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"The Business Model Analysis of European Football Clubs: A Study Case of The World's Top 5 Most Valuable Brands"

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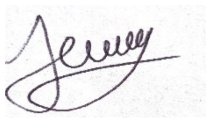

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CHAPTER 1

1.0 Introduction

The ultimate purpose for managers to run an enterprise is considered a simple one: formulating and implementing strategies to serve its current and future customers along with to create profits for the firms (McNamara, Peck and Sasson, 2013). To be able to capture the aforementioned points, a business requires a model that works with the respective industry recipe. Therefore, managers could possess a clearer perspective to understand the resources range and structure capability together with certain risks are faced while selecting a strategy for the purpose of value generations to customers and profit creations for the company.

In general, the above concept is applicable to most profit-oriented organisation that aims to create values for its shareholders, including football clubs in which these days have turned themselves into a mega-corporation that compete each other massively both in sports and business competition by inventing their own business models in-terms of but not limited to revenue generations, cost-structures, channels, key-resources and customer segments. In addition, Joan Magretta (2022) on the article of Harvard Business Review intends to believe that the creation of a business model is similar with writing a new story in which the new stories will renew the old ones where in addition, all business models are set to be considered as variations on the generic value chain that is divided into two parts; the first part consists of activities of creations (design, purchasing raw materials, manufacturing and so on) and the second part covers activities with selling things (reaching customers, making sales, and distributing products and services). The above activities are set to be performed by a football club in today's modern era of its industry.

People in the past used to consider football just as a leisure-time hobby to spend with friends and families while sometimes to play in the Sunday league without knowing that the sport they were playing would have a massive transformation that spread into every corner of the world. Research shows that in 2022 football has been the most famous sport in the world by having played by over 250 million and has more than 4 billion global followers (Tendu, 2022). The most general question was how football through the prestige of a football could club turns into a profit-oriented that follows the economic principle. In the previous ground-work, (Carpanese et al., 2020), football clubs have been described to fulfil the requirements as an organisation that establish profit-oriented principles through the following analysis:

- **Profit maximisation** – this is obtained through the process of revenues from the sales made to the cost incurred on their daily operations along with taking into account the purchasing of production factors. Only when positive income components outnumber negative ones can the firm be regarded vital or capable of living independently without the need for third-party involvement. The business must operate at an average level of efficiency that is expressed in terms of the technical performance of the production process. The long-term profitability of the commercial activity must be sufficient to cover the capital invested and, to a certain extent, to provide self-financing. This goal is obviously met if the business can generate income that exceeds costs in ongoing business operations and, as a result, profits.
- **Monetary control**- the condition when an enterprise could perform its ability to deal with outgoing cash on its revenues. As it results from comparing two cash flows across time, this idea is dynamic. It is based on both the volume and frequency of cash inflows and outflows. In other words, even though revenue and costs are equal, the cadence of the first and second may not coincide, resulting in a difference between cash-in and cash-out at any given time. When cash outflow exceeds cash inflow, loans and other external sources of funding are used. A surplus of liquidity results when cash input exceeds cash outflow. Therefore, the business must be temporarily able to fulfil the payment obligations. It is the responsibility of financial management to secure enough financial resources for the firm to operate. When account receivables can cover account payables without taking inventory estimations into account, for instance, we have monetary equilibrium in the short term.

Alternatively, the economy is the institution's ability to run profitably. At the same time, additional factors related to the notion of economics include effectiveness, efficiency, institutional equilibrium, durability, and autonomy. The amount to which an action accomplishes the anticipated goals is referred to as its effectiveness. It refers to the company's capacity to complete the task at hand. Measures of effectiveness compare actual results to current expectations or norms. In contrast, efficiency relates to the number of resources used to achieve a specific level of output whereas it is linked to the number of resources utilized to obtain the actual outcome. Efficiency is measured by the ratio of inputs to outputs. To put it another way, efficiency implies "doing the right thing," whilst effectiveness means "doing the right thing." Institutional equilibrium implies that all members of the institution share the institute's ideals and aims and get suitable incentives for their contributions. When members stay in the firm, there is long-term equilibrium and institutional balance. Hence, these broad ideas and criteria apply to football companies as well.

Nowadays, the fact that football clubs have become an enterprise that aims for profit orientation, it is understandable that they have evolved in ways since the end of the second world war where Europe being the most developed region that turned to be the centre of the football development inspired by the fame and success brought by the South American countries (Point of View The future of European football, 2021). Furthermore, in 1954 commenced the foundation of the birth of Union of European Football Association (UEFA) in Basel to be an independent organisation in the international football that started to be a facilitator for the collaboration among its members in which also where the cross-border competition in Europe began nearly a year after called the "European Champion's Club". With that being said, the evolution of football to be a high-intensity sport business in recent years, generating enormous sums of income, expenditure, investment, and so financial flows. For these reasons, the administration of a football entity today has significant consequences in terms of management, economics, and finance. Any club must deal with issues such as commercial organisation, budgeting methods, accounting, commitments, and the idea of balance. In today's world, a football club may be seen of as a corporation led by an economic entity responsible for successfully and efficiently coordinating productive components, with a certain amount of decision-making autonomy which goals not only to be able to compete and achieve the best sporting results but also to balance the short and long-term economic balance through cost controls and waste management of resources in order to accomplish financial flow that ensure business continuity.

Imlach (2006) emphasised that in the early stage of the operations of the football club the main incomes sources were tickets fees charged to fans and a limited sponsorship that continued to be the beginning of live broadcast of football league matches in the 1960 where ITV as the commercial TV network in the Great Britain spent £150k (circa €175k) for 26 matches. Moreover, football started its massive commercialisation between the late 1980s and early 1990s where football clubs began the transformation to be a profit-generated enterprise that could distribute dividends to its shareholders for the first-time along with the idea of in pay TV subscription commenced to take place resulted a continuation to the development of the TV rights at the beginning of 2000s where television deals remain to reach new heights and the clubs have begun to develop new global commercial strategies, giving them the opportunity to reach unprecedented global audiences (Football Benchmark 2020).

The aim of this research is to investigate the measurement of the business model concept in the exact ways for the purpose of value generations based on main activities such as revenue generations, expenses incurred, value propositions, and partner network. Specifically, it will cover the analysis on the business model concept which also stated as the rationale of how the organisation will capture value (Osterwalder and Pigneur, 2009, p.14). The company's business model analysis through each of their strategy by using a certain approach such as the business model canvas will guide us to have a proper understanding and thorough illustration of the whole operation within an enterprise that influence the relationship with customers, point up the key partners along with the value proposition, and how to identify a football club's revenues and cost structures in relation with its customer segments. In addition, the fact that football clubs have turned themselves into a massive entity that is even capable of being a publicly-listed company is also motivated by the digitalisation and technology impacts that broaden the opportunity for more revenue generations and key partners in the business.

This research will cover of **seven** chapters that are divided as follows: chapter 2 discusses the business model through a literature review, the idea of a business model, the business model canvas framework based on Osterwalder's block analysis along with the importance of the business model. Chapter 3 will cover a discussion about the comparison of football governance within the top football clubs that might cause a various business model amongst the clubs. This chapter is aimed to explain that there are impacts on the certain business model, for example the cost structures based on a specific football governance. Moreover, chapter 4 of this dissertation is dedicated to the analysis of drivers of UEFA football industry drivers and the selected building blocks from the Osterwalder's business model canvas through a comparison analysis amongst the top clubs within the biggest of the empirical findings of the European leagues. Chapter 5 establishes conclusions for the empirical findings followed by Chapter 6 with the further analysis of the critical activities performed by the European Football club and Chapter 7 with the conclusion and couple of personal reasoning about the football world as today along with some future predictions

CHAPTER 2

2.0 Literature Review

2.1. Business Model:

2.1.1 Introduction

The notion of developing a business model has been seen as a must-be-done step before running an enterprise. Boesso and Pastega (2018) determined that a business model are consists of different activities that an entrepreneur should take into account while running the business such as planning, strategy definition, marketing analysis, and competitor analysis in which those are aimed to the ultimate goal of creating value for the shareholder. In addition, Mason and Spring (2011) indicated that a business models may be described as a collection of elements that enable the configuration of a company's operations and also a representation of strategies, operations and relationship of that construct its business logic (Baquet et al., 2013 as cited in Soares et al., 2015).

Until the year of 2000, the perception of business model was mainly to consider the impact of the presence of the internet-based business in which at the early-stage of the internet-based manifestations, the business models were substantial into the network level where the types of e-marketplaces or the online content providers to generate money as it was truly vital for investors to react on this new invention in business (Timmers, 1999). However, as the concept of the business model continued to develop to become more commonly utilised it is increasingly being used only at the corporate level in which to be seen as the property of the firm (Mason and Spring, 2011). Overtime, in many cases nowadays, it has even further reduced to become a relatively rigid notion that is sometimes difficult to separate from Porter competitive strategy and is increasingly exclusively utilised at the firm level.

2.1.2 The Concept of Business Models

Business models are intended to produce value by utilising business possibilities, and hence, are used to develop transaction substance, structure, and governance (Amit and Zott, 2001). Furthermore, the idea of business model also spells out the ability of an enterprise to connect itself to its current stakeholders and to deliver the economic values with these aforementioned stakeholders to generate values for its transaction’s partners. To begin with, there are various of business model definitions in accordance to the previous research that in general could be summarised as follows:

Author	Definition
Timmers, P.	The ability of a company to capture important elements of organisational strategy to make to form a coherent and compelling whole
K, Mason ., M, Spring	Business models evolve through the interactions of individuals in social groups, both within the firm and within the wider business network
Debelak, D.	Business models are ways to evaluate whether company will reach success from the point of view of investors and tools for creating dynamic company from the perspective of a businessman
Doganova, L.,Eyquem-Renault, M	A complex process to decide a business framework by influencing and to be influenced that are performed by a business's internal network and external parties
Osterwalder, ., Pene, I.	A comprehension of how the organisation spends (or intends to spend) money The business model describes the value that the organisation provides to a variety of customers, reflects the organisation's ability, a list of partners required for the creation, promotion, and delivery of value to customers, and relationship capital required to obtain a consistent stream of revenue.
Baden-Fuller, C ., Morgan, M.S	A model that can be copied and replicated even if it is associated with the name of a firm to describe a specific business
Teece, D.J.	A business model articulates the logic, data, and other evidence that support a value proposition for the customer, as well as a viable revenue and cost structure for the enterprise that delivers that value.
Hamel, G.	Business concept and business models are similar to a baking process with dough where a business model is essentially a business concept put into action. The major characteristics of business models are established based on their capacity to innovate, the industry's specialisation, and the company's history through updates, revolution, adaptability, and cost contraction

Birkinshaw, J., Hamel, G., & Mol, M. J.	A systematic attempt to examine the invention and implementation of management practice, process and culture intended to further organisational goals
Latour, B.	A framework that is able to be "zoomed-in" and "zoomed-out". A "zoomed-it" allows a business to explore itself as frames for action that allows workers to translate, adapt, and act it while a "zoomed-out" indicated that we could explore the practice of the business model including shaping and making the markets within which they act

Table 1: Author Compilation

Despite being a relatively a young term, business model has been extensively used in business literature exclusively in the managerial reference. The research on this topic was studied extensively in which resulted that from the 1990 to 2003 there are approximately 680 terms of business model are used in a full text scholar research including the term of "e-business model", "new business model", or "internet business model" (Osterwalder, Pigneur and Tucci, 2005). With that being said, another research by Belussi, Orsi and Savarese (2019) on the bibliography analysis within the term of business model used in the research practitioner indicated a massive increase after 2005 in which it peaked of 500 in 2016. Moreover, Osterwalder, Pugneur, and Tucci (2005) further explained their essential concept of the development and evolution of the business model concept is believed to start by (1*) defining and classify the concept* that focused on the definitions and taxonomies as a support to the former research of Rappa (2001) and Timmers (1998) ; (2) then to list the *business model components* (Linder & Cantrell, 2000; Magretta 2002, Amit & Zott 2001); (3) after creating the component it is necessary for a business model to describe its elements by *creating building blocks* with the next step is (4) to *model the components conceptually* in which to lead the proposition of business model meta-models in the form of reference models and ontologies (Gordijn, 2002 as cited in Osterwalder et al 2005); and the fifth phase (5) is the *reference model to be applied in management*.

Year	In Title	In Abstract	In Keywords	In Full Text
2003	30	159	10	667
2002	22	109	2	617
2001	11	100	7	609
2000	16	67	1	491
1999	3	42	1	262
1998	1	19	0	128
1997	1	14	0	66
1996	0	14	0	57
1995	0	0	0	36
1994	0	0	0	18
1993	0	0	0	18
1992	0	0	0	15
1991	0	0	0	10
1990	0	0	0	7

Source: (Osterwalder, Pigneur and Tucci, 2005, p.3)

At the fundamental level, in addition, the business model indeed defined similarly to the firm's economic model in which aim at the logic of generations of profits that in the decision-making process will evaluate variables namely revenue sources, pricing methodologies, cost structures, margins, and expected volumes. (Morris, Schindehutte and Allen, 2005). Therefore, Steward and Zhao (2000) defined the approach of business model as a statement of not only how an enterprise will generate incomes and sustain its profits over time that in which during the emphasis is on internal procedures and infrastructure design that enable the organisation to create value but also how manufacturing or service delivery methods, administrative procedures, resource flows, knowledge management, and logistical streams are all decision variables. Moreover, another compelling terms of business model is referring its concept into as "the design of key interdependent system that create and sustain a competitive business" (Mayo and Brown, 1999) in which one of the essential points of view of why a profit-oriented entity would survive. Its strategic definitions stress strategic path in the firm's market positioning, relationships across organisational boundaries, and projected growth whilst Stakeholder identification, creation of value, specialization, vision, values, and networks and alliances are indeed decision considerations. Furthermore, Morris, Schindehutte and Allen (2005) points out the managerial concepts on the business model because of the essence of business model that captures essential components of the business plan, However, the approach addresses a variety of start-up and operating challenges that go beyond the model. It is not a strategy, although it has some strategy aspects. It is also not an activity set, despite the fact that activity sets support each aspect of a model. In addition, Slywotsky (1996) refers business models into how a firm chooses its clients, defines and differentiates its offerings, considers which tasks it will perform itself and which it will outsource, deploys its resources, enters the market, delivers utility for customers, and captures profits.

The underlying theoretical foundations of business model are primarily built on core notions in business strategy related to the value stream paradigm(Porter, 1985) and the extended concept of value system and strategic positioning (Porter, 1996 as cited in Morris, Schindehutte and Allen, 2005). Furthermore, the model contains decisions concerning company boundaries (e.g., vertical integration, competitive strategy) (Barney, 1999) and is related to economics transaction cost (Williamson, 1981). In addition, literature reveals that most perspectives on models covers how activities undertaken to produce the models within the firm's offering (Morris, Schindehutte and Allen, 2005) where on this occasion, the management should consider the value proposition of a firm, determine the activities will be performed, and set how a firm will fit into the value creation network. Precisely, the research by Morris, Schindehutte and Allen (2005) clears concept about business model that is built on the how to answers certain formulation questions: (1) *How will the firm create value?* – that is connected to how to a firm establishes the value offered into its products or service delivery; (2) *For whom will the firm create value ?* – this formula will answer on the nature and specific markets an enterprise would like to compete, in which covers to whom it will sell, customer segments, area dispersion and how to interact with customers; the next one is (3) *What is the firm's internal source of advantage?* in which tackles the core competency utilised to capture capabilities that transform a company to be better than others. The following framework (4) *How will the firm position itself in the marketplace?* focuses on how a business attempts itself to create unique and niche position compared to its competitors. Moreover, the fifth (5) formulated question on this past literature was directed on *How will the firm make money*? - that is linked on how to describe the operating leverage and explained the dominated costs in which both fixed and variables costs. The last but not least question (6) is about *What are the entrepreneur's time, scope, and size ambitions?* in which focuses on how entrepreneurs set their ventures types from lifestyle firm to rapid growth companies that aim for how long they are willing to be in the market on the specific period.

Although there are various previous definitions on the business model concept, the ultimate goal indeed is how a company creates and appropriates value for its consumers by conducting its tasks efficiently and effectively (Fjeldstad and Snow, 2018). Therefore, another main point-of-view in the business model concept is the importance of operational dimension that focuses on the decision made about product/service offered, target customers, the markets are willing to be served along with choices about how those values offered to be delivered. After making such decisions, the company creates an organisation that can oversee and coordinate the actions it does to please clients and continue the business (Miles *et al.*, 1978) . Fjeldstad and Snow (2018) in addition, discussed the perspective of the operational dimension from the related business model literature by making comparison about several study case of a company that started with comparing the activities and cost structure of Dell's business model of selling computers over the phone and the Internet and then building them to order to Compaq's and HP's models of selling through distributors (Christensen, 1997). Then, how the vertical position of value stream of e-businesses is classified on their model (Applegate, 2001) along with describing how Xerox's established way of doing business prevented the company from pursuing its revolutionary breakthroughs in personal computer technology because the inventions did not appear to complement the company's strengths in activities such as copier services, emphasizing the importance of a business model as a guiding framework to maintain focus on and coherence among activities (Christensen, 2002). Moreover, as asserted by Amit and Zott (2001) while mentioning that companies, on this case is an e-commerce, invents its value through the novel introduction, more efficient ways of conducting business and establishes value by exploiting lock-in from network externalities. These activities are linked on how the aspects addressed are often mentioned in business model literature (Drucker, 1954) – stating that consumers, materials, and income sources along with the inter-relationship within the company's activities.

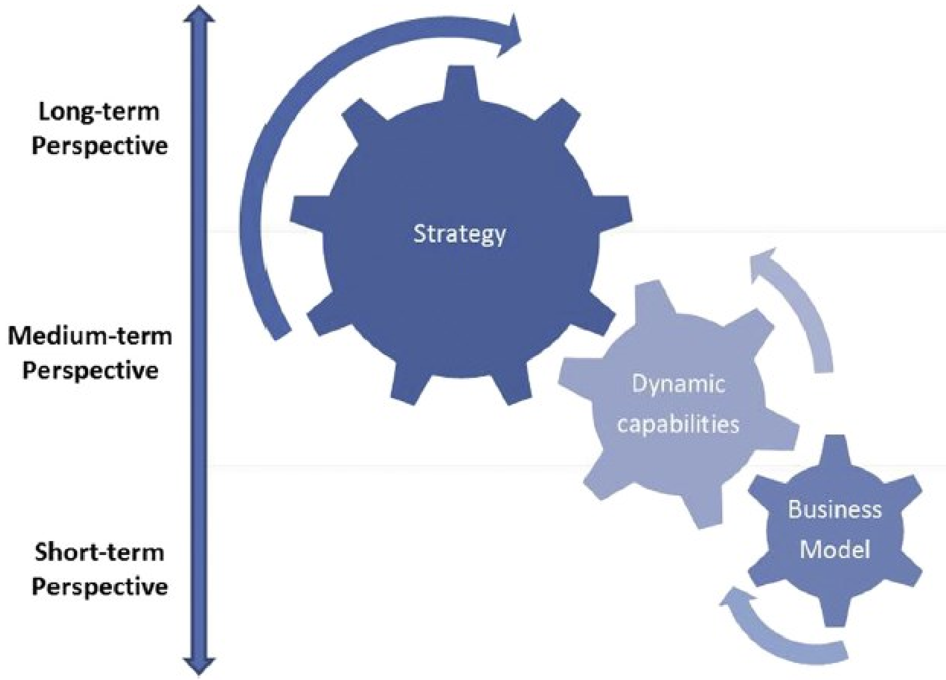
2.1.3 Dynamic dimension of Business Model

Fjeldstad and Snow (2018) refers the dynamic dimension of a business model to how an enterprise alters and keep adapting continuously. This dimension echoes the theory of how to redesign an organisation and its policies to stand a better chance of success (Forrester, 1958). The pieces of an effective business model are continually aligned with the environment in which they operate whilst the dynamic feature of business models has been explored in a number of studies in the business model literature. Additionally, a past research recommends the beginning with the selection of a value proposition and aligning the remaining aspects to it that specifically shows how corporations like Procter & Gamble, Corning, and Tata were able to develop new business models that supplemented their existing operations (Johnson, Christensen and Kagermann, 2008). Not only the concept of business model adapts the extended interaction between the element of business model with the environment as proven by Demil and Lecocqe (2010) by using a football club, Arsenal FC as their case in point, but also Chesbrough (2006) addition assertation on innovation processes as a means of business adaption that what he hails as "open innovation" where business model, firms, share knowledge, and collaborate. Previously, Teece (1986) explains that how organisations derive benefit from innovation through processes such as product and service improvement, technology licensing, or any mix of the two. This research is applied by Desyllas and Sako (2013) while demonstrating the concept on the pay-as-you-go auto insurance to show how better competencies might secure the value of a certain company model innovation.

Technically, within their research of a business model, Fjeldstad and Snow (2018) argue that the theoretical basis of the dynamic component of business models could be found in problem-solving theories (Newell and Simon, 1972; Simon, 1991) and organisational learning (Nelson and Winter, 1985; March, 1991)whilst Miles and Snow (1978) depict that firms handle the entrepreneurial challenge of product/market positioning, the technical problem of activities and resource configuration, and the administrative problem of balancing exploration and exploitation through organisational adaptation, which is referred to as a "adaptive cycle". Therefore, when applying this particular cycle, a firm, it enables the ability of problem-solving strategy in which how an enterprise could change the business model components and further, the business theory of knowledge and information influences the dynamic nature of a company model (von Hayek, 1937; Hayek, 1945) which claims that knowledge and information are disseminated throughout society. Hence, Firms must pick which opportunities to seek, how to pursue them, and with whom to collaborate in order to effectively adapt. Additionally, the work on innovation on open innovation of business models applies the Hayek's previous study by lengthening the circumstance of firm innovation to its status (von Hippel, 2005; Chesbrough, 2006).

2.1.4 Combination of Business Model and Strategy

Porter (1996) discovered that strategy is that about being different that one should choose various set of activities to deliver a unique mix of value. Or to explain in a simple term, strategy is how an enterprise performs differently than its rival that aims to be different in a continuous manner in order to purse a competitive advantage(Businaro, 2020). Similarly, Porter (2001) added that strategy is "how all the elements of what company does fit together" that at a glance is similar with Magretta (2002) definition of business model of "A system how the pieces of a business fit together". However, further research shows that these two terms might have a different concept in two different ways (DaSilva and Trkman, 2014). First, as it is mentioned previously on Casadesus-Masanell and Ricart (2010) considered that the realised strategy is reflected onto business models, DaSilva and Trkman (2014) argued that "strategy shapes the development of capabilities that can alter current business models in the future". Building dynamic skills is key to strategy and allows one respond quickly to both present and potential threats (Ambrosini and Bowman, 2009). Dynamic skills are described as the ability to foresee, shape, grasp opportunities, avoid threats, and, when judged essential, rearrange the company's intangible and tangible assets in order to sustain competitiveness (Teece, Pisano and Shuen, 1997; Pavlou and el Sawy, 2011). Secondly, they also stress that business models explain what a company actually is at a particular time, as opposed to strategy, which reflects what a company hopes to become as given in the below framework concept:



Source: DaSilva and Trkman (2014, p.384)

Figure 1 elaborates on the preceding concept: strategy operates in the long term by organizing dynamic capabilities that is defined by Teece (2018) as the ability to anticipate, shape, seize opportunities, and avoid threats while remaining competitive), which will respond to future usage thru all the business models. Consequently, the business model is constrained by the company's dynamic capabilities, which are difficult to reproduce because they are based on firm-specific attributes (Teece 2018). The three principles are inextricably linked and interdependent; in reality, a competitive advantage cannot be gained or sustained without a proper strategy capable of altering the present business model.

With that being said, it is understandable that there are debates amongst scholars on the difference within the two concepts. In order to have a better understanding to define strategy, an analysis on the surrounding environment is seemed to be essential. For instance, PESTEL analysis is one applicable tool to assess political, economic, social, technological, environmental and legal factors that may have an impact on whether a strategy is successful or unsuccessful. However, Porter may have suggested a better framework in which is well-known as “Porter 5 forces” analysis namely: Competition of the industry, potential of new entrants within the industry, power of suppliers, power of customers, and threats of substitute products. In addition, combining the Porter 5 forces analysis with SWOT analysis in terms of Strength, Weakness, Opportunities, and Threats could also defined a strategy even clearer.

Morris, Schindehutte, and Allen (2005) argue that business models and strategy are closely interconnected, with a variety of internal and external factors of a business model, such as "strategic position," regularly interacting with strategy to achieve sustainable success in the marketplace (Porter, 1996). One key aspect of strategy that is often taken into consideration is the "Key Success Factor" (KSF), which provides a clear and comprehensive explanation of a company's strategy and how it aligns with their vision and mission statement in order to achieve future goals (Boesso and Pastega, 2018). However, Zott, Amit, and Massa (2011) contend that business models and strategy are distinct concepts, with business models being a system that regulates various aspects of a business, and strategy only covering principles of competition. Casadesus-Masanell and Ricart (2010) also argue that business models are competitive instruments that differ from traditional methods of value creation and operate differently than strategy. Ultimately, the primary focus of both business models and strategy is value creation and delivery, with diversification being built around these principles. While strategy centers on rivalry, value capture, and competitive advantage, business models emphasize collaboration, partnership, and joint value creation (Zott, Amit, and Massa, 2011).

2.2 Examples of Business Model

This particular section would discuss couple examples of the relevant business models exist based on Linder and Cantrell (2000) in which they performed the surveyed landscape of business models amongst companies. They argue that the term business models would consist of these following terms (1) *Components of business models* (2) *real operating business models*, and (3) *change models*.

2.2.1 Components of business models

Business models’ components are not complete, in which these are just pieces (Linder and Cantrell, 2000) that incorporate from revenue models and value propositions to organisational structures and arrangements for trading relationship. This may form a significant component of a company model, but it is not the entire picture. Since the Internet has changed the way businesses reach customers, price products, and customise the shopping experience, e-tailers have been paying close attention to new value propositions, channel configurations, and revenue models. Many people have incorrectly labelled these business models.

They say "business model," but they mean:	For example:	As in:
Pricing model	■ Cost plus ■ CPM (cost per thousand)	"Free is almost a default business model on the Web." Fortune, March 1999.
Revenue model	■ Advertising or broadcast model ■ Subscription or cable model ■ Fee-for-service	"The solution for many established companies and startups [to their difficulty finding good business models], has been to apply traditional business models such as advertising, subscription services and retail sales to the Web...." Webmaster Magazine, October 1996.
Channel model	■ Bricks 'n' mortar ■ Clicks 'n' mortar ■ Direct-to-customer	"Disintermediation is already taking a hit on the business-to-consumer front, where new business models, such as cobranding and digital channel management — as opposed to channel cannibalization — are beginning to take hold." Computerworld, December 1999
Commerce process model	■ Auction ■ Reverse auction ■ Community	"Ancient history may perhaps be a good place to find a new business model. Traditional auctions have been held since the time of Babylon. Requirements? A community of interested buyers and sellers, agreed rules of conduct, a time and place. Auctions are a time-honored method of getting the best price for goods." PriceWaterhouseCoopers, August 1999.
Internet-enabled commerce relationship	■ Market-maker ■ Aggregator ■ Virtual supply alliance ■ Value network	"The real key to competing in the New Economy is in business model innovation. Based on the Internet, fundamentally new models of the firm and its interaction with external entities have emerged.... " Business 2.0, November 1999.
Organizational form	■ Stand-alone business unit ■ Integrated Internet capability	"The eCommerce Steering Committee considered the following electronic commerce business models: skunkworks, standing steering committee, eCommerce executive VP, new business unit, spin off, and outsourcing." Big 5 Consultant, December 1999.
Value proposition	■ Less value and very low cost ■ More value at the same cost ■ Much more value at greater cost	"There are two basic business models. Companies either compete on price, or they compete on quality." Oil and Gas Industry Analyst, January, 2000.

Figure 2 Source: (Linder and Cantrell, 2000, p.3)

2.2.2 Operating business models

The real deal are operational business models. An operational business model is the basic logic of the firm for producing value. A profit-oriented enterprise's business model outlines how it produces money. Because businesses compete for consumers and resources, a successful business model emphasizes the specific activities and methods that enable the firm to succeed—to attract customers, workers, and investors, and to offer profitable products and services.

Only the business model components that are part of the essential reasoning are included, therefore the operational model of one company may differ substantially from that of another. Throughout the remainder of this work, the phrase "business model" refers to an operational business model.

Linder and Cantrell (2000) furthermore classify the operating business models into several classifications and this part will cover certain essentials models, namely:

i. **Price models** – an operating business model that focuses on how a company deliver its value by using products or services prices to attract customers. Specifically, price models are sub-divided into:
   a. *Buying club*- Gather consumers with appealing prices and utilize purchase volume to obtain discounts. Administrative expenditures are kept low via

cost conservation, no-frills service, and efficient logistics. Letsbuyit.com and Costco are examples.

b. *One-stop, low-price shopping*- Attract consumers with low prices and the ease of a large variety, then translate volume into purchase discounts. Keep service extras to a minimal while delivering quickly to keep income flowing. Examples include Walmart and SupplyGenie.com.

c. *Under the umbrella pricing*- Under-price the industry leader and use marketing to persuade buyers that your services are comparable. Follow quickly in product/service development. For instance, in the 1980s, Prime Computer partnered with Digital Equipment, and MCI WorldCom partnered with AT&T.

d. *Free for advertising* - Provide free items or services to end consumers in exchange for them seeing ads. FreePC is an example.

e. *Razor and blade* - Charge a modest price for basic equipment or a starting product and profit on the ongoing supply of consumables. Polaroid cameras, HP inkjet printers, and Gillette razors are among examples.

ii. **Convenience models**- offers various options of products and services to customers along with numerous payment methods to attract customers, are further divided into:

a. *One-stop, Convenient shopping* - Use a large assortment and easy access to attract busy consumers willing to pay a premium for convenience. Reduce expenses, deliver quickly, and increase profitability by growing share of wallet. WW Grainger is an example.

b. *Instant gratification* - Make high - cost items and services easily accessible to those who cannot pay right away. Profit from high-priced installments credit. Examples are Capital One and MBNA.

c. *Comprehensive offering* - Provide a package of acceptable quality goods and services to make a single distinct offering that competes with best-in-class enterprises. Integrate pricing and delivery to provide a unified front to the customer. Follow development quickly and win on usability. Example: Mediaone.

iii. **Experience models** – focuses on giving customers an outstanding experience of a certain brand. Could further be classified into:

a. *Experience selling* - A functionally unremarkable product is moved by a large, aggressive sales team motivated by a pyramid commission structure. Mary Kay Cosmetics and Amway are two examples.

b. *Experience destination* - To attract customers willing to spend a premium, provide a well-planned setting. Manage staff, service delivery, and/or product selection first and foremost for quality and consistency, then for cost. Rainforest Café, Disney theme parks, and Sharper Image are a few examples.

c. *Cool brands* - Through excellent brand marketing, you may earn premium prices on competitive products. Outsource manufacturing to reduce asset intensity while maintaining strict control over quality and "coolness" drivers. Nike and Gap are two examples.

iv. **Channel models** – business models that maximise the logistic channels to reach its customers and to control the supply and demand by providing certain numbers of availability products. Further classified into:

a. *Channel maximisation* - Exploit engaging content across as many channels as possible to maximize advertising, subscription, gate, and merchandising profits, and vertically integrate to capture all channel revenues along a focus or specific target demographic. AOL, Time Warner, Viacom, and Ziff-Davis are a few examples.

b. *Cat-daddy selling* - Look appealing by offering a comprehensive assortment of readily available products and accessories in a specific category at reasonable pricing. Manage the supply chain for efficiency and leverage buyer power to obtain purchase discounts and increase margins. Examples: Toys R Us, eToys.com, and Safeway.

c. Quality selling - Attract customers by offering high-quality, hard-to-find things at premium prices. Use top-tier buyers to build and maintain supplier relationships that are distinctive and high-quality. By handling logistics in an efficient and customer-focused manner, you can provide exceptional customer service and convenient purchasing. Lands' End and Saks Fifth Avenue are two examples.

d. *Value-added reseller* - Provide a diverse range of undifferentiated items to a targeted market through value-added sales and service. Clients might be attracted via consultative selling, product selection, service, and promotional price. Maintain margins through smart supplier management and efficient logistics.

v. **Trust models** – Engages in charging premium prices for products that solve certain problems due to high quality input materials and could have several revenues sources from additional services in relation to support a selling of the main product. Are able to be sub-classified into:

a. *Trusted solution* - Consumer pay a premium for predictable operations with severe penalties if they fail. Trust and margins are maintained through extensive expertise, scalability, efficiency, and fault-tolerant processes. Exodus, State Street are two examples.
b. *Trusted service leadership* - Use your reputation for excellence to attract top talent, which in turn draws money. Get paid first, then spend and profit from the float. Manage exceptional service delivery without jeopardizing talent. Brigham and Women's Hospital are two examples.

vi. **Innovative models** – focuses on investment in pre-enter market steps (i.e R&D) to ensure high margin profits in the future. Classified into:

a. *Incomparable products* - Develop and exploit proprietary technologies using extensive R&D expertise to create unique products with significant margins. Increase the number of applications across many markets. For example, to retain price control, scale up manufacturing to keep ahead of competitors on the volume-driven cost curve. Polaroid in the 1960s, Genzyme, and DuPont are examples.
b. *Incomparable service* - To sell one-of-a-kind services for premium prices, use aggressive opportunity identification. Exit a service line when it becomes commonplace and comparable in price. Having a speed model where techniques combined with a "do it now" mindset generate value. Wheel and deal to get the proper equipment at a reasonable price. Evergreen Aviation is an example.
c. *Breakthrough markets* - Invest in fresh market entry to gain at least a temporary monopoly. Maintain profits by cautious pricing and operating efficiencies, which might also be defined as an innovative product strategy that combines breakthrough markets with new and diverse products. Consider AIG Insurance.

2.2.3 Change models

Linder and Cantrell (2000) furthermore explain that business models could alter or shift overtime and additionally, on their research they found a distinction between organisations that appear to change furiously and without direction and those that appear to be on a planned path of change where the situation is called for a model change. A model change indeed, is a distinction between organisations that appear to change furiously and without direction and those that appear to be on a planned path of change. Specifically, change models could be further classified into four namely

i. **Realisation models**

Firms apply realisation models to get the most out of their existing operating logic. In order to grow and profit, they capitalise on the potential of their current company strategy. It depicts the least amount of actual change of any of the change models.

Many of the dotcom companies we spoke with had implementation plans. They anticipated global expansion and client growth, but no significant changes in their operating business models.

Often, realisation models would cover geographic expansion such as the Walmart case in which they expanded their products internationally. A certain case was W.W. Grainger when it employed a realization model to strive to provide consumers with what they want—ubiquitous and convenient access to the greatest selection of MRO items available. During which, Grainger gave customers everything from physical locations to teletype machines for ordering before the Internet became popular for B2B purchases. By adding two simple Internet sales channels to an already extensive network had little effect on Grainger's business model. Grainger, on the other hand, is embracing the Web to enhance and retain its current operating model.

ii. **Renewal models**

This model will show a renewal both consistently and consciously to the products and service platforms, brands, costs structures, and related technology to combat competitors that are willing to reduce their margins. Renewal models are widely popular among forward-thinking businesses looking to stay ahead of the price/value curve.

The study case mentioned by Linder and Cantrell (2000) on this case was Teradyne, a global leader in the semi-conductor industry that serves test equipment during which period they faced immense switching costs issues. Hence, Teradyne management established a no-holds-barred internal division to identify a disruptive technology. It first targeted a market sector where Teradyne did not have a foothold, but management saw that a successful new technology platform may eventually eat into core equipment sales. This is a renewal model because Teradyne recognizes that in order to keep current customers satisfied, the value proposition in its core business unavoidably shifts away from top product functionality.

iii. Extension models

The proposed change model presented in this study encompasses the development of novel extensions and expansions, including new markets, value chain operations, and product or service lines, in which the inclusion of new business ventures does not replace but rather complements existing ones. The extension model often necessitates forward or backward integration, as exemplified by the case of BP Amoco, where the vertically integrated oil and gas company incorporated retail outlets at its gas stations. Furthermore, the implementation of the extension model can enable an organization to explore and venture into a new business line.

iv. Journey models

In contrast with extension models, journey models bring a company into a whole new business model where the corporation switches to a new operational model on purpose and never returns. For instance, globalising is commonly experienced by numerous of giant enterprises where they establish their presence in world-wide markets along with the restructure of their value propositions to emphasize their global reach and capabilities, and they have no intention of returning to their prior status as a focused, local player. Aside from globalisation, trip models incorporate up-market and down-market migrations—from price competition to brand or service-based preference, or vice versa.

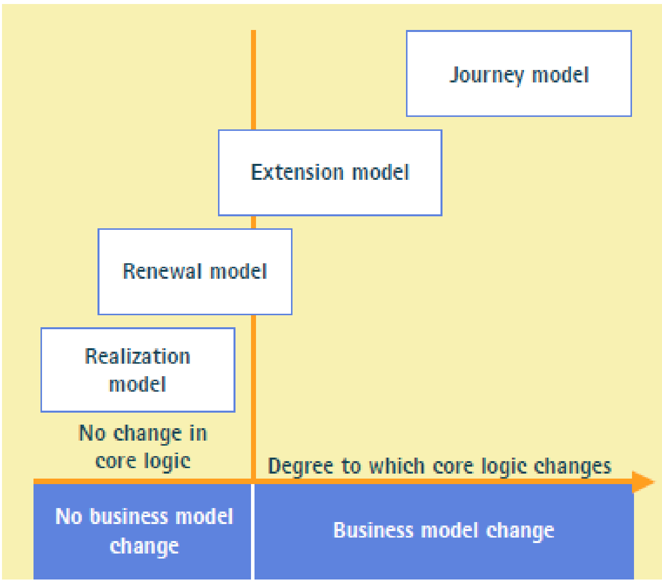


Figure 3: Change Models (Linder and Cantrell, 2000, p.13)

2.3 The Implementation of Business model

Whilst the previous section discusses the concept of business models, this part will cover the consideration of the structure within the concept on how it could be translated by management from a plan to real elements or principles in terms of business structure, business processes, and infrastructure along with its systems (Brews and Tucci, 2003). Furthermore, Osterwalder, Pigneur and Tucci (2005) emphasise that the implementation of the business model must be funded internally or externally as shown below in figure 4.

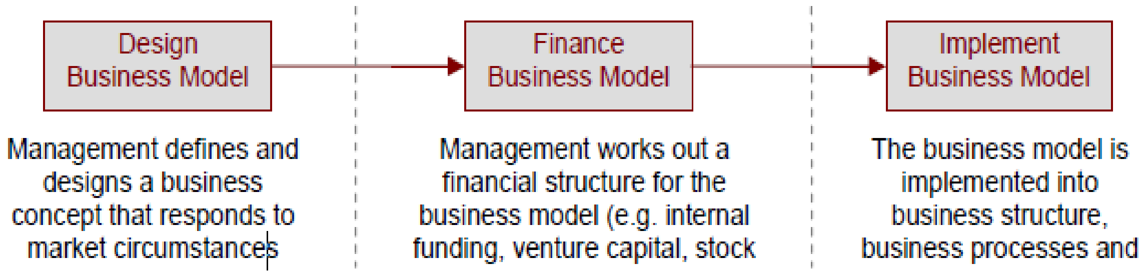


Figure 4: The Implementation of Business Model (Osterwalder, Pigneur and Tucci, 2005, p.8)

2.3.1 The Business Model Canvas

To define what is the business model canvas, some scholars might argue that the first time it was used by Drucker in 19954 whilst in fact Onvas (2015) on his article argued that Drucker never mentioned the term "business model", he asserted that Drucker's theory in addition to what a business is paid for, the business was a collection of assumptions about what a business will and will not accomplish. More precisely "*these assumptions are about markets. They are about identifying customers and competitors, their values and behavior. They are about technology and its dynamics, about a company's strengths and weaknesses*." Moreover, Magretta (2002) focused on the hypotheses rather than the money, emphasizing that the phrase "business model" first became widely known with the development of the personal computer and spreadsheet, which permitted various components to be tested and, well, represented. Previously, successful company models "*were developed more by chance than by design or forethought, and became obvious only after the fact.*". Therefore, she began to classify the description of business models into two parts: (1) make something (i.e manufacturing, designing and purchasing raw materials) and (2) selling something (i.e distributing products, finding customers, and building relationships) in which the concept is adapted by Osterwalder who created the canvas system that generating nine blocks of how an enterprise aims to generate money(Osterwalder and Pigneur, 2011) .

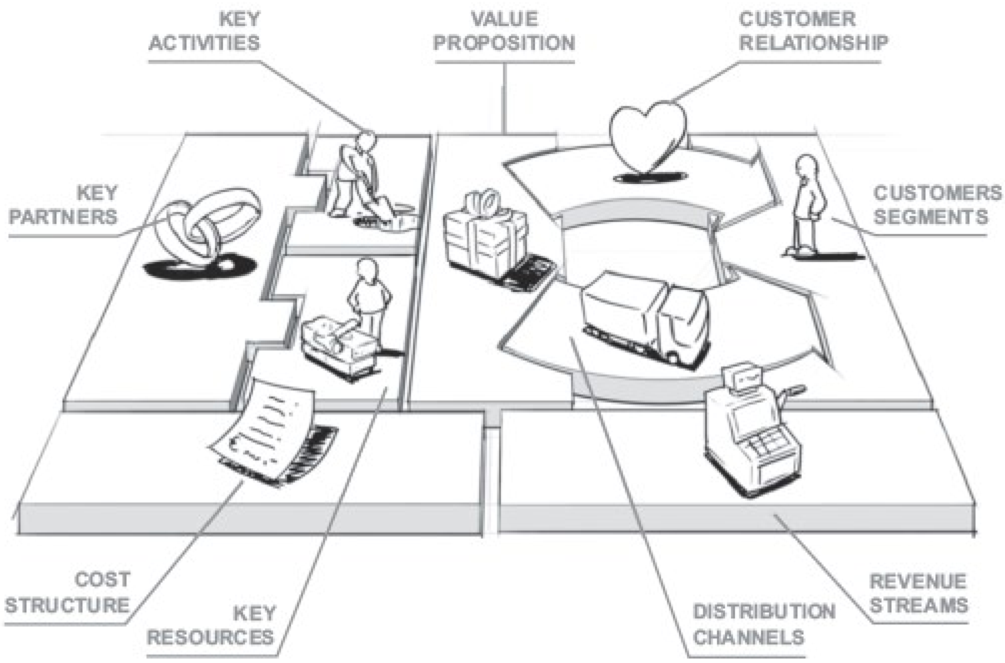


Figure 5: Business Model Canvas (Osterwalder and Pigneur, 2011, p.66)

As shown on the figure above, the business model canvas is constructed within its nine building blocks that cover main areas of businesses in which are financial viability, customers, offers, and infrastructure (Osterwalder and Pigneur, 2011). The first setting of blocks concentrated on creating value in terms of revenue streams including *revenue streams*, *customer segments, value proposition, distribution channels* and *customer relationships* while the second part consists of how a business is aimed to be an efficient organisation which covers the blocks of *key activities, key resources, partner networks and cost structure*.

- **Customer Segments**- Osterwalder and Pigneur (2009) describe customers as "the heart of the business model" that no company will survive without having profitable customers. Specifically, the customer segment represents the different group of people that a company wants to serve(Osterwalder and Pigneur, 2011). Firms typically categorise all customers into several groups, each with its own set of wants, behaviours, and other characteristics. This classification is required in order to discover which consumer groups are best suited to each organisation and those that should be excluded. For instance, Osterwalder and Pigneur (2009) classify customer segments to be in the form of (1) mass market; (2) niche market; (3) Segmented market; (4) Diversified; and (5) multi-sided market.
- **Value Proposition -** Customers choose one company over another based on their value proposition.(Osterwalder and Pigneur, 2011). Each Value Proposition is made up of a

carefully selected combination of products and/or services that satisfy the requirements of a specific Customer Segment. In this view, the Value Proposition is a collection of benefits that a firm provides to its customers. Various Value Propositions may be novel and indicate a novel or disruptive offering. Others may be comparable to present market offerings but with additional features or traits. Businaro (2020) in addition, described that the value proposition block is related to how a company generates a positive EBITDA (calculated by deducting net sales with operational expenses.

- **Channels** - The Channels building block outlines how a business connects with and reaches its Customer Segments in order to offer a Value Proposition. Additionally, channels are consumer touch points that have a major impact on the customer satisfaction (Osterwalder and Pigneur, 2011) as this is set to be the foundation of customers path to the company's products and services, those paths could be divided into five steps in channel phases in which are: *Aware*, the first touch where how to attract potential customers. *Evaluate* where a company helps customers to evaluate the value propositions offered that lead to the third step: *Purchase*. This step focuses on how to help consumers to purchase specific products and services, could be in the bundle and customised form. The next step is *Deliver* where a company finally deliver its value propositions to the customers which lead to the last step *After Sales* that should be performed to customers to support the post-purchase activities.
- **Customer Relationship** - The Customer Relationships building block describes the different types of relationships that a company has with different customer segments. A corporation should define the type of relationship it wishes to have with each Customer Segment. Relationships can range from personal to fully implemented (Osterwalder and Pigneur, 2011). Some of the customer relationship methods would be classified into several forms such as (1) *personal assistance*; (2) *automated services*; (3) *self-service*; and (4) *co-creation* ((Osterwalder and Pigneur, 2009).
- **Revenue Streams –** As the last part of the first block, the revenue streams show cash is generated from each customer segment whilst cost are subject to be deducted from revenues to generate earnings (Osterwalder and Pigneur, 2011) . In addition, for every Revenue Stream may employ a unique pricing method or technique, such as fixed list prices, negotiation, auctioning, market dependence, volume dependency, or yield management (Osterwalder and Pigneur, 2009)
- **Key Resources –** Specifically, Osterwalder and Pigneur (2009) define that key resources are essential assets required to make a business model works as those resources grant the creation of value proposition, to reach markets, and retain

relationships with the related customer segments. Physical, financial, intellectual, or human resources are all examples of key resources. Significant resources might also be owned or leased by the company or acquired from a key partner.

- **Key Activities -** Key activities are critical for a company since they represent the basic acts that must be done in order for the business model to function. They reflect the company's ability to arrange resources in order to produce and deliver value.
- **Key Partnership** – the building blocks of key partnership focuses on the network of suppliers and partnerships that aim to optimise the business model, reduce risks, or acquire resources (Osterwalder and Pigneur, 2009). Some of partnership could be in a form of strategic alliances, coopetition (partnership between competitor), joint venture, and buyer-supplier relationships.
- **Cost Structure** – the last block but not the least represents all costs incurred to run a business model including costs to create and deliver values, maintain relationships, to acquire customers, to perform key activities, and to create key partnerships. The ultimate part of cost structure is highlighted in the operational expenses (OPEX) through the activities of running distribution channels and customer relationships that covers operational activities, communication, and marketing along with capital expenditures (CAPEX) that is related to working capital and financial assets (Businaro, 2020)

2.3.2 The Drawback of Business Model Canvas

Although after being used by more than 650,000 people around the world, the business model canvas (BMC) does not represent a perfect tool to draw a business model (Ching and Fauvel, 2013). Spanz (2012 as cited in Ching and Fauvel, 2013) highlighted couple of disadvantages that mainly were considered in terms of:

- Narrow analysis on competition;
- Exclude the structure of competition
- Lack of the formula of business goals
- Key performance indicators (KPIs) and performance managements are not considered; and
- Unable to be used to transform existing models

In addition, Kraaijenbrink (2012) also put major critics of the Business model canvas formula, mentioning that (1) BMC exclude the strategic purpose, vision, mission and strategic objectives; (2) Lack of notion of competition in which he asserted to be a crucial part for every business; and (3) mixing level of abstraction where the building blocks of "customer relationship", "channels", "key activities" and "key resources" are suggested to be merged, omitted, or to be introduced later when any details are needed. Furthermore, Kraaijenbrink (2012) develops a variation called "value model canvas" that is suitable for any organisation including non-profits and social ones as he argued that BMC building block does not accommodate the presence of non-profit organisation. The fresh idea was to add "key rivals"- an organisation or individuals that are disadvantaged by a specific organisation or that are disadvantageous of it (Ching and Fauvel, 2013) and "strategic values" into the model Similarly, other study concluded that the business model canvas develops certain shortcomings that not only it does not take into account competition, but also no consideration of trends along with environmental analysis (Becker and Jan-Oliver, 2021).

Another critic on BMC was addressed by Maurya (2010) in which was willing to solve four issues missed in the original business model canvas: key partners, key activities, customer relationships, key resources by replacing them with problem, solution, key metrics, and unfair advantage respectively. He viewed the boxes labelled "essential activities" and "important resources" as being more "outside-in than inside-out," which means that they help outsiders comprehend what the business is doing but do little to aid the entrepreneur himself. Maurya (2010) further contends that crucial activities have to be created from the solution. Furthermore, crucial resources are no longer that difficult to locate in the era of globalization and cloud computing. Because every product should be produced and developed with a tight and direct customer interaction already, the box customer relationship was eliminated. A "path to customer" should then be created, according to Maurya (2010). However, this is noted in the channels box after that. The hardest aspect, according to the developer, was when the "important partners" were finally eliminated. Although Maurya acknowledges that certain products may indeed require important partners from the start, she asserts that most products choose not to.

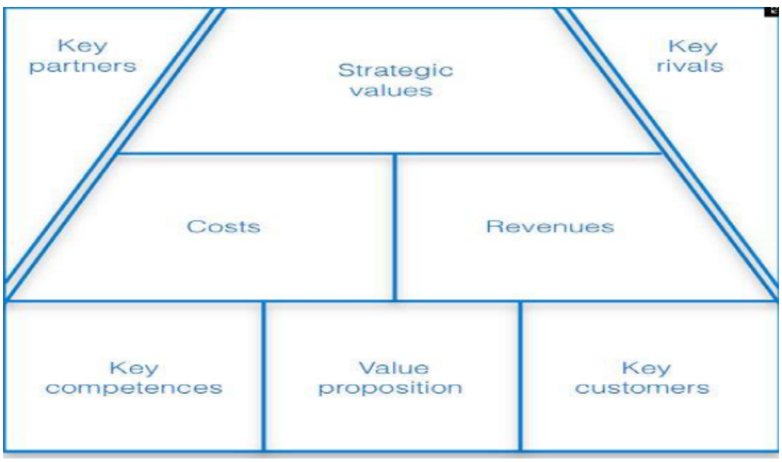


*Figure 6: Value Model Canvas ((*Kraaijenbrink, 2012)

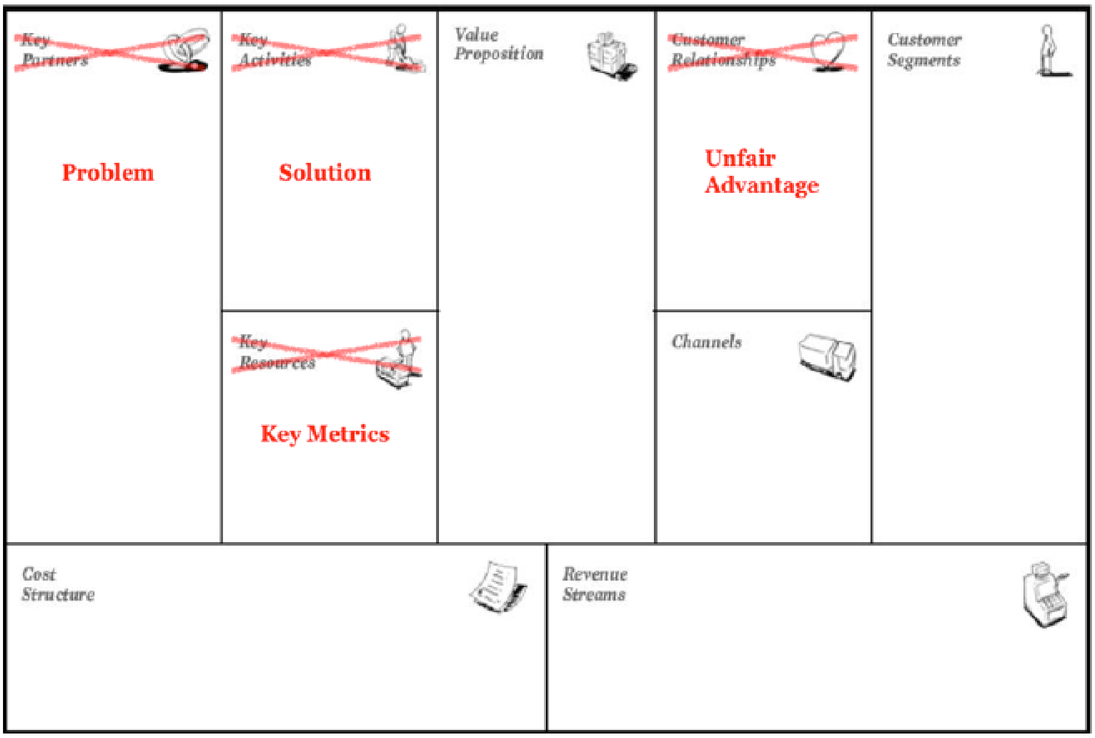


Figure 7: The Lean Business Model Canvas (Maurya, 2010, p.23)

2.4 The Business Model of Football Clubs

After discussing the business model in general from the perspective of definitions and frameworks, this section will discover how the business model runs in a particular area, the football industry that is increasing its market share over years. Dima (2015) emphasized that economic patterns and model in the professional sports industry, particularly within the European Football have been a debate. However, Andreff and Staudohar (2000) label there are three types of the financial models within the professional sports industry to explain the revenue streams of the football clubs that are parts of the business models that are also applicable for the football practice (1) *Traditional*, (2) *Contemporary*, and (3) *American Sports Model*.

2.4.1 Professional Sports Model: Traditional

Right through almost the entire 20th century, gate receipts were the ultimate source of income to European professional sports, including football while in certain countries such as Germany, France, and Italy the local and national governments along with big industries (i.e Bayer, Philips and Fiat) contributed through subsidies (Andreff and Staudohar, 2000). Additionally, during the 1960s and 1970s advertising revenues started to take off to play a major part in the revenue sources not to mention corporate sponsorship increased accordingly. For example, Fiat and

Juventus that both are in Torino, Italy; Philips and PSV both in Eindhoven, Netherlands, and Peugeout and FC Sochaux, both in Sochaux-Montbéliard, France.

Thus, Andreff and Staudohar (2000) refer the aforementioned model is known as Spectators-Subsidies-Sponsors-Local (SSSL). It has existed in all European nations for a long time. Private donations, subscriptions, and membership fees make up most of the difference in countries where official subsidies to professional clubs are prohibited. In addition, between the end of 1970s and the beginning of 1980s where television rights sales appeared to finance certain sports in British (i.e cricket) along with the French football, it was not recognised as a major source of fund to clubs with the reason of unfit to the professional strategies of the club. Even that, in 1967 For example, the British Football Premier League turned down a million-pound offer from the BBC to show championship games live. In 1965, the Stade Rennais football club in France rebuffed a 50,000 franc offer to televise a single match. The leagues and clubs were concerned that live television broadcasting would reduce stadium attendance, so reducing their main source of revenue. In the absence of competition among broadcasters—at the time, there was only one public television station—the monopsony rights price would be insufficient to cover the loss of gate revenue generated (Andreff and Staudohar, 2000).

	Division 1							Division 2			
Receipts from (%):	1970-1971	1974-1975	1980-1981	1985-1986	1993-1994	1996-1997	1997-1998	1993-1994	1994-1995	1996-1997	1997-1998
Spectators	81	62	65	50	29.5	21.9	19.9	15.3	15.9	15.3	12.8
Subsidies	18	29	20	21	23.8	14.7	11.8	35.7	27	23.1	20.6
Sponsors and advertising	1	9	14	22	25.6	26.3	20.5	17.3	20.4	25.6	21.9
TV rights	0	0	1	7	21.1	32.4	42.5	24.5	25.7	30.7	34.4
Other (merchandising etc)	0	0	0	0	0	4.7	5.3	7.2	0	5.3	10.3
Total	100	100	100	100	100	100	100	100	100	100	100

Table 3: The Evolving Structure of French Football Professional Club's Finance Division 1 and Division 2 in percentage
(Andreff and Staudohar, 2000, p.260)

2.4.2 Professional Sports Model: Contemporary

Starting the beginning of 1990s, most top-level European professional clubs, including football started to abandon the old SSSL model. Andreff and Staudohar (2000) discover in the contemporary model, subsidies have declined in countries where they are not already banned and due to the decline of the SSSL model, in 1997-1998 the television rights took over for several big European big clubs to be the main source of revenues (see table 3 and table 4). Bourg (1999) emphasised that the media takeover is evidenced by the strategy of broadcast industry firms themselves such as CLT-UFA, AB Sports, Canal Plus and BskyB that bought shares in a professional club's stock. In addition, his finding also was also to explain that the media roles to the football club such as Italian public television had contributed to football revenues such as RAI to the Italian Calcio, ARD-ZDF to Bundesliga (Germany), BBC to the English Premier League, and ORTF to the French National Football League despite these supports were a subsidiary source of revenues compared to others such as patrons, sponsors and spectators. Another intriguing component of the revamped model is the arrival of a new generation of entrepreneurs. These corporate titans are no longer the selfless, financially uninterested businesspeople of the past, but rather investors intent on boosting the teams' financial success through ownership and management. Jean-Luc Lagardére (Matra into Racing Paris), Silvio Berlusconi (Fininvest into Milano AC), Joe Lewis (ENIC into GlasgowRangers),

Mark McCormack (IMG into RC Strasbourg), and Rupert Murdoch (BSkyB's bid for Manchester United) are just a few examples.

	Newcastle		Manchester United		Tottenham		AC Milan		Juventus	
Commercial Receipts (%):	1995-1996	1996-1997	1995-1996	1996-1997	1995-1996	1996-1997	1995-1996	1996-1997	1995-1996	1996-1997
Gate receipts	46.4	42.6	39.4	36.5	54.9	51.3	44.4	40.7	53.7	37
Sponsors and advertising	17.1	16	11.6	13.4	19.6	18.6	15.5	15.2	29.2	28
TV rights	12.2	19.4	11.5	15.3	10.2	16.8	29.6	34.2	17.1	35
Other (merchandising etc)	24.3	22	37.5	34.2	15.3	13.3	10.5	9.9	0	0
Total	100	100	100	100	100	100	100	100	100	100

Table 4: The Structure of European Professional Football Finance (Caselli, 1990 as cited in (Andreff and Staudohar, 2000, p.264))

The penetration of entrepreneurs and corporations into the sports business has triggered two significant changes. One is that the club's administration is taken over by professional managers, usually but not always resulting in financial stability. The other change is the ability of these new investors to mobilize additional funds for further growth and competitive edge.

This synergy between sport and business was developed due to a constant interaction between these subjects. For instance, merchandising in which has been a main practice of

clubs lacked of resources in the full-scale marketing. Nowadays, specialists have done a quite better way to promote a bigger variety team. On the table 4 we could see that merchandising reached 10% of AC Milan’s incomes and 34% of Manchester United. Moreover, even later in 1998 merchandising incomes could approximately tally the gate receipts indicating that merchandising, as a product of a football club such as apparels, linen, toys, schoolbags, and perfumes could turn into revenues for a football club (Andreff and Staudohar, 2000).

Another aspect in the contemporary model is the role of demand and supply of talent. There are clubs that intensify their revenues by investing in issued securities such as stocks and bonds while other clubs focused on to develop talents and later to sell to a richer club to become a "supplier club". The example of the latter club is Nantes and Auxerre in the 1990s while in the current years are Ajax Amsterdam and Borussia Dortmund. As a comparison to the first classification, Wall Street Journal in 1999 reported that Stock exchanges listed 33 football teams from six countries: 22 in the United Kingdom, 6 in Denmark, 2 in Portugal, and 1 each in Italy, the Netherlands, and Switzerland. The stock value of the 22 British clubs is in the $1.8 billion level. Stock sales proceeds are used to upgrade or expand stadium capacity, settle debts, develop young players, and attract "stars." The latter technique is riskier since bad performance or injuries to key recruits can cause stock prices to plummet, as happened in 1997 with Newcastle Football Club shares on the London Stock Exchange. However, although those clubs had gone for a listing, their shares price did not perform as expected, approximately 35% plunged in the beginning of 1997 excluding the Manchester United which was the anomaly of the market where they outperformed other clubs in the stock exchange. To sum up, in the contemporary model is founded on four main areas namely "*Media-Corporation-Merchandising-Market-Global*" that refers to be MCMMG model that over time has been defined into SATI model (Sponsors – Actionnaires – Television – International) (Bourg and Gouget, 2012) and summarised as SATEMMI model by Bastien (2013) that consists of Spectateurs – Actionnaires – Television – Enterprises – Marches – Merchandising – International.

2.4.3 American Professional Sports Model

The American professional sports model, which includes sports such as baseball, American football, basketball, and hockey, shares certain similarities with the European MCMMG model, but also has its own unique features. Andreff and Staudohar (2000) highlight that both models involve sports leagues considered to be joint ventures, in which independently owned clubs collaborate to set rates, market games, and devise tactics for competition. However, the American system includes the rookie draft, in which teams with the worst records have the first pick in subsequent selection rounds, while the team with the best record picks last. In terms of competition structure, the European model includes promotion and demotion based on win-loss records, while the American model does not and instead focus on adding new franchises and relocating them to different cities. Additionally, while European teams often compete internationally, the only international element of the American model is the inclusion of Canadian franchises (Hoehn and Szymanski, 1999).

One advantage of the American professional sports model is that revenues are distributed equally among teams to create a more balanced distribution of financial power. For example, in American football, all television money from national broadcasts is split evenly among clubs, while the home team receives 60% of gate receipts and the visiting team receives 40%. This results in a smaller economic gap between teams, with a team in a larger market, such as the New York Jets, earning roughly the same as a team in a smaller market, such as the Green Bay Packers. Additionally, the United States has stricter regulations for labor in the sports industry, known as "talent," compared to Europe. While both Europe and the United States have generally adopted a "hands off" approach towards sports cartels under competition policy, there has been a tendency in the United States to examine issues of public policy in the courts, particularly in regards to antitrust (Cairns, Jennett, and Sloane, 1986).

Another difference is, whereas in United States are determined to be the land of free enterprise, sports team would not receive subsidies (Andreff and Staudohar ,2000). Noll (1999) added despite the lack of direct government subsidies to clubs, there are considerable tax breaks. Sports teams represent the only type of business that can depreciate human assets in order to cut down on taxes. In-kind subsidies, such as stadiums erected at the expense of local governments to entice teams to stay in one area or recruit teams from other areas, are even more crucial. Additionally, a unique difference of the US model that does not exist in Evidence throughout Europe is called the collective bargaining where team sports players are organised into unions that negotiate the terms that apply to all players in a multiemployer bargaining unit that includes the league. This procedure of distributing the industry's earnings has resulted in several strikes and lockouts, many of which have disrupted regular-season play where on the other hand, in Europe, Athena (2018) indicated the sports employment relationship and its regulation are mostly left to the parties in charge of the specific sport. The Council of Europe, on the other hand, has stated that "the regulatory monitoring of sport must focus on the promotion of sport for everyone as a method of improving quality of life”. Also, due to the absence of European regulatory oversight, the sports industry developed its own private rules (the lex sportiva), allowing sports leagues and regulating bodies to essentially construct their own work agreements, which do not involve unionization. Furthermore, sports leagues and sport’s governing bodies have a dominant market position because athlete-employees of a specific sports league must adhere to the policies of their governing bodies in order to possibly engage in the specific sport. It should be remembered that in Europe, ownership of players does not rest with the league but with the individual teams. For instance, Athena (2018) explained in the English Premier League Players in England must sign a contract with their club and register their contract with the Football Association and the Premier League. This contract must adhere to the requirements of the normal FA Premier League contract, which all players must sign. The contract conditions comprise length of the deal, the club's commercial use of the player's image, the player's remuneration, additional winning/playing incentives, and so on. However, when a player or a player's agent negotiates a playing contract, he or she has a great deal of leeway in negotiating the most significant contract elements such as pay, playing bonuses, contract duration, among others. As a result, such bargaining will take into consideration the player's physical qualities as well as his or her perceived "stardom status."

Talents as Industry Recipes for Football Clubs Business Models

To operate successfully as an organization with the goal of generating profits, a football club must have the necessary resources, specifically in the form of talented players. The most logical approach to building a competitive team is to recruit players who align with the club's philosophy. In various industries, including the film industry, team sports, consulting, and higher education, executing strategies requires the deployment of significant amounts of human resources, and it is commonly believed that competitive success is achieved by firms that attract and retain the highest quality talent. Research suggests that top talent is more capable of addressing company challenges and more appealing to customers than those with lower skill levels (Chambers et al., 1998). This intense competition to acquire the most talented labour is often referred to as the "Wars for Talent," with the ultimate goal of elevating organizational performance.

Another aspect of “talent-based” industry recipe is whereas competitive performance is also determined by the acquisition of firm-specific information, this involves a structural process of gaining information about the compatibility of various individual producing resources. Individuals gradually grow more familiar with the talents of other members of their team as they work together on shared tasks on a regular basis, producing what is called in the literature as 'shared team experience.' (McNamara, Peck and Sasson, 2013). The real test for managers further is to configure their choices to mix their talent along with their accumulated working team experience that would create value not only for customers, but also for firm’s profitability. Furthermore, McNamara, Peck, and Sasson (2013) researched on talents in the football industry emphasise there are four area of talent business model for value creation that works for the football clubs based on external market value and internal accumulated shared experience that divided into “B talent” and “A talent” (see figure 8). Moreover, their research of the English

Premier League cases for the year 1993- 2004 resulted that in most of the case during the research period, approximately half of competing teams in the English Premier League were aimed into war to get the best talent by changing their business model to aim for top talents also provided better results on the competition and return sales of a talent/player (figure 9, 10 and 11).

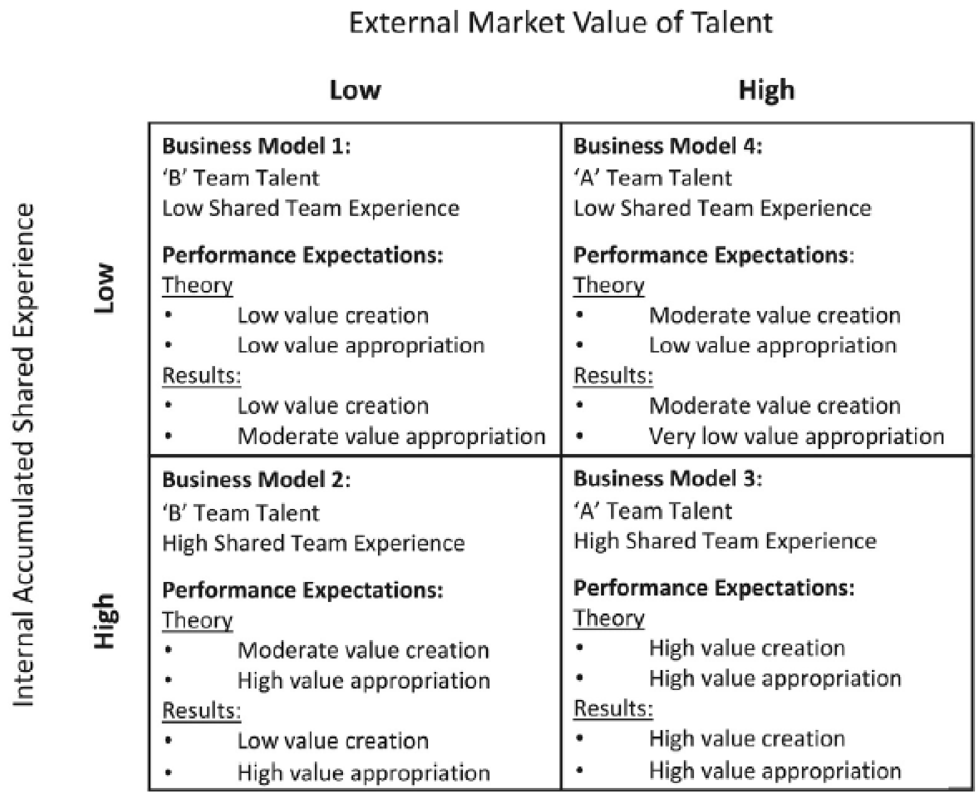


Figure 8: Business model typologies: expected and resulting value creation and appropriation (McNamara, Peck and Sasson, 2013, p.477)

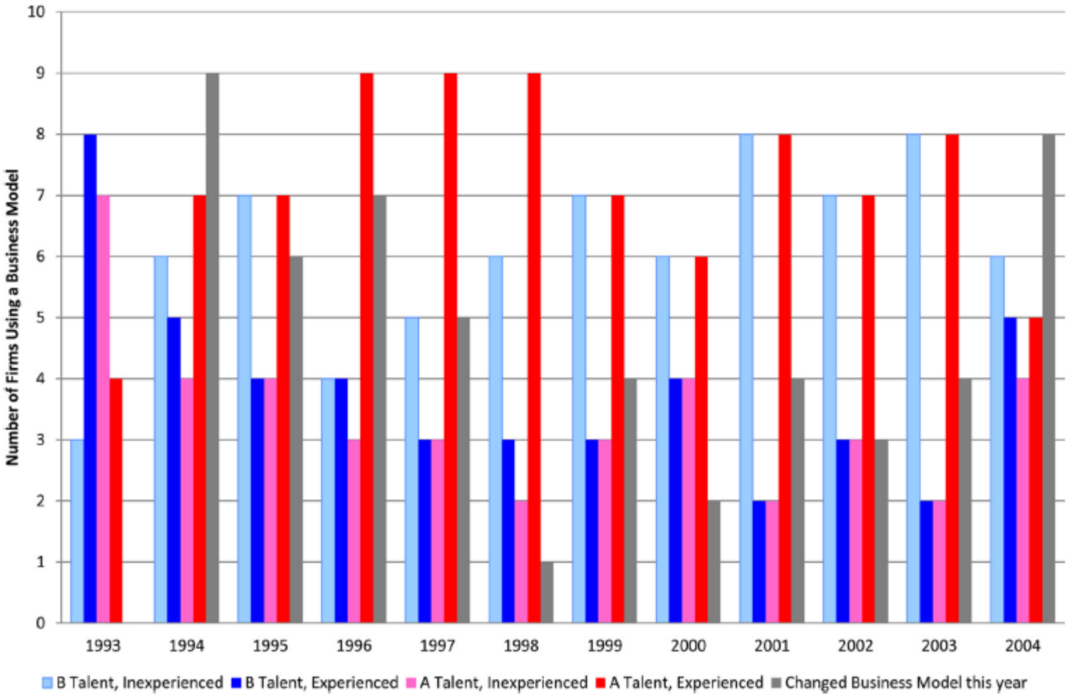


Figure 9: Business models used by English Premier Teams and Business model change through talents (McNamara, Peck and Sasson, 2013, p.481)

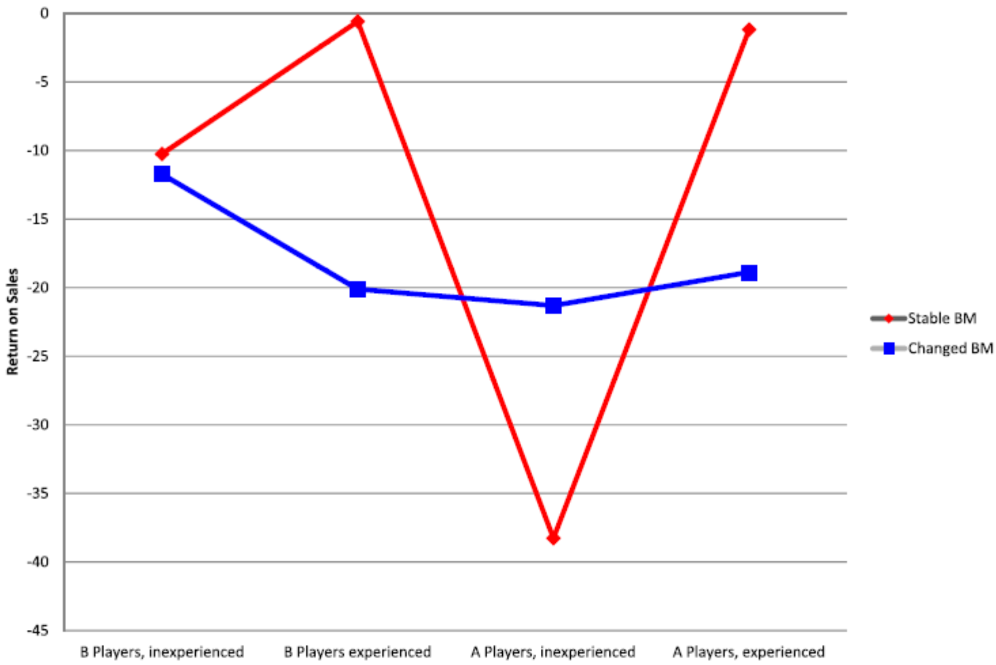


Figure 10: Value appropriation business model – return on sales(McNamara, Peck and Sasson, 2013, p.483)

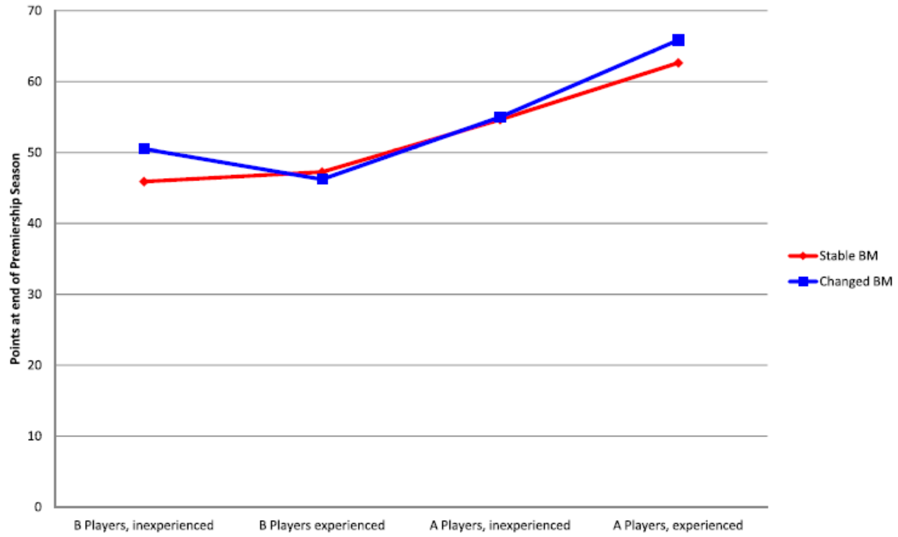


Figure 11: Value Creation Business model through talents – points gained in the league (McNamara, Peck and Sasson, 2013, p.482)

2.5 Reasons to Implement Business Models Concepts

The previous part of this thesis has covered the business model concept in general and in football industries point of view along with certain framework tool used to create one. This part will cover reasons why business models are necessary for a firm and favourable. A past research froom Baden-Fuller (2010) illustrated both the theoretical and practical sense of a business model.

i. *Business models as descriptions of 'kinds' in a taxonomy*. All the numerous definitions provided by authors categorized a business model as an association of components arranged to produce and distribute value profitably. Scale models, which entail some type of description of things, and role models, which serve as examples for others to imitate, are both included in business models. Additionally, business models are essentially "ideal types" that are created by applying concrete facts from experience to imprecise ideas. Additionally, the significance of the business model as a descriptor is crucial for categorizing the various firms and showing various "kinds."

ii. *Business model as an organism investigation*. Similar with other science discipline such as biologist, firms are able to investigate and experiment the way they run the company by doing so with their own business models.

iii. *Business models as recipes*. Business models, like recipes, give managers and researchers with a mechanism to explain and differentiate the many forms of business behaviour found in the world of organisations, as well as detail how the exemplar instances supplied by some notable examples fit in. Ideal-type business model examples include recipes that have already been tried and tested in the world, ideals that other businesses may aspire to emulate and on which they may make modest adjustments without altering the main formula for success. Indeed, to have a similar function as recipes, it will need ingredient such as strategic elements, resources, capabilities, products, consumers, technologies, markets, and other important elements.

Though certain advantageous of using business models, there are certain drawbacks of the application of business model concepts. There are five points (Zott and Amit, 2013) from their past analysis that highlighted what business models lacked of.

i. *Unresolved overlap of the business model idea with established concepts, levels of analysis, theories etc*. Zott and Amit (2013) believe that business model should be defined and distinguished carefully, conceptually and empirically to establish its empirical validity. For instance, defining a business model generally such as "description of how a traditional venture operates" is a sign of lacks in specificity and ambiguity.
ii. *Lack of independence of the concept from other levels of analysis*. The fact that the business model is related to concepts of entrepreneurship and design is not an issue in and of itself. It rather emphasizes the need of doing multilevel research and integrating theoretical viewpoints, something we have always supported (Amit and Zott, 2001; Zott and Amit, 2013)
iii. *Lack of uniqueness as a level of analysis.* Due to lacks of distinctiveness as a level of analysis, business models definitions could be all-encompassing that merely focus on resources, activities, products, value proposition, incentives, revenue streams etc and it is difficult to determine what it is not part of a business model and which one is the firm or organisation at large.
iv. *Lack of any consistent definition of the term "business model".* Each scholar might have its own entitled opinion on the term in which creates ununified definition of a business model.
v. *Lack of solid empirical support.* Theoretical advancement is followed by empirical investigation. In this sense, if there is no unambiguous theoretical definition, it is likewise impossible to discover a unique and precise match in practice.

2.6 Conclusion

There is no one definition of a business model, but its essential notion may be described as the instrument through which a corporation displays its business logic from how it produces and distributes value, but especially how it maintains its competitive edge. It is important in understanding the business idea in a corporation, analysing and assessing the instruments used to verify the efficiency of the plan implemented. In addition, not only that business model also refers to a structure made up of internally (strategy, resources, and capabilities) and external (competitive pressures, consumer demand, and environment) components that interact in real time but also, they are not just representations of strategy; they operate in two distinct periods, but they complement one another. Likewise, business model framework is effectively represented by business model canvas, a framework that provides for instant simulation of a firm's whole operation and may be tailored to suit the demands of the organisation.

CHAPTER 3

3.0 Football Clubs Governance & Research Method

On this chapter the author will explore the football club governance as a part of the football business model by analysing types of football governance that may influence to the business model of European football club. However, before this part will start exploring such topics, the author will start by giving a regulation must be followed by European football clubs issued by the European governing bodies, Union of European Football Association (UEFA) that issued a regulation on how football clubs to not only to focus on their sporting performance but also to ensure their business and financial sustainability in which called “Financial Fair Play” (FFP).

After discussing financial fair play, this chapter continues its discussion about certain governance model exist and used for European football clubs and followed by research method used for the purpose of this thesis.

3.1 Financial Fair Play

The UEFA Financial Fair Play (FFP) rules were established in 2009 and have been fully implemented since the 2013/14 season with the goal of improving football clubs' economic and financial capacity and enhancing the transparency and credibility of financial reporting; ensuring that clubs settle their liabilities on time, whether with employees, the tax authority, or other clubs; and providing mechanisms of protection to creditors (UEFA, 2018).

In general point of view, the initiation of FFP rules by the UEFA is aimed to protect the continuity of a football club in the future and restore the competitive balance between clubs and leagues (UEFA, 2018). Morrow (2013) explains that to purse these purposes, UEFA tracks down the club’s financial position and performance based on their accounting information reported, setting a limit on a club's deficit as well as forcing clubs to "break even" or "balance their accounts," which limits the power of money-laundering groups bringing in private investment. Hence, clubs that are not comply and do not quality for those requirements might be punished with fines or even disqualified from European competitions which would damage their revenues stream through certain cut (Solberg and Haugen, 2010; Dimitropoulos, Leventis and Dedoulis, 2016). For example, the most obvious case was Manchester City case when UEFA’s found that they breached FFP regulations for the season 2020/2021 and 2021/2022 and had to settle fines for €30 million. To make it clearer, financial fair play (2012) has certain aims to:

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

To have a better perspective on what how does financial fair play work, Goateron (2012) further explained, in the early period when the FFP started in the 2012/2013 season that it will be divided into five monitoring period years, as explained in the table 5 below, that overtime there will be adjustment established by UEFA over the period of 6 seasons allowing for initial but reduced losses in order to help football teams adjust to the new financial constraints of breaking even. The monitoring period will assess the breakeven balance for the year or season T, T-1 and T-2 except for the 2012/2013 where the assessment on accounted for the previous 2011/2012 season. For instance, during the first monitoring period of 2012/2013 it will take into account the break-even position from 2011/2012 and 2012/2013 with the maximum aggregate deficit allowed of €45million and also 2012/2013 season will be part of the monitoring period of 2014/2015. Starting the 2014/2015 season, the maximum deficit allowed was reduced to €30million, which is an average of €10million per season. At the end of each season and the period of monitoring, clubs that would like to participate in the European competition under UEFA must produce their financial results and required information to show that they are obliged and meet the financial requirements to be eligible as the licensee of the UEFA competition.

At this point, the definition of breakeven has not given, UEFA financial fair play (2012) defines that the breakeven is "*the sum of relevant income and expenses that must be adjusted to reflect the fair value of any such transaction*". In general, the relevant incomes cover the similar understanding as they are acknowledged within the financial statement such as gate receipts, sponsorship, broadcasting rights and commercial activities whilst the relevant expenses include salary expenses, cost of sales and finance cost. However, there are certain costs that are allowed to be excluded for the purpose of calculating the breakeven, namely:

- Expenditure on youth development activities
- Expenditure on community development activities
- Financing cost related to construction of tangible fixed assets such as stadium development.

With the above being said, for example shall a club fails to meet the financial requirement in the monitoring period 1, UEFA will impose the punishment on the season 2014/2015 and so on. This implies that teams who do not perform financially risk being disqualified from future UEFA tournaments, so missing out on not just more sporting achievement, but also huge income. The figure 12 below shows the potential punishment shall be given by UEFA to clubs that are unable to meet the financial requirements.

Monitoring period	11/12	12/13	13/14	14/15	15/16	16/17	Max deficit allowed	Football season affected
1							€45million	14/15
2							€45million	15/16
3							€30million	16/17
4							€30million	17/18
5							€30million	18/19

Table 5: Financial fair play system (Author's compilation as Goateron, 2012)

Potential sanctions:

- Warning
- Fine
- Deduction of points in UEFA competitions
- Withholding of revenues from a UEFA competition
- Prohibition to register new players in UEFA competitions;
- A restriction on the number of players that a club may register for participation in UEFA competitions
- Disqualification from a competition in progress
- Exclusion from future competitions
- Withdrawal of title or award

Figure 12: Sanction Overview (author's compilation as Goateron, 2012, p.80)

3.2 Football Governance Model

The European governing body, UEFA, allows various governance to those who are willing to compete under their license as long as they comply to the financial fair play rules and it is well known that the football has turned itself into an industry that not only compete in sport but also in the business and financial performance globally. In addition, within the broad view, there are indications that governance model of a football club defines each own business model that could be classified as closed model and open model (Carpanese, 2017)

1. *Closed models* – There is often one controlling shareholder in which the power of business and football decision are handled in the hand of parties who inject capital into a football club. Carpanese (2017) further explained that motivations of parties that are willing to involve in the closed model are aimed in the form of individual achievements (sporting results, prestige and social visibility), direct and indirect economic return in which the latter is obtained through entrepreneurial activities with respect to the football. This model is commonly found in England and Italy where there seemed to be numerous investors are willing to inject capital into a football club. However, the drawback of this model is such system could lead into a crisis where the costs incurred are higher than incomes generated and the shareholders are no longer capable to cover the losses.
2. *Open models* – A governance model where the club's internal governance is formed by other parties and not only majority shareholders. That because, aside from the members of the governing bodies, a majority shareholder is not necessarily required. Hence, this concept has no financial ramifications, but it is an example of collective, sports, or socio-cultural objectives that are set examples in Germany and Spain whereas Germany establishes the governance model of 50%+1 where the football club fans possess the capital injection to the club and Spanish clubs are governed by the President that are democratically voted by the fans in which they should run the club in terms of sporting and business activities with the approval of the fans.

In addition to the above model, Carpanese (2017) discussed further about the elaboration of football managements into four parts:

1. *Public business model* – When a football club has its own shares listed on a public company and anyone are capable to purchase its shares including the fans. However, usually the majority stocks are still own by certain shareholders who are in control of the decision making of the club whilst the transparency exists as the football club is classified as a public company. For instance, English clubs set to be the example of the public business models, Manchester United, Tottenham Hotspur, and Arsenal have listed their shares in the public stock exchange (i.e Manchester United in the New York Stock Exchange). In Italy, Juventus, AS Roma, and Lazio are the examples of Italian football clubs that implement this model while other examples outside England and Italy

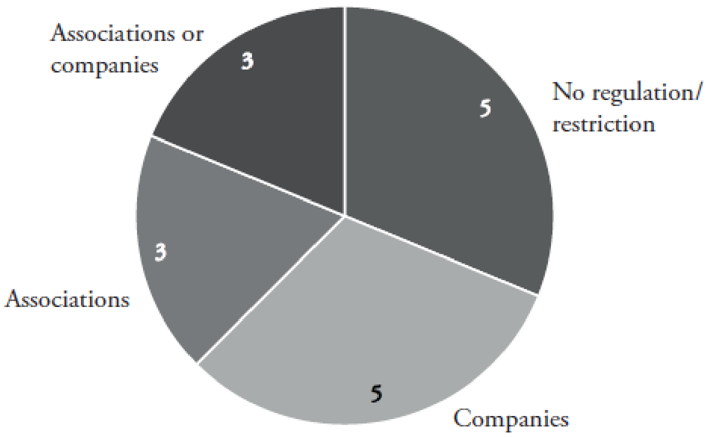
are Borussia Dortmund in Germany and Olympique Lyonnais in Paris stock exchange. The advantage of the public business model is financial funds are easier whilst the disadvantage could be affected by the stock performance is determined by the sporting performance.

2. *It is my party model* - This is the most basic model controlled by a single person. It involves the so-called patron, who is extremely wealthy and influential, who operates the company as if it were its own, investing massive financial resources. Chelsea (formerly owned by Russian billionaire Abramovich) and both Milan (when owned by Berlusconi) and Inter (managed by Moratti) are currently owned by Chinese investors. Other clubs controlled by Arab Sheikhs include Manchester City and PSG. The positive impact is the owner has a lot of money and is willing to go to any length to get the greatest performance out of his players and to refill the budget losses with their own equity; the disadvantage is that these wealthy owners frequently behave too independently, without taking any outside advice. The biggest risk is a loss of business continuity (ongoing principle), which occurs when the owner decides to leave the club overnight, putting it in financial distress. This model can also be called closed.
3. *A popular club model* - It is the most traditional type of open model, based on low-denomination shareholdings. The club's distinguishing feature is that it has a significant number of members who contribute the required resources and have voting rights, and they vote to elect a chairman and a board of directors, who subsequently then interact directly with the company's management. In addition to the German clubs stated above, the prominent examples are the Spanish teams, where Barcelona (known as Socios) and Real Madrid have thousands of members. The model's passionate personality and the adoration of her followers are great aspects. This indicates that football takes precedence above profit. In contrast, the disadvantage created is that continual changes in the organisational chart may alter the strategic direction already established. Furthermore, democracy may result in a club leadership that is not universally supported, resulting in heated situations.
4. *A family affair model* - It is connected to smaller clubs affiliated with family-run companies. The president of this club invests family wealth and manages the firm directly with the help of a few other people. Although the president's enthusiasm in managing the club shows a positive sign, on the other hand, it serves their own interests. The disadvantage is that the contemporary market necessitates abrupt strategic adjustments, which these presidents refuse to accept or neglect. This is the most

troublesome paradigm in modern football, which is made up of budgets, financial transactions, and massive foreign capital.

Similar with Carponese (2017), research made by Boillat and Marson (2018) on the global legal form of a football club finds that there are four types of common governance used within the football club's world-wide based on each country's FIFA ranking namely (1) Companies; (2) Associations; (3) Associations or companies; and (4) No regulation/restrictions, where the research concludes that most of the European leagues (i.e English Premier League and Spanish La Liga) are dominated by companies form of governance whereas German Bundesliga adopts both the association or companies form.

Figure 13: Governance form of club required by leagues in general (Boillat and Marston, 2018, p.18)



Confederation	Country	League (championship)	Companies only	Associations only	Associations or companies	No regulation/ restriction	N/R
UEFA	England	The Premier League (The Premier League)	X				
	Spain	LNFP (Primera División)	X				
	Germany	Ligaverband (Bundesliga)			X		
	Poland	Ekstraklasa (Ekstraklasa)	X				
CAF	Morocco	FRMF (Botola Pro)					X
	Ivory Coast	Ligue Professionnelle (Ligue 1)		X			
	South Africa	NSL (PSL)				X	
	Kenya	KPL (KPL)				X	
AFC	India	AIFF (I-League)				X	
	Japan	J. League (J. League Division 1)				X	
	Australia	FFA (A-League)	X				
	Saudi Arabia	SPL (SPL)		X			
CONCACAF	Mexico	Liga MX (Liga MX)			X		
	USA/Canada	MLS (MLS)					X
	Jamaica	PFAJ (NPL)				X	
	Costa Rica	UNAFUT (UNAFUT Primera División)			X		
CONMEBOL	Argentina	AFA (Primera División)		X			
OFC	Papua New Guinea	PNGFA (NSL)	X				

(In white: FIFA Ranking 1-20; in light grey: FIFA Ranking 21-80; in dark grey: FIFA Ranking 81-209)

Figure 14: Governance form of clubs required by the league (Boillat and Marston, 2018, p.19)

3.3 Research Method

3.3.1 How to analyse the concept

The purpose of this research is to provide analyses of the European football club business model and how they are able to compete for profitability and accordingly improve the sporting performance that creates a competitive atmosphere for the European club's competition. Consequently, to perform analysis on the business model, this thesis will identify the relevant aspects or blocks of a business model that quest profitability and improved sporting performance.

3.3.2 Applying Osterwalder and Pigneur Business Model Canvas Approach for Business Model method

Although in general football clubs are recognised for their sporting performance, there is no doubt that in the modern era they have transformed themselves into a profit-oriented enterprise that utilises the business model method to create values for their fans as the main stakeholders along with relevant shareholders. Osterwalder and Pigneur (2009) provides a convenient framework that enables this thesis to provide explanation on the business model concept. Hence, we argue that such framework works for any enterprise, including a sporting organisation, including football clubs. Our challenge is therefore to successfully apply Osterwalder and Pigneur's business model canvas in accordance with the unique fundamentals of the UEFA football industry, considering factors such as the current simultaneous pursuit of sporting and financial success, the division system, and the complex bargaining relationships with suppliers and buyers, which differ from the traditional profit-seeking industry.

To be precise, Osterwalder and Pigneur (2011) describe that a business model canvas in which that has nine building blocks can actually be divided into four different parts namely: customers, offer, infrastructure and financial visibility in which on this case the creator of a business model and the relevant stakeholders are expected to have better understanding on how to analysis and develop their current business model in the future.

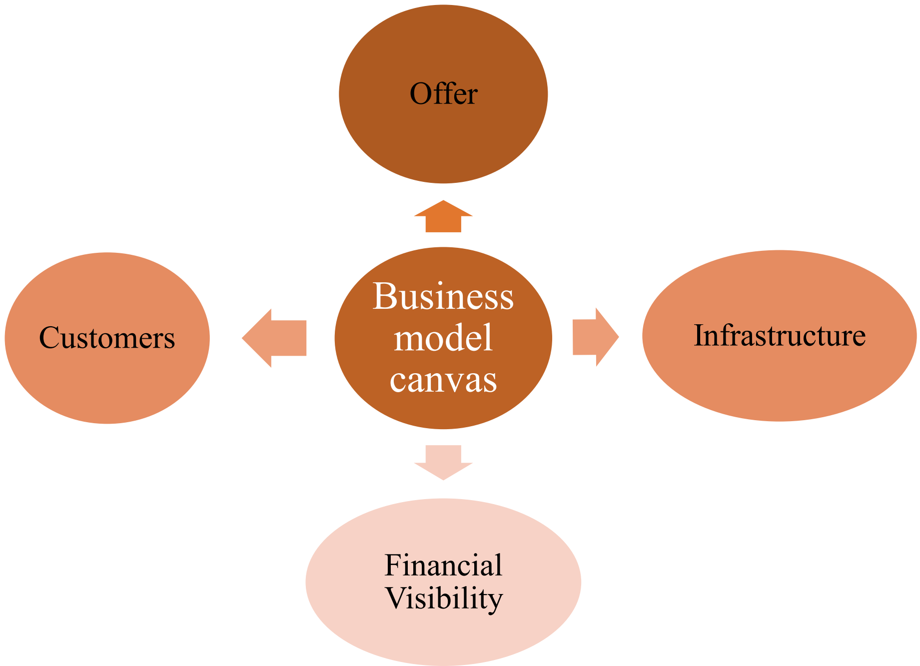


Figure 15: Business Model Canvas Focus Point (Osterwalder and Pigneur, 2011, p.10)

3.3.2.1 How to identify the European Football Club Business Model

As the European football clubs' identified business model operations will form the general frame each of the club's, hence, the basis of further analysis must be reliable and valid. Therefore, this research will pursue a realistic approach (Justesen, 2012) as also similarly used on the previous literature by Rikardsson and Rikardsson, 2013) that emphasise the objectivity and goes beyond individual assumptions and subjective experience (Rikardsson and Rikardsson, 2013). In addition, Jacobsen (2012) highlights replicability as the most essential indicator of study effect, which means that our approach must be objective enough that our identification of the European football club's business model is comparable to that of other studies.

In consequence to analyse further, this thesis will carry out a descriptive research method (Jacobsen, 2002) by performing a representative business model canvas analysis inspired by Osterwalder and Pigneur (2011), enabling us to identify the European football clubs' relevant business model and their uniqueness precisely and objectively. Such a business model canvas discussion is based on thoroughly gathered empirical data, which will provide a meaningful and trustworthy foundation for identifying the external sources of each club's competitive advantage. The model canvas study will be centred on document studies that will help us to comprehend the football club's genuine reality. We will collect secondary data from policy documents, web pages, annual reports, news articles, cases, and so on. These insights will help to improve understanding of football clubs' profit drivers, such as income sources, primary costs, bargaining relations, and the acquisition activities to enhance their business model. The above method is chosen to maintain objectivity as other method of interviews would likely to create a subjective insignificant opinion.

the research will utilise the *small-N-studies* by analysing how the top five chosen European football club maintain their competitive level within the alteration of UEFA football industry by accordingly achieve a favourable sporting performance and financial profitability. The purpose of small-N-studies according to Jacobsen (2002) is to analyse an object through an intensive approach thus, the empirical investigation will show a significant impact to research. Therefore, this research will also include the five top European football clubs based on the highest brand valuation by Statista (2022) that will be the role model of the purpose of this thesis to determine the exist variability of the business model, namely two Spanish clubs Real Madrid and Barcelona FC, two English clubs originated from Manchester: Manchester United and Manchester City, and a German most-dominated club FC Bayern Munich.

By following the adoption of Jacobsen (2002) that are focussed on a few various units and number of factors, this research enables to go for a deeper level of the analysis of each selected club’s business model and therefore, allows the author to capture the facts from numerous angles and possible to identify any relevant common archetype that could explain the clubs’ journey to financial success. In the selection, the author understands that this method is aimed to recommend a potential business model that could be adopted by European football clubs or even football clubs in terms of talents acquisitions to enhance them as the rising future football clubs.

CHAPTER 4

4.0 Empirical Analysis

The results of our study on UEFA football clubs are presented in the following way: first, we look at the main factors that influence the business model of UEFA football clubs, such as revenue streams, distribution channels, main expenses, key partners, key activities, and key resources. Next, we provide an example of a football club's income statement to show the potential for profitability. Finally, we analyse five highly valuable European clubs - Real Madrid, FC Barcelona, Manchester United, Manchester City, and FC Bayern Munich (Statista, 2022) - using qualitative data, and provide a summary of our findings in the next chapter.

The following analysis are gathered based on the data collection from various sources such as the clubs' annual reports, relevant credible websites providing financial information of the observed clubs, and big consulting firms data in relation with the key information.

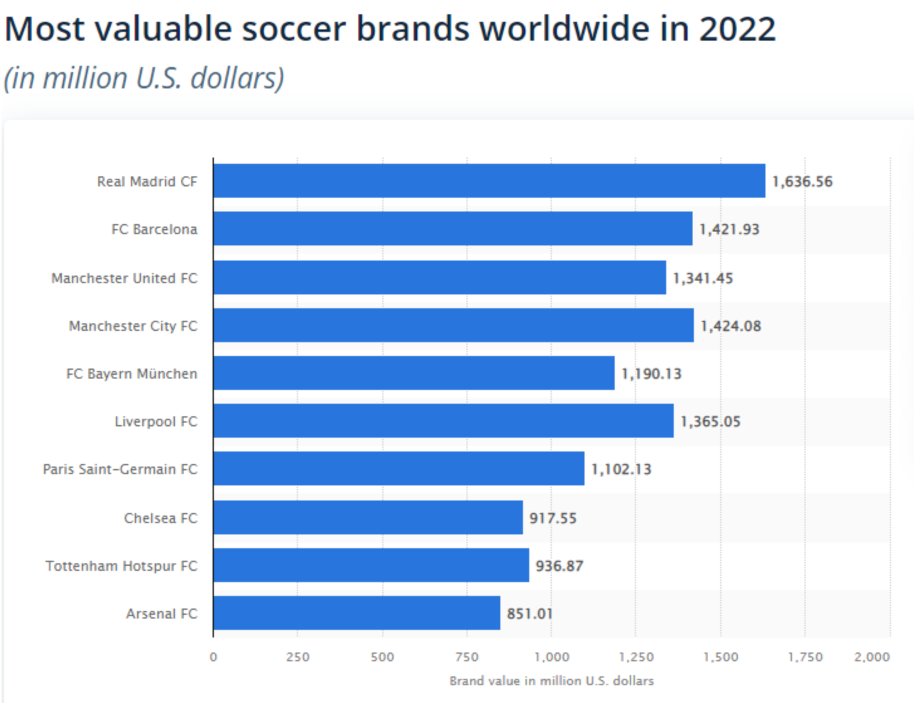


Figure 15: Football Clubs Brands Valuation 2022 (Statista)

4.1 UEFA Football Clubs Main Drivers

4.1.1 Revenues

Deloitte's Football Money League (2022) is a ranking of the top 20 football clubs in the world based on their ability to generate revenue from daily operations. It is a highly accurate and current assessment of the financial performance of these clubs. According to Deloitte's Football Money League (2022), football clubs' revenues are typically classified into three categories: *matchday revenue*, *broadcasting revenue*, and *commercial revenue*. These categories do not include revenue from player transfer fees. From 2016/2017 season to 2020/2021, the top 5 clubs with the highest brands value's revenues dominated with commercial by 50%, followed by 36% broadcasting revenues, and 14% matchday revenues (Deloitte Football Money League 2017-2022).

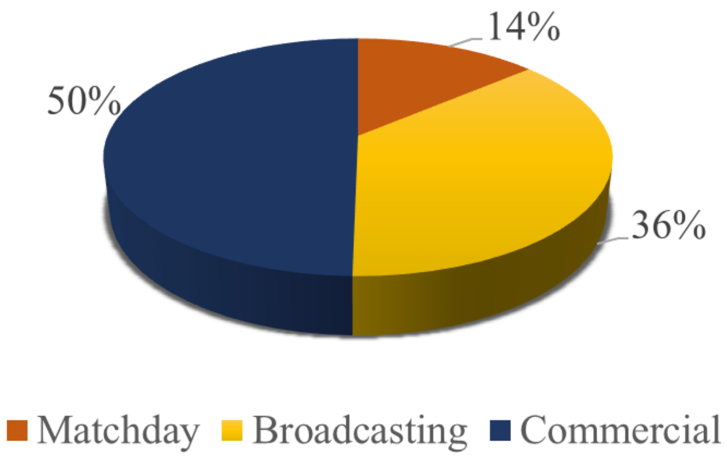


Figure 16: Revenue Distribution Football Money League 2017-2021 (Author's compilation as Deloitte publication)

Figure 17 depicts the top 5 clubs' revenue evolution in €thousand from 2016/17 to 2020/21, according to Deloitte (2018-2022). Commercial revenue leads, followed by broadcasting revenue, which declined in 2020 due to COVID-19. Matchday revenue also decreases, despite open attendance for fans.

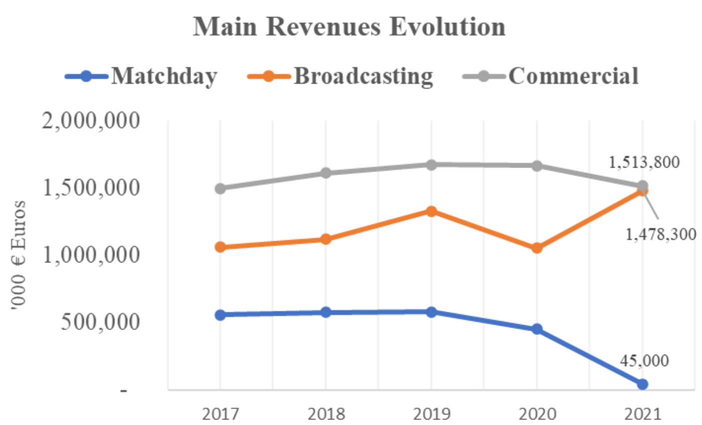


Figure 17: Evolution of main revenue channels 2017-2021 (Author's compilation as Deloitte Money League Publication, 2018-2022)

In addition, according to Deloitte Football Money League (202), each revenue channel has its own sources of income as followed:

4.1.1.1 Matchday Revenue

Dima (2015) describes matchday revenues are incomes generated from ticket sales including season ticket subscriptions along with supporters or fans' expenses incurred inside the stadium and this revenue section highly depends on the amount of home games played during the competitive season (Rikardsson and Rikardsson, 2013). The number of competitive season games vary amongst the clubs not only this revenue section is influenced by the single price of a ticket but also affected by a club's sporting performance in the domestic league, domestic cup, and regional cup competition excluding the final games. For instance, the Spanish giants FC Barcelona have been the highest amongst generated amongst the observed clubs for the years 2017 compared to their local fierce competitors Real Madrid as they won the Spanish domestic cup Copa Del Rey although in the same year Real Madrid won the regional UEFA Champions League. In contrast, the English leading football club Manchester United have experienced a gradual decrease on the matchday revenue section by almost 94% for the past five years even after the COVID-19 restrictions had been lifted in England.

In addition, it is also believed that the COVID-19 pandemic in which started in March 2020 put a significant impact on the revenues of football clubs due to almost all remaining games were played closed-doors without a presence of the football supporters. Figure 18 below shows the phenomena of a plunge in the matchday revenue in 2021 despite the football clubs have reopened the access for their fans to attend the home games given that the top five clubs only able to generate matchday revenue in average of 9 million Euros annually.

Another driver of the matchday revenue is how to attract attendance in terms of giving football club fans facilities in the stadium to feel the unique experience such as renovation works and rejuvenations or even to put an investment of building the new stadium. This section will be discussed in the later part. Furthermore, the capacity of a home stadium itself is a factor that influencing the matchday revenue section. According to Transfermarkt (2022), Real Madrid despite having the maximum capacity approximately 81,000 was only able to have the highest average attendance of 71,500 in 2017 and that amount have been decreased since.

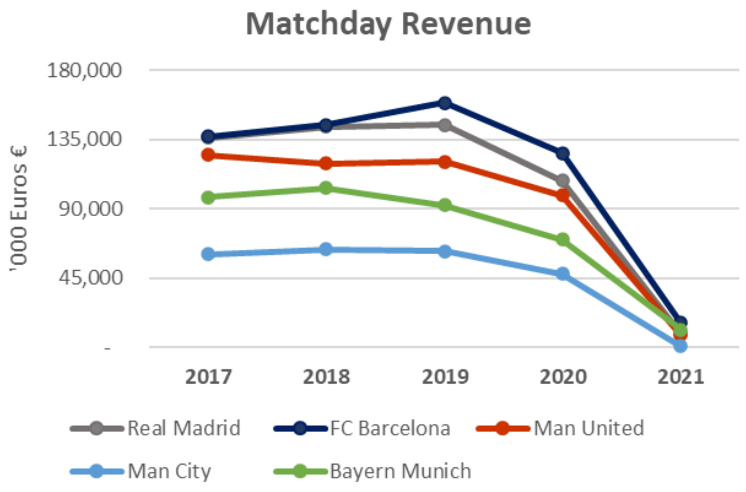


Figure 18: Matchday Revenue (Author's compilation as Deloitte Money League Publication Deloitte Football Money League 2018-2022)

4.1.1.2 Broadcasting Revenue

Rikardsson and Rikardsson (2013) defined the broadcasting revenues are generated by Pay-TV operations' high demands of games throughout the season. Similar with the matchday revenue, the club's success and participation and sporting performance of a domestic league and participation in UEFA competitions, particularly the Champions League, can have a positive impact on the revenue generated through broadcasting. The difference in revenue between participating in the Champions League and the Europa League can be significant.

Deloitte Football Money League (2022) defined that each European league has different broadcasting rights in which affect to the money they earn on this type of revenues. For instance, the 2020/2021 season cycles for the Bundesliga, Serie A, and Ligue 1 marked the new era post-pandemic situation though the value of these rights was slightly lower than in the past. Additionally, the value of Serie A's international rights saw a more significant decrease due to a lack of a broadcast agreement in the Middle East and North Africa region. For instance, Manchester United, an English club with fans more than 1.1 billion around the world (Manchester United Annual Report, 2021) though in which have been declining in their sporting performance since 2017 earned more broadcasting revenues of 283 million euros both from local and international despite did not participate in the European regional UEFA competition while Italian Serie A champion, Juventus with 400 million fans worldwide only earned approximately 208 million euros even though they participated in the UEFA regional competitions. This indicates that the global fanbase influence the broadcasting revenues due to privilege based on leagues and specifically a club.

Amongst the top five clubs brand valuation in 2022 they are only divided into three leagues, namely English Premier League, Spanish La Liga, and German Bundesliga. These governing bodies are those who run the competition and pursue the rights of tv broadcasting revenues both local and international. Moreover, there are similarities found on the broadcasting revenues rules issued by Premier League (2016) and La Liga (2015) sides with the following rules, from total broadcasting revenues received are divided into:

- **50%** equal shares between all 20 top-flight clubs in the first division competition;
- **25%** is awarded on merit basis, based on final leagues positions;
- **25%** is distributed according to each team's capacity for generating resources.

While in contrast, German Bundesliga, according to Total Sportal (2021) developed a broadcasting TV right that applies for domestic and international revenues into four (4) main pillar principle:

- Pillar 1: 53% Equal distribution of 569 million euros to 18 Bundesliga team;
- Pillar 2: 42% Performance of 451 million euros that divided into 5 years final position league performance;
- Pillar 3: 3% Young talent of 32.2 million euros based on their U-23 teams (youth team) league standings over the last three-year average finish; and
- Pillar 4: 2% Interest of 21.4 million euros distributed among clubs according to market share that will be calculated with a pointed advertising media analysis

Figure 20 below represents the observed clubs during the observed periods. For instance, the broadcasting revenues from Manchester United in 2020 dropped to the lowest amongst the top five European teams due to their absent on the regional competition in which they earned back to surpass FC Bayern Munich in 2021 when they gained the participation in the regional UEFA Champions League during such season. In addition, similar with the matchday revenues, broadcasting revenues also experienced a decrease despite the minor one during 2020 due to COVID-19 pandemic where there was a league break for a short period of time during March to June in which there were no football games across Europe. However, once the restriction had been lifted, the broadcasting revenues bounced back to approximately 30% increase in 2021.

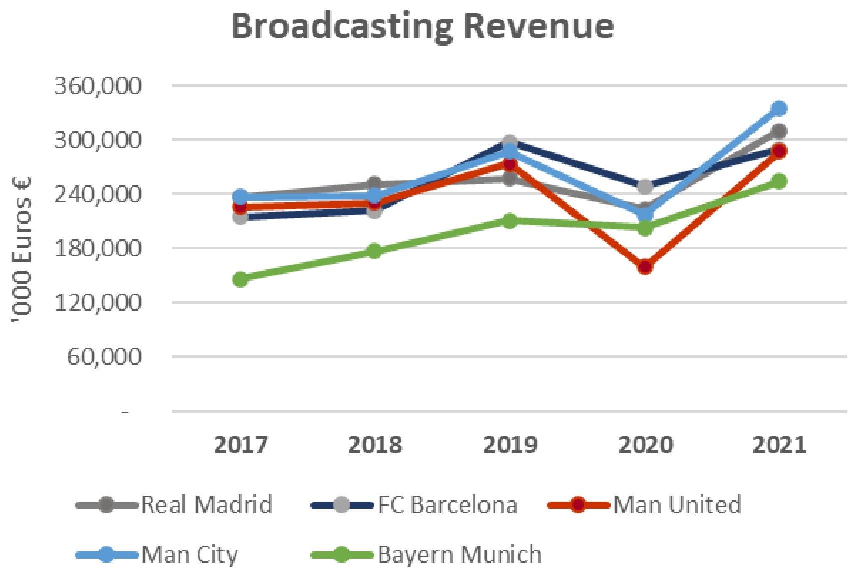


Figure 20: Broadcasting Revenues (Author's compilation as Deloitte Money League Publication 2018-2022)

4.1.1.3 Commercial Revenue

This revenue section cumulates sponsorships, which are mainly obtained by displaying brands on t-shirts and around the stadium, as well as through media broadcasting. Other sources of business income include marketing activities, conference services, and catering (Dima, 2015) while Rikardsson and Rikardsson (2013) considered that merchandising from the sale of souvenirs also parts of the commercial revenue while also the club's popularity takes part for the negotiation for the favourable commercial deals. For instance, for the jersey apparel commercial revenues, due to the deal in 2016, Manchester United sealed the commercial sponsorship with adidas amounting €85 million per annum until 2026, putting the club ahead of their local rival Manchester City's deal with Puma in 2019 for the apparel jersey that worth €74 annually. However, these amounts are arguably nothing compared to Adidas' deal with Real Madrid in which reported on the Goal.com (2019) amounting €152 million per year in which make them even ahead to their fierce rival's deal FC Barcelona with Nike in which reportedly around €85 million annually. Moreover, not only sponsoring Real Madrid and Manchester United, Adidas also had previously sealed a commercial sponsorship with the German giants FC Bayern Munich in 2015 with kit deal amounting €900 for the next 15 years, giving the value to approximately €60 million per year.

Commercial revenues are found to be fundamental for football clubs, in fact it covers almost 50% of the aggregate observed clubs' revenues from 2017 to 2021 as shown in figure 16. Whilst the German side FC Bayern Munich might be earned less in the broadcasting revenue, their commercial sides have been constantly topped compared to two Spanish giants and two English top performances. Only in 2019 there was a quite difference between FC Bayern and FC Barcelona where the Spanish side earned €20 million more. For instance, it is revealed that in 2021 FC Bayern signed a new shirts sponsorship deal with Deutsche Telekom until 2027 in which they will put the "T" logo on the front face of the jersey and also to plan of running a joint TV station in a form of an interactive programme inside the home stadium while capturing the inspiring moments of the fans about the club (Price, 2022).

Figure 21 below shows the trend of commercial revenues for the observed clubs during 2017 to 2021, indicating a Manchester City's climb to be one of the highest commercial earners overthrowing its rival Manchester United in 2021 whilst FC Barcelona's rose to 2019 despite a constant decrease in this revenue section until 2021.

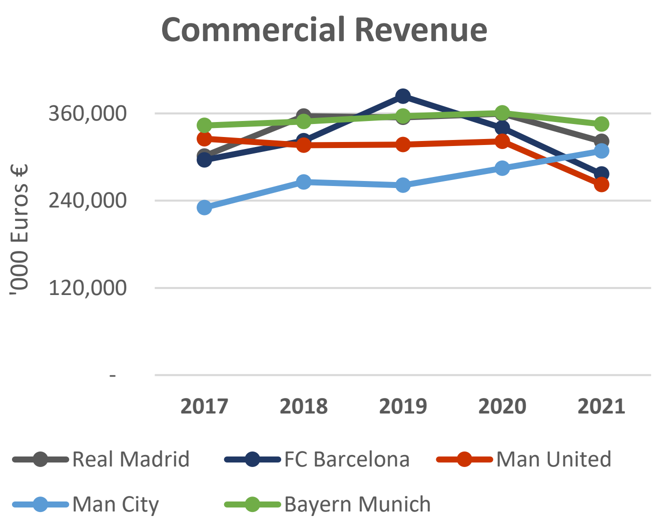


Figure 21: Commercial Revenues (Author's compilation as Deloitte Money League Publication Deloitte Football Money League 2018-2022)

4.1.2 Main Costs Structure

UEFA Club Licensing Benchmarking Report (2022) as demonstrates in figure 22 below indicates that in 2021 specifically, the UEFA top registered clubs incurred 91% of their revenues to the wages and net transfers where wages covered 56% of revenues, net transfer costs were 18% of revenues and other costs such as administrative staff wages and technical were 17% of total revenues. In 2021, there has been a significant increase in wages and net transfer costs, which now make up a larger percentage of revenue for all clubs compared to previous years. This increase is due to three main factors: (1) the decrease in revenue caused by the pandemic, (2) the high cost of transferring current players and the decrease in transfer profits due to a decrease in transfer prices and activity, and (3) the inability of clubs to significantly reduce player wages despite the negative effects of these factors (UEFA Club

Licensing Benchmark Report 2022). In 2020, these costs made up 78% of revenue for all clubs, and in 2019 they made up 66% of revenue for all clubs.

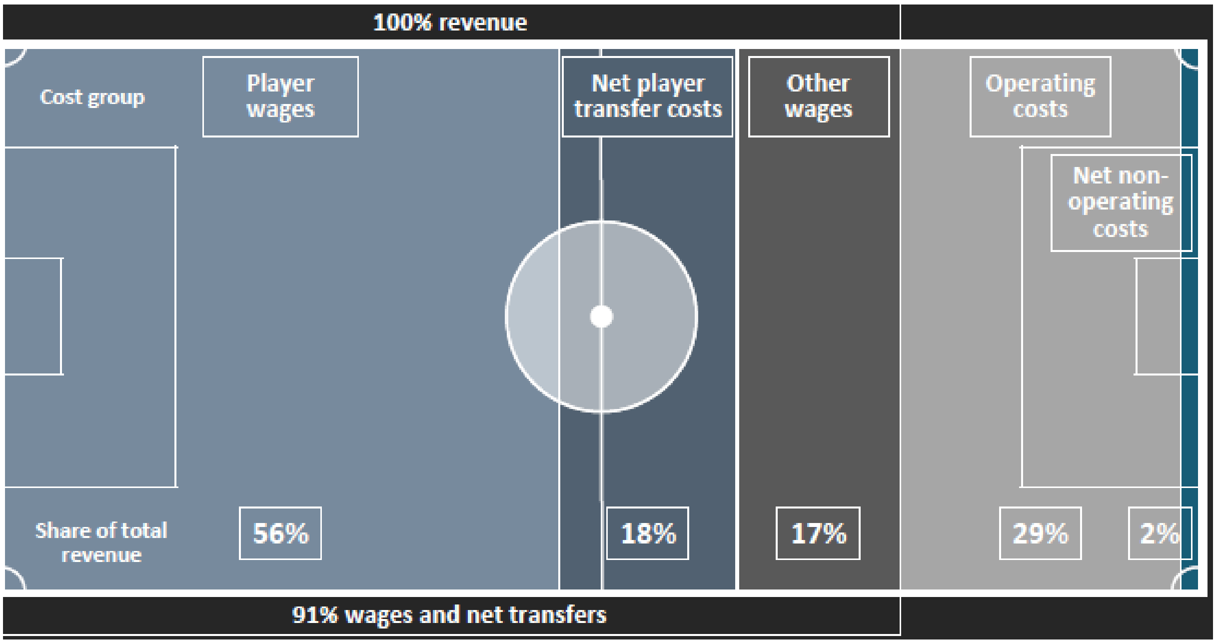


Figure 22: Top division cost distribution in 2021 (UEFA Club Licensing Benchmarking Report, 2022, p.106)

4.1.2.1 Wage Costs

McNamara, Peck, and Sasson (2011) researched on talent war of the English Premier League resulted in the high potential talent acquired is quite essential for the value creation in terms of sporting performance and financial implications. In which one of them is an attraction through a wage offered to the top tier players. However, due to the Financial Fair Play, nowadays a club under UEFA competition should not have a squad to cost ratio over 70% where this policy prohibits European giants club such as the observed clubs to acquire and offer the deal into their targeted players.

UEFA Club Licensing Benchmarking Report (2022) finds that during the 2021 itself 77% wages as a percentage of early-reporting clubs' revenues, the figures were up from 63% pre-pandemic situation. It is important to recognise that club football differs from other industries or activities in a number of ways, which can result in a larger proportion of spending on talent. Unlike many businesses that aim to generate a profit margin for shareholders, or national football associations that aim to generate surplus profits to invest in grassroots development, club football may have higher relative material costs and additional costs for research and development. These differences can impact how much is spent on talent.

Figures 23 below shows the wage costs during the observed periods, it could be determined that FC Barcelona has outspent the observed clubs even during pandemic situation giving their squad to cost ratio to be approximately 84% (Deloitte Football Money League 2022). In contrast, compared to Manchester United, Manchester City, and FC Bayern Munich, the spending power on wages for both Spanish teams have been superior whereas the other three observed clubs are found to spend wages on players and talents 20-35% less than Real Madrid and Barcelona. However, this phenomenon of FC Barcelona high spending on wages and talents would cause them to be strictly monitored by the UEFA governing bodies as according to the financial fair play rules, wages and net transfer must be maximum 70%. In relation with the below cost, detailed breakdowns about players and talents with the highest salaries will be discussed in the part of each club's examination.

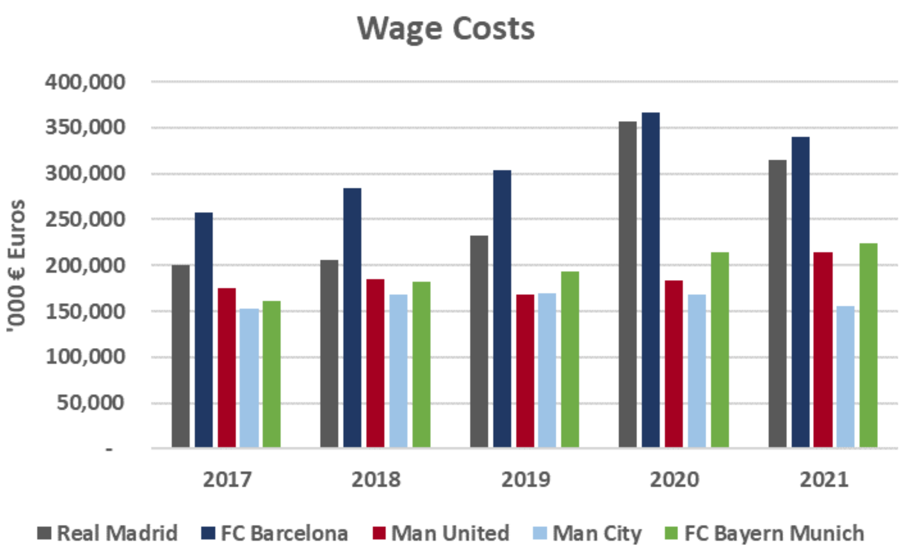


Figure 23: Wage Cost Top Five Clubs (Author's compilation as Deloitte Money League Publication Deloitte Football Money League 2018-2022

4.1.2.2 Transfer Costs

In addition to the rapid increase in player wages, the large amounts spent on player transfers also contribute to the overall rising cost of investing in players. Transfer cost is part of the business model of a football club to boost both their sporting performance and financial performance in terms of apparel sales, attraction to new commercial deals, and media exposure. For instance, comparisons amongst leagues in which where the observed clubs are originated, only in 2019 where the La Liga teams generated a positive net spend with approximate amount of €162.8 million during which Real Madrid made the contribution by selling their Moroccan Youngster Achraf Hakimi to Inter with market value of €43 million and Sergio Reguilon to

Tottenham Hotspur with €20 million. Whilst on the other hand both Premier League and Bundesliga had experienced the negative net spend with enormous amount due their own spending power.

A variable that usually is used to determine this expense for the profitability is called *net transfer*. That is, transfer revenues less transfer expenditures. Figure 24 below compares the net transfer amongst 3 European leagues according to Transfermarkt (2017-2021). A negative net transfer defines that more player acquisitions compared to players sold during a year period. With that being said, English Premier League had always been shown the negative net transfer whilt La liga and Bundesliga had a period where they sold players more than acquiring in aggregate. As shown on the below on figure 25, FC Barcelona mostly dominated the amount of transfer expenditures by spending more than €100 million for during the five observed years whereas other clubs Real Madrid, Manchester United, Manchester City, and FC Bayern Munich had spent fluctuate amounts. Furthermore, there are two unique facts as shown during the observed years. Firstly, all observed clubs saved their money in 2019 and spent entirely doubled in 2020 despite the COVID-19 periods, the figures even show 13x for FC Bayern Munich and only 3x for Manchester United. Secondly, it is a quite strange market for Real Madrid in 2021 where they did not spend anything to acquire new players where Manchester City spent the highest during which.

Figures 24: European League Transfer Cost Net Spend (Author's compilation as Transfermarkt data 2017-2021)

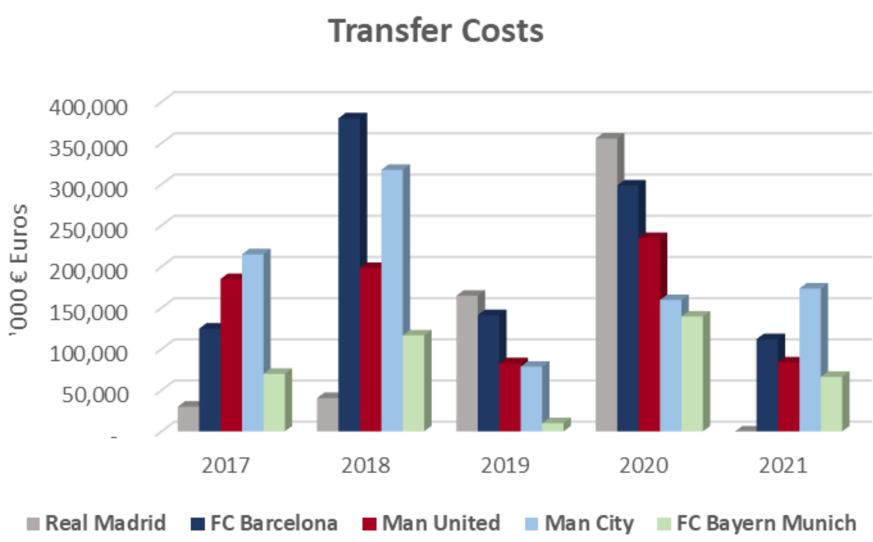


Figure 25: Transfer Cost Five Top European Clubs (Author's compilation as Capology Data 2017-2021)

4.1.3 Channels

A company utilises the Channels Building Block to connect with its Customer Segments and present its Value Proposition through various forms of communication (Osterwalder and Pigneur, 2009). Moreover, another critical point of channel building blocks is how a company collaborates the product selling with their partners by deciding how the products availability are set to be designed to achieve efficiency and reachability from the customers.

4.1.3.1 Official Store

In the case of European football clubs, especially the observed clubs, they have established at least one existing official store located in the stadium where fans are able to make purchasing during their visit before or after the home match. In addition, to reach out more customers some of them locate another clubs' official stores in other area of the city where the clubs are located and in another city within the country. For instance, FC Bayern Munich has their official stores located in the entire Germany where 7 of them can be discovered in Munich where other 3 are stored in another city in such as Landshut. As a comparison to other observed clubs, FC Bayern Munich's strategy to reach out more customers are well-established compared to other observed clubs such as Manchester United in which only has 1 megastore located at Old Trafford, the home stadium, and Manchester City with their two stores located in the home stadium Etihad and one in the Manchester shopping city centre. As for the Spanish club, Real Madrid and Barcelona each has 5 official stores located in the Madrid and Barcelona where one of them is stored next to their own stadium, namely Santiago Bernabeu in Madrid and Camp Nou in Barcelona.

As an addition, all those clubs nowadays offer an online purchasing from the official website of each football club. Though, there are always fans or customers that would like to pursue an experience of going to the official stores and make the purchase in presence.

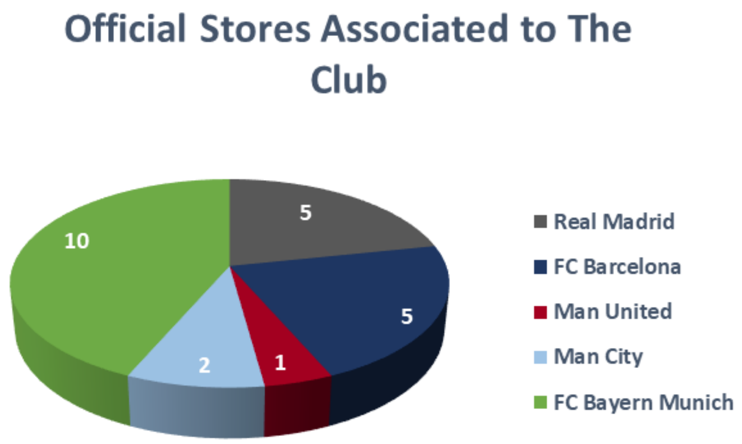


Figure 26: Number of Official Stores (Author's data compilation from multiple sources)

4.1.3.2 Partner's Store

Osterwalder and Pigneur (2009) determine that selling through a partner's store both physical and online would generate less margin with a wider range of reachability even in the global level. It is also well known that a football club usually makes a contract deal with opted kit supplier for sports such as Nike and Adidas in which those are the industry giant world-wide. However, in the football club business model the selling jersey and apparel as their main products that offered to fans are always under contract with a kit supplier that holds the right to distribute internationally whereas the club would be given certain margin from the selling of the products while to reciprocate the kit supplier usually gives certain annual fees to the club as it was mentioned on the previous section of sponsorship revenues.

In 2020, the figure 27 below shows that both Adidas and Nike due to their strong marketing and distribution capabilities, as well as a roster of popular sports figures that they use to promote their brand to a global audience through various media channels, including social media they possessed the market share of kit supplier. The high values that these companies pay for the rights to manufacture football team jerseys, such as the EUR 120 million per year paid by Adidas to Real Madrid and the EUR 105 million per year paid by Nike to FC Barcelona, can be justified due to the potential for increased sales and brand exposure. In addition, Liverpool FC's recent move to Nike as their kit manufacturer, replacing New Balance, is expected to improve their economic package through increased global shirt sales and a greater share of shirt sales fees. PSG's partnership with Brand 'Jordan', worth EUR 25 million per year, is an example of a trend towards innovative partnerships that capitalize on shared brand synergies to engage with new customers and fans from various industries, including fashion and other sports.

Other relevant factors to determine how a football club is managed to sell more through a partner's store is the number of retail stores of the kit supplier around the world. With two biggest market shares possess by Adidas and Nike, during the observed periods, Adidas has more retail official stores world-wide in which they distribute the football jersey apparel globally. The figures themselves show a significant number as shown in the figure 28 in where Adidas led by approximately doubles than Nike retail stores despite, they had to close down around 400 retails store in 2020 due to the COVID-19 pandemic.

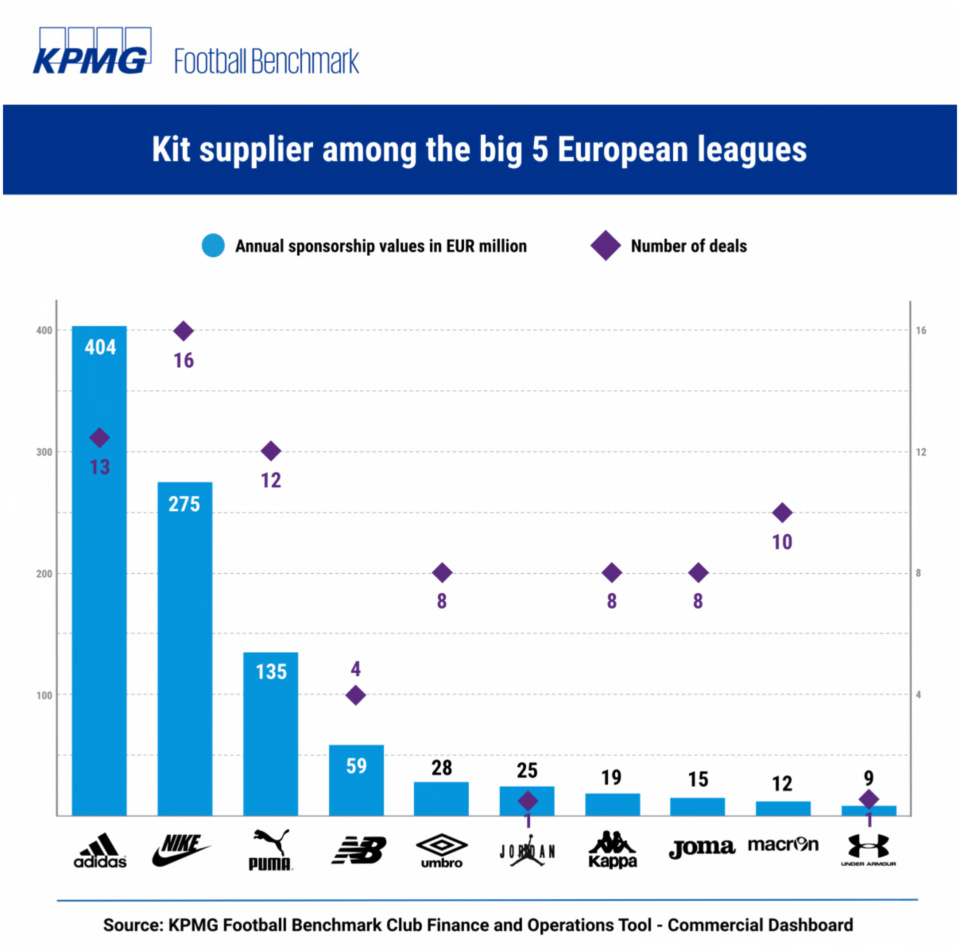


Figure 27: Kit Supplier among the big 5 European Leagues (KPMG Football Benchmark 2020, p.50)

Figure 28: Total Retail Store World-Wide of Official Kit Supplier (Statista, 2021)

4.1.4 Key Partner

Osterwalder and Pigneur (2009) imply an efficiency of a business model requires the decent suppliers' network and partners in which are formed in a certain alliance to reduce risk or resource acquisition. In the European competition, especially in the European competition, key partners are not only business related but also somehow regulatory related as there are certain governance that rules such competition and that governance body has the rights of revenue distribution. Therefore, authors of this research identify that there are three major key partners in the European football club competition namely (1) Official sponsors; (2) Football agents; and (3) Football governing body.

4.1.4.1 Official Sponsors

In the previous revenues section, commercial holds approximately 50% of the aggregate revenues' distribution for the observed periods. As the majority of revenues, a football club is expected to evaluate sponsorship deals as the part of commercial incomes that provide the most benefit whilst the sponsors aim to get brand recognition from the football clubs' fans and supporter to increase their own sales from their owned products and services. Gwinner and Benner (2009) assert that investment in sponsorship towards a sporting organisation, especially a football club would create values through an improvement on the support's brands.

The sponsorship industries itself could vary for each club. KPMG Football Benchmark (2021) assessed that only certain industry that could manage to provide sponsorship and become the leading commercial partner of a football club. However, There has been a significant shift in the football sponsorship industry, as various countries crack down on betting-related sponsorships. This has opened the door for new companies, such as blockchain and cryptocurrency firms, to enter the market. Clubs like Inter Milan, AS Roma, Lazio, Atalanta, and Sevilla have all embraced sponsors from these sectors. On the other hand, traditional major sponsors from industries that have been heavily affected by the current health crisis, like the automotive and aviation industries, are beginning to distance themselves from sponsorship deals. Examples of this include Chevrolet ending its partnership with Manchester United and Pirelli and Qatar Airways not renewing their sponsorships with Inter Milan and AS Roma, respectively.

Based on the figure 29 below, examples given for the airline & airport industry are Fly Emirates for numerous European clubs such as Arsenal, Real Madrid, Benfica and AC Milan whilst Etihad Airways as the main sponsor for Manchester City along with their local rival Manchester United with the Russian airlines, Aeroflot. Moreover, IT Company such as Team Viewer has substituted Chevrolet to be Manchester United main sponsor on their apparel kit whereas a manufacture company such as Hankook Tire Manufacture also has been the Real Madrid global sponsor followed by BMW and Abbot – a global healthcare enterprise. As for Barcelona, their current deals with Spotify in 2022 where there is a further major changing name of their stadium to be "Camp Nou Spotify Stadium" is also critical for their future branding and sponsorship, while other global partner of Barcelona FC are Konami – an official video gaming partner, WhiteBit – a global and official partner of cryptocurrency exhange and Cupra – an offical automotive and mobility partner. The last but not least, German clubs in the Bundesliga tend to prioritise partnerships with German brands, particularly when it comes to major sponsorship rights like technical and shirt sponsorship. Of the 20 clubs in the Bundesliga, 14 have shirt sponsorships with German companies. For instance, the Bayern Munich FC holds their major sponsorship from Telekom Deutschland GmBh, Adidas, Audi, and Allianz insurace – in which also named after their home staidum "Allianz Arena" whereas their platinum partner examples are Adobe, Qatar Airways, Siemens, and SAP.

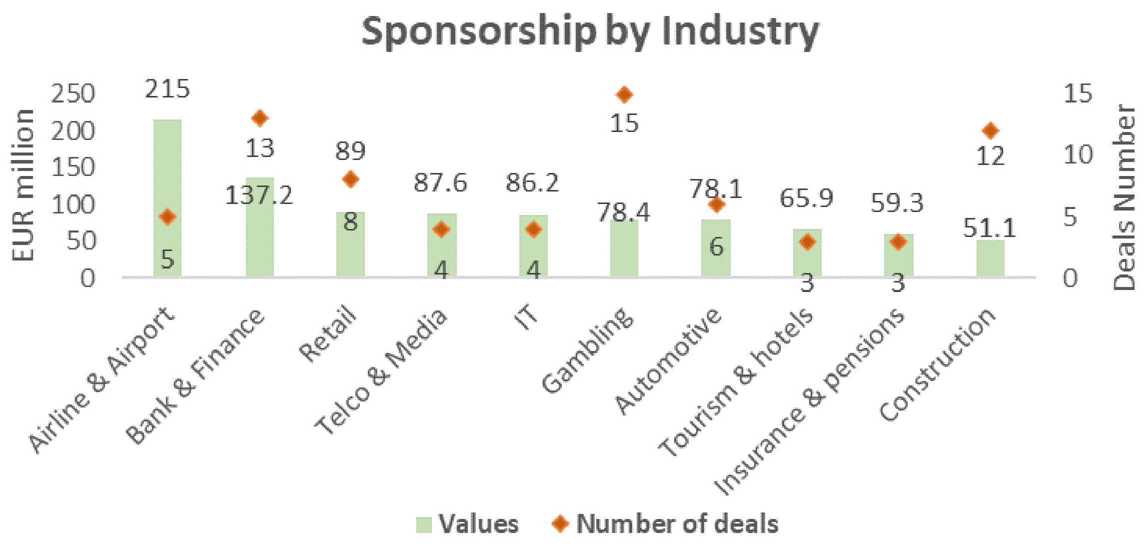


Figure 29: Top 10 sponsor industries by aggregate annuall deal values (Author's compilation as KPMG Football Benchmark, p.30)

As for one of a particular sponsorship case is the Fly Emirates – a United Arab Emirates airline business that funds six football clubs around Europe plus one English Cup competition, FA Cup in which they altered the cup name into "Emirates FA Cup". For instance, in total during 2020, KPMG Football Benchmark assessed approximately 175 million Euros are allocated for major deals into those clubs and one competition. Furthermore, KPMG Football Benchmark (2020) also indeed, it is commonly believed Brands from various regions around the world are increasingly entering into regional partnership agreements with top tier football clubs to capitalize on the clubs' popularity in their local markets. For example, Middle Eastern brands are leveraging the strong football support in the region to enhance their brands through partnerships with European clubs. In Asia, Japanese and Chinese brands are taking advantage of the exposure and brand-building opportunities offered by sponsorship deals with football clubs to increase their global audience. These sponsorship agreements allow local and lesser-known brands to raise their profile and establish themselves on a global scale.

Figure 30: Fly Emirates Annual Sponsorship Major Deals Values (Author's compilation as KPMG Football Benchmark, 2020, p.67)

Despite the COVID-19 pandemic hit massively into the sporting activities including football competition across Europe, the sponsorship deals have made money into certain clubs. After the pandemic has started there are some major deals that benefit for the longevity of operational football clubs from sponsorship deals. For example, based on the figure 31 below, Napoli has the highest deal ratio from Giorgio Armani with 9 million USD for one year period that in fact is higher than Everton's Hummel deals with 12.24 USD million for three years, making them will be earning approximately 4 million USD per annum. In addition, Hummel – a German international sports and leisure enterprise with a headquarter in Denmark, established kit deals not only with Everton FC, but also with another English club Southampton for 8 million USD over five financial years and FC Koln, a German club by sponsoring 4.73 million USD for also 5 financial years. The other best ratio deal is Castore's with a rising English club, Newcastle United with around 6.9 million US dollars for two financial years.

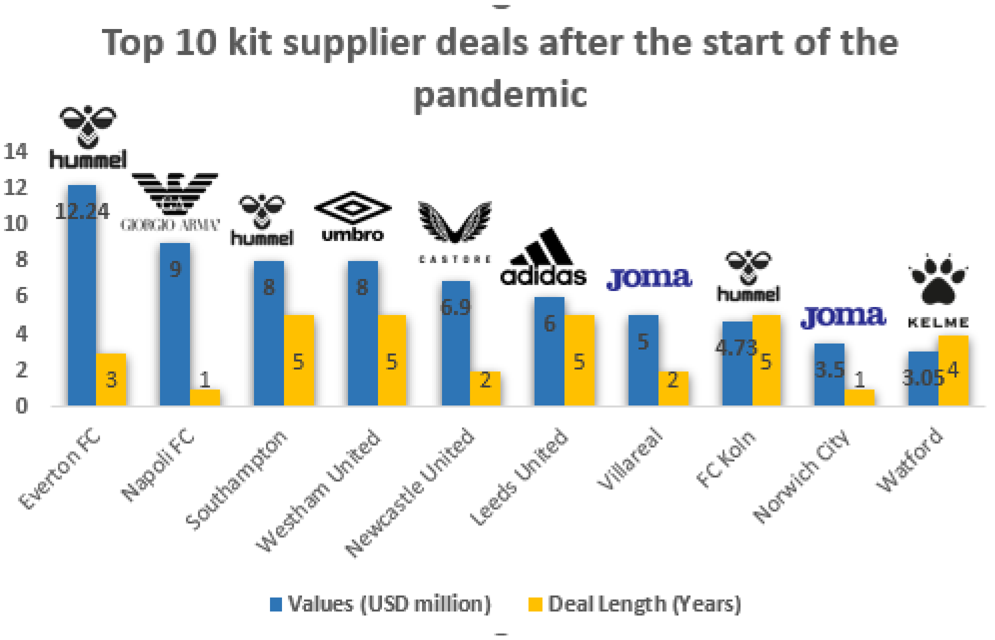


Figure 31: Top 10 kit supplier deals by annual value in the European big5 leagues after the commencement of pandemic (Author's compilation as KPMG Football Benchmark, 2021, p.55)

4.1.4.2 Football Agents

FIFA Intermediaries International Transfer (2021) define agents as an intermediary that hold the rights to represent players and/or clubs in employment-related and negotiations for the purpose of transfers-related. An intermediary for a player primarily serves as the player's representative in negotiating a contract with a team. On the other hand, teams use intermediaries to either sell or transfer their players to other clubs, or to facilitate and negotiate the release of players from other teams. Furthermore, as regulated by FIFA on their Transfer Matching System (TMS) on the Status and Transfer of Players, teams are required to disclose the names and commissions of any club intermediaries involved in an international player transfer, as well as the names of any intermediaries representing the player.

Figure 32 below shows the spending on club intermediary service fees in USD million from 2017 to 2021. Starting from approximately 440 USD million fees paid to intermediaries that both representing engaging club (clubs that would like to buy a player) and realising club (clubs that are selling their players), it grew up to slightly more than 650 USD million in 2019 before dropped down in 2020 around 25% presumably caused by the COVID-19 pandemic to less than 500 USD million and has not have any major change in 2021. From the data published by FIFA Intermediaries International Transfer (2021), majority football players transfer, as a part of asset purchasing required more fees paid to an intermediary that represent engaging clubs.

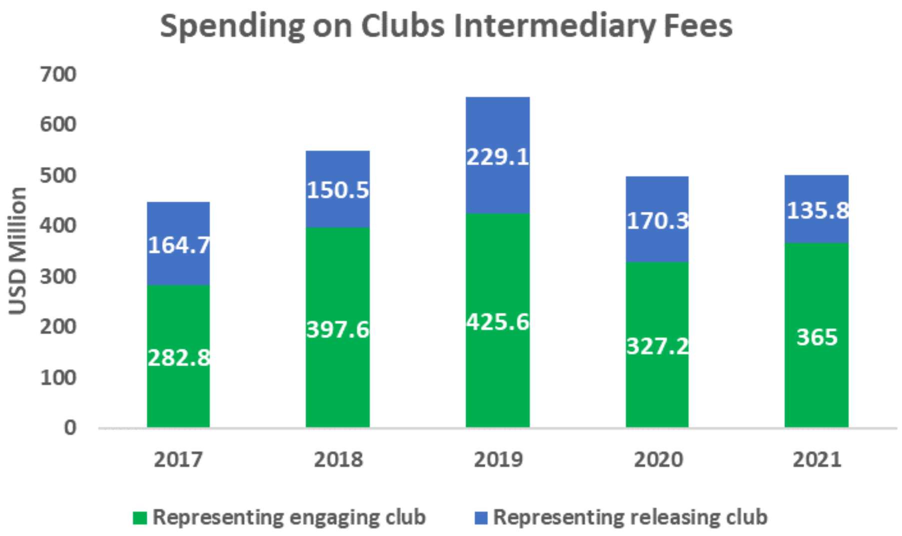


Figure 32: Spending on Club Intermediaries Service Fees (FIFA Intermediaries International Transfer, 2021, p.8)

Another point of views on the football agents or intermediaries is about how much fees earned by this key partner for the international transfers. Figure 33 below represents the distribution of spending on club intermediaries' commissions paid to engaging clubs and releasing clubs for the period 2019 to 2021 based on the number of international transfers occurred. The results reveal that as mentioned previously that during the international transfers, engaging clubs are seemed to be paid more than the releasing club with the median of fees are between 10 thousand to 100 thousand USD with approximately 500 international transfers followed by the fees paid between 100 thousand to 1 million USD with between 300 to 400 international transfers for the three years periods.

The other perspective of footballing agent fees is the number of commissions earned based on a percentage of the transfer fees for both engaging and releasing clubs. Club commissions paid to intermediaries can vary significantly between different transfers. The median commission paid by clubs to intermediaries as a percentage of the transfer fee is shown in Figures 34 and 35. From the data, it can be seen that clubs that initiate a transfer generally pay higher commissions than clubs that release a player. Additionally, when the transfer fee is higher, the commission as a percentage of the transfer fee tends to be lower.

In 2021, for transfers involving an engaging club intermediary and a transfer fee above \$5 million, half of the service fees were less than 6.4% of the transfer fee, while the other half were more than 6.4%. In 2020, for similar transfers, half of the commissions were less than 5.0% of the transfer fee, while the other half were more than 5.0%. The median commission is used instead of the average commission because the presence of unusually high values can significantly impact the average. For example, if a club engages a player and pays a $10,000 transfer fee but rewards the intermediary with a $30,000 commission, which is 300% of the transfer fee, the average of all commissions would be very high but not necessarily representative of the actual situation. FIFA Intermediaries International Transfers (2019) assert that the median value, on the other hand, is the one that falls in the middle of a range of values and is a more accurate representation of the typical commission in such situations.

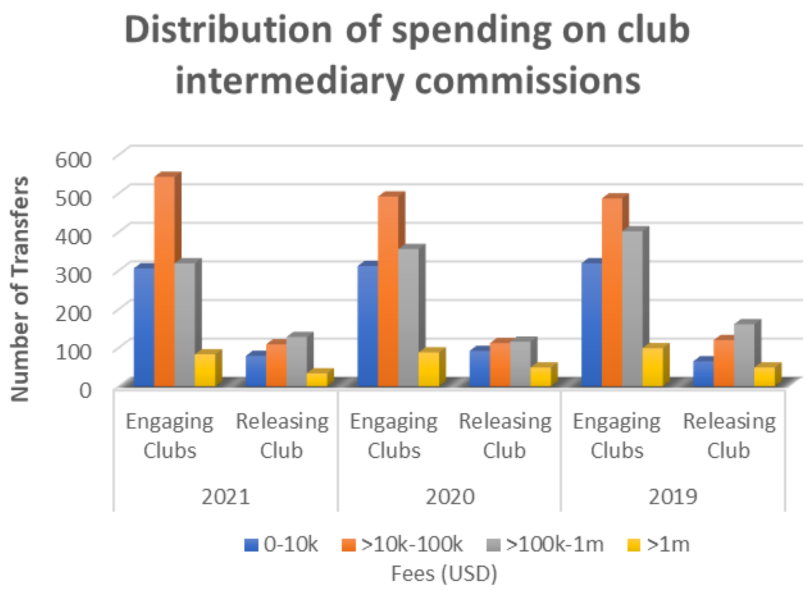


Figure 33: Distribution of Spending on Clubs intermediary commissions by number of international transfers (Author's compilation as FIFA Intermediate International Transfers multiple publications 2019-2021)

The last but not least about the footballing agent is the example of the richest world-wide footballing agents. Baimer (2021) on Goal.com reported that there are four highest-paid footballing agents that acquired between 300 million to almost 1.5 billion worth of contracts. The highest figure is Jonathan Barnett, the co-founder of ICM Stellar Sports Group who was the main key of Gareth Bale's move to Real Madrid that now is the current agent of Manchester City's Jack Grealish with an aggregate of contract €1.48 billion. In a second position is the Portuguese Jorge Mendes of whom clients are recognised as top global talents such as the fifth-time world best football player men's categories- Cristiano Ronaldo and two Portuguese national team players- Ruben Dias and Bernardo Silva for Manchester City, his contracts worth are €1 billion. Whereas the third position is the late Mino Raiola of whom clients are tier A players around the European top leagues such as Paul Pogba, Zlatan

Ibrahimovic, and Romelu Lukaku with total worth of €705 million. The last top earner footballing agent in 2021 is Volker Struth with his total contract approximately to be more than €340 million.

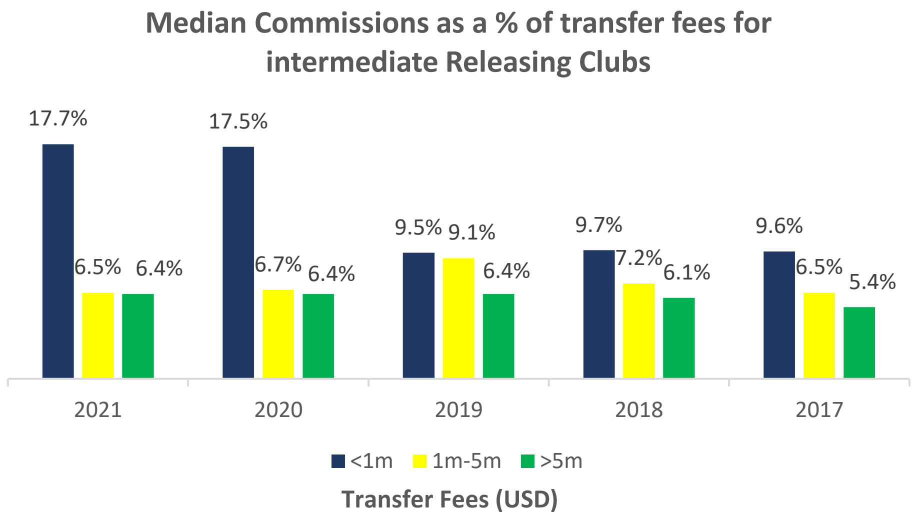


Figure 343: Median Commissions as a percentage of transfer fees for intermediate releasing clubs (Author's compilation as FIFA Intermediaries International Transfers, 2017-2021)

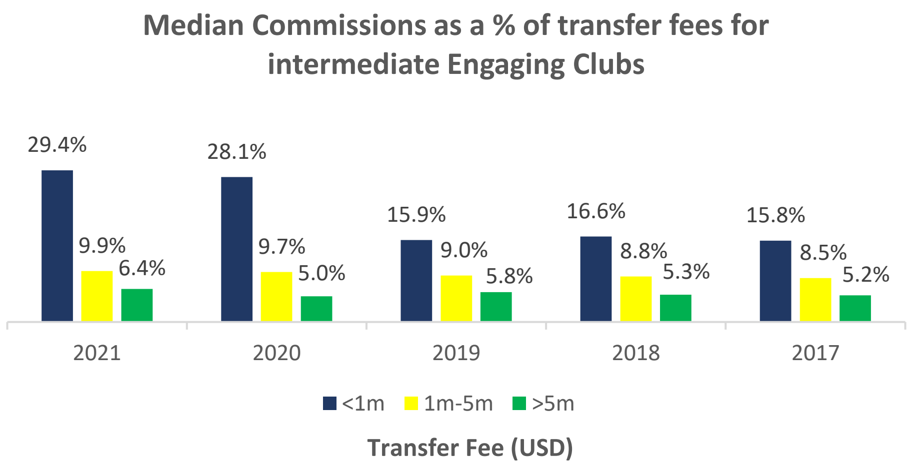


Figure 35: Median Commissions as a percentage of transfer fees for intermediate releasing clubs (Author's compilation as FIFA Intermediaries International Transfers, 2017-2021)

Name	Main Clients	Club	Approximate Aggregate Contract Worth
Volker Struth	Dayot Upamecano	FC Bayern Munich	€348 million
	Toni Kroos	Real Madrid	
	Niklas Sule	Borussia Dortmund	
Mino Raiola	Paul Pogba	Juventus FC	€705 million
	Zlatan Ibrahimovic	AC Milan	

Name	Main Clients	Club	Approximate Aggregate Contract Worth
	Romelu Lukaku	Inter	
Jonathan Barnett	Gareth Bale	Los Angeles Galaxy	€1.48 billion
	Jack Grealish	Manchester City	
	Luke Shaw	Manchester United	
	Eduardo Camavinga	Real Madrid	
	Ibrahima Konate	Liverpool	
Jorge Mendes	Cristiano Ronaldo	Manchester United	€1 billion
	David De Gea	Manchester United	
	Ruben Dias	Manchester City	
	Bernardo Silva	Manchester City	
	Jose Mourinho	AS Roma	
	Fabinho	Liverpool	

Table 6: The Highest-Paid World Football Agents (Baimer, 2021 on Goal.com)

4.1.4.3 Football Governing Body

As an enterprise that mainly competes withing a sporting event, football clubs, including European football clubs are governed under both local and an international federation. These entities they possess and control not only legal aspects on the eligibility of a club but also a business decision in relation with the broadcasting rights. For examples, the governing bodies followed by a football club could be as follows:

(i) *National governing body* – for instance English FA (Football Association, German DFL (Deutsche Fußball Liga) and Spanish Liga Nacional de Fútbol Profesional (La Liga)

(ii) *Regional governing body* – A governing body on the regional level that holds the partnership with football clubs to join for the competition. Some of the examples are UEFA (Union of European Football Associations), Confederación Sudamericana de Fútbol (CONMEBOL) for South American regions, Confederation of North, Central America, and Caribbean Association Football (CONCACAF), Asian Football Association (AFC) that runs the competition in the Asia continents, and CAF (Confederation of African Football). These associations are acknowledged and eligible to run competition under the world governing body.

(iii) *International or World governing body* – The organisation and partner within the international level is FIFA (Federation of International Football Association) that provides the regional governing body license to run the competitions along with the national competitions. FIFA also generates rules of the game, promotions, and football development on the global level.

4.1.5 Key Activities

The key activities building block outlines the critical actions and tasks that a company must undertake in order to successfully execute its business model that are categorised into (i) *production*; (ii) *problem solving*; and (iii) *platform/network* (Osterwalder and Pigneur, 2009). Despite do not hold the similar activities, this research discovers certain key activities that are necessary and essential for a football club to exist and compete both professionally and commercially, namely talent acquisitions and pre-season world tour.

4.1.5.1 Scouting and Acquiring Talents

Rikardsson and Rikardsson (2013) imply that the financial performance of a football club is by average defined by its sporting and competition performance that indeed is proved on the revenues section in which clubs that won the competition are entitled to a prize money and more broadcasting revenues. The fact that similar with other industries that rely on talents, football clubs' talents war is well-known to be massive, even the previous study by McNamara et al (2013) on the talents war in the English Premier League clubs' business models resulted that value creation are achieved on clubs who employ the best experienced players.

In this research, it was observed that the acquisition of talented players is closely linked to a football club's financial capabilities. The inclusion of such players can not only enhance a club's sporting performance, but also potentially generate additional revenue. With regards to player movement, the selected clubs generally had more players leave than they brought in during the observation period. For instance, Real Madrid only had a positive inflow of players in 2019 and 2020, whereas in 2021 they did not acquire any players but released 9. In contrast, Manchester United was relatively inactive in terms of player movement from 2017 to 2021, despite acquiring players at an average cost of €157 million per year. On the other hand, Manchester City was significantly active in player acquisition in the first two years of the observation period, but then reduced their player inflows in the following years. Notably, in 2018, they had the highest number of player releases, with 18 players leaving the club.

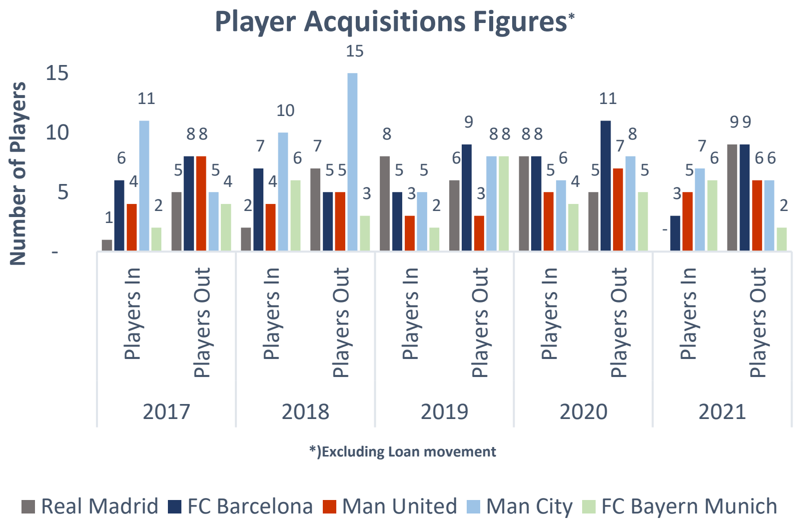


Figure 36: Player Acquisition Figures Excluding Loan Movement (author's compilation from Transfermarkt publication 2017-2021)

4.1.5.2 Pre-Season World Tour

As previously discussed, kit suppliers hold the rights to distribute a football club's jerseys globally and locally. Football fans, who are the target market for merchandise products, are likely to support efforts by football clubs to expand their market share and cultivate interest among younger generations, who represent future market shares. To achieve these goals, European football clubs often organise annual pre-season world tours, during which they engage with fans from outside their home country by participating in friendly matches against local or European teams in small-cup competitions. These competitions can be beneficial for both sporting and commercial performance, as they can generate revenue through gate receipts, commercial sponsorship opportunities, and broadcasting rights.

Figure 37 visualises the destinations of the observed clubs' pre-season world tours from 2017 to 2021. It should be noted that in 2020, due to the COVID-19 pandemic, none of the clubs organized pre-season tours outside their home countries. Prior to the pandemic, the United States was the most popular destination, with four teams conducting pre-season tours there in different years. In 2018, all of the observed clubs had pre-season tours in the United States, which were sponsored by Guiness and featured in the International Championship Cup. This event provides European football clubs with increased exposure and the opportunity to gain new fans, as well as generate revenue through merchandise and ticket sales. Other popular destinations for pre-season tours included China, Singapore, and Australia. FC Bayern Munich (2017) conducted pre-season tours in China and Singapore for the Audi Cup, featuring English team Liverpool and Italian club Napoli FC. Manchester United conducted an Asia & Oceania tour in 2019, visiting Australia, Singapore, and China for friendly matches with local teams and European clubs such as Inter and Leeds United before continuing to Wales before the start of the league competition.

Despite the re-opening of stadium in 2021 for European football competition, most of the observed clubs decided to have their pre-season only in their country of origin Only Real Madrid and FC Barcelona had their pre-season tour outside Spain, though they only visited European countries that are still close to the home country such as Scotland, Germany, and Austria.

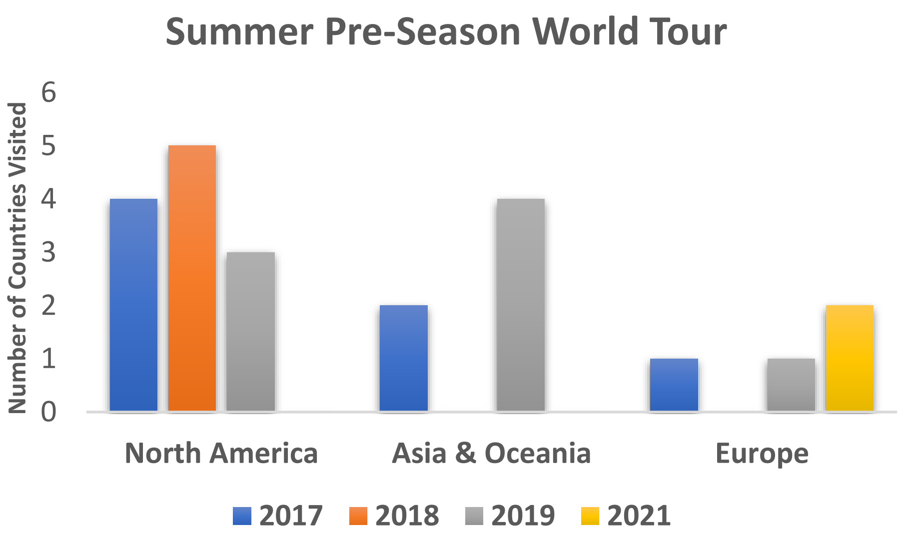


Figure 37: Summer Pre-Season World Tour (Author's compilation from Clubs' website)

<table>
<tr><th>Clubs</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th></tr>
<tr><td>Real Madrid</td><td>USA</td><td>USA</td><td>USA</td><td rowspan="5">n.a</td><td>Scotland
Austria</td></tr>
<tr><td>FC Barcelona</td><td>USA</td><td>USA</td><td>Japan
USA</td><td>Germany
Austria</td></tr>
<tr><td>Man United</td><td>USA</td><td>USA</td><td>Australia
Singapore
China
Wales</td><td>n.a</td></tr>
<tr><td>Man City</td><td>USA
Iceland</td><td>USA</td><td>China</td><td>n.a</td></tr>
<tr><td>FC Bayern Munich</td><td>China
Singapore</td><td>USA</td><td>USA</td><td>n.a</td></tr>
<tr><td colspan="6">n.a: Pre-seaspns were held in the country of origin</td></tr>
</table>

Table 7: Summer Pre-Season World Tour Details (Clubs' websites)

4.1.6 Key Resources

The building block of key resources represents about assets possessed and required by an enterprise to run the business model (Osterwalder and Pigneur, 2009). These aspects are critical as a connection to reach customers and therefore, to generates incomes. The Osterwalder and Pigneur model (2009) divides the key resources into physical, human, intellectual and humans, in which at most of them are hold by football clubs in general. This research figures out that the main fundamental resources are (1) Home Stadium and (2) Football Players.

4.1.6.1 Home Stadium

Stadiums are often highly valued because they are associated with a particular team and hold significant historical and emotional value. These facilities can also be considered a part of a community's heritage and can contribute to the tourism industry by providing memorable experiences for visitors (Ramshaw and Gammon, 2010). In addition, also they are often viewed as popular tourist attractions in cities, offering unique and memorable experiences to visitors (Ginesta, 2017). Therefore, this section will analyse how home stadiums are determined to be one the main key resources for a football club to run its business model.

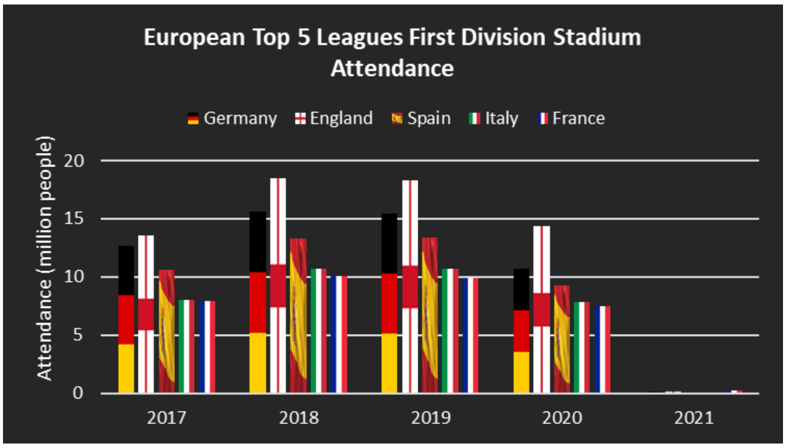


Figure 38: European Top 5 League First Division Stadium Attendance (Author's compilation Publication Report Calcio 2018-2022)

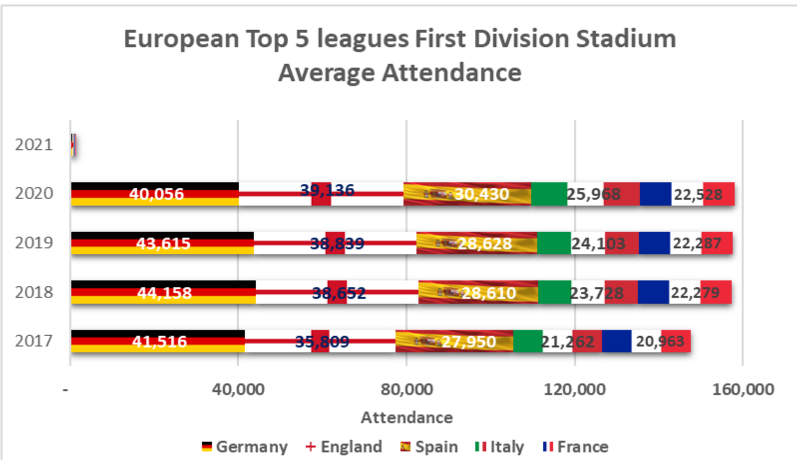


Figure 39: Average Attendance European Top 5 Leagues First Division (Author's compilation as Report Calcio 2018-2022)

Attendance figures for the top five European first division leagues (Germany, England, Spain, France, and Italy) are visualised in the Figure 38. In 2018, these leagues saw their highest attendance numbers, with the English league having the highest attendance at approximately 18.5 million people, followed by the German league with 15.6 million, the Spanish league with 13.3 million, and the French and Italian leagues with around 10 million each. From 2017 to 2020, there were no significant changes in attendance figures until the COVID-19 pandemic hit the football industry and prevented football fans from attending matches. This had a significant impact on all of the top five leagues, with a notable decline in attendance numbers. According to a publication by Report Calcio (2022), the German league saw around 150,000 spectators, the English league saw 170,000 spectators for its 20 competing clubs, and the French league saw a total of around 250,000 spectators. The Spanish and Italian leagues were hit the hardest, with fewer than 10,000 supporters able to attend matches in the stadium.

Figure 39 in addition, represents the average attendance during the observed period for the top 5 European leagues. While Figure 38 shows that the English league had the highest overall attendance from 2017 to 2021, the average attendance figures tell a different story. The German league consistently had the highest average attendance, with over 40,000 people per year except for 2021 when the pandemic impacted the industry. The English league had the second highest average attendance per year, with approximately 38,000 people, followed by the Spanish, Italian, and French leagues with an estimated average of 27,000, 21,000, and 20,000 people, respectively.

Figure 40 below visualises the observed club's average attendance from 2017 to 2021 showing significant variations, with FC Bayern Munich, Manchester City, and Manchester United experiencing a constant attendance from 2017 to 2019 before declining in 2020 and plummeting in 2021. FC Barcelona saw a drop of around 12 thousand in 2018 before recovering in 2019, but then experiencing a dip again in 2020 and a significant fall in 2021. In contrast, Real Madrid had a gradual decrease in their average attendance from 2017 to 2020, starting at around 71 thousand and ending at 45 thousand before experiencing a sharp decline in 2021.

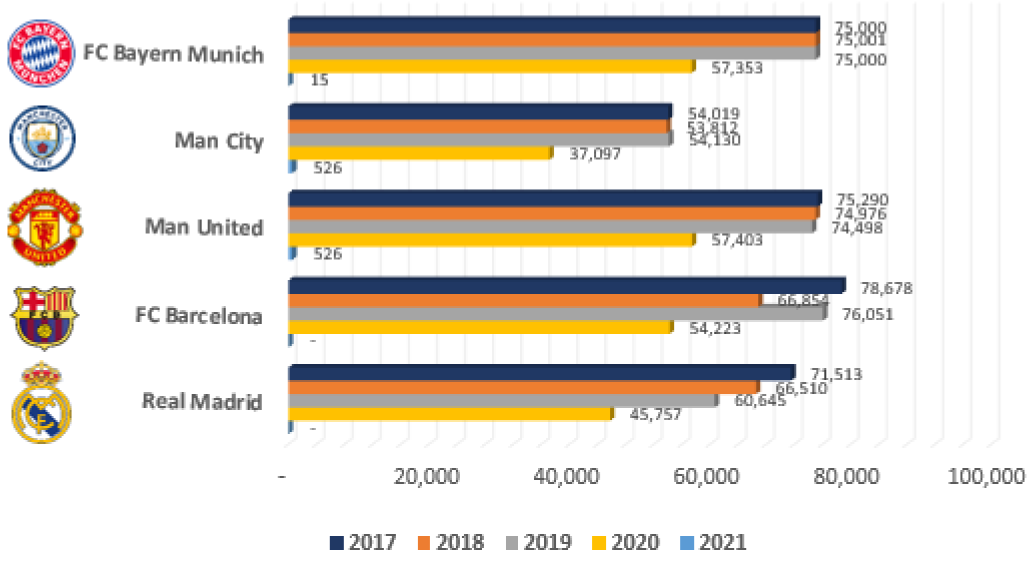
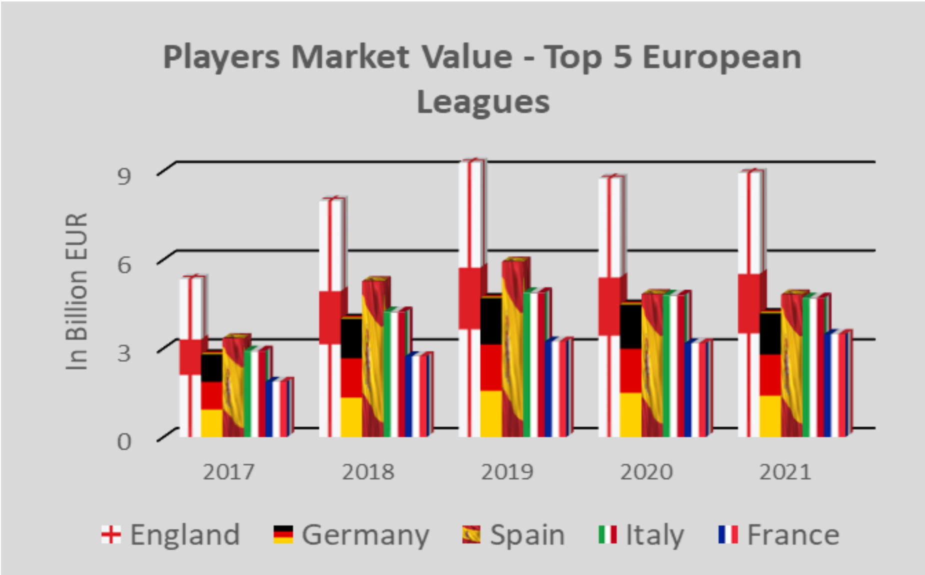


Figure 40: The Observed Clubs Average Attendance Home Stadium (Author's compilation as Report Calcio 2018-2022)

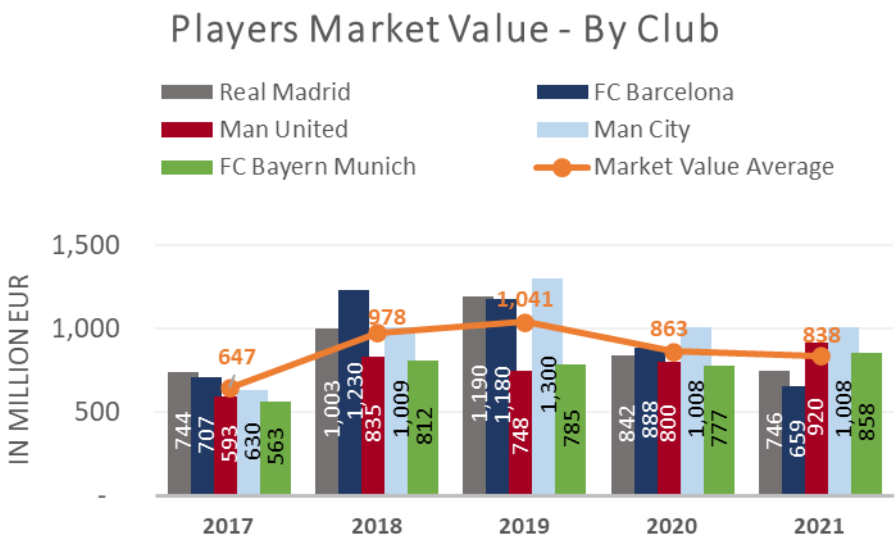
4.1.6.2 Football Players

As the main assets of being a football club that follows a competition, football players are determined to the assets of a football club that must be listed on the financial statement, especially in the balance sheets and they are subject to impairment tests and depreciation (Maglio and Rey, 2017). Therefore, with European as the largest capitalisation of football players, especially in their top 5 leagues, the market values of football players on these leagues are in general more than other European leagues. Figures 41 below represents the football players market value in the top 5 European leagues from 2017 to 2021 according to Transfermarkt. From those 5 leagues, English Premier League, and French Ligue 1 peaked in 2019 before declined in 2020 and bounced back in 2021 whilst the other three leagues had gradually decreased after peaking in 2019 in terms of total market values. In addition, the figure 41 also indicates a significant gap between English Premier League and others top European leagues to be in the first position compared with the Spanish La Liga in the second position, followed by Italian Serie A, German Bundesliga, and French Ligue 1 respectively. The most fascinating fact is the English Premier League reached approximately 9 billion Euro of the total market value from their 20 competing clubs in 2019 in which those figures are more than the market value of Italian Serie A and French Ligue 1 combined – the similar pattern also occurred in 2020 and 2021.

While the previous paragraph discusses the market value from the top 5 European Leagues, figure 42 visualises the comparison of the market value from the observed clubs from the period 2017 to 2021. For all of the observed clubs, they experienced a major increase in 2018 especially FC Barcelona and Manchester City for about 500 million Euro from the total market value of their entire squad players. In addition, compares to the average of the observed club market values, also only FC Barcelona and Manchester City that had their squad market values more than the peers average for at least 4 years period – FC Barcelona was only below the peers average in 2021 whilst Manchester City in 2017. Other clubs show a insignificant change such as Manchester United and FC Bayern Munich that were above the peers average only in 2021 whereas Real Madrid only had 3 times above the peers average from 2017 to 2019.



Figures 40: Football Players Market Value on the top 5 European Leagues (Author's compilation as Transfermarkt Publication 2017-2021)



Figures 41: Football Players Market Value on the observing clubs (Author's compilation as Transfermarkt Publication 2017-2021)

4.2. The Analysis of Top Five Brands of Most Valuable Football Club

Statista (2022) publication on the world's top brand valuation is also supported by the report issued by Deloitte Football Money League (2022) resulted that Real Madrid, FC Barcelona, Manchester United, Manchester City, and FC Bayern Munich are the top five clubs which profiles the highest revenue generations. As shown in the figure 42 below, the five times have been approximately in top 5 on the Deloitte Football Money League from 2017 to 2021. Only Manchester City that was not able in the top 5 in 2019 and 2020. However, they managed to overtake the first position in 2021.

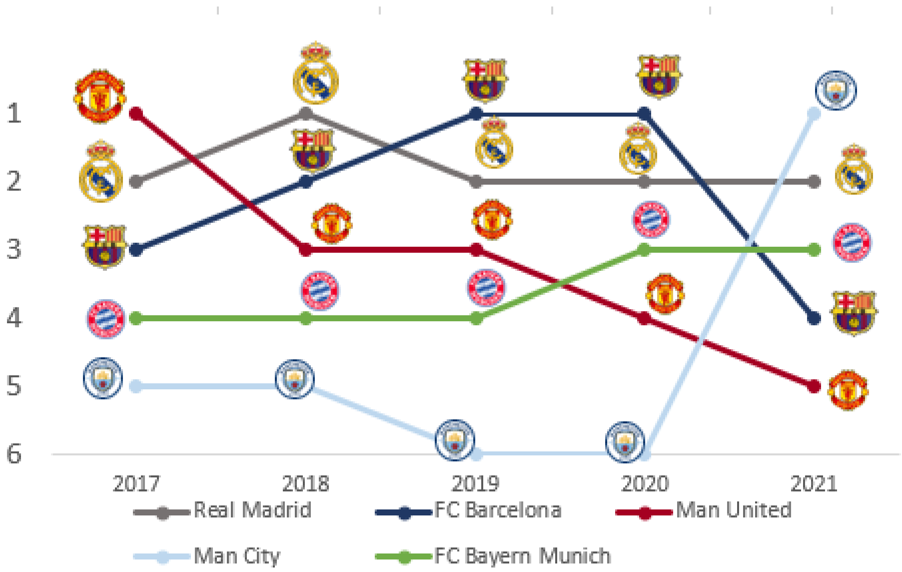


Figure 41: The Observed Clubs Position on the Deloitte Football Money League (Author's compilation as Deloitte Money League Publication 2017-2021)

4.2.1 Real Madrid

4.2.1.1 Revenue Sources, Squad to Cost, and Financial Performance

Real Madrid has always been in the top 2 position on the football money league in terms of revenue generations for the observed periods 2017 to 2021. In terms of matchday revenues, there were a gradual increase from 2017 to 2019 from slightly above 136 million euro to 145 euro annually before a slight decline in 2020 and plummeted in 2021 for about 8.6 million euro due to the COVID-19 pandemic whereas their commercial revenues were the major income resources by consistently more than 300 million euros and broadcasting incomes as their second-best incomes that fluctuated around from 225 million euro to around 310 million per year. During which, Real Madrid's sporting performance was an outstanding one, having won two Spanish La Liga titles in 2017 and 2020, 2 UEFA Champions League titles in 2017 and 2018, and 2 UEFA Super Cup titles similarly during those years.

In addition, despite the COVID-19 pandemic, Real Madrid was still able to show a positive net profit. Starting 21.4 million in 2017 and grew for about to 38 million euro in 2019, their net profit fell massively to approximately 800 thousand and 900 thousand for 2020 and 2021 respectively.

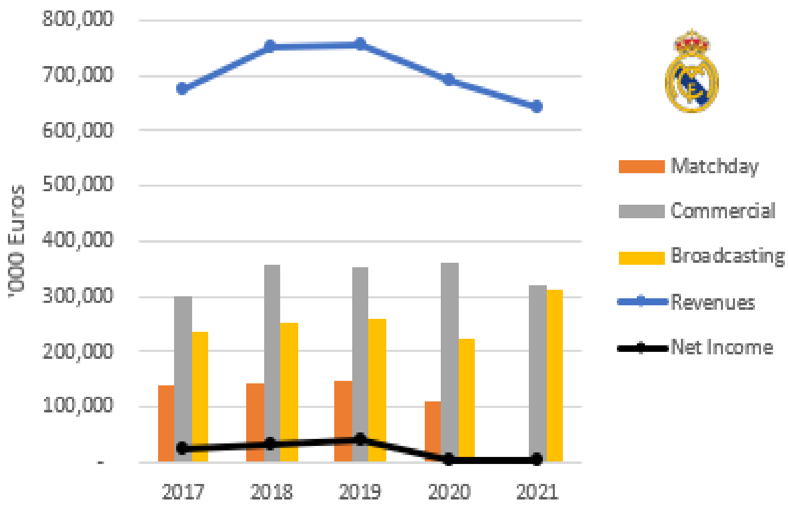


Figure 42: Real Madrid total revenues, incomes sources and net profit 2017-2021 (Author's compilation as Real Madrid Annual Report)

On the matchday activities, Real Madrid home stadium capacity at 81,044 seats were only able to record the average attendance from 2017 to 2021 with the average approximately 48,000 (Transfermakrt, 2022) with the highest home attendance in the Spanish La Liga occurred in 2017 with 71,513 spectators. Despite the incapability of fulfilling the home stadium, Real Madrid has agreed to remodel their home Stadium, Santiago Bernabeu, with the total financing of 575 million Euro in 2018 with financing structure of 100 million Euro in 2019, 275 million Euro in 2020, and 200 million Euro in 2021 (Real Madrid Annual Report 2021).

In terms of squad to revenue ratio – as one of the requirements must be obliged by football clubs competing under the UEFA competitions in which is the financial fair play (FFP), Real Madrid has a stable squad to cost ratio in which must be 70%. In this aspect, the growth of revenues is still in line with the spending on players' salaries pursuant to the UEFA.

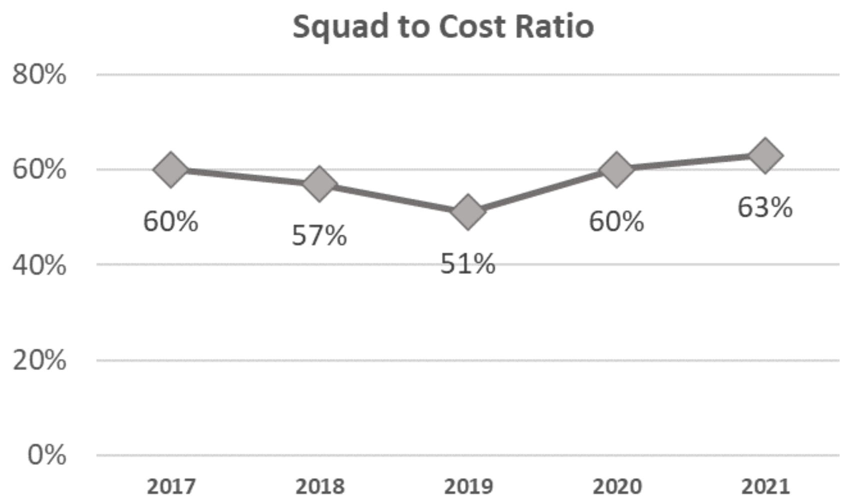


Figure 43: Squad to Cost ratio (Author's compilation as Publication Real Madrid Annual Report 2017-2021)

4.2.1.2 Top Valuable Players as Assets

As Goatereon (2012) in the UEFA Financial Fair Play rules asserted that players are determined to be assets for the operations within a football club that must be registered on the balance sheet as the intangible assets. In the case for Real Madrid as shown in the table 8 their top five highest salary players along with the acquisition price states that on average that the annual salary caps are about 12 million euros with Eden Hazard being the highest football players earner for Real Madrid in 2021 with his acquisition price from the former clubs, Chelsea was 115 million Euros (Transfermarkt, 2021). This figure surpassed the acquisition of their best player Cristiano Ronaldo that was acquired for 80 million Euro (Real Madrid Annual Report 2009). In addition, after Eden Hazard's salary at 15 million Euro per annum, they have set a cap in 11.7 million for three of their players which were Sergio Ramos, Marcelo, and Toni Kroos in which the first two players mentioned are not registered as a Real Madrid player anymore in 2022/2023 season.

Real Madrid		
Name	**Transfer fees (€)**	**Annual Salary (€)**
Eden Hazard	115,000,000	15,000,000
Sergio Ramos*	27,000,000	11,700,000
Marcelo*	6,500,000	11,700,000
Toni Kroos	25,000,000	11,700,000
Luka Modric	35,000,000	10,500,000
**Are not registered anymore in 2022/2023 season*		

Table 8: Real Madrid top earners in 2021 (Author's compilation transfermarkt publication)

4.2.1.3 Clubs' Sponsors

Within the football clubs, the key partners are parts of their revenue sources from the commercial sides. Thus, competitions amongst football clubs are also fierce in terms of sealing the deal with the best partners for the sponsorship within the clubs. Table 9 below represents the main sponsors and global sponsors of Real Madrid. Their main sponsors are Adidas from the apparel business and Fly Emirates- a giant airline corporation based in the United Arab Emirates. Reported by Goal.com (2021) the agreements for Adidas were renewed for 152 million Euro per annum as shown in the figure 30 whilst the Fly Emirates sealed the deal for the value of 70 million Euro per annum. In addition, besides the main sponsors, Real Madrid reached numerous agreements with other big names such as BWW to be their primary automotive partner, Electronic Arts (EA) for the video gaming industry, Adobe to enhance the fan engagement through a data and experience-driven approach, Mahou – a food and beverage industry for the beers served within the stadium and Nivea MEN as the global sponsors for the men cosmetic products.

Real Madrid	
Main Sponsors	**Industry**
Adidas	Apparel
Fly Emirates	Airlines
Global Sponsors	**Industry**
BWW	Automotive
EA	Video Game
Adobe	Software
Mahou	Foods and Beverages
Nivea MEN	Cosmetic Products

Table 9: Real Madrid Main and Global Sponsors (Author's compilation from annual reports publication)

4.2.2 FC Barcelona

4.2.2.1 Revenue Sources, Squad to Cost, and Financial Performance

FC Barcelona, a highly successful and renowned football club, has established a prominent financial position in terms of income generation. This is evident through the Deloitte Money League, which illustrates a gradual increase in the club's ranking from 2017 to 2019, during which they overtook their main rival, Real Madrid, to claim the top spot. However, the onset of the COVID-19 pandemic has resulted in a decline in the club's financial performance, with a drop to the fourth position in the Deloitte Money League.

Like Real Madrid, FC Barcelona's revenue generation is primarily driven by commercial revenues, averaging approximately 320 million Euro over the observed period. Furthermore, broadcasting revenues for the club have also exhibited growth, rising from slightly over 210 million Euro in 2017 to nearly 300 million in 2019, before experiencing a slight decline in 2020 and a resurgence to approximately 290 million in 2021. This trend is consistent with the findings of Rikaardson and Rikaardson (2013), who suggest that broadcasting revenues are closely tied to the number of competitions in which a club is involved, which, in turn, is contingent on their sporting performance. During the observed periods, FC Barcelona has managed to win 2 Spanish La Liga titles in 2018 and 2019 along with 3 Spanish cups in 2017, 2018 and 2020.

However, despite these impressive revenues, FC Barcelona's financial performance has been negatively impacted by the COVID-19 pandemic. As seen in Figure 44, the club incurred significant losses in 2020 and 2021, with a net loss of approximately 500 million Euro despite their robust revenues. This can be attributed to operational expenses that were incurred despite the absence of other sources of income, such as matchday revenues, as stated in FC Barcelona's Annual Report (2020 and 2021). Despite the fact that FC Barcelona holds the highest football stadium capacity in Europe with 99,354 seats, their average attendance records from 2017 to 2021 were only about 55 thousand spectators attending the home games, although these figures have consistently generated more up to 145 million Euro revenues from the matchday.

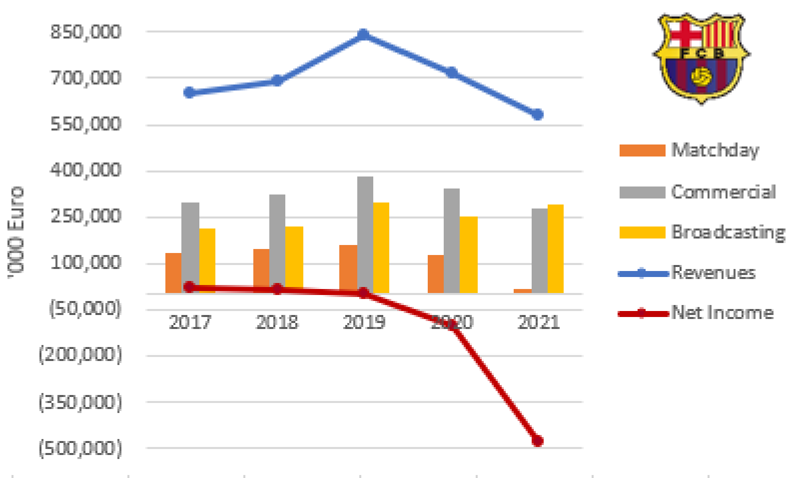


Figure 44: FC Barcelona total revenues, incomes sources and net profit 2017-2021 (Author's compilation as annual report publication)

In addition, FC Barcelona's squad to cost ratio, as one of the main aspects required by UEFA, as the European football competition governing body, their ratio was twice over the 70% threshold during the observed period 2017 to 2021 in which was 77% in 2018 and 84% in 2021. As Rikaardson and Rikaardson (2013) revealed that FC Barcelona always obliged to this ration with the average of 60%. Despite breaching the 70% threshold, Ivanov (2021) explained that shall there is a breach in the squad to cost threshold, UEFA will request for more financial information and thus, to launch an investigation if necessary. Prior to the beginning of 2023 when this thesis is being written, there are no critical investigation issued by UEFA to FC Barcelona on this occasion.

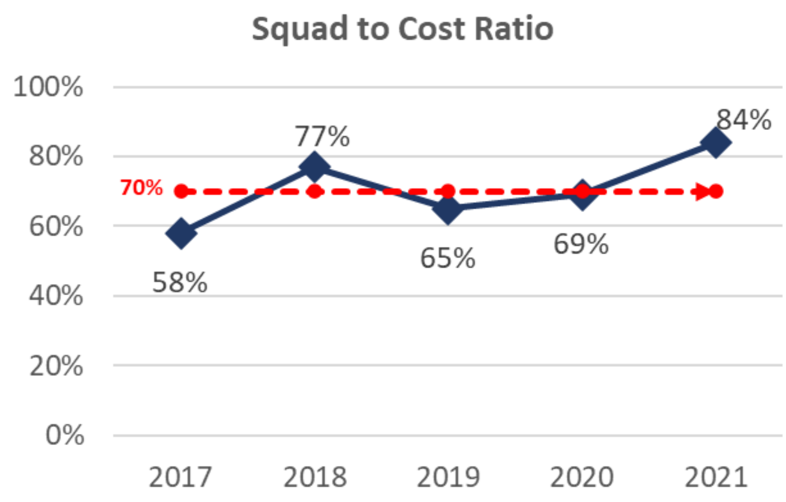


Figure 45: Squad to Cost FC Barcelona 2017-2021 (Author's compilation as Annual report publication)

4.2.2.2 Top Valuable Player as Assets

On the table 10 below shows the top five FC Barcelona highest salaries football players in 2021. A slight difference with Real Madrid in the previous section, FC Barcelona had two players in the top highest earners come from their academy called "La Masia" in which was considered as the best youth academy in the world (Kogi, 2022) - had 0 (zero) transfer fees because they were promoted from the academy to the main squad as according to UEFA Financial Fair Play rules are exempt from being listed in the balance sheets. For instance, Lionel Messi, the highest earner in 2021of 34 million Euro per year were in front by almost double with the club's second highest bought players, Antoine Griezmann with 18 million Euro annually. Samuel Umititi was in the third highest earner by approximately 15 million Euro per year, followed by Sergio Busquets – the other La Masia academy graduates with 10.5 million Euro per annum with the same figure with the highest acquired figure in the history of FC Barcelona, Philippe Coutinho.

FC Barcelona		
Name	**Transfer fees (€)**	**Annual Salary (€)**
Lionel Messi*	-	34,080,000
Antoine Griezmann	120,000,000	18,000,000
Samuel Umtiti*	25,000,000	15,360,000
Sergio Busquets	-	10,560,000
Philippe Coutinho*	135,000,000	10,500,000
**Are not registered anymore in 2022/2023 season*		

Table 10: FC Barcelona top earners in 2021 and their transfer fees (Author's compilation as transfermarkt publication)

4.2.2.3 Clubs' Sponsors

In terms of clubs' sponsors, FC Barcelona, one of the most successful and renowned football clubs in the world, has established a strong financial position through a variety of revenue streams, including sponsorship deals. One of the club's key sponsors is Nike, a rival to Real Madrid's sponsor Adidas, with a deal valued between 105 million and 155 million Euro, subject to certain sporting achievements such as qualifying for the UEFA Champions League. Another major sponsor for FC Barcelona over the observed period is Rakuten, a Japanese online retailing platform, with a sponsorship deal valued at 55 million Euro in 2017, which has been reduced to 30 million in 2021 due to the club's financial condition during that year.

Furthermore, as shown in Table 11, FC Barcelona's global sponsors are also varied, similar to their rival Real Madrid, with sponsored industries that are relatively the same and some of them being competitors in their respective industries. For instance, Konami is the club's video game global sponsor, and a rival of Electronic Arts in the video game industry. Additionally, Cupra, a car manufacturer, rivals BMW in the automotive industry, and Estrella, a Spanish beer product, is also a competitor of Real Madrid's Mahou in the alcohol beverage market. Other notable global sponsors of FC Barcelona include Allianz, a health and insurance service provider and 1xBet, a global sponsor of sports betting.

FC Barcelona	
Main Sponsors	**Industry**
Nike	Apparel
Rakuten	Online Shopping Platform
Global Sponsors	**Industry**
Estrella	Foods and Beverages
Cupra	Automotive
Konami	Video Game
Allianz	Health & Insurance
1xBet	Sports Betting

Table 10: FC Barcelona Main and Global Sponsors (Author's compilation as annual report publication)

4.2.3 Manchester United

4.2.3.1 Revenue Sources, Squad to Cost, and Financial Performance

One of the most England successful football club, Manchester United has managed to be consistently amongst the top earner in which proven that they always to be in the top 5 within the Deloitte Money League from 2017 to 2021 despite a declining sporting performance. As similar as the previous two Spanish clubs, Manchester United's most revenues were generated from their commercial deals by earning approximately more than 300 million Euro from 2017 to 2020 while in 2021 dropped for on average 20% to about 260 million Euro that is expectedly due to the COVID-19 pandemic. Specifically, in 2021 Manchester United's broadcasting revenue outweighed their commercial for the first time (Manchester United Annual Report, 2021). In addition, as the COVID-19 pandemic hit the world, it gave a huge impact into their matchday revenue with dropped massively from around 98 million Euro in 2020 to just 8 million in 2021 where during which the social distancing restrictions were considered for within the United Kingdom. Moreover, during the observed period, Manchester United was also experienced the net loss two times in 2018 and 2021 with about 42.2 million Euro and 107 million Euro respectively.

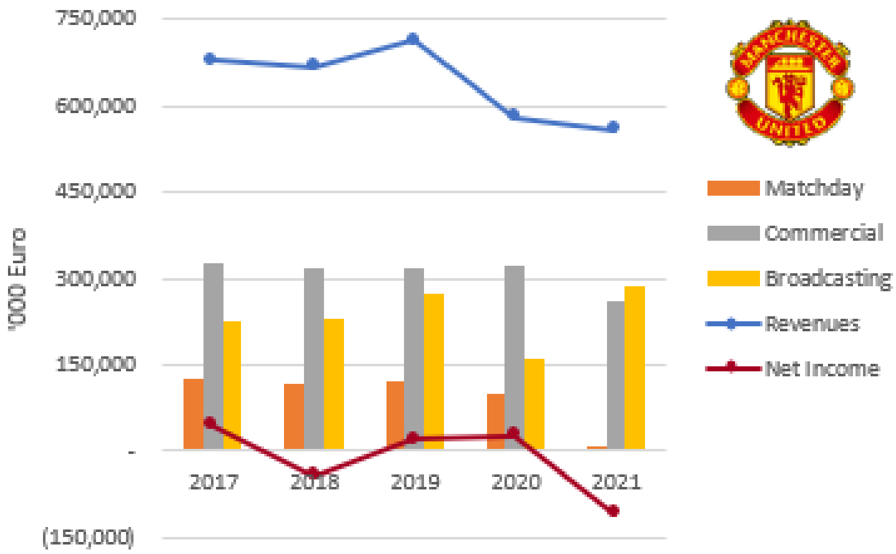


Figure 46: Manchester United total revenues, incomes sources and net profit 2017-2021 (Author's compilation as annual report publication)

In addition, despite Manchester United's incomes from the matchday was less than two Spanish giants, Real Madrid and Barcelona, their home stadium average attendance has shown a fascinating result with capacity only about 76,000 seats, they managed to have between 74,000 to 75,000 spectators in average in 2017-2019 before the COVID hit the football industry. Moreover, their sporting performance that is related to the broadcasting revenues seemed an exception because of their brand image. Despite only winning 2 titles which were the UEFA Europa League and the English League Cup during the observed period in which both of them were in 2017, Manchester United has always managed to sell their broadcasting rights even to 56 countries along with their own global TV Channel, MUTV (Manchester United, 2019).

The squad to cost ratio for Manchester United from 2017 to 2021 is 45%, 50%, 53%, 56%, and 65% respectively, despite incurring net losses in 2018 and 2021. This indicates that Manchester United has been able to comply with UEFA Financial Fair Play rules by effectively controlling their spending. The sudden increase in the ratio in 2021 can be attributed to the acquisition of high-profile players such as Harry Maguire and Edinson Cavani during the beginning of their 2021 accounting period. This research aims to examine the correlation between Manchester United's compliance with Financial Fair Play regulations and their squad to cost ratio during the period of 2017-2021.

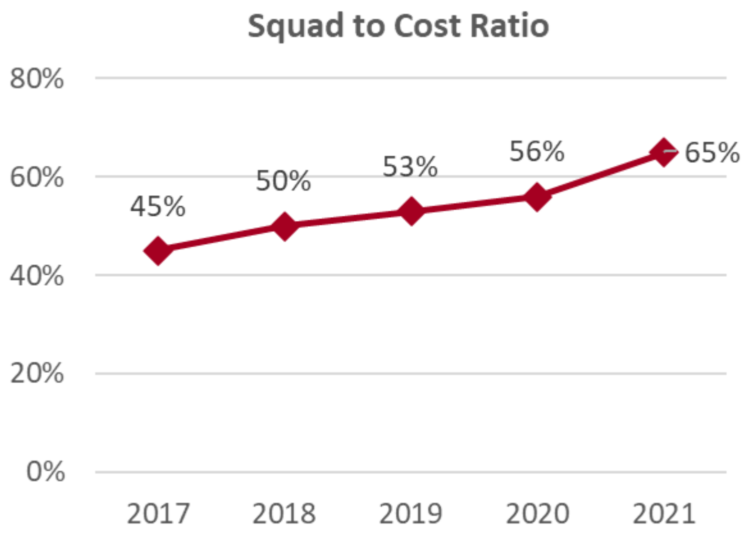


Figure 47: Squad to Cost Manchester United 2017-2021 (Author's compilation as annual report publication)

4.2.3.2 Top Valuable Player as Assets

Table 11 below visualises the Manchester United's players highest salary in 2021. During which, the Spanish goalkeeper David De Gea was the top earner within the club with about 12.1 million Euro per year followed by the French player Paul Pogba that was initially graduated from their academy and left for free to Juventus in 2012 before buying him back in 2016 for the value of 105 million Euro. Furthermore, the third place of the highest earner was Edinson Cavani with 8 million Euro per year that they signed as a free agent, thus, pursuant to the UEFA Financial Fair Play Rule (2012) does not have to be registered within the company's balance sheets as listed to be their assets. The fourth place was their academy graduate Marcus Rashford with 6.5 million Euro followed by the captain, Harry Maguire that they signed from Leicester City in 2021 for about 87 million Euro with the annual salary of 6.1 million per annum.

Manchester United		
Name	**Transfer fees (€)**	**Annual Salary (€)**
David De Gea	25,000,000	12,149,475
Paul Pogba*	105,000,000	9,386,687
Edinson Cavani*	-	8,095,876
Marcus Rashford	-	6,476,701
Harry Maguire	87,000,000	6,148,336
**Are not registered anymore in 2022/2023 season*		

Table 11: Manchester United top earners in 2021 and their transfer fees (Author's compilation as transfermarkt publication)

4.2.3.3 Clubs' Sponsors

Manchester United's main apparel deal with Adidas as shown in table 12 below occurred in 2015 that lasted for 10 years with value maximum of 80 million Euro per year that subject to sporting performance in which they will earn the maximum shall they participate in the UEFA Champions League competition (Manchester United Annual Report, 2015) whereas their Team Viewer sponsorship deal amounts at 70 million Euro per year. In addition, similar with Real Madrid and Barcelona, Manchester United global sponsors are varying from the United States' automotive manufacturer- Chevrolet, a video game producer - Konami, a well-known logistic enterprise such as DHL, along with Betfred, their main sports betting partner and Tezos, the sustainable blockchain innovation company.

Manchester United	
Main Sponsors	**Industry**
Adidas	Apparel
Team Viewer	Software
Global Sponsors	**Industry**
Tezos	Sustainable Blockchain
Chevrolet	Automotive
Konami	Video Game
Betfred	Sports Betting
DHL	Logistics

Table 11: Manchester United main and global sponsor (Author's compilation as annual report publication)

4.2.4 Manchester City

4.2.4.1 Financial Performance

Manchester City's journey to become one of the most successful English clubs has been remarkable. Despite dropping to 6th position in the money league in 2019 and 2020, they jumped to the top spot in 2021, surpassing their city rival Manchester United and two Spanish giants, Real Madrid, and Barcelona. One of the unique factors that contributed to this success is their matchday revenues, which were 10% of their total revenues from 2017 to 2020, but then dropped to 800 thousand Euro per year. Unlike other clubs, Manchester City's commercial revenues were less than their broadcasting incomes. In 2017, 2019, and 2021, their broadcasting revenues were three times more than their commercial revenues, which helped them progress to the UEFA Champions League final in 2021, and win all domestic competitions, as reported by Rikaardson and Rikaardson (2013) and Premier League broadcasting agreements (2015). However, Manchester City still earns less than their rival Manchester United in matchday revenues, this is due to the fact that their home stadium has a capacity of 55 thousand despite having an average attendance of 54,000 thousand from 2017 to 2019 before the pandemic. Additionally, Manchester City also experienced a loss in 2020 with 141 million Euro before bouncing back to have a net profit of 2.7 million Euro in 2021, similar to other clubs' financial performance.

Secondly, Manchester City's squad to cost ratio were in average to comply the 70% threshold despite only in 2020 that they breached to be 73% that up to today there is no a punishment nor sanction given to the club.

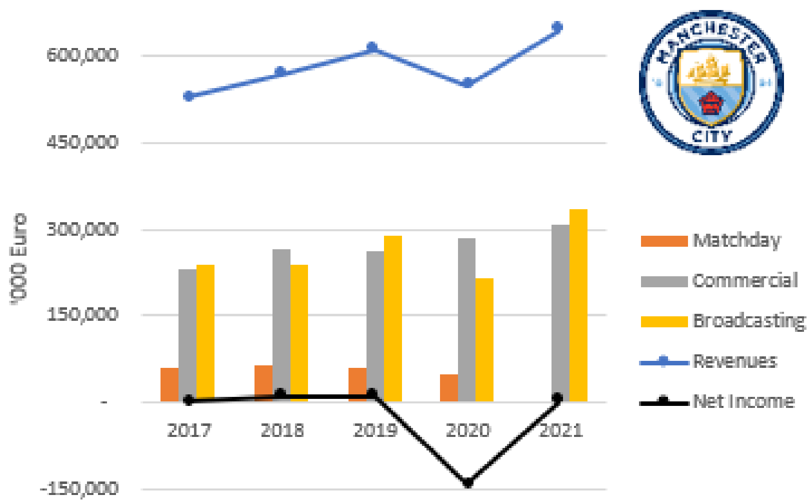


Figure 48: Manchester City total revenues, incomes sources and net profit 2017-2021 (Author's compilation as annual report annual report Author's compilation as annual report publication)

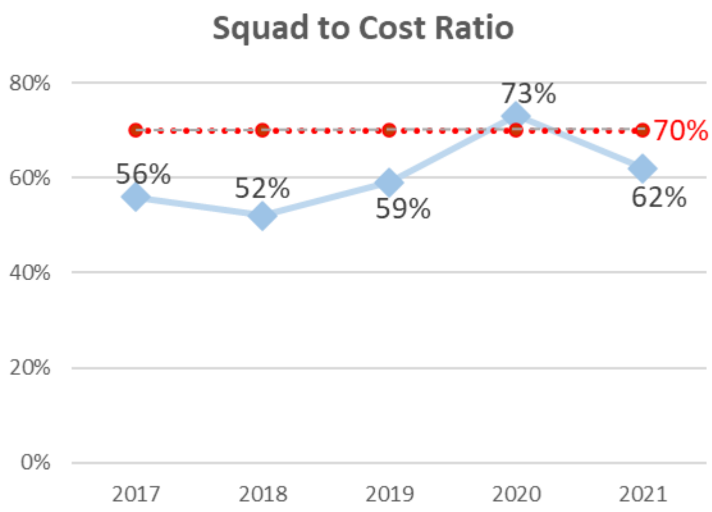


Figure 49: Squad to Cost Manchester City 2017-2021 (Author's compilation as annual report publication)

4.2.4.2 Top Valuable Player as Assets

Manchester City's business model on their most valuable assets in terms of salary incurred are in general derived from acquired players from other clubs. Unlike Manchester United and FC Barcelona that has developed their academy graduates to be the important assets for the club, Manchester City mostly acquire those potential players. For instance, Kevin De Bruyne, their highest salary player was bought from Wolfsburg FC for 76 million Euro, Raheem Sterling from Liverpool of 63.7 million Euro, Sergio Aguero from Atletico Madrid with 40 million Euro, followed by Kyle Walker with 52.7 million from Tottenham Hotspur and Fernandinho of 40 million Shaktar Donetsk for 40 million Euro. In terms of salary spent, the average of the highest earner to the one below is 5 million Euro, except from the 4th highest Kyle Walker to Fernandinho in which was slightly less than 1 million.

Manchester City		
Name	**Transfer fees (€)**	**Annual Salary (€)**
Kevin De Bruyne	76,000,000	23,551,638
Raheem Sterling*	63,700,000	17,663,729
Sergio Aguero*	40,000,000	13,553,515
Kyle Walker	52,700,000	9,420,655
Fernandinho*	40,000,000	8,831,864
**Are not registered anymore in 2022/2023 season*		

Table 12: Manchester City top earners in 2021 and their transfer fees (Author's compilation as transfermarkt publication)

4.2.4.2 Clubs' Sponsors

Different with the main market share of apparel Adidas and Nike, Manchester City sealed the deal sponsorship agreement with Puma with the value of 650 million Pound Sterling (circa 750 million Euro) for 10 years indicating to be approximately 75 million per year whereas their front jersey apparel, Etihad Airways – an airline that is originated with the same country as the shareholder, United Arab Emirates agreed to sponsor the blue side of Manchester for about 70 million Euro per year for 10 year periods. In addition, Manchester City global sponsors also looked similar in terms of industry with Manchester United with the example of Nissan from the cars manufacturer from South Korea, Electronic Arts from the video game industry, Midea to be their house appliance global partner, Cisco from the software industry, and Wix – the website development company. Unfortunately, similar with other clubs, sponsorship values with the global partners usually are not opened into public.

Manchester City	
Main Sponsors	**Industry**
Puma	Apparel
Etihad Airways	Airlines
Global Sponsors	**Industry**
Nissan	Automotive
EA	Video Game
Midea	House Appliances
Cisco	Software
Wix	Website Development

Table 13: Manchester City main and global sponsor 2021(Author's compilation as annual report publication)

4.2.5 FC Bayern Munich

4.2.5.1 Revenue Sources, Squad to Cost, and Financial Performance

As the only non-Spanish and English side that was in the top 5 of the money leagues, FC Bayern Munich is also to be the most consistent in which were three years in a row in the 4th position (2017-2019) and twice in the 3rd position (2020-2021). In addition, FC Bayern Munich made commercial deals more than other observed clubs in which in average they earned 350 million per annum despite losing the broadcasting revenues. Report Calcio (2021) compared the differences amongst leagues on the broadcasting revenues resulting German Bundesliga's fame are not as massive as English Premier League and Spanish La Liga especially in capturing the market outside Europe, such as Asia and South America. Additionally, from the point of view of the matchday revenue generated by the home stadium attendance, FC Bayern Munich has been the most outstanding compared to the other observed clubs with home average of 75,000 spectators of the total 75,024 capacity – almost 100% of the total stadium (Transfermarkt 2021). Moreover, from the point of view of broadcasting revenues, despite a slight complicated rules issued by Bundesliga, FC Bayern has managed to experience gradual increase on this revenue section that is influenced by their sporting performance – they won 5 Bundesliga titles from 2017 to 2021, 2 DFB Pokal German Cup in 2019 and 2020, 1 UEFA Champions League title in 2020 along with the UEFA Super Cup within the same year. Furthermore, from the previous example of the observed clubs, all of them experienced net loss at least once from 2017 to 2021 including the COVID-19, however, FC Bayern Munich was the only one from them that maintained net profits during which in the observed period they booked net profit of 39.2 million, 29.5 million, 52.5 million, 9.8 million, and 1.9 million Euro respectively.

On the aspect of the squad to cost ratio, FC Bayern Munich increasing revenue except in 2020 has managed this ratio to be almost constantly below 60% in which are still slight below the critical threshold of 70%.

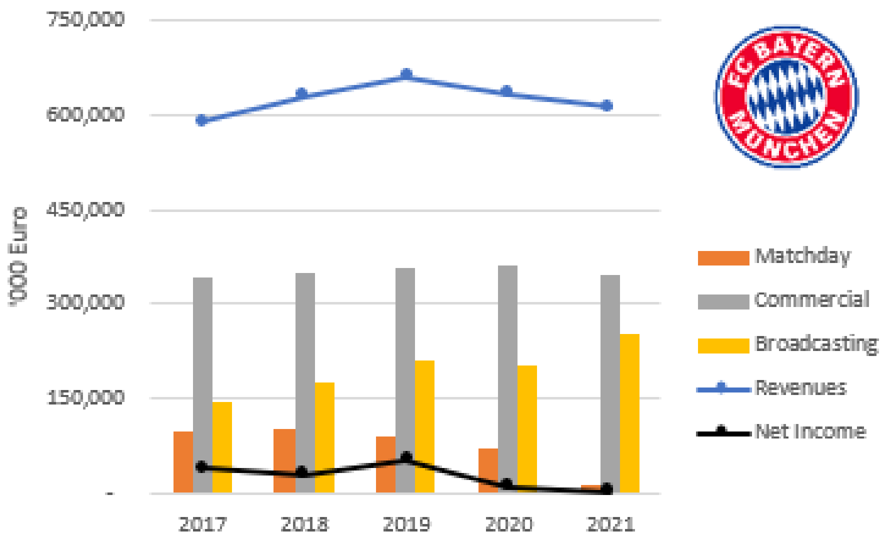


Figure 50: FC Bayern Munich total revenues, incomes sources and net profit 2017-2021 (Statista, 2021)

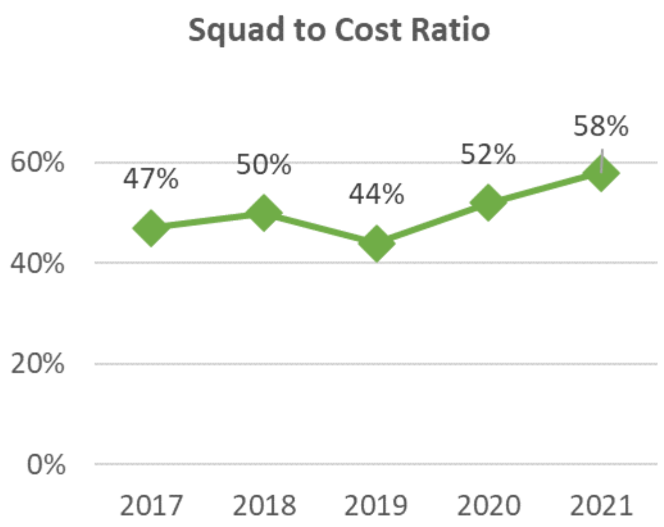


Figure 51: Squad to Cost FC Bayern Munich 2017-2021 (Author's compilation as Statista publication)

4.2.5.2 Top Valuable Player as Assets

Similar with Manchester United and FC Barcelona, FC Bayern Munich's top valuable assets were both their major signing and academy graduates. Moreover, they were also to manage to sign Robert Lewandowski as a free agent from their rival Borussia Dortmund by offering them to be the highest earner within the club for about 12.2 million Euro per annum. Then, the second position was Manuel Neuer that they acquired from FC Schalke with the value of 30 million Euro that earns 10.6 million annually, same salary figures with Thomas Muller, an FC Bayern graduate with and Leroy Sane that was acquired from Manchester City in 2019 with the value of 49 million Euro. The fifth position is Lucas Hernandez – one of their highest acquired transfer fees that reached 80 million Euro with the annual salary of 9.5 million Euro.

FC Bayern Munich		
Name	Transfer fees (€)	Annual Salary (€)
Robert Lewandowski*	-	12,190,000
Manuel Neuer	30,000,000	10,600,000
Thomas Muller	-	10,600,000
Leroy Sane	49,000,000	10,600,000
Lucas Hernandez	80,000,000	9,540,000
*Are not registered anymore in 2022/2023 season		

Table 14: Manchester City top earners 2021 (Author's compilation as publication issued by Capology & Transfermarkt)

4.2.5.3 Clubs' Sponsors

FC Bayern Munich's primary sponsors are German-based corporations, Adidas, and Telekom Deutschland. Adidas, a sportswear manufacturer, has entered a 10-year contract with FC Bayern Munich, worth 900 million Euros, with an annual sponsorship fee of 90 million Euros. Meanwhile, Telekom Deutschland, a telecommunications company, has initiated a contract with FC Bayern Munich for an annual sponsorship fee of 45 to 50 million Euros from 2021 to 2026, which is also contingent upon the club's sporting performance. Additionally, FC Bayern Munich's global partners are comparable to those of other observed clubs in terms of industry, including Audi, a German-based automotive manufacturer, Konami, a video game developer, Adobe, a software company, Allianz, a health and insurance service provider, and Qatar Airlines, an airline.

FC Bayern Munich	
Main Sponsors	Industry
Adidas	Apparel
Telekom Deutschland	Telecommunication
Global Sponsors	Industry
Audi	Automotive
Konami	Video Game
Adobe	Software
Allianz	Health & Insurance
Qatar Airways	Airlines

Table 15: FC Bayern Munich main and global sponsors 2021 (Author's compilation from annual report publication)

CHAPTER 5

5.0 Analysis of Supplementary to Current Business Model

In this section, the study will examine the potential impact of additional factors on specific elements of the business model canvas in relation to the business model of a football club, with a focus on European club competitions. The initial segment of the analysis will address the role of revenues generated from the sale of football players as intangible assets for the selected clubs, as well as the examination of European clubs that have experienced financial success through the sale of players to other clubs. The subsequent portion of the study will investigate the relationship between governance and ownership models and a football club's ability to acquire financial resources.

5.1 Revenues from selling football players

On the previous revenues chapter, this research has discussed that the main incomes sources within football clubs are derived from matchday, broadcasting, and commercial revenues. In addition to this, the research also mentioned that due to the fact that football industries highly rely upon on the talents acquisitions, most of big clubs decide to spend big for a talent which means the transfer fees incurred for a buyer club would be a revenue for the selling club. However, as the football players are recognised to be an asset in the form of intangible assets, in a condition that sales occurred, such transaction must follow applicable accounting standards in which is IAS 38 – disposable of intangible assets (UEFA, 2018). Such gain and loss of disposable intangible assets of the selling clubs are derived from the transfer fees minus the initial acquisition value in the first place with the straight-line methods of amortisation based on the player's contract lengths. For instance, PriceWaterhouseCoopers (2018) provide an example of such transaction – in the case of a club A would like to sell a player to a club B a player that they acquired for 150 Euro with 5 contract lengths during the second year of the player contract with the price of 1000 Euro, club B as the purchasing club would have to record 1000 as an asset while club A as the selling club has to derecognise the player based on the book value and thus, offset the transfer value of 1000 with the market value of 120 – given the profit of the selling club of 880 Euro. Accordingly, those profits of gain or losses of disposable players must be shown on the latter part of the profit and statement instead of being on the revenue section.

Table 16 and 17 below represent the profit and loss of football clubs in the world from 2017 to 2021 in term of selling players into another club (intangible assets disposal). Table 16 shows that the 10 highest profits gained during the observed periods were SL Benfica from Portugal with approximately 382.21 million Euro and the 10th was AS Monaco, from Ligue 1 France with 111.03 million. In addition, from the table 16, we could assume that most of these club come from outside the top 5 World and European leagues (e.g Liga Portugal, Eredivisie Netherlands, and Croatian League). It is believed that these clubs pursue a business model of developing a young player and sell to a bigger football club years after for profits.

Comparably, table 17 displays the observed clubs' profit and loss from the disposable players. In contrast, the observed clubs recorded loss on the disposable of players with Manchester City the highest during 2017 to 2021 with more than 620 million, followed by Manchester United (561 million Euro), FC Barcelona (291 million Euro), FC Bayern Munich (161 million Euro), and Real Madrid (44 million Euro). These figures indicate that bigger clubs tend to spend more than selling their players as they aim to acquire the best talents for the competition (Dima, 2014).

Club	Country	Expenditure € million	Income € million	Profits (Loss) € million
SL Benfica	Portugal	265.18	647.39	382.21
Ajax Amsterdam	Netherlands	242.45	508.95	266.5
Red Bull Salzburg	Austria	89.9	310.4	220.5
Sporting CP	Portugal	182.96	377.23	194.27
LOSC Lille	France	245.93	402.98	157.05
Olympique Lyon	France	295.79	445.87	150.08
FC Porto	Portugal	187.93	321.96	134.03
SC Braga	Portugal	37.62	168.6	130.98
GNK Dinamo Zagreb	Croatia	35.3	157.52	122.22
AS Monaco	France	571.45	682.48	111.03

Table 16: Clubs with highest profits from selling players to another club 2017 – 2021 (Author's compilation from Transfermarkt publication)

Club	Country	Expenditure € million	Income € million	Profits (Loss) € million
Real Madrid	Spain	590.75	547.1	(43.65)
FC Barcelona	Spain	1006	715.05	(290.95)
Manchester United	England	784.7	223.98	(560.72)
Manchester City	England	945.26	319.3	(625.96)
FC Bayern Munich	Germany	406.25	244.8	(161.45)

Table 17: Observed Clubs profit and loss position figures from buying and selling players 2017 – 2021 (Author's compilation from Transfermarkt)

5.2 Governance and Ownership Model

Despite not to be in the building blocks of a model canvas, a football club governance and ownership model could define their profitability. One important area is the ownership net worth. Although football clubs that are competing under the UEFA competitions are restricted through the financial fair play rules, the ownership net worth could give an advantage when it comes to the talent acquisition competition over another club. The previous research concluded that the higher level of ownership concentrations is linked to lower profitability but better sporting results (Ruta, Lorenzon and Sironi, 2019). In addition, from the observed clubs there are differences on how ownership could shape the business model of the football club that is expected different results on financial performance – namely (1) Socios Model (2) 50+1 model; and (3) Private Limited company model

Socios Model

The Spanish Sports Act Law (1990) had altered the ownership regulation for Spanish sporting organisations to be public limited companies. However, there are exceptions for 4 clubs including Real Madrid, FC Barcelona, Athletic Bilbao, and CA Osasuna that allow them to keep the legal entity as a non-profit organisation with pre-requisite of having a net equity balance. Hence, the club is owned by its members, who are known as "*socios*." also known as the "membership" or "fan-ownership" model, where the club is owned and controlled by its members, rather than by a single owner or a group of investors. Under this model, members, also known as "*socios*" have the right to vote on certain club decisions, such as the election of the president and the approval of the annual budget. They also have the right to attend the club's annual general meeting and have a say in the direction of the club. This system of ownership is more democratic and inclusive, as it gives fans a greater level of involvement in the club's decision-making process. (Gathani, 2022).

Real Madrid charges their fans who are willing to participate to funds the club for a price range in returns for a voting right and premium access to certain club’s facilities. For instance, according to the 2021 annual report, there are 91,701 members listed with 64,831 of them paid about 123.3 Euro per year for the membership and junior member were about 5,500 in which they contributed 42.2 Euro annually to the club financing (Real Madrid Annual Report 2021). As for FC Barcelona, they charge 185 Euro for the annual adults’ membership that allows access to the club facility and youth area.

Clubs that are owned by members, or "socios," rely solely on their own revenue from sources such as television broadcasting rights, ticket and merchandise sales, player transfers, and sponsorships to fund their operations and player purchases. They do not have the option to raise capital through public or private investment or by listing shares on the stock market. This can make it challenging to ensure financial fairness and accountability as there is no oversight from investors or shareholders.

50 plus 1 Model

The 50+1 rule, established by the German Football League (DFL), ensures that football clubs, and by extension, the fans, hold a majority of voting rights. This rule states that commercial investors are not allowed to have more than a 49% stake in a club. This means that private investors cannot take control of the club and potentially make decisions that prioritise profit over the wishes of the supporters. It also protects against reckless ownership and maintains the democratic customs of German clubs. Historically, German football teams were non-profit organisations run by members' associations and private ownership was not allowed until 1998 (Scheuber, 2017). The 50+1 rule, which was introduced that year, helps explain why German clubs have lower debts and wages and why ticket prices are lower compared to other major leagues in Europe.

At the end of the financial year of 2021, FC Bayer Munich – one of the members of the Bundesliga was owned 75% by their fans under the organisation FC Bayern München eV, a multisport association that additionally controls various sports including bowling, basketball, and table tennis (D'amico, 2017). In the addition to the fan's ownership, corporations that hold their share interest in FC Bayern Munich are Adidas AG, Audi AG, and Allianz SE with each hold 8.33%. Furthermore, despite the majority of control owns by the fans, the financial stability, and the business of the football clubs within Bundesliga, including FC Bayern Munich are relatively stable with ticket prices affordable for the fans along with fewer risk being taken (Kelly, 2019). This is shown previously on the figure 40 where FC Bayern consistently had 75 thousand of average attendance, 99% of their home stadium capacity. Also, corporate enterprises own FC Bayern Munich contributes financially to the sponsorships, such as Adidas with as their jersey apparel, Allianz with the naming of the stadium, and Audi, to the main automotive partner of the club.

Private Limited Company Model

The English Premier League in do not adopt the socios model of Real Madrid and FC Barcelona nor the 50 plus 1 German model. Instead, all the English Premier League clubs are in a form of private limited company in which two of them are listed in the stock exchange which are Manchester United and Arsenal. Additionally, though the Premier League allows the ownership to be in the form of private limited company, during an acquisition they will conduct an owner and director test (OD Test), which was implemented in 2004, is used to determine if individuals who own clubs in the English Premier League are suitable and capable of managing a football club based on specific guidelines. Over time, the test has been expanded and made more comprehensive. (Merdignac and Pellet, 2020).

With the English Premier League has been the most generated revenue (Report Calcio, 2022), the private limited ownership system gives more financial strength in terms of developing their business plan. For instance, Manchester City in which is owned by Mansour bin Zayed Al Nahyan through a consortium called City Football Group has a wealth net value of 22 billion US Dollars, 5 times more than their rivals Manchester United in which are owned by the Glazer family from the USA with an approximate wealth net value of 4.7 billion US Dollars (White, 2021) – despite being listed in the New York Stock Exchange. This financial power of each is owned by two big corporation entitled to a large business network could further shape the football club business model in the future, especially for the sponsorship and resources development that are currently has been proven by the commercial revenue generated during the observed period.

CHAPTER 6

6.0 Empirical Finding Results

6.1 Summary of the UEFA Football Clubs Main Drivers

6.1.1 Revenues

To sum up the revenues driver of UEFA football clubs, we are enabling to state that incomes sources are categorised into three sectors:

- **Matchday revenues**
  This particular revenue is influenced by the sporting performance in terms of number of home games within a single competition season, how to attract spectators or fans to attend the home games in the full capacity manner and in addition, the popularity for the club. Among other things, the stadium facility in which from the stadium development and investment are also critical to boost the matchday revenues. In addition, the COVID-19 pandemic has had a significant impact on the matchday revenues of lower income football clubs. With stadiums closed to fans or at limited capacity, these clubs have lost a crucial source of income that is vital to their operations and finances. This has put many lower income clubs in a difficult financial position and has forced them to make difficult decisions to cut costs and survive.
- **Broadcasting revenue**
  Similar with the matchday revenue, broadcasting revenues also rely on the sporting performance, but this income source adds the club's popularity and TV provider's demand in which they will analyse which team has the fanbase that could be the target market. In addition, sporting performance is truly affected on the broadcasting revenue as the league operator will distribute the TV rights based on sporting merit performance, especially if a club participates in UEFA competitions which are UEFA Champions League, UEFA Europa League, and UEFA Conference League.
- **Commercial revenue**
  Conversely with the previous revenue sections, commercial incomes of a football club depend on the popularity and brand images, since the opportunity to secure sponsorship deals and expand the fan base can enhance revenue streams through both sponsorships

and merchandising. Additionally, the development of a new home stadium can potentially provide additional commercial opportunities and further increase revenue.

Therefore, the results of the revenues section find that these revenues are relied upon the popularity and sporting performance within the competition, both in each domestic league or the regional competition under the UEFA competition.

6.1.2 Main Cost Structure

In terms of the main cost structure, we can conclude that in 2021, top registered clubs incurred 91% of their revenues towards wages and net transfers, with wages accounting for 56% of revenues, net transfer costs 18% of revenues, and other costs such as administrative staff wages and technical 17% of total revenues. With the main costs incurred are to acquire and attract top talents, there has been a significant increase in wages and net transfer costs, making up a larger percentage of revenue for all clubs compared to previous years. This increase is due to the decrease in revenue caused by the pandemic, high costs of transferring current players and decrease in transfer profits, and the inability of clubs to significantly reduce player wages despite the negative effects of these factors.

- **Wage costs**
  A football club that has a main aim to compete within the talent-based industry require a competitive and attractive salary figure.
- **Transfer costs**
  One of the other main spending of a football club is how each could acquire the top talent that not only suit to the sporting performance but also has the image to earn revenues in term of jersey and merchandise sales. Thus, clubs are in the position to have a heavy competition on this cost that there are various clubs willing to spend hundred million Euro for one player because of their sporting and brand image potential.

6.1.3 Channels

This research figures out that a football club channel to reach customers or fans are through:

- **A club official store**
  In general, a football club has and dedicates at least one store near the home stadium that allows fans to buy tickets for the match and to purchase any merchandising related to the clubs they support. On some occasion, there are more than 1 club’s official store in the city that a football home stadium located, or within the same country but different city in a case that such club is a country’s icon.

- **Partner stores**

  This channel usually relates to the commercial sides of a football club. For instance, as the main products of a football club is the jersey – a product that is produced by the kit apparel sponsors and partner, a football club shall decide which kit apparel that able to give the best sponsorship deal while has the most stores around the world.

6.1.4 Key Partners

In terms of key partners, this research conclude that a football club establishes partnerships with certain stakeholders of the club such as football agents, main sponsors, and football governing body. The first are related to the fees incurred in relation with the player acquisition – some football agents use the client's big-name potential to gain more fees percentage of the deal. In addition, main sponsors are critical to spread the existence of the football club in which there are usually main sponsors and global sponsors – both are essential for a club to have a partner that supports their financial needs whereas the club uses their brand on daily basis and expose such brand for the collaboration. Finally, the footballing governing body is the partnership relates to legal aspect and competition merit as they are the one who runs the competition and holds the right for the broadcasting rights.

6.1.5 Key Activities

As for the key activities of the football club, especially for the top 5 world best valuable brand, their focal points rely on the:

- **Talent acquisitions**

  Having a nature to compete within the dynamic sporting performance, top football clubs focus to improve their talents for the aim of achieving title within a competition to gain more popularity and expand their fanbase around the world.
- **Summer pre-season world tour**

  For a top football club, their fanbase is not only within the city or a home country each is located but also it has become a world-wide community. Therefore, those top football team annually go to a country where there are a massive fanbase to have a training preparation for the upcoming competition in which is usually conducted during the summer break. During this tour, a football club usually has a friendly match against the local club where they are having the pre-season.

6.1.6 Key Resources

Concluding the most critical aspect of the model canvas of the top football club – key resources highly depend on the:

- **Football players**
  It is known that football clubs treat the players are not only as employees of an enterprise, but also to be assets that could be disposed for free or on certain fees pursuant to their contract values. Therefore, developing and acquiring certain football players to be the main resources are critical for a football club.
- **Home Stadium**
  Stadium to be where a football club run the home game competition makes it to be the next critical resources that must be maintained. In general, a football club invests in the stadium development for better facilities and to expand the stadium capacity to attract more fans to attend the home games. However, the development of the football stadium could lead to an increase of the ticket price that might affect the decision of the fans to attend the home game matches.

6.2 Summary of The Top Five World's Most Valuable Football Clubs

Real Madrid has consistently been in the top 2 of the football money leagues in terms of revenue generation between 2017 and 2021. Their matchday revenues gradually increased from 2017 to 2019, reaching 145 million euros annually, before declining in 2020 due to the COVID-19 pandemic. Commercial revenues have consistently been the major income source, with broadcasting revenues as the second-highest source. Despite the pandemic, Real Madrid has shown a positive net profit, starting at 21.4 million in 2017 and growing to 38 million in 2019 before falling to 800,000 and 900,000 in 2020 and 2021 respectively. The club also has a stable squad to cost ratio in compliance with UEFA's Financial Fair Play rules, and has agreed to remodel their home stadium with a total financing of 575 million euros. Key partners, such as Adidas and Fly Emirates, also contribute to their revenue source.

FC Barcelona is a renowned football club with a strong financial position. Its rank in the Deloitte Money League increased from 2017 to 2019, surpassing its rival Real Madrid. However, the COVID-19 pandemic caused a decline in its financial performance, resulting in a drop to fourth place in the Deloitte Money League. FC Barcelona's main source of income is commercial revenue, averaging 320 million Euro. Broadcasting revenue also saw growth, rising from 210 million Euro in 2017 to nearly 300 million in 2019 before declining slightly in 2020 and recovering in 2021. Despite the revenue, the pandemic has negatively impacted the club's financial performance, causing significant losses in 2020 and 2021. FC Barcelona has the largest football stadium capacity in Europe with 99,354 seats but an average attendance of 55,000 from 2017 to 2021. Its player cost to revenue ratio was twice over the 70% threshold set by UEFA Financial Fair Play regulations during the observed period, but no action was taken by UEFA. The club has sponsorship agreements with Nike and Rakuten, among others.

One of the most successful football clubs in England, Manchester United, has been a top earner in the Deloitte Money League from 2017 to 2021 despite declining sporting performance. Like Real Madrid and Barcelona, most of their revenue comes from commercial deals, averaging over 300 million Euro from 2017 to 2020 before declining 20% to 260 million Euro in 2021 due to COVID-19. In 2021, their broadcasting revenue surpassed commercial revenue for the first time, while matchday revenue dropped significantly from 98 million Euro in 2020 to 8 million in 2021 due to social distancing restrictions. The club had net losses in 2018 and 2021 and its squad cost ratio was between 45% to 65% during the period, meeting UEFA's Financial Fair Play rules. Manchester United has partnerships with companies such as Adidas and TeamViewer that bring in significant income.

Manchester City has risen to become one of the most successful English football clubs, consistently ranking in the top 5 of the Deloitte Money League from 2017 to 2021. The club's revenue is driven primarily by broadcasting, with matchday and commercial income also contributing. Despite a smaller stadium capacity, Manchester City has maintained an average attendance of 54,000. The club experienced a loss in 2020 but recovered with a net profit in 2021. Manchester City's player cost to revenue ratio is in line with UEFA Financial Fair Play regulations. The club's valuable assets are players acquired from other clubs and it is sponsored by Puma and Etihad Airways, among others.

FC Bayern Munich is a successful and consistent football club in Germany with a prominent financial position. It ranked in the top 5 of the Deloitte Money League and had commercial revenues of around 350 million Euro, with matchday revenue impacted by COVID-19. Broadcasting revenue is also significant, but the German Bundesliga has less global reach than English Premier League and Spanish La Liga. FC Bayern Munich has the largest football stadium in Europe with a capacity of 75,024 and an average attendance of 75,000. Its squad to cost ratio is consistently below 60%. Its main sponsors are Adidas and Telekom Deutschland.

CHAPTER 7

7.0 Conclusion

The business model of football clubs has changed from being solely focused on sports competition to becoming profit-oriented entities. This transformation has required these clubs to adopt a new governance structure that takes into account both the sporting and financial aspects. The nine blocks concept of Osterwalder can be used by football clubs to better understand the structure of their business models and to build a solid business plan that excels in both sports and business.

This research focuses on the top five football brands in Europe, which have seen a significant improvement in their revenues, mainly from commercial activities and sponsorship deals. Matchday revenues have been impacted by the COVID-19 pandemic, while cost structures are dominated by salary expenses and the cost of acquiring players. Football clubs must also comply with financial fair play regulations and consider the regulations of the International Accounting Standard when selling players.

Sponsorship partners in the football industry mainly come from the apparel, airlines, automotive, software, and video games industries. Football clubs must also consider their relationships with football agents and the fees associated with player transfers. They compete for fans globally and seek to build relationships with fans by conducting training tours, especially in the United States and certain countries in Asia.

Ownership models also play a significant role in the business model of football clubs. The socios model, as seen in Real Madrid and FC Barcelona, involves fans in the running of the club. However, this model is not feasible for smaller clubs. The study of other ownership models can also provide insights into alternative ways of running a football club.

The future of research on European football club business models requires a more robust and comprehensive dataset to better understand the financial performance of these organizations. Longer time-series data will enable a deeper examination of how different financial factors such as revenue generation, expenses, and investment strategies affect the overall business performance of these clubs. This would allow for a more accurate assessment of the effectiveness of various financial strategies and the identification of best practices that can be adopted by other clubs.

Additionally, future research could benefit from a comparative analysis of the biggest clubs from the top leagues with those from the lower leagues. This would provide valuable insights into the factors that contribute to the success of clubs from different levels of competition and enable the identification of any disparities in financial performance. This information would be particularly useful for clubs in the lower leagues as they look to adopt strategies that can help them close the gap with the top teams and ultimately achieve greater success both on and off the field.

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