way, meaning that they stick to the rules by respecting UEFA’s intentions and objectives rather than trying to manipulate the achievement of the financial fair play requirements. The question to consider is how responsive the European top clubs are to financial fair play, and how likely it is that they actually will change their short-term strategies to such extent that they comply with the
new requirements in a morally correct way. If the willingness to manipulate the achievement of financial fair play is high, our recommended strategic approach will logically have a smaller impact and utility for the European top clubs. Though, having in mind UEFA’s clear intentions and demonstrated determination to punish clubs that not comply with financial fair play, a strategy based on manipulation will barely be the most appropriate choice in the clubs’ quest for achieving the main purpose of sporting success. Reversely, creating conditions for not only the compliance with financial fair play in a morally correct way, but also for further sporting success, our recommended long-term strategy could be considered as a more viable alternative.

Assuming that the European top clubs face the financial fair play in a morally correct way, it is in turn important to emphasize that the potential for implementing such complete long-term strategy obviously will vary among the clubs. Even though assuming that all European top clubs strive for the ultimate competitive advantage, they are all characterized by unique internal conditions in terms of resources and capabilities, and affected by different external factors within their proximate environments, affecting a possible implementation. The club’s size and grade of internationalization, as well as geographical location, determining economic conditions, national regulations, and cultural aspects, could all have an impact on its strategic opportunities. For instance, a club’s fan base might be restricted to the local market, and the potential for home stadium development could be restricted by not only the local demand, but also by local construction terms, while the implementation of community development activities could be limited by cultural aspects or economic standards. Having this in mind, our recommended strategy must certainly be adapted to each club’s unique conditions and proximate environments, and more function as a general guidance and something to strive for in each club’s dual quest for financial and sporting success. However, we argue that some of our key activities actually are generally applicable over time, independently of the above mentioned factors. For instance, the creation of a strong organizational culture (resting on cooperation, coordination, and continuity), which in fact is a cost friendly activity that not only is value creating (through symbolic value creation), but also directly sporting enhancing (through team development), could certainly be developed regardless of economic factors and national regulations.

In addition, as the three successful European top clubs are governed in different ways, empirical findings do also demonstrate that our recommended strategic approach certainly could be generally applicable independently of legal form type, making the type of governance irrelevant in the clubs’ simultaneous quest for sporting and financial success.

8.4 Implications for the European top clubs and their proximate environments

Striving for implementing our recommended strategy, the European top clubs would be able to substitute their short-term strategies characterized by repeated losses, high risk, and moral hazard, by a long-term strategy characterized by financial sustainability, but without giving up their ultimate quest for sporting success. The reason is, as clearly demonstrated in our strategic framework, that our recommended strategy besides including direct sporting enhancing activities also include margin enhancing activities that in various ways enhance both financial and sporting success. Our revenue increasing activities do not only create conditions for profitability, but also, through the virtuous circle of financial performance and sporting success, conditions for improved sporting performance. The same appears to our cost
reducing activities, even though such activities also are considered to more directly increase the sporting performance through their direct sporting enhancing effects.

The characteristic of enhancing both financial and sporting success is what makes our recommended strategy appropriate, demonstrating the fact that it is possible for the general European top club to reach sporting success without risking its financial health. In contrast to the short-term strategies that so far have characterized the majority of the European top clubs, our recommended strategy enables the clubs to reach sporting success without implying rushing costs related to player investments. Reversely, our recommended strategy has shown to be cost friendly, and rather decrease costs related to player investments, offering an alternative way to the so far adopted short-term strategies towards sporting success. Our recommended strategy is empirically supported, demonstrating that sporting success not necessarily is an outcome of a short-term strategy based on increasing player investments. Not only FC Barcelona, but also Manchester United and FC Bayern Munich, have reached a remarkable sporting success by long-term strategies primarily based on activities such as youth development, the creation of a winning team, and a strong organizational culture – all activities not directly associated with increasing costs. As such activities require time, continuity rather than spent money could be considered as the primary driver of sporting success. Hence, their seem to be evidence for claiming that the clubs no longer need to stick to their short-term strategies that have caused such negative consequences for not only the clubs themselves, but also for their proximate environments. As claimed by Niva (2013:1), when explaining Borussia Dortmund’s recent success in this year’s Champions League: “Borussia Dortmund’s fabulous revival has been built on the conviction that there are things that you still cannot get for money, that a club actually can move football mountains with commitment and unity”.

Implementing our recommended long-term strategy, the clubs would most likely put an end to the alarming numbers that nowadays characterize the UEFA football industry. By simultaneously increasing revenue and decreasing main costs, the clubs would fight the rushing wage/revenue ratio which nowadays exceeds the critical limit of 70% in several top leagues, and by that contribute to a reduction in the proportion of totals costs relatively revenue, corresponding to as much as 113% in 2010. In fact, our cost reducing elements could produce a reducing inflationary effect in the industry, as they, if implemented on an aggregate level, most likely would slow down and eventually put an end to the increasing wage costs and transfer fees (up 183% between 2007-2011) that during the last decade have characterized the UEFA football industry. Going towards profitability, the proportion of clubs that will fail UEFA’s first real assessment in spring 2014 would be significantly less than the today’s expected 62%. Reaching profitability on a regular basis, the clubs would also have the opportunity to increase equity and pay off debt, eventually resulting in an increasing solvency from the aggregated level of 15% in 2011.

In addition, the clubs would not only sustain their own viability, but also reduce the overall negative impact on their proximate environments. Instead of facing repeated losses, the clubs would start experiencing a more sustainable future characterized by reducing debt and increasing equity. This would imply a greater self-sufficiency, resulting in that the clubs, instead of relying on external support in terms of funds generated from rich owners and/or creditors, would keep working towards their main purpose of sporting success by own-generated funds. In this way, the ruthless behavior of moral hazard, which similarly to bank systems has put innocent parties into difficulties, would most likely change to the better, resulting in positive consequences for society. The clubs would reduce the risk of potential
bankruptcies and all negative effects such destinies possibly could bring to the clubs’ proximate environments.

Striving for implementing something similar to our recommended long-term strategy, which not only sustains the clubs’ viability and sporting competitive position, but also reduces the negative effects on their proximate environments, we argue that the clubs would get closer to the compliance with UEFA’s main objectives of financial fair play:

 ✓ To introduce more discipline and rationality in club football finances;
 ✓ To improve the economic and financial capability of the clubs, increasing their transparency and credibility;
 ✓ To decrease pressure on salaries and transfer fees and limit inflationary effect;
 ✓ To encourage clubs to compete with(in) their revenues;
 ✓ To encourage responsible spending for the long-term benefit of football;
 ✓ To protect the long-term viability and sustainability of European club football;
 ✓ To ensure that clubs settle their liabilities with players, social/tax authorities, creditors, and other clubs on a timely basis.

8.5 Implications for the field of football strategic management

On the road towards the formulation of our recommended long-term strategy, we reached a profound understanding of the unique fundamentals of the changing UEFA football industry resulting in an own-developed strategic framework which now could be considered as a possible complement to the field of football strategic management. Besides taking into account the football club’s main purpose of sporting success, the strategic framework does also respect the UEFA financial fair play regulations, making it appropriate for the European top club’s strategy formulation in modern time.

As demonstrated in figure 45, the general European top club can use the strategic framework in its own quest for financial and sporting success in the UEFA football industry, formulating a strategy by positioning critical margin and sporting enhancing activities (derived from its own internal key capabilities) into the strategic framework.

86
8.6 Suggestions on future research

Responding to our question of issue, we have identified several questions that we argue could be subject of further analysis in order to encourage the European top club in its simultaneous quest for UEFA financial fair play and competitive advantage. Consequently, this thesis might have opened the door for future research, particularly related to UEFA financial fair play, which further could complement the field of football strategic management.

Diversification

Since competing within revenues becomes increasingly important with the implementation of financial fair play, we argue that the ability to find new sources of revenue will be essential for the European top club’s future prospering within the UEFA football industry. Hence, a potential strategic activity on corporate level could be what Grant (2010:415) refers to as diversification, defined as “the potential for sharing and transferring resources and capabilities between businesses”. In contrast to the football club’s main revenue channels, more or less related to the club’s sporting performance, diversification would reversely ensure the club to always generate a certain amount of revenue independently of its sporting success on the field. Grant (2010:402) supports this, suggesting that “diversification offers growth options and the potential for a firm to free itself of the restrictions of a single industry”. In fact, several clubs have already become aware of the advantages with diversification. Hallgren, Hermansson & Olsson (2012) claim that several clubs recently have adopted activities related to the concept of diversification such as real estate construction, restaurant services, gym services, concert arrangements, hosting other sports etc., generating a solid and sustainable amount of revenue, independently of the club’s sporting performance. As noticeable, the implementation of diversification could generate significant revenue for the European top club in its quest for competitive advantage, and thus be considered as a subject for further discussion and analysis.

How to sustain the achieved competitive advantage?

Another suggestion on future research would be to examine the sustainability of the achieved competitive advantage. As we know, our recommended strategy provides further guidance towards the achievement of competitive advantage within the UEFA football industry; however, it does not provide any further understanding of how such competitive advantage possibly could be sustained over time. This is a question that could be further investigated. Here, the researcher could take advantage of Barney’s (1991) VRIN-approach. According to Barney (1991:102), an organization is enjoying a sustained competitive advantage when it is “implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy”. This occurs when the possessed resource responds to the requirements of VRIN, that is to say when the resource is valuable (i.e. enables strategies that can improve efficiency and effectiveness), rare (often through a first mover advantage), imperfectly imitable (i.e. possesses unique historical conditions, casual ambiguity, or social complexity), and non-substitutable (i.e. does not face any strategically equivalent resource). Relating this to the European top clubs, future researchers could apply the VRIN-approach to favorably investigate the sustainability of the clubs’ adopted strategies, and thus their potential to result in a sustained competitive advantage.
8.7 Final words

Even though we argue that we have created conditions for the general European top club to reach competitive advantage within the UEFA football industry, we cannot forego the charm in football – its unpredictability. We must remember that football is a sport characterized by extremely small margins, especially at the highest level, where winning and losing barely can be fully controlled. The outcome of the 90 minutes of a knockout game could be determined by so much more than what the club possibly could control and prepare in advance. Unpredictable factors such as unexpected match conditions, one single player’s mistake, red card, or injury, an opponent’s cheating, or one single referee’s perception, could all abruptly change the destiny of the game, resulting in losing instead of winning. Hence, our recommended strategy can never be seen as a guarantee for winning, but at least an approach to take advantage of, in the European top club’s ultimate quest for competitive advantage within the changing UEFA football industry.
**9.0 Appendix**

**Appendix 1 - Access list UEFA Champions League 2012/2013**

UEFA provides the following access list to UEFA Champions League 2012/2013 on its web page uefa.com.

* A country's representation in the UEFA Champions League is determined by its UEFA coefficient ranking, which is calculated over a five-year basis (UEFA, 2012b:1)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Association</th>
<th>League Route</th>
<th>Champions Route</th>
<th>Group stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>Holders</td>
<td></td>
<td></td>
<td>TH</td>
</tr>
<tr>
<td>1</td>
<td>England</td>
<td>Q3</td>
<td>Q1</td>
<td>CH RU N3</td>
</tr>
<tr>
<td>2</td>
<td>Spain</td>
<td>N4</td>
<td>Q1</td>
<td>CH RU N3</td>
</tr>
<tr>
<td>3</td>
<td>Germany</td>
<td>N4</td>
<td>Q2</td>
<td>CH RU N3</td>
</tr>
<tr>
<td>4</td>
<td>Italy</td>
<td>N3</td>
<td>Q3</td>
<td>CH RU</td>
</tr>
<tr>
<td>5</td>
<td>France</td>
<td>N3</td>
<td></td>
<td>CH RU</td>
</tr>
<tr>
<td>6</td>
<td>Portugal</td>
<td>N3</td>
<td></td>
<td>CH RU</td>
</tr>
<tr>
<td>7</td>
<td>Russia</td>
<td>RU</td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>8</td>
<td>Ukraine</td>
<td>RU</td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>9</td>
<td>Netherlands</td>
<td>RU</td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>10</td>
<td>Turkey</td>
<td>RU</td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>11</td>
<td>Greece</td>
<td>RU</td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>12</td>
<td>Denmark</td>
<td>RU</td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>13</td>
<td>Belgium</td>
<td>RU</td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>14</td>
<td>Romania</td>
<td>RU</td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>15</td>
<td>Scotland</td>
<td>RU</td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>16</td>
<td>Switzerland</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>17</td>
<td>Israel</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>18</td>
<td>Czech Republic</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>19</td>
<td>Austria</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>20</td>
<td>Cyprus</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>21</td>
<td>Bulgaria</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>22</td>
<td>Croatia</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>23</td>
<td>Belarus</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>24</td>
<td>Poland</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>25</td>
<td>Slovakia</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>26</td>
<td>Norway</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>27</td>
<td>Serbia</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>28</td>
<td>Sweden</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>29</td>
<td>Bosnia and Herzegovina</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>30</td>
<td>Finland</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td>31</td>
<td>Republic of Ireland</td>
<td></td>
<td></td>
<td>CH</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Hungary</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>Moldova</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Lithuania</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>Latvia</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>Georgia</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>Azerbaijan</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>Slovenia</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>FYROM</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>Iceland</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>Kazakhstan</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>Liechtenstein</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>Montenegro</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>Albania</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>Estonia</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>46</td>
<td>Wales</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>47</td>
<td>Armenia</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>48</td>
<td>Malta</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>49</td>
<td>Northern Ireland</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>Faroe Islands</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>51</td>
<td>Luxembourg</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>52</td>
<td>Andorra</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>53</td>
<td>San Marino</td>
<td>CH</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Abbreviations:**
- **Q1:** First qualifying round
- **Q2:** Second qualifying round
- **Q3:** Third qualifying round
- **PO:** Play-off round
- **TH:** The holders
- **CH:** Champions
- **RU:** Runners-up
- **N3:** Third-placed side
- **N4:** Fourth-place side
Appendix 2 - Access list UEFA Europa League 2012/2013

UEFA provides the following access list to UEFA Europa League 2012/2013 on its web page uefa.com.

* A country's representation in the UEFA Europa League is determined by its UEFA coefficient ranking, which is calculated over a five-year basis (UEFA, 2012c:1)

<table>
<thead>
<tr>
<th>Association</th>
<th>Rank</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>PO</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>Fair Play (three teams)</td>
<td>UCL 14 teams (Q3)</td>
<td>Holders UCL 10 teams (PO)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>England</td>
<td>1</td>
<td>N6</td>
<td>N5</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>2</td>
<td>N6</td>
<td>N5</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>3</td>
<td>N6</td>
<td>N5</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>4</td>
<td>N5</td>
<td>N4</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>5</td>
<td>N5</td>
<td>N4</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>6</td>
<td>N5</td>
<td>N4</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>7</td>
<td>N5</td>
<td>N4</td>
<td>N3</td>
<td>CW</td>
<td></td>
</tr>
<tr>
<td>Ukraine</td>
<td>8</td>
<td>N5</td>
<td>N4</td>
<td>CW</td>
<td>N3</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>9</td>
<td>N5</td>
<td>N4</td>
<td>CW</td>
<td>N3</td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>10</td>
<td>N4</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>11</td>
<td>N4</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>12</td>
<td>N4</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>13</td>
<td>N4</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td>14</td>
<td>N4</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>15</td>
<td>N4</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>16</td>
<td>RU</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Israel</td>
<td>17</td>
<td>RU</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Czech Republic</td>
<td>18</td>
<td>RU</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>19</td>
<td>RU</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cyprus</td>
<td>20</td>
<td>RU</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>21</td>
<td>CW</td>
<td>RU</td>
<td>N3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Croatia</td>
<td>22</td>
<td>N3</td>
<td>CW</td>
<td>RU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belarus</td>
<td>23</td>
<td>N3</td>
<td>CW</td>
<td>RU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>24</td>
<td>N3</td>
<td>CW</td>
<td>RU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slovakia</td>
<td>25</td>
<td>N3</td>
<td>CW</td>
<td>RU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>26</td>
<td>N3</td>
<td>CW</td>
<td>RU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Serbia</td>
<td>27</td>
<td>N3</td>
<td>CW</td>
<td>RU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>28</td>
<td>RU</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>29</td>
<td>RU</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>30</td>
<td>RU</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Republic of Ireland</td>
<td>31</td>
<td>RU</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>32</td>
<td>RU</td>
<td>N3</td>
<td>CW</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Country</td>
<td>RU/N3</td>
<td>CW</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>-----------</td>
<td>--------</td>
<td>------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>Moldova</td>
<td>RU N3</td>
<td>CW</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Lithuania</td>
<td>RU N3</td>
<td>CW</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>Latvia</td>
<td>RU N3</td>
<td>CW</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>Georgia</td>
<td>RU N3</td>
<td>CW</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>Azerbaijan</td>
<td>CW RU N3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>Slovenia</td>
<td>CW RU N3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>FYROM</td>
<td>CW RU N3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>Iceland</td>
<td>CW RU N3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>Kazakhstan</td>
<td>CW RU N3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>Liechtenstein</td>
<td>CW</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>Montenegro</td>
<td>CW RU N3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>Albania</td>
<td>CW RU N3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>Estonia</td>
<td>CW RU N3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>46</td>
<td>Wales</td>
<td>CW RU N3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>47</td>
<td>Armenia</td>
<td>CW RU N3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>48</td>
<td>Malta</td>
<td>CW RU N3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49</td>
<td>Northern Ireland</td>
<td>CW RU N3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>Faroe Islands</td>
<td>CW RU N3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51</td>
<td>Luxembourg</td>
<td>CW RU N3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>52</td>
<td>Andorra</td>
<td>CW RU</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>53</td>
<td>San Marino</td>
<td>CW RU</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Abbreviations
Q1: First qualifying round
Q2: Second qualifying round
Q3: Third qualifying round
PO: Play-off round
CW: Cup winners
RU: Domestic league runners-up
N3: Domestic league third-placed side
N4: Domestic league fourth-placed side
N5: Domestic league fifth-placed side
N6: Domestic league sixth-placed side
10.0 References


FC Barcelona (2013f). *Barca have most European fans.* Fcbarcelona.cat Available at: http://arxiu.fcbarcelona.cat/web/english/noticies/club/temporada1011/09/10/n100910112834.html


Financialfairplay, 2012. *The bell tools for Pompey.* Financialfairplay.co.uk. Available at: http://www.financialfairplay.co.uk/

Financialfairplay, 2013. *Liverpool – large cash injections from owners required under FFP rules.* Financialfairplay.co.uk. Available at: http://www.financialfairplay.co.uk/


