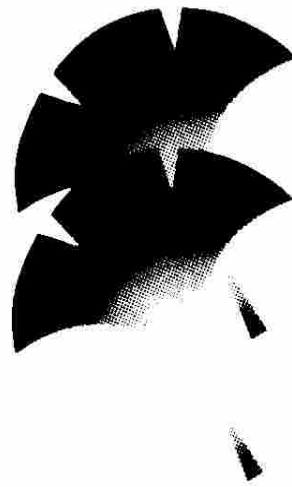


**DEUTSCHES INSTITUT FÜR JAPANSTUDIEN**



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**Ahead of the Game -  
The Network of Value Captures in  
Professional Football**

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**Ahead of the Game**  
**- The Network of Value Captures**  
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*Abstract:*

By looking at the international dimension of soccer (European football or henceforth football) this paper will focus on the development of value captures in the professional football business. We will identify and describe the business parameters in professional football that vary from those of any other business. The proposed network of value captures recognizes the following dimensions (1) the product and its features, (2) the various customers groups, and (3) the vision of the future of the club central to different levels of strategy aggregation. Knowing how those value captures are interlinked is of significant practical relevance and importance. To advance the empirical analysis further the value captures will be organized along two dimensions: its extent of “virtuality” as well as its spatial spread into local, regional, international or global business. Finally two dominating trends in the football business will be elaborated: (1) exploring global markets, and (2) developing the individual club as a global brand.

*Key Words:*

Football, professional sport, team, player, football league, football club, arena, community, fans, media, corporate governance, value capture, club management, sponsorship, sports marketing, brand, merchandise.

## **1 Football is entertainment, sport and business**

A professional soccer club (European football or henceforth football) in a league from a smaller European country is like a small commercial or medium-sized enterprise (SME) in terms of its turnover and number of employees. The big difference is the image and general acknowledgement of such a club, which has fans and members of extraordinary loyalty. The image leads to special exposure and the club will therefore be closely examined by the fans in a way which seldom or never is the case for an ordinary small company. The team, players and trainers are always monitored or “accountable every day to the fans” (Morrow 2003: 127). The fans are of many different types. Many of them do not even contribute financially since they do not buy any merchandise and only watch the matches on TV. Other fans buy everything from shirts to expensive items including transportation fares and tickets for away matches and spend a lot of time in the branded world.

Like ordinary SMEs, football clubs are strongly dependent on a qualified management. However, football clubs have in the past been managed by volunteering enthusiasts associated with poor management. The success or failure of football clubs nowadays is the result of a professional or a less competent management although in the football business it is not always clear who really is the management. The representatives of the owner(s) are often “the management”, whereas in situations when there is no owner, there is an association with no strong constituencies like in any social organization. It happens sometimes that the trainers are regarded as the management and that is natural because they are the front stage people. However, the backstage management, is here argued, the crucial part. These three types of actors are the core and also constitute three parts which should be strongly linked. In most entertainment companies the owner must trust the managing director (back stage) and he must trust the coach (the front stage manager) whom he has selected, possibly together with the owner.

The objectives (as stated in their statutes) of the vast majority of professional football clubs in Europe include both promoting football as a sporting activity and running a business. Many clubs also include broader community objectives in their list of objectives (FGRC 2002). It is this dual mission of football clubs – to promote sporting success on the one hand and to operate as commercial businesses on the other hand – that distinguishes

them from ordinary SMEs which aim only for “making profit”. The relationship between both objectives in the football business is of a complex nature and has implications for club management and the club’s financial performance. Like in any SME the critical decision concerns big spending. In highly branded football clubs the salaries to the players rarely account for 50 to 80 percent of the total costs and it is said that the clubs that spend more on players are more likely to win. However, eleven skilled players do not necessarily comprise a winning team and star players might serve as a guiding light for the team, but their character often does not gel with the role of team leader. Apart from the “glory of win”-factor buying an expensive (ready made) player or dismissing a trainer therefore becomes a high risk financial venture, which requires a lot of management skill. But such high spending clubs following “invest and harvest” strategy need to be among the top teams of the national league or to participate in the European Champions League where the big money is being allocated. Less successful football clubs need to consider whether there is a risk game and whether it should stress a “pay as you go” strategy or not. However, since revenue streams in the football business are attached to winning, this sometimes encourages even small clubs to gamble on success, even when this risks neglecting sound business practices.

Football supporters or fans are of a special kind too. Each consumer has his own particular history. The attachment to a club usually starts at the age of 13-15 years. At that time the child or the youth sees his club as a symbol of belonging (to a group or an organization, of feeling happy and comfortable). The trust lies in something mixed: the clubs history, the team members of today or of yesterday but also in the political message, with which the club is loaded (like FC Barcelona and Catalonia). The indirect perception, like seeing the match on TV or seeing the club co-branded with a famous logo, might give a kick. When their chosen club fails to qualify for European competitions or lose match after match in the national league, some fans are disappointed. When, as in the case of Manchester United, the ticket prices are dramatically increased, many fans leave the club. The loyalty does not hold and a limit is disclosed. The young audience suffers from the illusion that the club is not a football club but something else: an entertainment organization with the highest goal being to make profit or to at least fulfil the ambitions of the shareholders. That creates a mixed feeling when the expectations are so different. Internationalization of football is a necessity. Here we demonstrate some alternative paths to going abroad in an ever escalating industry development using both

physical and virtual approaches. Some activities in the football business will here be labelled as *physical* and others are a specified thing we call them *virtual*.

The theory needed is now somewhere in sight. To become “ahead of the game”, a first step of a framework to enable improved analysis seems obvious to capture. The purpose of this article is to develop such a framework of football management. Our chosen methodology is based in both existing theoretical, but to a large extent in empirical literature on which we develop a frame. This framework is analyzed and conclusions are drawn with references to advance to international markets as well as marketing (branding) theories.

## **2 The management challenges of football – developing a network of value captures**

To advance understanding of the distinctive features of the football business, we need to explore the unique management challenges of the game and to search for various ways in which football is organized and managed around the globe. We therefore developed a framework on football management by examining the following dimensions: (1) the product and its features, (2) the customers, (3) the business process, strategic vision and intent.

### **2.1 The football package - what is the product?**

Most business concepts assume that the firm develops, produces and sells a product to a consumer or a buyer based on a mutually agreed price. The service society, which characterizes the economy of the OECD countries, requires a tangible product combined with a certain set of services to be successful (Normann 2001). This service stage has become so rooted and so prevalent that in many instances it is becoming commoditized. In order to differentiate themselves, many companies are moving beyond services into “experiences” or “entertainments” (Levitt 1983; Wolf 1999). Thus McDonalds offers more than a meal; it will host your child's birthday party, complete with a candle lit cake and amusements. Walt Disney is, with its Disney Parks, the recognized expert in offering experiences. The workers are called actors, the visitors are the guests and the theme park becomes the stage. Pine II and Gilmore (1999) believe that those experiences are a

distinct offering from services. According to them, experiences must provide a memorable offering that will remain with the consumer for a long time, but in order to achieve this, he/she must be drawn into the offering such that a sensation is felt. And to feel the 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 behavioural traits of the consumer.

But football evokes more than service, experience and entertainment. Even football managers have difficulties clearly identifying their product. This problem is partly the result of every individual having his/her own experience and expectation of the game or events around the match - a “something else” associated with the football experience. It is not one single product, service or entertainment that a football club offers. We can consider the following possible “offerings”: (A) team (i.e. top performance team); (B) sporting competitions (i.e. league structures); (C) organization (i.e. the club); (D) event and the arena (i.e. the football game); (E) stars (i.e. top players as assets); and (F) merchandise.

### **(A. Team)**

Football is a *team* sport, however eleven skilled players do not necessarily comprise a winning team. A team with superior physical ability alone cannot beat an opponent that has good technique and a carefully planned strategy. Further, without adequate training and performance techniques, even the most well-intentioned teams fail to win the match. Top players sometimes serve as a guiding light for the team, but their character, which stresses individuality, often does not gel with the role of a team leader.

Those “fail factors” lie primarily in the nature of the football game and the dynamic of the team in regards to (1) the design (e.g. independence from the club owners), (2) process (e.g. co-operation between the players, between players and coach), and (3) contextual variables (e.g. adequate resources like players in reserve). A variety of models have been proposed and explored in the literature on organizational behaviour and personnel psychology to understand work team effectiveness (Campion et al. 1993; Gladstein 1984; Hackman 1987; Hackman & Morris 1975; McGrath 1964, 1984). However several gaps remain in transferring those results to professional football, as many researchers have argued that their findings may be very context sensitive (e.g. Janz et al. 1997; Champion et al. 1996; McGrath 1984) and related to the configuration of the team (“blue-collar”



or “knowledge” workers)(e.g. Hackman & Oldham 1980). There is also evidence that the atmosphere within the team is much more important in team sports. Philippe Troussier (2002: 67) the former coach of the Japanese National Team said: “When players start to lose their sense of unity, the team loses its energy and then starts to lose matches it should have won. When two teams are almost equal in terms of ability, team spirit becomes the key to separating the winner and the loser. This spirit can be the difference between winning and losing.”

### **(B. Sporting Competitions)**

Football as a team sport also requires co-ordination among the contesting teams, because the game involves at least two distinct teams, which must agree on the rules of the game. In Europe this process dates back to the early 19<sup>th</sup> century, when matches were first football played on the pitches and playgrounds of England’s public schools. Eton’s way of playing would differ to Harrow’s, and theirs to Winchester’s, and to Charterhouse’s and so on to the ultimate extreme with Rugby. Frustrated, undergraduates at Cambridge tried to unify the rules in the mid-to-late 1840s (Brändle & Koller 2002) and those rules were largely accepted on the morning of 26<sup>th</sup> October 1863, when the Football Association (FA) was formed at London’s Freemason’s Tavern. On this occasion representatives from 11 clubs and schools from the London area agreed on official rules under which they could all play. Disputes on the rules persisted however, largely involving Sheffield clubs who had announced their own set of ideas in 1857.<sup>1</sup> The creation of the International Football Association Board (IFAB) in 1886 finally put an end to all arguments, when the English FA, conscious of the need for standardisation, invited their Irish, Scottish and Welsh counterparts to join forces to come up with a uniform code. Up until then, different rules had applied in different countries.<sup>2</sup>

Besides agreeing on the rules of the game, the time and venue at which it will be played as well as the officials who will enforce the rules and keep the score needs also to be decided. Theoretically those decisions could be made by the contesting teams on a game-by-game basis. However if several teams play against each other, *clubs* as hosts for teams and a *league* need to be organized in order to be efficient, and rules must be adopted to

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<sup>1</sup> [http://www.thefa.com/TheFA/TheOrganisation/Postings/2004/03/HISTORY\\_OF\\_THE\\_FA.htm](http://www.thefa.com/TheFA/TheOrganisation/Postings/2004/03/HISTORY_OF_THE_FA.htm), accessed 16.09.2005.

<sup>2</sup> <http://www.fifa.com/en/history/history/0,3504,3,00.html>, accessed 20.12.2005.

determine the champion (Noll 2003a, 2003b; Késenne 1996). Revising the arguments for the necessary institutional features of a league in general (see eg Noll 2003a, 2003b; Smith & Westerbeek 2004; Kipker & Parensen 1999), we prefer to change perspective and to focus on the following elements of sporting competitions, which club managers should keep in mind for successfully promoting their club:

- (1) Distribution: How to schedule matches or tournaments to determine the champion and how to bring the game to the market.
- (2) Hierarchy: What are structural pathways for players and teams to progress and regress between different leagues of lesser and greater quality.
- (3) Multiplicity: How many leagues should be at the same level of hierarchy (i.e. unified league structures or geographically distinct divisions).
- (4) Membership: What are the conditions under which a team enters and exits a league (performance-linked open leagues or closed leagues, which offer no opportunity for additional teams to join).
- (5) Governance: How are league rules decided and enforced as well as controlling of the economic behaviour of its members handled;
- (6) Labour: What is the structure of the transfer market and how to determine the level of compensation to players, coaches and managers?

### ***(C. Organization)***

Hosting a winning team has a dual meaning for professional sports organizations. Not only must the players on the sporting team be able to give their utmost to the cause of winning, but the financial and organizational structure behind it must also work closely to ensure that its business goals will be achieved. European football clubs were largely owned and run as a hobby until the 1980s by presidents which were very wealthy men who held other large business interests. Those presidents did invest money in ‘their club’ for such psychological reasons as “the urge for power, the desire for prestige, the propensity to group identification and the related feeling of group loyalty.” (Hamil 1999: 24). Therefore it is not surprising that the management techniques employed by most football clubs had remained virtually unchanged for nearly seventy years, according to Hamil (1999: 23). He quotes further that a study of club’s accounting practices by Arthur Andersen & Co. in 1982 found these to be “chaotic”.

Cheffins (1997a: 75) adds that the marketing strategies of the football clubs surveyed were “unsophisticated”, their internal cost controls have been “slack” and their accountancy practices have been “archaic, village hall stuff”.

However old prejudices against professionalism continued to give way in the 1990s by the advent of television in sports, free market arguments (King 1998) and governing regulatory interventions. Television contracts involved millions of EUR and the medium's requirements affected (1) the rules of governing the games, (2) the clubs' management, (3) the relationship towards supporters, and (4) the status of players.

(1) Increasing broadcasting revenues and competition for available resources leads to growing power of professional football clubs vis á vis the amateur game. The British Premier League Institution for example has secured its positions constitutionally within the national football association to the point where it now commands influence commensurate with its economic weight, disrupting the relative equilibrium that existed in the governance structures before its formation. According to the FGRC (2003: 10) “the game’s political structures have become increasingly fractious as individuals and organisations squabble over the game’s spoils, sometimes to secure much needed funding, but often for no other reasons than the simple desire for a bigger slice of the financial cake.”

(2) By being subject to the force of the market and adopting management practices of successful contemporary business some football clubs in the major European leagues turned into public limited companies quoted on the stock exchange (FGRC 2004; on the process see also Hamil et al. 2000, Conn 1999, Michie 1999, Michie & Ramalingham 1999).

(3) Establish a relationship with its fans more typical of other business (King 1998; similar Ozawa et al. 2004).

(4) Players benefited from this state of affairs, as though they had little control over how leagues or teams were run, their salaries came close to those of chief executive officers of large corporations. Sport agencies and the players' agents they employ occupy a controversial position in this development. At the micro-level, criticism is directed towards certain individual agents with regard to the amount that they negotiate from brokering deals (see examples at FGRC 2003: 19). At the macro-level if a players' agent is looking to achieve maximum returns, they may encourage a player to move clubs frequently. This will earn them more than if the player maintain a certain degree of continuity at a particular club. “In

addition to this, if the transfer market stagnates, agents will not be able to earn the same returns as when the market is strong. Therefore, whilst agents will argue they represent the interests of their clients, the reality may be more complex.” (FGRC 2003: 19)

#### **(D. *Event and Arena*)**

A sporting event (*football game*) is intangible, short-lived, unpredictable and subjective in nature (Couvelaere & Richelieu 2005; Gladden et al. 1998; Holbrook & Hirschman 1982; Levitt 1981). It is produced and consumed by the spectators in the arena at the same time, mostly with a strong emotional commitment from the fans. European and South American teams play around 80 matches annually, Japanese teams about 50 matches.

In recent years those football games have been transformed into media events for the benefits of millions spectators, few of whom were in attendance at the live event. The growth of “second hand” or vicarious experiences is huge. TV recordings also serve as permanent library records. Such mediatized events affect even the *stadium* or arena they are attached to, attaining the power to transform ordinary places into special sites. Today, arenas of most of the top clubs represent the state of the art in sports-leisure multiplex architecture. They are equipped with the most sophisticated video and audio transmission technology and huge TV screens. In addition, the arena is loaded with various businesses-like VIP lounges, kindergarten areas and eating/dining places. The event business is transferred to facility management (on the economic impacts, see e.g. Dietl & Pauli 2002; Pauli 2002; Zimmermann 1997; Noll & Zimbalist 1997; Crompton 1995).

By taking the British Football League and the Premier League as examples, the majority of arenas and training facilities are still owned by the football clubs (53 %; see FGRC 2002: 19). Creating revenues from selling those assets to investors leaves the football club with a position in the league, but no home in the community where the club was established. Reported by the FGRC (2002: 19) a high profile example of change of ownership occurred at Wimbledon, where Sam Hammam, the previous owner of the Wimbledon FC, sold the Plough Lane ground to Safeway for 12.7 million

EUR (GBP 8 million)<sup>3</sup>, leaving the club without a home and forced into a sharing arrangement with Crystal Palace FC at Selhurst Park. The club was then sold to Norwegian businessmen Kjell Rokke and Bjorn Gjelsten for approximately 44.5 million EUR (GBP 28 million). The sale of the ground and the club, and then the move to Selhurst Park removed the club from the community it had traditionally served and essentially amounted to a “franchising” of Wimbledon FC.<sup>4</sup>

The leasing of the ground by a football club from a third party is also becoming increasingly common, according to the FGRC (2002: 20) as an alternative to mortgaging the property and in order to alleviate long-term debt. “The degree of security this gives the club will depend on both the specific contractual arrangements in place and also the identity of the landlord. For example, should the landlord be the local authority, it is more likely that the club will secure both preferential terms and the security of the ground as a long-term community asset. Alternatively, should the landlord be, for example, a property development or management company, it is likely that the terms of tenancy would be more commercially driven and long-term tenancy less secure.” (FGRC 2002: 20) The value of the arena and the ground in a sale and leaseback is likely to be considerably less than the total cost of buying the freehold and arena construction. The arena itself is of value only for the football club; its value for commercial institutions is the land on which the arena is built, and the commercial value for redevelopment. The FGRC (2002: 21) concludes, that in the case of football clubs, ownership and security of the ground is essential to long-term health and this may be jeopardised by moves to sell the ground.

### **(E. Stars)**

*Players* and their development are also of prime concern to football managers. Football clubs send out their scouts to discover young players in the region and to sign contracts with them, as some of them might later find their way to a professional team. For example, David Beckham first signed a trainee's contract with Manchester United in 1991 and made his League debut in 1995, aged 19. In 2003, he signed a four-year contract with Real Madrid of Spain, potentially worth up to 35 million EUR. Other well

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<sup>3</sup> <http://www.wisa.org.uk/cgi/l/articles/index.cgi?action=show&id=264>, accessed 26.12.2005.

<sup>4</sup> <http://www.wisa.org.uk/cgi/l/articles/index.cgi?action=show&id=201>, accessed 26.12.2005.

known transfers during the last few years include e.g. the French player Nicolas Anelka, from Paris Saint-Germain (France) via Arsenal London (UK), Real Madrid (Spain), Liverpool (UK), Manchester City (UK) to Fenerbahce Spor Kulübü (Turkey), finally worth 20.5 million EUR, and the Swedish player Zlatan Ibrahimovic, from Ajax Amsterdam (Holland) to Juventus Turin (Italy), worth 16 million EUR.<sup>5</sup>

This development was made possible by the “Bosman Ruling”<sup>6</sup> in 1995 (see e.g. Stopper 2004; Büch 1998; Campbell & Sloane 1997). The European Court of Justice found that the rules laid down by the governing bodies FIFA (Fédération Internationale de Football Association) and UEFA (Union of European Football Associations – the governing body of European football), under which a professional footballer who is a national of one member state may not, on the expiry of his contract with a club, be employed by a club of another member state unless the latter has paid to the former a transfer, training or development fee, were in contravention of Article 48 of the Treaty of Rome governing freedom of movement of workers within the EC. The court also found that the same Article precluded the application of rules restricting the number of professional players who are nationals of other Member States that can be fielded in competitions organized by these countries. From this moment on, European football clubs began seeking, across Europe, players whose contracts were expiring in order to hire them without paying anything for the transfer. The Bosman Ruling also provided more power to big clubs; they could take greater advantage of this ruling as their international organizations allowed them to detect the bargains in Europe and as their ability to pay higher salaries enhanced the attractiveness and prestige of these bigger clubs. At present many skilled footballers are “imported” to European leagues from some African countries and from Brazil and Argentina.

### **(F. Merchandise)**

Football *merchandise*, means goods held for resale but not manufactured by the football club, such as flags and banners, scarves and caps, training gear, jerseys and fleeces, footballs, videos and DVDs, blankets and pillows, watches, lamps, tables, clocks and signs, etc. Let us consider the transfer of

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<sup>5</sup> <http://www.nicolasanelka.sports.fr/fr/anelka.asp>, accessed 17.08.2005.

<http://www.zlatan-online.nl/>, accessed 10.10.2005.

<http://www.globalsoccertransfers.com/info/tranfee.html>, assessed in 16.01.2005.

<sup>6</sup> <http://www.uefa.com>, accessed 19.10.2005.

David Beckham in 2003 as an example. Apart from benefiting from his football ability, this transfer has given Real Madrid an opportunity to profit from merchandising, especially in the Far East, where Beckham is enormously popular. Until the transfer, Manchester United had had the lion's share of interest in the Far East. At the time of the announcement of his transfer to Real Madrid, Beckham and his wife were on a week-long tour of Asia promoting beauty products, chocolate, motor oil and mobile phones, which, it was reported, would earn them more than the entire first year of his Real Madrid contract.<sup>7</sup>

## **2.2 Who "buys" football – how to define the customers?**

Why do supporters choose one team over another? Cost is certainly not the argument in the football business for fans, whereas fun, excitement, skilled players, 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 team. This organizational culture could be defined as a set of traditions and beliefs held by an organization that distinguish it from other organizations and infuse a certain life into the skeleton of organizational structure (Mintzberg 1989: 98). Consequently, the variety of offerings creates a broader consumer approach in football by addressing (1.) the spectators and supporters (fan base), (2.) the club members (club membership), (3.) the media, (4.) the sponsors, and (5.) local communities.

This classification is illustrated through examination of the main figures in the turnover of professional football clubs. If we take Manchester United's 2002 figures as an example, (1.) gate receipts and programme sales accounts for 56.3 million GBP, merchandising for 11.4 million GBP; (2.) One United membership for 2.9 million GBP; (3.) media for 51.9 million GBP; (4.) commercial revenues (mainly sponsorship) for 26.5 million GBP - giving a total turnover 146.1 million GBP (Hollensen 2004: 109 and <http://www.manutd.com>). We also added (5.) local communities as those are the home base of a football club and serve often as a lender of last resort in times of financial trouble.

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<sup>7</sup> [http://www.celebstation.org/athletes/david\\_beckham.php](http://www.celebstation.org/athletes/david_beckham.php), accessed 16.10.2005.  
<http://www.davidbeckham.co.uk>, accessed 16.10.2005.

### **(1. *Spectators and Supporters*)**

When it comes to “sales” in the football business, the main attention is created by the *supporters*, with regard to ticket sales and merchandising. “The area behind the goal is the space of wild enthusiasm and excitement. Fans become fascinated, pursue pleasure and throw themselves into cheering. Using all parts of their body, supporters jump up and down, clap hands and never cease to shout in reply to the voices of their leaders.” (Shimizu 2002: 135) He concludes, that in the mist of this fervent carnival, nobody is aware of the “creolization process” of diverse cultures which are represented by the songs and chants made from different languages, the rituals of supporting habits and football culture’s own origins. According to Fisher and Wakefield (1998) fan motivation and subsequent behaviour goes beyond the record of the team and, at times, seems unrelated to performance. Football without fans with a shared emotional investment in their team’s performance, and an emotional investment in the failure of their competitors, doesn’t work – neither as a human experience nor as a commercial venture (Hamil 1999). This makes the football business different from conventional marketplaces. Cheffins (1997b: 109) quotes a Newcastle United fan saying after the club’s managing director had drawn parallels between shopping at Safeways and following Newcastle United: “I don’t go around wearing Safeways replica shirts. I don’t wait for hours to get on a coach to go and see Safeways in other parts of the country. I don’t pay GBP340 for a season ticket to go to Safeways.”

Fan motivation and behaviour vary depending upon the type of fan. Therefore Hunt et al. (1999) propose five different types of fans: the temporary fan, the local fan, the devoted fan, the fanatical fan, and the dysfunctional fan. For our purposes, we adopt a slightly different classification by introducing the international dimension: (1) local fans and (2) international fans.

(1) The “*local fan*” exhibits his behaviour because of identification with a geographic area, and either born, living or staying in the home region of the club. However, those local supporters who are able to watch a football game are only the tip of a huge iceberg. Bayern Munich for example counts 2,123 supporter clubs worldwide with more than 136,000 members in total.<sup>8</sup> It is quoted that, more than any US sports team, Manchester United has built a global brand, and it has a total of 50 millions fans worldwide (its US fanclub boasts 5 million members and about 30 million fans are in

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<sup>8</sup> As for 2004, <http://www.fcbayern.t-com.de>, accessed 17.01.2005.



Asia) (Hollensen 2004: 109). FC Barcelona states that “Barca” now has nearly 1,300 members in Japan, more than any other country apart from Spain, and the number keeps on rising.<sup>9</sup>

(2) Those fans abroad are “*international fans*” according to our classification, which do not get many opportunities to see the team play live. Their attendance is mainly virtual, via the radio, television, or internet. To reach those international fans and to raise the international profile of the club brand, a different strategy is needed. For example, Manchester United went on a tour to Australia and China in 1999 and to Malaysia, Singapore and Thailand in 2001 attracting about 70,000 spectators per game. In July 2005, Manchester United played in Hong Kong, Beijing and Tokyo and official travel packages have been sold from the corporate website.<sup>10</sup> In response to the interest of the local fans, during their stay in Japan in 2005 FC Barcelona has set up an information point near Yokohama's Nissan Stadium for a few days as the local extension of the Nou Camp's Barcelona Fans Office in Spain.<sup>11</sup> Such exposures enable the emergence of “brand communities” (Muniz & O’Guinn 2001) in the football business.

## **(2. Club Membership)**

The *football club* as host of their teams wants to have a sustainable stock of members which certainly requires an iterative approach between the product and the customer. Such approaches are covered in the vast literature on “interactive marketing” and on “customer driven product development” (e.g. Adler et al. 1996) and more and more in “interactive marketing” (e.g. Lovelock et al. 2005; Gummesson 2002) meaning that “marketing by a service firm that recognizes that perceived service quality depends heavily on the quality of buyer-seller interaction during the service encounter” (Kotler & Armstrong 2001: 319). However, we see the parameters in football are singularly different from those in manufacturing or other services, as the very nature of the game enhances the risks. A main factor in uncertainty is also found in the definition of the market; football is a series of different markets presenting special challenges to marketing the

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<sup>9</sup> <http://www.fcbarcelona.com/eng/noticias/noticias/n05061401.shtml>, accessed 20.10.2005.

<sup>10</sup> <http://www.manutd.com/news/fullstory.sps>, accessed 17.01.2005.

<sup>11</sup> <http://www.fcbarcelona.com/eng/noticias/noticias/n05061401.shtml>, accessed 20.10.2005.

brands. By focusing on club members which “buy football” through its membership, we identify at least two distinct groups:

(1) Football by nature is fun, it involves exercise and is competitive. For this reason the football clubs facilitate opportunities for its *active members* to engage in exercise and to play football on a team. The Bayern Munich club, besides its professional team, hosts 20 other football teams: one amateur team, 3 women’s teams, 5 senior teams, and 165 players in 11 youth teams. The professionals are only a minor part when it comes to club membership. Take the German Bundesliga as an example, Bayern Munich has a membership of more than 97,800 which is comprised of 33 professional players and has 6 other divisions besides football; FC Schalke 04 (around 39,600 members, 29 professional players); VfB Stuttgart (about 25,100 members, 26 professional players); and Borussia Dortmund (about 22,200 members, 32 professional players).<sup>12</sup>

(2) Others may join the football club as *passive members* to support their favourite team. In this way Manchester United launched its membership scheme, called “One United”, as preferred customer approach. By becoming a member “Reds of all ages will be able to keep up with the action and news from the club, get to know their team better, and enjoy a range of benefits under a unique loyalty rewards programme.”<sup>13</sup> Benefits for One United members include the right to apply for tickets to home matches, access to a range of exclusive members-only events, publications and merchandise, and “money can’t buy” experiences such as specially arranged visits to watch United train and trips to Champions League away games. One United members also automatically benefit from a range of discounts, when they visit Old Trafford for a Stadium Tour, the Museum, the Red Café and the Megastore.

Manchester United already has 150,000 members<sup>14</sup> what is the largest membership scheme in British football, and the Spanish club FC Barcelona has more than 130,000 members<sup>15</sup>, both creating a solid and constant revenue stream.

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<sup>12</sup> For the complete set on German football clubs, refer to <http://www.bundesliga.de>, which provides links to all professional German football clubs. Accessed 17.10.2005.

<sup>13</sup> <http://www.manutd.com/news/fullstory.sps>, accessed 17.01.2005.

<sup>14</sup> For full details, see <http://www.manutd.com>, accessed 17.10.2005.

<sup>15</sup> <http://www.fcbarcelona.com/eng/noticias/noticias/n05051605.shtml>, accessed 20.10.2005.

### **(3. Media)**

With regard to income in professional football, the *media* is the other main customer - or the main sales channel. The importance of football for the media business can be seen in the increasing amounts of money paid for broadcast rights to the national league or to events like the FIFA World Cup, as well as the growth in the number of sports-oriented radio talk shows and sports oriented TV networks. This may result in strange outcomes such as in the Italian league, where there are often empty stands in the stadium, but the media is still willing to pay a lot for broadcasting.

Rowe (2000, 1996) notes that sport and TV have become mutually and internationally indispensable. As mediated events, football matches, “are privileged means of communication for businesses wishing to conquer new markets, improve their image, and enhance brand recognition” (Manzenreiter 2004: 289; Andreff 2000). The issue of football TV rights is even an issue for the European Competition Commission (ECC) which is aiming to put an end to collective bargaining for football clubs selling television rights. In a British survey, 80% believe that the end of collective bargaining would further polarize the game between the bigger and smaller clubs and 40% think that many clubs will no longer be financially viable as a direct result of such a Directive from the ECC.<sup>16</sup>

### **(4. Sponsorship)**

Football is a natural area for *sponsorship* as it carries very strong images, has a mass international audience, and appeals to all classes (Ferrand & Pages 1996). Each sponsored event is capable of reaching differently defined audiences (Meenaghan & Shipley 1999; Thwaites 1995; Javalgi et al. 1994). According to Chajet (1997), sponsorship has an increasing role to play in gaining entry to overseas markets. It can be a powerful means of enabling an organization to raise the profile across frontiers both of the brand and of the corporate brand (Dolphin 2003). Commercial sponsorship represents one of the most rapidly growing sectors of marketing communications activity. In fact, with the exception of movie stars and singers, sports teams generate a stronger emotional response from fans than in any other industry (Richelieu 2003).

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<sup>16</sup> [http://www.grant-thornton.co.uk/pages/press\\_room-press\\_releases\\_football\\_cash\\_crisis\\_is\\_getting\\_worse\\_as\\_more\\_clubs\\_are\\_predicted\\_to\\_fall\\_into\\_administration.html](http://www.grant-thornton.co.uk/pages/press_room-press_releases_football_cash_crisis_is_getting_worse_as_more_clubs_are_predicted_to_fall_into_administration.html), accessed 17.01.2005.

Sponsorship may therefore be selected as a strategic tool to shape and promote the image of football, the club and its sponsor partners in markets needing to be developed. Manchester United's objective in creating global sponsorship alliances is to seek alliances that will encourage and reward investment in the club to the mutual advantage of both parties worldwide. Budweiser became the Official Beer of Manchester United in the 2002/03 season, and Nike displaced the UK's Umbro as Manchester United's uniforms sponsor and merchandising partner in a deal worth US\$ 550 million over 13 years (Hollensen 2004: 110). In another case, SEGA Europe followed the Japanese JVC as shirt-sponsor partner of London's Arsenal FC to promote the launch of its new video gaming console and the brand in the UK market from 1999 till 2002 (Rosson 2005).

The huge group of club members with some similar traits constitute a good opportunity and a resource base for the management when they identify and negotiate new sponsorships. Club managers seem to develop a clear idea of the ideal composition of their cluster of sponsors. They need to identify and describe the optimal fit between existing market segments (club members) and the potential rewards of existing and potential sponsors. This business strategy is based on aligning with companies that could contribute to the club's fan base with added-value products and services which were previously unavailable to them, such as a WAP service to provide all the latest club news together with Vodafone in the Manchester United case. The initiatives to negotiate with desirable sponsors followed by successful outcomes is facilitated if there is an elaborated analysis. Certainly such a normative comment can not easily be proven, as theories are still lacking, and the existing cases are merely descriptives (e.g. on Juventus FC, by Schüpbach et al. 2003; or on Manchester United, by McCosker, 2004).

### ***(5. Local Communities)***

The Japanese professional football league (J-League) started with a clear belief that the only way to get the general public support which the league needed in the beginning was to create a true "home-town" system with a close mutual commitment between the football club and the local people (Figure 1). By selecting the German institution of comprehensive sport clubs the J-League founders wanted to create the sort of atmosphere where local people are passionately involved in the fortunes of the home club, and tried to avoid the franchise type of sports league organization as is common

in the US, where a team's home depends on the preference of the legal owner. This home-town-base is still a condition of J-League membership; "Each club must designate a particular locality as its hometown. It must cooperate in sports activities conducted in the area to grow as a club that takes part in activities in the community and promotes sports in the region."<sup>17</sup>

**THE ONE HUNDRED YEAR VISION  
~ The Sports Community For All ~**

The professional league was established not only to improve the quality of Japanese football but also to foster the nationwide development of an environment in which all people can find easy and enjoyable opportunities to participate in sport.

This concept is modelled on the community sports of Europe, especially Germany. The German professional football clubs are comprehensive sports clubs where the whole family, from children to the elderly, can enjoy every kind of athletic activity. People of the community enjoy their own sport during the week and turn out as a family to support their professional team on match days. Sports Schule are also found nationwide where practical training is given to future players, coaches, management staff and others in every sport. These, too, contribute to each sport's domestic spread and development.

The J. League aims, through the sport of football, to establish sports clubs like those of Germany that are deeply rooted in the community, for watching sport, playing sport, and developing community ties through sport in an expanding circle of sporting opportunity. These clubs shall be a base, too, for producing top class athletes, bringing new vitality to Japanese football and raising the level of the Japanese game.

*Figure 1: J-League – the one hundred year vision.*<sup>18</sup>

The relationship between football clubs and their communities has been subject of debate and discussion in political circles and in academic research (e.g. Oughton et al. 2003; Jaquiss, 2001, 2003; Morrow & Hamil 2003; Williams et al. 2001; Bale 2000; Coalter 2000). In this debate Morrow (1999) argues that football club's community is made up of two inter-related and often overlapping dimensions: "first, a direct community of supporters and, second, a wider notion encompassing people and groups who can be affected either directly or indirectly by the existence and

<sup>17</sup> <http://www.j-league.or.jp/eng/d1and2/>, accessed 15.10.2005.

<sup>18</sup> <http://www.j-league.or.jp/eng/mission/>, accessed 19.10.2005.

operation of a football clubs within a particular space, usually geographical, but also potentially religious or social.” (Morrow & Hamil 2003: 1-2)

The recent focus on the relationship between football clubs and their local communities in the second dimension has been to some extent finance driven, when communities serve as a lender of last resort in times of financial trouble for football clubs. This will become obvious by taking the German Karlsruher SC as example. “As recently as 1997, the club was sixth in Germany’s top division and qualified for the UEFA Cup, but then the team fell apart the next season and dropped into the second division. Two years later it dropped another level to the Regional League. Cut off from TV revenue and deserted by many fans, the team reached the brink of insolvency in 2002 and had to be rescued by the city of Karlsruhe and local banks” (Ewing 2004: 20). Or take Shimizu S-Pulse from the Japanese professional J-League. S-Pulse’s holding company S-Rap, which made the same mistake in overspending, and bought in top foreign players, as well as built a new training ground, thinking this strategy would help to attract fans and turn S-Pulse into one of the top teams. Average arena attendance, however, fell during the latter half of the 1990s. By 1997 it had lost a cumulative total of US\$23 million and S-Rap had to announce that the main shareholder TV Shizuoka would invest no new money. S-Pulse faced collapse and was only saved after fans collected 300,000 signatures and persuaded a local industry group to take over.<sup>19</sup> Both cases show how 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 could be justifiably spent to keep those clubs in business. In this sense football clubs remain largely untouchable by economic forces that determine the fate of other companies.

The report of the British Football Task Force (1999: 37-46), *Investing in the Community*, offers substantial further evidence in support of this assumption that football is different from commercial businesses because it is fundamentally about the community and not the individual, about a sense of shared emotional ownership. Hamil (1999: 30) adds “even a club like Manchester United, which draws many fans from outside of Manchester, taps into a deep emotional well. To a large extent this reflects the mystique that the club acquired following the Munich air disaster in 1958, and subsequently in the 1960s when its identity became caught up with a wider

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<sup>19</sup> Further examples from the J-League are reported in Manzenreiter 2004, Moffett 2002.

affiliation with the romance, music and social liberation of that decade perhaps best typified by the career of George Best, the first footballer of the modern era to cross over into popular culture. However, it remains true to say that the core support remains in the local Manchester area.”

## **2.3 Business model of football – vision and strategy**

A business model is the entire system for delivering value to customers and earning a profit on that activity. It incorporates a set of assumptions about customers and economics, giving insight into how the firm/club expects to compete (Slywotzky et al. 1997). The model must fit external reality and be internally consistent. It can like here be broken down into two components, *value creation* and *value capture*. In this article we have combined the six offerings with five types of customers and thereby we have identified 30 value captures. But on top of these an overall direction and ambition also called *strategic intent* needs to be introduced.

### **(I. Vision)**

The highest and broadest level business objective is the *vision* of the club. This is a statement of broad aspiration, as it deals with where the club hopes to be in the future. The vision is concerned with the *strategic intent* of the club, by applying Hamel and Prahalad (1989, 1994) to the football business. This is not about winning the next game, it is the attempt by the club manager and/or the trainer to define where he expects the club to be in the future: to win the championship, to stay in the league, to make profit, or to go international. With the exception of merchandising, the football business lacks the option of producing and storing inventory for future sale, as the main characteristic of football is its ambiguity and the uncertainty of the outcome of a game.

By taking the Japanese professional football league (J-League) as example we are able to place the vision statement on the league level and the national level, too. The strategic vision and objectives statements (3.A) of the J-League as for today are:<sup>20</sup>

- \* To raise the level of Japanese football and promote the diffusion of the game through the medium of professional football.

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<sup>20</sup> <http://www.j-league.or.jp/eng/mission/>, accessed 15.10.2005.

- \* To foster the development of Japan's sporting culture, to assist in the healthy mental and physical growth of Japanese people.
- \* To contribute to international friendship and exchange.

In addition to those ideas of strategic direction and objectives taken from the J-League official website, it was said that the founders of the J-League in the late 1980s had no interest in catching up with Chinese and South Korean football: “they did not want to compete only with other Asians, or become moderately good at anything.” (Moffett 2002: 19) A new professional league would have to spur the national team to a level where it could compete beyond the confines of Asia and turn Japan into a regular FIFA World Cup qualifier – as well as the competition’s first Asian host of this tournament (Sugden & Tomlinson 2002). Certainly, by hosting half the FIFA World Cup successfully, and for the first time in Japanese football history advancing to the best 16 teams, the Japan Football Association (JFA) successfully accomplished their vision. Shortly after the FIFA World Cup in October 2002, targeting “2 million registration of football related people in 3 years”, JFA announced the next “JFA President's Mission”, to further promote and develop Japanese football.<sup>21</sup>

## **(II. Strategy)**

In order to reach the goals attached to the vision where the club should be in the future, what kind of *strategies* should be applied? Strategies can be made for different activities within the club, where the lowest level of aggregation is one specific task, while the highest level of aggregation encompasses all activities within the club. The most common distinction between those levels of aggregation made in the strategic management literature is between the functional level (in regards to specific functions, such as marketing, financing), business level (in regards to a specific group of customers) and corporate level (aligning the various business level strategies, if an organization is involved in two or more businesses) (refer to e.g. De Wit & Meyer 2004, Thompson 2001). A logical extension of this distinction is to explicitly recognize the level of aggregation higher than that of the individual organization, as companies often cluster together into groups of collaborating organizations. This level is referred by De Wit and Meyer (2004) as the network level of strategy.

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<sup>21</sup> <http://www.jfa.or.jp/e/guide/index.html>, accessed 18.10.2005.



By applying those level distinctions to the football business, we recognize that a few years ago the key success factor was the sport's performance, reducing all strategy levels to two questions: First, how to create a good player, and second, how to create a good team? Troussier (2002: 56) states in his book on the relationship between those two objectives as a trainer: "Sixty percent of my football is based on team play; the rest relies on individual talent." But due to the nature of a game, even if the players have the physical ability and technique and form a strong team together, they will not necessarily win the match. The changing nature of the football business adds a third question to those ever prevailing questions: How to manage the whole set of possible products and offerings?

(1) *Create a good player.* To develop a skilled player clubs needs to scout, recruit and train. The principle HR question for the club is: to buy or to train and develop a player? To develop an in-house organization or to buy a ready made player from a different club at home or abroad, he should be physically checked and examined before the purchase. When he is on the team, he will undergo a diagnosis to examine what he needs to learn and practice in order to fix his individual weakness. But this does not apply for playing skills alone, it also includes the mental attitude necessary to fight for a position in the team.

(2) *Create a team.* Eleven skilled players constitute a team, but a team should be more than eleven good players. Trainer's competence, his evaluation of the situation, his relation with the players, the players attitude to each other, the ability to get them to play for each other - all these elements contribute to a skilled team. All is open information to the public, and all steps are observed by the fans and the media. This makes (the transparent character of) football distinct from other branches and industries: trainer and players are always monitored, and the training methods applied are evaluated by the public. "The fans in the stadium see themselves as actors. In one way or another, the fans relate to the team – as a spectator, newspaper reporter, TV analyst, coach, player or the club president. They all have their own idea about who should be in the team and what tactics should be used. They think they have the right to complain if a coach or a player fails to meet their standards." (Troussier 2002: 115).

(3) *Manage the whole set of possible products and offerings.* The commercialisation of the game requests management structures and techniques to manage the whole set of possible products and offerings on a corporate level with the current and potential financial resources. More

revenues bring more income to employ famous players, to attract larger audiences and thus create the ability to make more money to buy other famous players etc. Clubs are also under pressure to renovate or rebuild their arenas. Presently, the football industry contrasts with the fundamental principles of work ethics: success is in obtaining the biggest possible result with minimal financial effort. We may say that sport successes help to sell their own products, and if they are valued, high revenues help to reach sport successes, but one condition is not enough to reach the other. For example, Real Madrid is one of the (or maybe the most) famous European football club thanks to its high number of sport successes. Despite considerable debt, Manchester United's revenues are greater (at least till 2004), even if it is less successful on the pitch. They probably know the *values* involved and how to get control and chase both objectives and feelings. They are *value capturers*. On the network level of strategy all clubs must necessarily interact with other clubs as football is a team sport. Clubs form leagues with a clear strategic intent and current lower level squads are forced either to spend more on players and coaches, or to have no hope of being in contention for the championship.

### **3 Football management**

#### **3.1 The network of value captures**

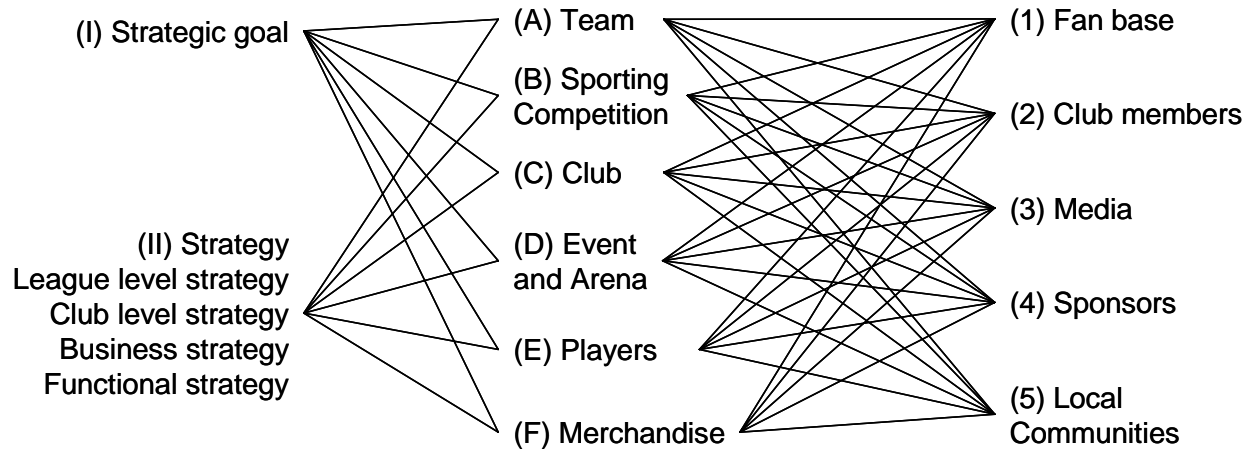
Having combined the six “offerings” with the five groups of “consumers/customers” 30 relations appear. Each of these does constitute a value capturing and an equivalent value creation. F. meets 1. when the “merchandise product” is sold to the “spectator or supporter”. Then the “players” (E.) are of interest to the “sponsors” (4.) or the “media” (3.). Thus a mixture of such relations does constitute the bulk of the football industry, observing that not all lines are equally important.

By adding the strategy dimension to our framework of value captures, we introduce the vision and imagination of the future of the game, which influences the football package. The multiple dimensions of the football package are central to level of strategy aggregation. The network level of strategy is e.g., closely connected with the league's procedures of promotion and relegation (B.), the costs of scheduling games (C.), requirements to develop their arenas (D.), or a regulated labour market for player movements (E.).

## Vision and Strategy

## The football package

## The customers / consumers



*Figure 2: The network of value capturers in professional football*

The complexity, specificity, and the changing nature of the football business and its environment strains conventional approaches to theory building in management sciences and hypothesis testing. Early sport management research offered no theory for examining the professional football club and its business environment. To advance both knowledge and practice we preferred a framework approach to theory building rather than developing a model of the football business. A model abstracts the complexity of the football business to isolate a few key variables whose interactions are examined in depth. The normative significance of the model then depends on the fit between its assumptions and reality. Porter (1991: 97) concludes “No one model embodies or even approaches embodying all the variables of interest, and hence the applicability of any model’s findings is almost inevitably restricted to a small subgroup of firms or industries whose characteristics fit the model’s assumptions.”

Instead of developing a model our approach was to build a framework. A framework is particularly valuable as it encompasses many variables and seeks to capture much of the complexity. “Frameworks identify the relevant variables and the questions which the user must answer in order to develop conclusions tailored to a particular industry and company. In this sense they can be seen as almost expert systems.” (ibid: 98) The approach to theory embodied in framework is contained in our choice of included variables, the way we organized the network of value captures, the

proposed interrelations among the value captures, and the way in which alternative patterns of value captures and club management choices might affect outcomes. In addition it is a common view that a network describes a number of entities that are connected. The concept of inter-organizational networks were initially developed in sociology (Park 1996). In this study, however, we have adapted an empirical-based network theory with inspiration from the field of industrial marketing that concerns the real life inter-organizational settings (see Alter & Hage 1993; Ritter & Gemunden 2003).

### **3.2 The virtual and the physical factor**

To advance the empirical analysis further we will characterize the network factors. Our value captures can thus be organized along two dimensions: its extent of “virtuality” as well as its spatial spread. Ideally, the 30 value captures of our network will be distributed and positioned in a two dimensional scheme. The spatial dimension has been described above as representing the attention of local, regional, international or global business. The physical factor is, in this context, assumed to be operationalized, measured and expressed in a currency. This dichotomy indicates a virtual factor which thereby is completely opposite.

The following examples will illustrate this framework idea. The first capture combination (A.) “team” and (1.) “fan base” indicates that the team which is tangible in relation to and understood by the fans and supporters. It is local in the sense that fans and “club members” (2.) might watch the training. It is international in the same way, as the players of many professional teams come from different cultural backgrounds these days. This explains the ellipse having an oval shape (Players/Fans, Members). Next, some “fans” (1.) (2.) feel belonging to the “club” (C.) either virtually as passive club members or as active club members by playing in other teams hosted by the football club (2.). By looking at the figures, we see that the number of fans from abroad exceeds local and even national figures. Their attendance is mainly virtual, via radio, TV, or internet (see triangles Club/Fans and Club/Members). It is therefore obvious that the football match and the atmosphere around the game in the arena (D.) can be experienced as a live act only locally by a very limited number of spectators, including “fans” (1.), some “club members” (2.), the visiting reporters (3.) and representatives from “local communities” (5.), all having

different expectations and emotions about the game. This explains the circle positioned in the lower left corner enclosing Event/Fans, Members, Media, Sponsors, Communities.

Arenas (D.), in recent years, were rebuilt to the state-of-art in sports-leisure multiplex architecture for which the clubs were given a subsidy of public money from the local community (5.) and national funds. The purpose was not only to enable the match and to ensure safety on sports grounds, but also for media requirements (3.) and to accommodate corporate entertainment, banqueting etc. of sponsoring companies (4.) (see the ellipse in the lower left corner Arena/Media, Sponsors, Communities). The sporting competition (B.) and its relationship to the media (3.) is featured in the next case. Still today all football clubs compete primarily in their national leagues and only a few teams advance regularly to international competitions like the European Champions League. Those clubs competing regularly in international tournaments are able to generate even more revenues from media through the increased number of the games and the increased media attention (see rhombus Sporting Competition/Media).

As players (E.) like Zinedine Zidane or David Beckham are global stars marketing their brands in Europe, Asia, America and Africa, whereas other players, like for example the Swedish Tobias Hysen, are only known locally in Sweden as playing for Djurgården. His former team mate Kim Kjellström is probably better known since he transferred to the French league (Rennes FC). He has also played for the Swedish national squad and might therefore be considered as “international” player. The Fan base (1.) thus regards them as virtual figures – see ellipse (Players/Fans). As our last example, we pick up merchandise items (F.) which are sold to the fans (1.) on the global market to a larger extent via internet and to a smaller extent via franchising shops or sports equipment shops (ellipse Merchandise /fans). The other value captures might be positioned in a similar way.

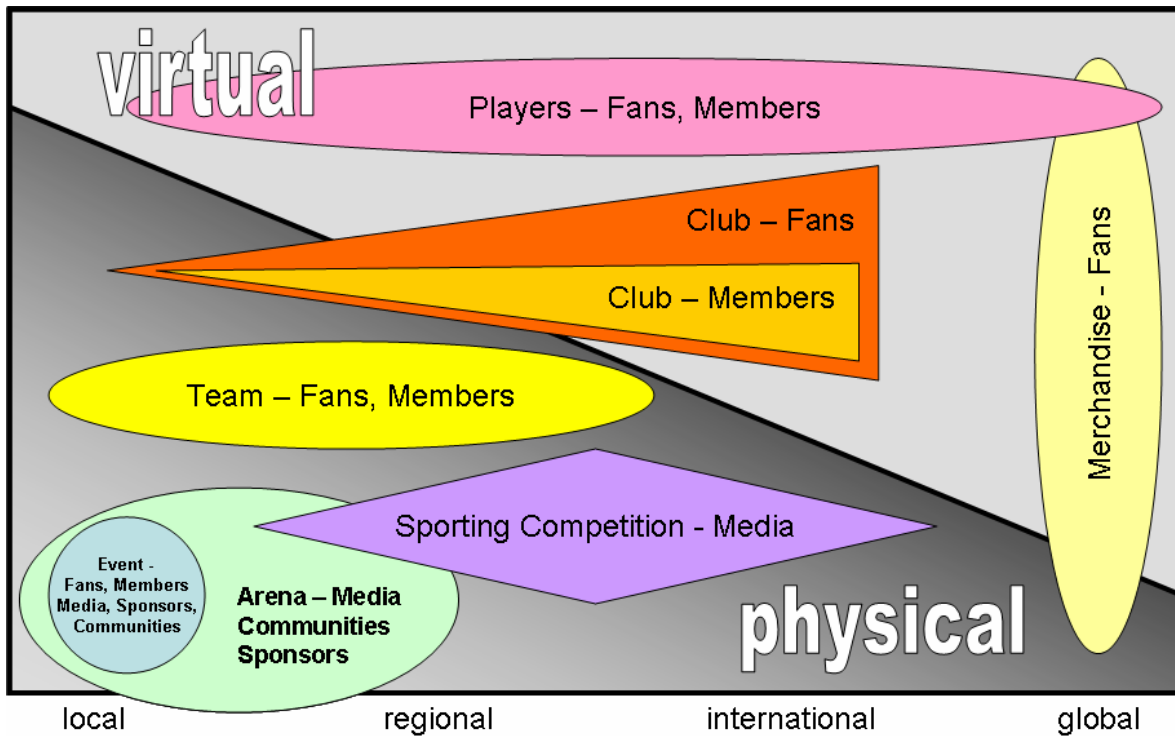


Figure 3: The virtual- physical framework

## 4 Implications

We have identified, defined and described the business parameters in professional football that vary from those of any other business. The network of value captures developed here reflects the complexity of the football business. First of all, the framework recognizes the following dimensions: (1) the product and its features; (2) the various customers groups; and (3) the vision of the future of the club central to different levels of strategy aggregation. Knowing how those value captures are interlinked is of significant practical relevance and importance. As suggested in sports management research (FGRC 2004; Schewe & Littkemann 2002) and by football executives (Mayer-Vorfelder 2005) the sporting success of a football club might increase their revenue potential, however the extent to which this potential is fulfilled depends on the strategy, on sound club and product management, and on good working relations with all customers groups.

Furthermore, the framework draws on the condition that professional football is embedded in the socio-cultural environment in which football has evolved, is performed, is sold and consumed. In this sense, our network

of value captures aims to link context, practices and institutions of a specific industry and responds to the calls for building theoretical models that capture the international dimension of sports (Maguire 2005; Smith & Westerbeek 2004). The dominating trends in the football business are (1) exploring global markets, and (2) developing the individual club as a global brand.

#### **4.1 Exploring global markets**

Attracted by the huge potential market and their growing fan base in Asia, Europe's top football clubs, like Manchester United, Real Madrid, FC Barcelona, Bayern Munich, and Hamburger Sport Verein visited Japan in 2005 to play friendlies. Champions League winner Liverpool were originally due to play in Japan too, but visited Tokyo in Winter 2006 to play in the World Club Championship. FC Barcelona even opened a temporary fan shop in Yokohama during its stay in Japan, which was considered a great success: "Over the last few days, more than 30 people have signed up as members, but the most important thing is that there has been a big flow of visitors and we have given out a lot of information. ... Even more than the players, the Japanese fans stress the value of teamwork, the philosophy of the Club and our one hundred year history.... They are highly knowledgeable about the Club and very loyal".<sup>22</sup> As a follow up and service to their international fans, Japanese fans are able to keep up with all the FC Barcelona news via the Japanese language version of the Club's website, which also allows them to purchase official Club products online. However, due to the nature of the football business, the problem is still in making money out of that following in Asia, and more precisely, how to convert that attention into revenue for the clubs. None of the top football clubs seem to have found the formula just yet.

In creating new markets in Asia, nothing seems to be impossible in the football business. Take the British second division Stockport County FC as an example<sup>23</sup>. This club purchased 50% of a club in China now called "Stockport Tiger Star" in Shenyang, aiming to develop a market in China and motivated purely by profit. Already in 2004, 10% of Stockport County FC's total revenues came from this investment. The home arena of

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<sup>22</sup> <http://www.fcbarcelona.com/eng/noticias/noticias/n05061401.shtml>, accessed 20.10.2005.

<sup>23</sup> <http://www.forbes.com/business/global/2004/0419/022.html>, accessed 17.10.2005.

Stockport takes only 6,500 spectators while the Chinese sister club takes 24,000. This development is not aligned with the classical “first mover right” but rather a “second or a third mover better principle” in IB. Manchester United and its activities in Asia can be said to have opened the market for Stockport, enabling a smallish local business to be progressively expanded. It is a business challenge to be a good club in a small country, with a limited customer base, only just surviving as a kind of “secondary professional” or an “amateur club”. Globalization and IT provide new opportunities for these clubs to capture other (business) positions in the large football hierarchy and to use different competitive strategies for market development.

## **4.2 Developing a global brand**

The Penrosian tradition (Penrose 1959; Prahalad & Hamel 1990) reflects the traditional marketing focus on the firm’s core competences combined with opportunities in the foreign environment. When considering the implication of product positioning, it is important to realize that positioning can vary from market to market because the target customers for the product may differ from country to country. In confirming the positioning of a product or a service in a specific market or region it is therefore necessary to establish in the consumers’ perception exactly what the product stands for and how it differs from existing and potential competition. In developing a market specific product positioning, the firm can focus upon one or more elements of the total product offer so the differentiation might be based upon price and quality, on one or more attributes, on a specific application, on a target consumer or on direct comparison with one competitor.

However, we see the parameters in football are singularly different from those in manufacturing or other services, as the very nature of the game enhances the risks. A main factor in uncertainty is also found in the definition of the market; football is a series of markets as developed in our framework of value captures. One of the key ingredients of the business of football is its local character too, and in a global football market, this presents special challenges when marketing the brands. Simply put, the brand stands for everything about a football club, the team and its players that is communicated by the name and related identifiers, like jerseys, like logo marks. Building and properly managing brand equity has become a



priority for companies of all sizes, in all types of industries in all types of markets. After all, from strong brand equity flows customer loyalty and profits (Keller 2000; Aaker 1996). The rewards of having a strong brand are clear and the football business seems to be no exception (refer e.g. Couvelaere & Richelieu 2005; Mohr & Merget 2004; Mohr & Bohl 2001). The core strategic issues for any football club looking to play on the global stage are, how do you get there - and how do you stay in the floodlight?

Football by itself is, for example, marketed in Japan as *shinhatsubai* - a “new, improved product, now on sale”, following a marketing principle well known to Japanese marketing professionals (Watts 1998, Horne & Bleakley 2002). Different to European practices, associated product marketing and merchandising is centralized in the J-League. “The unified marketing system allowed consistent pricing, design and quality, ensuring responsible trademark management and equal exposure for each club.” (Probert & Schütte 1997: 8). This strategy reflects the fundamental principle of the founders of the J-League, that all teams should have an equal chance of exposure and an equal share of the merchandising revenue. In the same direction the J-League practices a method of distributing media revenues from broadcasting rights equally to all J-League teams irrespective of performance (Horne & Bleakley 2002), challenging prevailing European practices in professional football (and even other sports, like baseball, in Japan) so far.

The fundamental danger of the current commercialization of European football is that the fan will no longer feel any ‘equity’ in the game (Hamil 1999). For example, Salomon Brothers (1997: 10) acknowledge that ‘fan equity’ can be eroded by lack of sensitivity which would be value-destroying for football, with insensitive scheduling of broadcasts in terms of timing, or abusive pricing of tickets. “Football clubs owe their support to the belief, that they are driven by a common purpose, that they form a community in which the players, supporters and directors work together and pull in the same direction. Never has this been less true than it is today, and nowhere is it more false than at these new élite. These clubs have nothing in common with the people who support them. ... Between us and them [the multi-millionaire owners and exorbitantly paid players] there is no community. And football is embittered by the conflicts that results.” (Horton 1997: 18)

The flip side of the branding strategy is also that well-established brands can be undermined quickly in professional sports if you fail to perform. Remember Germany's Borussia Dortmund which paid US\$31 million in 2001 for the forward Amoroso. He, however, was sidelined with a knee injury and released by the team soon after. Then Borussia Dortmund failed to qualify for the UEFA Champions League in 2003 and lost early in the UEFA Cup. Without the extra revenue from TV rights that those pan-European tournaments bring, sales fell 38% to US\$62 million, with the club finally reporting a loss of US\$35 million for the season, compared with a profit of US\$8.7 million a year earlier (Ewing 2004).

## 5 Conclusion

An immense amount has been written about the soccer phenomenon in the popular press, but not much systematic research has been found, if compared with its general acknowledgement. The ambition has in this paper been to construct frameworks which enable more profound analysis of this phenomenon. We have been urged to commence by identifying relevant factors and parameters to be included in these frameworks. One important point of departure is the football club: a special type of SME. The management challenges of professional clubs seem ever to increase. Therefore, we have been trying in our research to see the extractions of the driving forces and the barriers incurring in such contexts of a football SME. The empirical character combined with many practical examples presented has made it possible to illuminate soccer from various angles.

We have concluded a *first key concept i.e. the value captures*, which is a framework for analyzing football management. By identifying six value offerings and five customer categories we can construct up to 30 value captures. These captures are in a real world preceded by the management strategy intent and require strategies on different levels of aggregation.

The captures constitute a number of paths for a club to enter when succeeding in this ever growing industry. The character of the network of captures enables a differentiation into more physical and more virtual type of small businesses. The *second key concept* is the *virtual-physical framework*. Finally, the strong move to Asia among the big clubs and also the vivid focus on branding illustrates the relevance on virtual values.

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