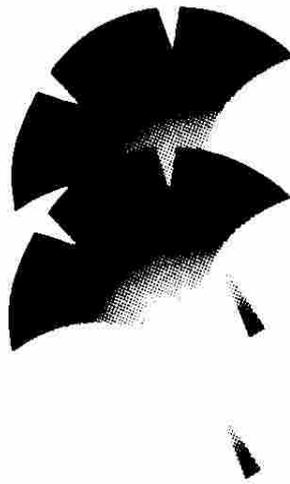


DEUTSCHES INSTITUT FÜR JAPANSTUDIEN



Harald Dolles &
Sten Söderman

**Globalization of Sports -
The Case of Professional Football and its
International Management Challenges**

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Contact authors:

Dr. Harald Dolles

Deutsches Institut für Japanstudien

E-mail: dolles@dijtokyo.org

Prof. Dr. Sten Söderman

School of Business, Stockholm University

E-mail: sod@fek.su.se

ドイツ・日本研究所

Deutsches Institut für Japanstudien

German Institute for Japanese Studies

Kudan Minami 3-3-6

Chiyoda-ku

Tōkyō 102-0074

Japan

Tel.: ++81-3-3222-5077

Fax: ++81-3-3222-5420

homepage: <http://dijtokyo.org>

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Abstract:

The formation and the diversity of most types of organizations going international are well researched. However, some aspects of postmodern life, such as sports and entertainment, are presently growing in importance and management complexity. Team sports, and especially football, are capturing more and more of the minds of people in the developed world. Many great football clubs are successful on the pitch but show sizable economic deficits. A global strategy with a strong focus on Asia seems to be the new recipe of the top clubs. Our stated conclusion is a need for a practical theory of professional sports going global. Existing concepts appear unsuitable, and a new theoretical approach is therefore the basis for our construct to develop the general principles of the football business and its international dimensions. Finally, four elements are described and explained, necessary for sustainable internationalization of the football business.

Key Words:

Entertainment Industry, Professional Sports, Media, TV Rights, Merchandise, Sponsoring, Fan, Football, FIFA World Cup, Globalization, Market Entry Strategies.

1 Introduction

Why is European football of increasing importance to ongoing research in international business and business administration? Because it is a huge and fast growing business, operating worldwide – but still lacks systematic knowledge. If this is a bold statement, it is backed by many arguments: football is highly popular (this in itself should generate interest in research); it has rabid fans (whose sociology is well researched); it involves high uncertainty (the outcome of a game is not always the same as winning a game); and it is an activity where ethnic, gender, social, and economic backgrounds are irrelevant to its practice (but still of great interest to spectators). The skillful team or the talented football player are visibly obvious; this is intuitively perceived by all spectators. The game has become famous because it is generally linked to our childhood, and its professional teams are on top of pyramid-like organizations of several leagues, with amateur players at all levels, from silver aged teams to kid's teams. And football today is a international business, as players are transferred frequently around the globe, international professional leagues are created, and the European Cup finals or the FIFA World Cup finals are top media events (see e.g. Beech & Chadwick 2004, Horne & Manzenreiter 2002a, Dauncey & Hare 1999).

In recent years, the world of football has been referred to more and more as an industry in its own sake. Its characteristics have been getting closer to those of services or the entertainment business, as people worldwide may choose whether to go to the cinema, to an amusement park or to the stadium to watch a match. The ranking of football as a business activity has risen in the economies of those countries where football is promoted as national sport. In many of these countries, it represents today a large percentage of a nation's GDP, because football events also drive a considerable number of other sectors, such as media and different services, like catering and transportation. The globalization of the football industry has provoked a concentration of resources in the hands of a few big European and South American clubs, which have had the ability and, most of all, the economic resources to face enlarged competition from foreign clubs and other businesses in the entertainment industry.

We have a multibillion EURO business in professional football which is hardly at all recognized in scientific articles as recently illustrated by Nilsson (2005). And this is becoming a truly international business, as the

same few rules on the visible pitch enable skillful players regardless of their ethnic and social background to play in those teams which create enormous media interest. The problems and challenges in the field of football are the same everywhere on the globe, such as amateurism vs. professionalism, young players going to big clubs, league teams versus national teams, branding and sponsorship growing as a source of revenue and media creating uncertain expectations for better incomes.

Football has successfully outmaneuvered many other team sports, such as ice hockey, basketball or handball, and has been accepted as the number one sport with regard to media attention and audience reception worldwide (Horne & Manzenreiter 2002b). According to FIFA (the football international governing body, Fédération Internationale de Football Association) statistics the FIFA World Cup Korea/Japan set a new record for a sports event of 49.2 billion people worldwide in terms of viewer hours. The 2002 Final between Brazil and Germany was the most viewed match in FIFA World Cup history, with 1.1 billion individuals watching the game, and being broadcasted in 213 countries worldwide.¹ For the 2002 FIFA World Cup Korea/Japan finals FIFA and the internet partner Yahoo! signed a contract on the establishment and management of the official FIFA World Cup website, a six-language data bank with ample chances for premium services and various e-shops centered around football. Details of the deal were not made public, as it is mostly the case in the field of football, but a volume of sales worth at least 25 million EURO has been predicted (Horne & Manzenreiter 2002b). Already on day 8 of the matches, FIFA announced that the Official Website counted more than 100 million pages viewed per day, making it the most successful sports-event website ever, overtaking the Salt Lake City Olympics Games and the Official Website of the Euro 2000, the European Football Championship Finals in 2000.²

Finally, by looking at the football phenomenon, we must consider explicitly the role of government in its relationship to football. To this end, it is necessary to understand the philosophy of the governing body, FIFA, and the environment for mega sports events created by governments worldwide. This is not merely an economic matter, as "... football has always been one of the most convenient sports for serving political aims. ...

¹ <http://www.fifa.com/en/media/index/0,1369,47345,00.html?articleid=47345>, accessed 19.01.2005.

² <http://www.fifa.com/en/marketing/index/0,1344,40036,00.html?articleid=40036>, accessed 19.01.2005.

Through successful performance of national teams it provides a reliable platform for displays of national capability and the instilling of national pride” (Butler 2002: 43). Japan and South Korea had their own reasons for wanting to host the 2002 FIFA World Cup. The Koreans aimed at introducing the finals as a “catalyst for peace” (Sugden & Tomlinson 1998: 118) on the Korean peninsula, and the Japanese focused their bid on its ability to promote political stability, high technology and the country’s infrastructure (Sugden & Tomlinson 2002). With its decision to award the tournament for the first time in history to Asian hosts and to more than a single nation, the FIFA moved strategically towards the globalization of football. In the bid to host the 2006 FIFA World Cup South Africa failed in 2000, losing to Germany only by a single vote in the final round. It was argued by BBC Sports that a vote for South Africa was seen as a vote for Africa - which has never hosted a World Cup tournament before, despite exporting some of the world's finest soccer players to Europe and other parts of the world - as well as a vote for developing countries.³ But on 15 May 2004, history had been made: it was the time of Africa and South Africa to stage the world's greatest sporting festival. With 14 votes to Morocco's 10 and Egypt's none, South Africa had been chosen as host of the 2010 FIFA World Cup from the first round of voting.

It should be obvious by now that football is a global business, rapidly expanding and developing on a worldwide scale. Our paper proceeds as follows: in the next section, we will begin by looking at the historical development of football. We will then explore the unique challenges in the management of football that are different from those found in other branches of the service sector. In this chapter, we will also outline additional arguments for the increasing internationalization of football and its particular interest for research in the field of international business. In the last section, the implications of the study’s findings for theory development and further research are described.

2 The evolution of the international dimension of football

We state that there are two consecutive stages of internationalization: the prerequisite stage and the exploiting stage.

³ http://news.bbc.co.uk/sport1/hi/in_depth/2000/2006_world_cup_decision/821888.stm, accessed 20.06.2005.

Since modern football was developed in some British countries in the 19th century, it has become increasingly international. The first step that made this sport popular was the creation of the Football Association in Freemason's Tavern (London) on 23 October of 1863. Until that moment, football was only practiced in Great Britain, but some years later it opened out from the British Isles, given that part of the workforce of many companies was sent abroad and international capital was available to finance this expansion. For example, Rothschild Bank established at this time offices in other countries. This encouraged people to emigrate, and they exported football wherever they went. In addition, those who used to play football in Britain, such as soldiers, sailors, businessmen taught the native people how to practice it. They always did it the same way: they produced the ball, began to play and invited local people to play with them. This is how football became popular at first in Europe and then in other countries. For example, it is said that the first time football was played in Spain was near the British mines in the south of this country. Thus the oldest Spanish team is Recreativo from Huelva where the most important mines (Riotinto) were opened. They were founded in 1889, the name of the team alluded to "recreation", and the team consisted only of foreign players. These were the prerequisites for establishing a universal sport which grew to become a business phenomenon. Still it took about 100 years of amateurish development and concept distribution until the merchandising appeared.

The stage of exploitation was driven by the last twenty years by the clubs' need to cover costs, a desire to raise as much revenue as possible and to generate profits wherever practicable. During the previous decades, the prerequisites stage, there had been no attempt to maximize revenue or profit. The structure and daily operation of clubs were geared not to commercial considerations, but to generate success on the pitch. This attitude has been progressively discarded over the course of the 1990s', with all clubs, not just the top ones, much more concerned to maximize revenue and profits, regardless of success on the pitch. The most common strategy adopted to achieve this new goal has been massive diversification based on a new proactive approach towards commercial opportunities. Progressively, top clubs have strongly expanded the range of commercial features, merchandization and facilities on offer to supporters and expanded the range and scope of their commercial operations. There has been a systematic erosion of principles of cross—subsidization within football, that previously offered a route of redistribution of income from

the large and successful to their smaller, less wealthy counterparts throughout “the League” of each nation. Such redistribution was based on a desire to protect the integrity of the entire professional structure, a concern that has been successively eroded in favor of the new free economics of the game. This new conception has led to new ideas of how clubs should be financed. Each club is responsible for itself and no other, leading to a splitting of the top clubs from the rest. In the first phase, this led to increased economic competition which was mirrored on the pitch. At the same time, the attitude of clubs towards revenue and profit changed dramatically.

At this stage football clubs increasingly entered the international market, mainly owing to the need of more profits to gain competitive advantage. Thus, football clubs began to exploit all possible commercial alternatives: they developed strategic alliances with partners in supporting industries such as sports equipment, they started to quote themselves on the stockmarket, they established cross border alliances among top clubs, they increased international player transactions, and they pushed harder to enter into new and lucrative markets abroad. This development was supported by implementing and extension of various international competitions in Europe, supported by the football governing body, UEFA (Union of European Football Associations), such as the UEFA-cup, the UEFA Champions League, the Cupwinners Cup and the European Championship Finals. The football business phenomenon has made a shift over the last twenty years to become a global undertaking. The game became deliberately more commercial internationally, and there were major developments in the political, social and legal aspects of this undertaking. Football was now not only an important social phenomenon, but the game had also become big business, with huge sums of money in motion, and many stakeholders groups interconnected worldwide. The clubs had changed from simple sports teams to international entertainment companies, all displaying the typical behaviour of highly competitive enterprises pursuing the most successful business strategies.

3 The management challenges of football and its international dimensions

To explain the nature of football and the management challenges of football and its international development further, we need to explore the

distinctive features of football entertainment, by examining four ever prevailing management challenges (1) the product and its markets, (2) the consumers, (3) the business process, and (4) its strategic vision and intent.

3.1 The football package - what is the product, where are the markets?

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 commoditised in the same manner as raw materials, such as wheat and oil, and consumer products such as PCs and family cars. Within financial services, chequing accounts, home and car insurance and savings accounts are seen by most consumers to be identical services, with selection based solely on price or interest rates. 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 with its Disney Parks is the recognised 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 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 behavioral 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

tentatively consider the following possible "offerings": (1) football game, (2) merchandise, (3) players, (4) team and (5) the club.

(1) The *football game* has been transformed into a media event for the benefits of millions spectators few of whom were in attendance at the live event. TV recordings also serve as permanent library records. European and South American teams play around 80 matches, and Japanese teams around 50 matches annually. 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 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.

(2) 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 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 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.⁴

(3) *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 known transfers during the last few years included e.g. Nicolas Anelka, from Paris Saint-Germain (France) to Manchester City (UK), worth 20.5 million EUR, Michael Ballack, from Bayer Leverkusen (Germany) to

⁴ http://www.celebstation.org/athletes/david_beckham.php, accessed 16.1.2005.

Bayern Munich (Germany), worth 14.0 million EUR, and Massimo Maccarone, from Empoli (Italy) to Middlesbrough (UK), worth 13.89 million EUR.⁵

This development was made possible by the “Bosman Ruling” in 1995.⁶ The European Court of Justice found that the rules laid down by the governing bodies FIFA and UEFA, 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 EU. 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. European clubs from this moment began seeking across Europe for players whose contracts with their clubs were expiring in order to hire them without paying anything for the transaction. This Ruling was another factor that provided more power to big clubs; they could take greater advantage from 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.

(4) Football is a *team* sport. But eleven skillful player do not necessarily compose a winning team. A team with superior physical ability alone cannot beat an opponent that has good technique and a carefully planned strategy. 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. “The atmosphere within the team showed the way they performed,” as Philippe Troussier (2002: 67) the former coach of the Japanese National Team quote. “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.”

(5) Football is played by *club* teams, in some cases founded more than 100 years ago. The professionals are only a minor part when it comes to club membership. Take the German Bundesliga as an example: Bayern Munich,

⁵ <http://www.globalsoccertransfers.com/info/tranfee.html>, accessed in 16.1.2005.

⁶ Refer to <http://www.uefa.com>, accessed 19.01.2005 for more detailed information.

was founded on 27.02.1900, has a membership of more than 97,800 is comprised of 33 professional players and has 6 other divisions besides football; FC Schalke 04 (foundation: 04.05.1904, around 39,600 members, 29 professional players), VfB Stuttgart (foundation: 09.09.1893, about 25,100 members, 26 professional players), Borussia Dortmund (foundation: 19.12.1909, about 22,200 members, 32 professional players), 1. FC Nürnberg (foundation: 04.05.1900, about 5,000 members, 25 professional players).⁷

3.2 Who "buys" football – how to define the consumers?

Why do supporters choose one team over another? Cost is certainly not the argument in the football business for fans, whereas fun, excitement, skillful players, regional embeddedness might be 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 of an organization that distinguish it from other organizations and infuse a certain life into the skeleton of structure (Mintzberg 1989: 98). Consequently the variety of offerings creates a broader consumer approach in football, addressing (1) the spectators and supporters (fan base), (2) the club members (club membership), (3) the media, and (4) the sponsors.

This classification is illustrated through examination of the main figures in the turnover of professional football clubs or the FIFA World Cup's calculation. If we take Manchester United's 2002 figures as an example, (group 1) gate receipts and programme sales accounts for 56.3 million GBP, merchandising for 11.4 million GBP, (group 2) One United membership for 2.9 million GBP, (group 3) media for 51.9 million GBP, (group 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>). Roche (2000: 168) points out, that in the case of the 1990 FIFA World Cup, (group 1) sales of tickets were estimated to amount US\$54.8 million, (group 3) sales of TV rights to US\$ 65.7 million and (group 4) sales of advertising rights to US\$ 40.2 million. As those are figures for 1990, today's figures are even higher, eg. (group 3) World TV rights (excluding the US) for the 2006 finals were sold for US\$ 1.97

⁷ <http://www.bundesliga.de>, accessed 17.01.2005.

billion, a three-fold increase during the last decade (Horne & Manzenreiter 2002b: 197, also Manzenreiter 2003).

(1) 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 behavior goes beyond the record of the team and, at times, seems unrelated to performance.

Fan motivation and behavior 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. The “local fan” exhibits his behavior because of identification with a geographic area, and is 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.⁸ 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 Asia) (Hollensen 2004: 109). Those 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, Malaysia, Singapore and Thailand in 2001 attracting huge crowds, in the region of 70,000 per game. In 2005, Manchester United will play in Hong Kong, Beijing and Tokyo and official travel packages are on sale from the corporate website. Sir Alex Ferguson

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

says: “One United allows all our fans to show their support for the club and for us to say thanks for that support, whether members regularly come to Old Trafford or not. It’s the fans who make the club what it is today and One United will enable them to get closer to Old Trafford wherever they live.”⁹

(2) Football by its origin is fun, competition and exercise. For this reason the football clubs facilitates 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. Others may join the football club as *passive members* to support their favourite team. In this respect Manchester United launched its membership scheme, called “One United”, where “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.”

¹⁰ 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, if they visit Old Trafford for a Stadium Tour, the Museum, the Red Café and the Megastore. Manchester United already has 150,000 members in what is the largest membership scheme in British football.

(3) 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. 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

⁹ <http://www.manutd.com/news/fullstory.sps>, accessed 17.01.2005.

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

polarize the game between the bigger and smaller clubs and 40% that many clubs will no longer be financially viable as a direct result of such a Directive from the ECC. Interestingly, for almost 40% of the sample, the Directive would represent the first step towards the end of the Premiership leagues in England and the beginning of a European League and perhaps even more significantly for all respondents such a Directive would not increase competition as intended, but would damage it.¹¹

(4) 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). 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). So sponsorship may be selected as a strategic tool to shape and promote the image of football, the club and its sponsor partners in markets needed 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. This model 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, Budweiser became the Official Beer of Manchester United with the 2002/03 season, and Nike displaced the UK's Umbro as Manchester United's uniforms sponsor and merchandising partner in a deal worth 300 million GBP over 13 years (Hollensen 2004: 110).

3.3 Football - how to create the outcome?

With 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. The main questions in the football business are: (1) how to create a good player? and (2) how to create a good team? Philippe Troussier states in his book on the relationship between those two objectives as a trainer: "Sixty

¹¹ 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.

percent of my football is based on team play; the rest relies on individual talent” (Troussier 2002: 56). 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.

(1) *To create a good player*, one 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, and then 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, as Troussier (2002: 114) explains: “... Japanese players have good skills, but lack desire and good decision-making. In the eyes of their [European] teammates, Japanese players do not show enough fighting spirit.”

(2) *Create a team*: eleven skillful 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 skillful team. All is open information to the public, and all steps are observed by the fans and the media. This makes football distinct from other branches: 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)

3.4 Football – vision and the strategic intent

The highest and broadest level of 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 idea (1989, 1990) 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. Having said that, membership in every country's first league is fluid. In Germany for example, the bottom three teams out of 18 drop down to the second Bundesliga at the end of the season, and the top three second-league teams move up to the Bundesliga. "It's hell from a business point of view: Revenue can drop by half if a team slides into the second league." (Ewing 2004: 19).

In order to reach these goals, what kind of strategies should be applied? As explained in chapter 2 a few years ago, the key success factor was the sports performance. It is not uncommon to hear club owners complain about the economic consequences since they have to pay a winning bonus to the players. But since success among the big professionals is to manage the whole set of possible products and offerings within the framework of the club's financial resources. More revenues bring more income to famous players, attract larger audiences and thus an ability to make more money to buy other famous players etc. 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 its own products and that 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 - but with considerable debt, while Manchester United's revenues are greater, even if its sport successes are fewer as behind this team there is the most efficient management creating both the product and financial outcome.

4 Necessary and sufficient elements for sustainable development of football at an international level

The internationalization process of a firm depends according to Johanson & Vahlne (1977) on two main factors: the geographical factor (physical distance) and the commitment factor (to the foreign country). In a first step, managers prefer to enter nearby countries where the physical (language, differences of customs and habits) is of lesser importance. It is an incremental process (realized step by step) which relies on the degree of foreign experiences made by the firm.

This “stage theory” is not congruent with our observations on the business principles of football. We will explain this by proposing four elements critical for the understanding of the football phenomenon, its international expansion and the attempts made by the clubs to sustain a competitive edge. First, mechanisms about creation of new markets in the football business, second attempts to establish varied revenue streams, third decisions on product strategy on a global scale, and finally, fourth, creating effective strategic alliances with sponsors worldwide. These are the elements which constitute a skeleton for our approach to the football phenomenon and its international business dimension.

Element 1: Creating new markets and sustained competitive advantage is urgently needed, however expensive and difficult to realize in the football business. Even top teams in football can lose money, if they fail to qualify for the elite UEFA Champions League or the UEFA Cup, the two most important post-season tournaments. Analysts at Deloitte & Touche estimates that Italy’s first-league clubs collectively lost US\$485 million in the 2002 season on sales of US\$1.4 billion – and probably lost at least US\$360 million in 2003 (Ewing 2004). Ewing adds, Germany’s Borussia Dortmund might serve as an example of how teams get in trouble when they overstretch. The club paid US\$31 million in 2001 for forward Amoroso. But he was sidelined with a knee injury and released by the team soon after, without any transfer revenues for Borussia. 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, finally the team reported a loss of US\$35 million for the season, compared with a profit of US\$8.7 million a year earlier.

But despite the Amoroso fiasco and its bad performance in the concluding season, Borussia Dortmund still has the top stadium attendance in the German Bundesliga, indicating that 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. However, they are limited in numbers when counted as “local fans”. The postmodern view is that football and the embeddedness of sports in modern society and culture leads only to increasing interest if it is seen as entertainment worldwide. New audiences, new “international fans” (referring to our typology), however, can at present be found mainly in the US or more recently in Asia, where football enjoys increasing popularity with most appeal for children and young adults. Compared with Europe or

South America, the region also has an underdeveloped club structure where fans often have no allegiance to a local team. Football by itself is marketed in Japan as “shinhatsubai”, as a “new, improved product, now on sale”, following a marketing principle well known to Japanese marketing professionals (Watts 1998, Horne & Bleakley 2002). The decision by the FIFA in 1996 to award the 2002 FIFA World Cup to both Korea and Japan was a strategic move by the most influential football governing body in the Asian sports market. It provided the route for the clubs to follow, and Manchester United and FC Barcelona soon began targeting Asia. It is quoted that Manchester United’s fanbase in Asia is already exceeding 20 million supporters, and that Chelsea FC is going to launch a new international membership scheme in 2005, aiming to offer benefits in fans’ home territories.

In creating new markets, nothing seems to be impossible in the football business. Take the British second division Stockport County FC as an example.¹² 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 for profit. Already in 2004, 10% of Stockport County FC’s total revenues are coming from this investment. The home arena of 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.

Given its importance, it is not surprising that the issue of strategies for servicing foreign market has been extensively covered in the international management literature. However, as the choice of servicing strategy depends on the product, the characteristics of the market and on the global strategy of the organization, we see the international development of football as inspiring task for IB research, as the parameters are singularly different from those in other businesses and have not been very well

¹² <http://www.forbes.com/business/global/2004/0419/022.html>, accessed 17.01.2005.

covered in the existing body of research work. Although football is becoming commoditized, the business rules are still unclear off the pitch. These off-pitch rules should follow “normal” business logic; however, the very nature of the game and the organization of the system enhances the risks. A main factor in uncertainty is also found in the definition of the market; football is a series of markets without a clearly defined series of consumers. One of the key ingredients of the business of football is its local character; in a global football market, this presents special challenges to marketing the brands. One of the focuses of future research could be the application of ROI to player’s costs - an attempt to explain the sizable deficit of many clubs.

Element 2: Crossing entangled revenues. The revenue streams in the football business are changing character. The richer clubs monitor decreasing ticket revenues and increasing dependence on sponsors and media.¹³ The cost-revenue analysis is possible only in ticketing. Media revenues (mainly from TV) become a residual and can seldom be calculated in advance. The media business transfers the money when the season is over, and qualification for the various UEFA pan-European tournaments will create extra revenues (about US\$ 26 million for the top teams). However, there are only a few top teams that almost always qualify, such as Juventus Turin, AC Milan, Real Madrid, Bayern Munich or Manchester United. Since the insolvency of the KirchGruppe, which had purchased the exclusive rights to live transmission of the German first and second Bundesliga, less money was transferred around Europe for TV rights (see Fowler & Curwen 2002 for a detailed description of the collapse). At least six clubs (Manchester United, Chelsea FC, Juventus Turin, AC Milan, Internazionale Milan, FC Barcelona) have their own TV channels, something which certainly eliminates these risks. They offer chances for worldwide distribution; however, the possibilities to outperform the major channels in the home country are limited.

The increasing revenue streams come from sponsors and merchandise. Some European clubs launched magazines available to members in general retail trade. Chelsea FC’s publication has a circulation of 50-60,000 (including members’ subscription) and will soon be sent out internationally in a number of languages (Mortimer 2004). Other trends are to build up hotels and leisure complexes or to upgrade the stadium. Two trends are emerging: British clubs want bigger and more complex arenas to earn more

¹³ <http://www.sportsconsulting.co.uk/publications/richlist.asp>, accessed 17.01.2005.

money (Manchester United is enlarging its ground to 76,800 capacity) and the Italians, with fewer spectators attending the matches, increase their focus on sponsoring contracts. German clubs tend to follow the British trend but also believe that the virtual international audience will follow, if the clubs can deliver on the pitch.

There seems to be an entangled situation, which becomes even more entangled due to more and more supporting offerings and products. There are efforts to bundle these offerings and to unbundle them (Normann & Ramirez, 1993, 1994). But the challenge to untangle must be based on a superior knowledge of the fan base. This requires creative research methods. Environmental scanning methods need to be developed to identify external threats and opportunities, and internal strengths and weaknesses in the football business. Following this, international marketing opportunities need to be identified, taking into account the suitability of the various offerings for foreign markets.

Element 3: The fan base is dispersed and kept together by an emerging branding activity. Without a local fan base and local revenues, a team cannot expect to survive and prosper beyond its market of origin. Devotion is to be loyal, to repeat a purchase. There are clubs for the owners of a Porsche or a Louis Vuitton bag and other luxury goods (Tapp & Clowes, 2002). A devoted fan never switches a football club, but this might happen with Porsche owners. Genuine football fans never sympathize with the enemy.

Modern technology enables the dispersion. A club has a birth place and its audience is extremely fond of its home. It means that a geographical hub is necessary. But 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. A team should try to translate its fan support into additional financial means to become more competitive on the field. The more fans feel connected to the team, the more they will tend to associate themselves with the club, even during more difficult times, and thus spend more money on the team's products. 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. However, the brand community should be expanded based on the key attributes of the brand: what you want are fans that feel to be part of a family bound by common values and proud to be associated with their club. By trying to make everyone fit into your brand community,

you can lose the sense of community and risk diluting your brand as people would not feel comfortable being associated with other "intruder" fans who just recuperate the brand without truly espousing the team values.

During the last two decades, football became increasingly merchandized, internationalized and largely penetrated by commercial issues. Football is becoming an advertising medium, a brand in a multinational fight. The brand community concept states that fans can never be abandoned. A football club has an eternal life for its supporters, if we refer to Hirschmann (1970). But take the Karlsruher SC as counter 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).

Another barrier in further brand development and interesting topic for research is the existence of top players within the team, such as David Beckham, Ronaldo Luiz Nazario da Lima or Luis Figo, who have become marketable properties in their own right. According to Futurebrand Consultancy 21.8% of fans support their club because their favorite players were part of the team at some point, more than the 21.6% who automatically choose their hometown team (Mortimer 2004). The presence of star players seems to be particularly important in gaining "international fans", but also there are national differences in brand loyalty. "When Beckham left, we were disappointed to discover that in Japan, there was quite a bit of movement of fans away from Manchester United towards Real Madrid. There was also a tiny bit in China although nothing of much significance." (Mortimer 2004)

Further research questions with regard to global branding in football should deal with the advantages to be gained from a global brand name and its constraints, with international consumer (supporters) homogeneity, or with the steps/issues successful international brand building must involve in football.

Element 4: Partnering should be untangled and debundled. Football is perceived differently by different groups; it is a masquerade where perception is the product. Manchester United, Chelsea FC and the other top clubs are dressed differently depending on whether or not it is home match; if they play in Asia, Manchester United has six premium partners. JVC is

helping them in Asia, Budweiser assists them in the US. But Budweiser will also enter the British market and Vodafone needs legitimacy everywhere. Chelsea FC ended a four-year 4 million GBP association with Emirates Airlines as its sponsor, as the airline has defected to Arsenal London with a new 10 million GBP sponsorship deal that sees its name on Arsenal shirts and the new Arsenal stadium also named after the company (Mortimer 2004). According to Chelsea FC officials, the club is now looking for a consumer product firm as partner that can assist Chelsea FC in reaching a worldwide audience. This is an curious and a counter-intuitive situation when the club is enhancing its financial position and international knowledge at the expense of a sponsor willing to pay for much of the process. The reason is simple: the football club is very well known and has an enormous awareness and legitimacy which the consumer firm hopes will reflect on his own products through the principles behind co-branding.

The strategic alliance model is not new in IB research, since its emergence in the airline industry. But the difference in football is the awareness of the club, it is the acquaintance and degree of being well known: the experience, which is the basic driving force. It is a perspective of value creation at three levels: first for the team which can build and capitalize on its brand equity and generate revenues beyond both the local market and the stadium; second, for the fans who become part of a community which transcends the local fan base; and third, for the sponsors because stronger team brands, built on the strengths and specificities of their respective markets, help reinforce the brand equity of the partners' group as a whole.

5 Conclusion

Our paper has identified and described the emerging phenomenon of the globalization of football, and has shown that existing management concepts are difficult to apply as the business parameters are different from those of any other business and not very well covered so far in existing research. Although football is becoming commoditized, the business rules are still unclear off the pitch, offering a broad area for further research in international business.

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