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## The Business Model of European Football Club Competitions

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### Abstract

This paper presents the business model of the most important football competitions in Europe at club level (Champions League and Europa League). In this academic endeavor we have addressed current themes and concerns that are less discussed in systematic scientific researches, such as: income and expenses sources per each competition, their dynamics, the distribution of funds to the participating clubs, their role in the economy of the most powerful teams and of the most important championships in Europe. The importance and role of the competitions considered herein are measured on the basis of sports considerations as well as on their financial indicators, as part of UEFA's budget, the highest forum that governs the entire European football phenomena from an administrative, financial and control perspective. Of course, football is not just a sport anymore. It has held for several years an important place in the current overall mechanisms of socio-economic life. As such, this entire framework dominated by economics is not complete without the current legislative, political, social or cultural conditions (globalization, audiences, sponsors, supporters, social media). Although in some cases it is difficult to make a proper inventory, such elements make up the profile of the true world phenomena. In this context, this paper analyses the implications of the introduction by UEFA of a new licensing and regulation framework "Financial Fair Play" and the benefits and disadvantages of this program for all parties involved in the football business at European level.

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### 1. Introduction

European Football has significantly changed especially over the last 20 years, following an intense process of trading and marketing, a process that has brought important sums of money.

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The article cumulates two perspectives that establish the business model of Football Club Competitions, one that particularly develops an economic approach, and the other one that presents the current tendencies of this field.

For this academic pursuit, I have used documentation as a proper method of research in this field following the usual steps of a scientific research:

- Review of the official documents of UEFA – financial reports, organizational papers, marketing analysis.
- Review of the documents filed by the Deloitte Company: Football Money League for 2004-2014, Annual Review of Football Finance for 2011-2014.
- Critical review of scientific materials, books, articles and researching articles that approach the topic of football club in Europe and the current interests in the field.
- Comparative analysis of European Club Competitions: UEFA Champions League and UEFA Europa League.

## 2. The Economy of European Football Competitions

According to the Annual Review of Football Finance (2014) conducted by Deloitte, the total value of European Football market is €19.9 billion. Internal football is by far the most important section of this industry. Almost half of the whole sum (€9.8 billion) represents the cumulated income of just five of the most powerful internal competitors (England, Germany, Spain, Italy, France), named by the experts in this field the “big five”.

The economic pattern of sport, and in particular of European Football, is quite a recent topic of academic debate. Andreff and Staudohar (2000) are the first who propose a pattern in order to feature the financial structure of contemporary professional sports - “MCMMG (Medias – Corporations – Merchandising – Markets – Global)”.

Bourg and Gouguet (2012) constitute the “SATI model (Sponsors – Actionnaires – Television – International)” as an adjustment to the financial reality of sport after 1995, starting from football model. Bastien (2013) summarizes and varies both of the previous versions through the SATEMMI model (Spectateurs – Actionnaires – Television – Entreprise – Marchés – Merchandising - International)”.

Synthesizing the specialized literature, I consider that the current business model of European Football Industry is based on three important income - generating factors:

1. Media rights – the value paid by media companies in order to broadcast the sport events;
2. Commercial income – cumulates sponsorships (mainly from placing the brands on t-shirts, around the stadium, media broadcasting) and other business income (marketing activities, conferences services, catering, etc.);
3. Matchday revenue – money from ticket sales (including season tickets subscriptions) and supporters’ expenses inside the stadium (promotional items, services).

In some financial reports, the sponsorships income and other business income are quantified separately. Taking into consideration the current realities of this industry, where the money obtained from broadcasting has the greatest share, mostly playing a major role, I believe that the above model – MCM (Media – Commercial - Matchday) represents the most appropriate approach to European football business.

A major point in increasing the European Football market was to restore the system of government of European Club Competitions, moving to a format that includes more teams, in order to increase the interest of supporters as well as of sponsors and media partnership. UEFA Champions League (UCL), the main inter-clubs competition moved to a new format at the beginning of 1992 being upgraded in more stages: 1994 (16 teams), 1998 (24 teams), 2000 (32 teams) and it has been adjusted several times mainly on the basis of sports criteria. The centralization of media and commercial rights by UEFA, led to significant increases in revenue, reaching by 2014 almost 10 times the value of income in 1994, incomes resulting only from this competition. And this successful format was quickly adopted and applied, using the same coordinates, by the second European inter-clubs competition, UEFA Europa League (UEL), starting in 2009.

All this changes were developed and managed by UEFA (Union Of European Football Associations) the upper forum on administrative and checking level of European Football. UEFA represents the national football associations of Europe, organizes pan-European competitions at club and national-team level, supervising the financial procedures, regulations and media rights for these competitions.

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