FUNDAÇÃO GETULIO VARGAS

ESCOLA DE ADMINISTRAÇÃO DE EMPRESAS DE SÃO PAULO

PIERRE LEVY

SPORTS ADMINISTRATION:

AN EXAMINATION OF THE COMPETITIVE BALANCE CONCEPT THROUGH EUROPEAN AND BRAZILIAN DOMESTIC SOCCER LEAGUES COMPARISON

SÃO PAULO

2011

PIERRE LEVY

SPORTS ADMINISTRATION:

AN EXAMINATION OF THE COMPETITIVE BALANCE CONCEPT THROUGH EUROPEAN AND BRAZILIAN DOMESTIC SOCCER LEAGUES COMPARISON

Dissertação apresentada à Escola de Administração de Empresas de São Paulo da Fundação Getulio Vargas como requisito para obtenção do título de Mestre em Administração de Empresas

Campo do conhecimento: Administração Esportiva

Banca examinadora

Prof. Dr. Mário Aquino Alves (Orientador)

SÃO PAULO

2011

Levy, Pierre Antoine François

Sports Administration: an examination of the competitive balance concept through european and brazilian domestic soccer leagues comparison / Pierre Antoine François Levy. - 2011

106 f.

Orientador: Mário Aquino Alves.

Dissertação (mestrado) - Escola de Administração de Empresas de São Paulo.

1. Futebol. 2. Concorrência. 3. Esportes – Organização e administração. I. Alves, Mário Aquino . II. Dissertação (mestrado) - Escola de Administração de Empresas de São Paulo. III. Título.

CDU 796.06

I dedicate this work to my family who has always given me everything I needed to realize my dreams, to my best friend Gerson and to my advisor Pr. Dr. Mário Aquino Alves for his help and his dedication which were important to achieve this research.

Dedico esse trabalho a minha família que sempre me deu tudo que precisava para realizar os meus sonhos, meu melhor amigo Gerson e ao meu orientador Professor Dr.Mário Aquino Alves pela ajuda e dedicação quais foram importante para realização dessa pesquisa.

People need not fear the unknown if they are capable of achieving what they need and want.

Paulo Coelho

RESUMO

A questão do Equilíbrio Competitivo é um tema importante da economia dos esportes profissionais nos Estados Unidos e na Europa. Muitas pesquisas foram feitas para estabelecer os critérios mais relevantes para avaliar a competitividade das ligas profissionais de futebol. Esta pesquisa analisou a relevância do Equilíbrio Competitivo como determinante da competitividade comparando o Brasileirão Série A com as nove principais ligas na Europa (Bélgica, Inglaterra, Alemanha, Holanda, França, Itália, Portugal, Escócia e Espanha). A competitividade é a capacidade de uma empresa (um clube) ou de uma indústria de enfrentar a concorrência efetiva ou potencial. A medida da competitividade deve levar em consideração uma série de fatores importantes como a qualidade e a relação qualidade/preço, a gestão de recursos humanos e a organização empresarial. Esse trabalho visa demonstrar que, apesar da incerteza do resultado ter sido considerado por muito tempo como um fator positivo de atratividade/interesse dos fãs nos esportes, um campeonato equilibrado poderia ter um efeito insignificante, para não dizer desprezível sobre a competitividade das ligas de futebol a longo prazo.

Os resultados mostraram que o aumento do Equilíbrio Competitivo pode ser relevante para os campeonatos mais fracos (Bélgica, Holanda, Portugal, Escócia), mas nao dos cincos melhores (Alemanha, Espanha, França, Inglaterra, Itália). Consequentemente, o Equilíbrio Competitivo deve ser contemplado como uma variável desprezível quanto à competitividade das ligas de futebol, apesar do interesse crescente pelo conceito na literatura. Baseado principalmente em pesquisas de Dell'Osso e Symanski (1991) e de Oughton e Michie (2004), o índice HHI (Herfindahl-Hirschman) tem sido utilizado para determinar o nível de concentração de 11 ligas de futebol estudadas.

Uma revisão da literatura sobre administração de futebol e esportes foi realizada.

Palavras-chave: Administração Esportiva, Futebol, Equilíbrio Competitivo, Competitividade.

ABSTRACT

The issue of Competitive Balance (CB) is a major theme of the economics of professional sports in the United States and Europe. Many researches were made to establish the most relevant criteria when evaluating the competitiveness of professional soccer leagues. This research analyzed the relevance of CB as determinant of competitiveness comparing with the Brazilian soccer league with 9 major leagues in Europe (Belgium, England, Germany, Netherlands, France, Italy, Portugal, Scotland, and Spain). Competitiveness is the ability of a firm (a club) or an industry to face effective or potential competition. The measure of competitiveness should take into consideration a number of significant factors such as quality and value for money, human resources management and business organization. This work is aimed at demonstrating that while uncertainty of outcome have been long considered as a positive factor of attractiveness/fan interest in sports, a balanced league might have a negligible not say negative effects on soccer leagues’ long-term competitiveness.

The results showed that increasing CB might be relevant for weakest leagues(Belgium, Netherlands, Portugal, Scotland) but not for the top G5 (Germany, Spain, France, England, Italy). Consequently, CB should be contemplated as a negligible variable when considering soccer leagues’ competitiveness despite the growing interest for the concept in literature.

Mainly based on the researches of Dell´Osso and Symanski (1991) and Oughton and Michie (2004), the HHI index (Herfindahl-Hirschman) has been used to determine the level of concentration of the 11 soccer leagues studied.

A thorough literature review on sports and soccer administration throughout the world was performed.

Key Words: Sports Management, Soccer, Competitive Balance, Competitiveness

SUMMARY

1. INTRODUCTION

Soccer [1]is by far the most popular sports worldwide, especially in Europe and Latin America. Actually, soccer is considered as world's largest sports market (Beech and Chadwick, 2004; Kuper and Szymanski, 2009). The issue of Competitive Balance (CB) is a major theme of the economics of professional sports in the United States and Europe (Sanderson & Siegfried, 2003). Many proposals were made to establish the most relevant criteria when evaluating the competitiveness of professional soccer championships.

This research intends to evaluate the relevance of the CB concept in determining the competitiveness of some of the best professional soccer leagues in the world. To meet this objective, a comparative analysis of the concentration of the best clubs' results within the major Brazilian league (*Campeonato Brasileiro Série A*) and 10 major European leagues (Belgium, England, Germany, Netherlands, France, Italy, Portugal, Scotland, and Spain) would be performed.

Competitiveness is the ability of a firm (a club) or an industry to face effective or potential competition. The measure of competitiveness should take into consideration a number of significant factors such as quality and value for money, human resources management and business organization.

The emergence of more competitive clubs can offer a quality show that will attract spectators, viewers, sponsors and investors.

CB has long been the favorite concept used to measure competitiveness since it was an analytic tool of the concentration of titles and victories. It has succeeded in representing the threat of clubs' bankruptcy, lack of fans' interest and the possible emergence of rival leagues. According to CB advocates, uncertainty is the main element of fans' demand for soccer. Match outcome predictability would be then a major threat for national soccer leagues around the world.

[1] "Soccer" refers to European football throughout the research. American Football is referred to as "football".

2. THE PROBLEM

2.1. Context and Formulation

The ultimate objective of this research is to propose some adjustments to the current CB model applied to soccer.

A detailed examination of the concentration of the best ranked teams in nine major European soccer league along within the *Campeonato Brasileiro Série A* (CBSA) will be performed. The research is structured around the following intermediaries' questions:

1. What are the main factors of competitiveness for a national soccer league?
2. How efficient is the CB/uncertainty of outcome concepts when applied to Brazilian and European soccer?

2.2. Objectives

The objectives would be two fold and of distinct importance.

2.2.1. Main objectives

The main objective of this study is to evaluate the relevance of the CB concept comparing and interpreting the levels of competitiveness of ten major centers of world soccer: Belgium, Brazil, England, Germany, Netherlands, France, Italy, Portugal, Scotland, and Spain.

The interpretation of the results will be compared with the risks derived from clubs' domination, bankruptcy and fans' interest decrease.

If the results derived from the CB approach are not consistent with both financial and sporting results on the long-run, other elements favorable to the increase of soccer leagues competitiveness would be assessed: characteristics of the structure and management of Brazilian soccer following the standards of the best European domestic practices.

2.2.2. Secondary objectives

The research has the following intermediary objectives:

- Report the debates on factors of competitiveness in sports in general and in soccer in particular;
- Carry out an exploratory research on soccer as an industry in Brazil and Europe;
- Do a comparative analysis of soccer clubs' competitiveness in Europe and Brazil;
- Question the relevance of the CB concept to assess the top soccer leagues competitiveness.

2.3. Relevance of the research

Despite its worldwide fame, soccer did not give rise to such a profusion of studies and academic research like other sports such as the basket-ball or American football on issues such as business administration, competitiveness and globalization. This research is an attempt to bring out another vision of the CB concept when assessing competitiveness in sports in general and in soccer in particular.

The world of soccer leagues is not dominated by a unique league as it may be the case for basket-ball (NBA), American Football (NFL), Ice hockey (NHL), or base-ball (MLB). On the contrary, soccer leagues have thrived in a competitive environment when the other leagues mentioned above have grown as unchallenged monopolies yet. That's why it seems relevant to assess the CB applied to each soccer league worldwide.

Finally, as reported in this work, many questions from professional soccer will concern rugby, handball, basketball or volleyball, for example, for the questions related to modern sports infrastructure.

2.4. Study delimitation

This research will be restricted to the comparative levels of competitiveness and CB in Brazil and among nine of the largest centers of European soccer: Belgium, England, Germany, Netherlands, France, Italy, Portugal, Scotland, and Spain. Russian, Ukrainian, Greek, Turk, North-American, Argentinean, Mexican, Colombian leagues to mention only a few have been intentionally ignored for this research for questions of relevance and due to the impossibility to be absolutely exhaustive.

The period used for the comparative analysis is fourteen years and could have been ever larger.

The work will be limited to quantitative research and to the CB analysis of the results in view of the literature vis-a-vis competitiveness and balanced competition.

3. LITTERATURE REVIEW

With the objective to assess the debate on CB in the soccer industry, a literature review would be carried out in three parts.

3.1 The soccer industry

According to Marquez and Martin (2000), the soccer literature has been marked by the absence of business frameworks that would combine the industry evolution with its functioning analysis. Soccer has been henceforth long analyzed together with other entertainment businesses (i.e., television, sportswear, the internet, etc.).

The scope of the soccer business might be contemplated through the worldwide FIFA[2] frame. For pragmatic reasons, this research will presume that the business framework of the studied clubs will be reduced to domestic and continental competitions of the ten analyzed countries. Indeed, the economy of national soccer teams will be eluded.

The transformation of soccer meant a revolution in its institutional organization. New professional activities and new forms of financing have been explored. Professionals, managers, fans, administrative institutions, companies, sponsors, investors and media are the various constituents of the soccer industry. The range of professionals involved in professional soccer today is very diverse. Little by little, the soccer industry have been embracing much more than just the players, coaches, physical trainers, physiotherapists, referees and assistants. Professional soccer began to require

[2] The International Federation of Association Football (*Fédération Internationale de Football Association*), commonly known by the acronym FIFA is the international governing body of association football, futsal and beach football.

the services, then unusual of specialized lawyers, doctors, psychologists, nutritionists, supervisors, managers and agents or entrepreneurs (Lustosa da Costa; Marinho, 2006).

Westerbeek and Smith (2003, p.89) suggested that soccer industry was divided into three main areas, as described in Ducrey et al. (2003) and Silva (2006):

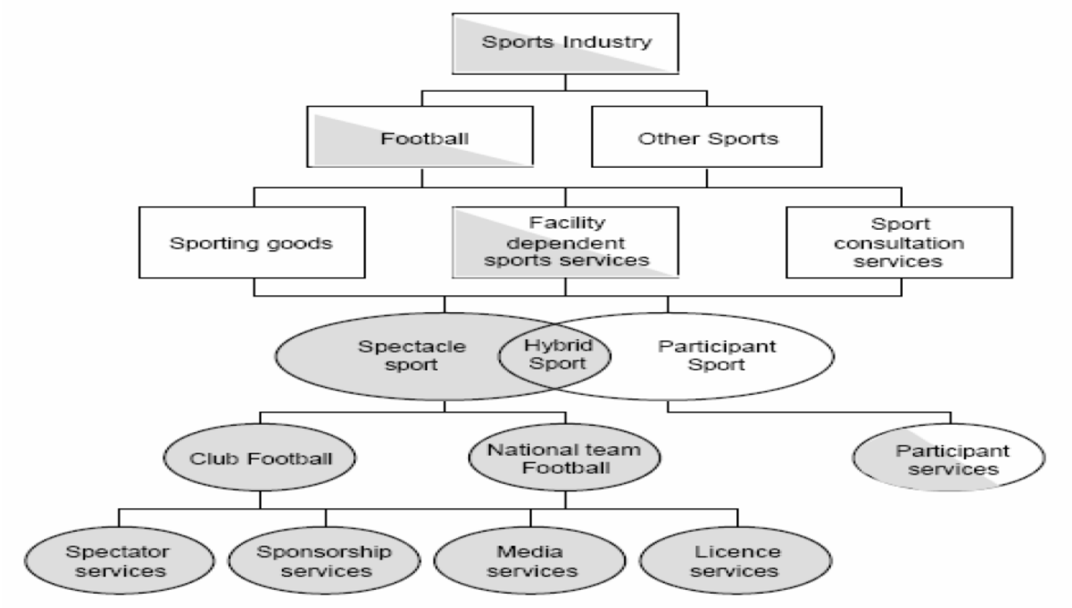
- Merchandising - Companies that manufacture equipment, sporting goods, products licensees. Examples of companies: Nike, Adidas and Reebok.

- Consulting - Companies that provide services in consulting, management, sports medicine among others. Examples of companies: IMG, Deloitte.

- Sports Services - Organizations that offer the sport as its final product. This segment can be divided into three categories:

    - Spectacle - Organizations that generate revenue directly or indirectly from the spectators. Example: Amaury Sport Organisation (ASO).
    - Participants - Entities that provide opportunities for people to engage in sports activities in a non-professional basis, as amateur clubs, schools, gym and sports communities.
    - Hybrid - Organizations that offer a mix of the above categories. Examples: governmental bodies that develop and promote sports mass participation to develop athletes able to excel at the elite level.

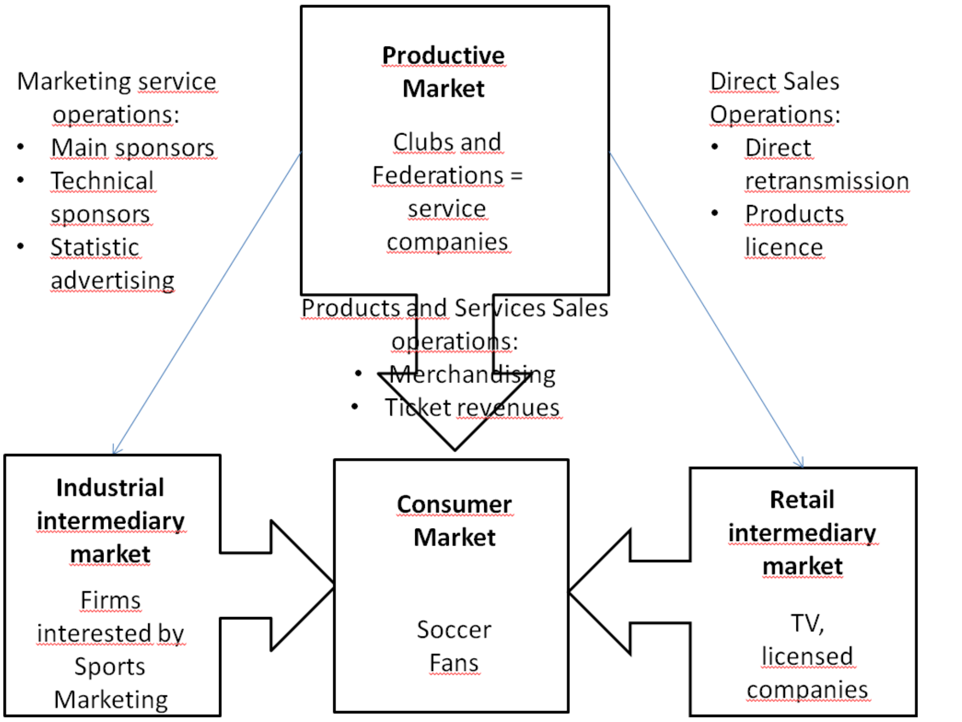
Figure 1 - The structure of the soccer industry: (Westerbeek and Smith, 2003). Adapted by the authors



Another vision on the soccer industry is displayed by Leoncini (2001) and is based on the works Aidar et al. (2000) and has been described by Silva (2006), dividing the structure of soccer economy as followed (Figure 2):

1. Productive Market
2. Consumer Market
3. Intermediary Markets (Retail and Industrial).

Figure 2 - The structure of soccer in markets, (AIDAR, 2000)

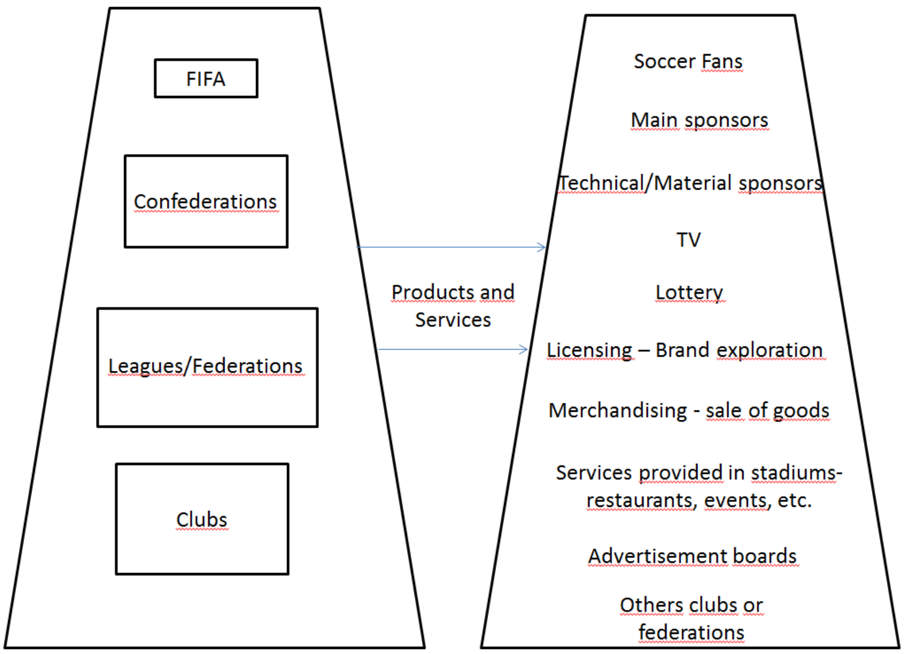


According to Aidar et al. (2000), fans are present through the Consumer market (CM) that have direct commercial relations with the Productive Market (PM) -soccer club- via matchday sale and other economic activities. This CM is both consumers of the Retail Intermediary Market (RIM) -TV and licenses- and the Industrial intermediary Market (IIM) -sports marketing businesses-. Finally, the IIM and the RIM interact with the PM, via television rights sale and sports marketing services.

The PM organization respects a worldwide hierarchy in which FIFA is the superior authority. Below follow the confederations that are the administrative and controlling body for soccer, futsal and beach soccer for every region they served. Example: CONMEBOL (South American Football Confederation) or UEFA (Union of European Football Associations).

Following the power structure, we have in this order: national federations or confederations, such as CBF (Brazilian Football Confederation); sports leagues; federations and finally the clubs.

Figure 3 - Productive chain and industry´s clients (Leoncini, 2001)



Another perspective on the structure of soccer shows that the performance of a club can be understood through the industry characteristics (structure and behavior) and club strategy (Leoncini, 2001). Indeed, Szymansky and Kuypers (1999) identified critical elements that explain the logic of the soccer business:

- **Sports Performance** - Team performance in the league
- **Operating Profit** - Difference between revenue generated by the club and their total expenses, before income tax;
- **Salary expenditures** - Salary costs mainly with the technical department (players, coaches, trainers, etc.).
- **Income from player transfers** - Financial result derived from the transfer market's exploitation.

Despite not having a proven mathematical link between financial results and performance in the pitch, these factors were in fact forming the basis for two studied relationships in order to define a scope for strategic management of a soccer clubs:

i) Salary expenditures / Performance on the pitch;

ii) Performance on the pitch x Revenues (Leoncini, 2001).

Dell'Osso and Symanski (1991) showed that salary expenditures and sporting performance are directly connected. However, having higher salaries is also a threat to club financial stability. In Europe, the concern about the threat of high salaries is visible in the reports of club management, such as the 2010 Manchester United Memorandum:

> *"An increase in the relative size of salaries or transfer costs could adversely affect our business. Our success depends on our ability to employ and retain the highest quality players and coaching staff. As a result, we are obliged to pay salaries generally comparable to our main competitors in England and Europe. Over the past three years, salaries for players and coaching staff have increased significantly. If there is a continued increase in the level of salaries paid to top players and coaching staff in general, we may be required to increase the salaries we pay to avoid losing key members of the playing and coaching staff. Further increases in salaries may adversely affect our results of operations.[…] In addition, if our revenues fall and salaries remain stable […], our salary costs would increase relative to our revenues, which would have a material adverse effect on our results of operations."*
>
> (Manchester United Memorandum, 2010)

This research would use the classification of revenue sources as described in the 2011 *Deloitte Football Money league* report:

1. Media
    - Continental cups
    - Domestic league
    - Domestic cups
2. Matchday
    - Season Ticket
    - Match day ticket
3. Commercial activities:
    - Licensing
    - Merchandising
    - Jersey sponsorship
    - Hospitalities (VIP boxes)

- Billboarding
- Off-match events (seminars, events)

Besides, other forms of revenues differ according to each studied country:

4. Public subsidy
5. Advertising of alcoholic beverages[3]
6. Online betting[4]

3.1.1 Resource-Based Approach View (RBV)

The Resource-Based Approach View (RBV) is a strategic management analysis of the utilization of a firm's available resources. It was initiated by Birger Wernerfelt[5] in 1984. It was then conceptually developed by Jay Barney in 1991 through the VRIO framework to create and maintain a sustainable competitive advantage.

Resources and Capabilities

Resources are "*stocks of available factors that are owned or controlled by the organization*" (Amit & Schoemaker, 1993, p.35). The Capability of a firm (here a soccer club) is the ability it has to exploit its potential represented by its Resources.

> "*Resources and capabilities can take many different forms. Literally anything an organization possesses can be considered a resource. Examples include financial resources, plants, equipment, technology, reputation, brands, and organizational expertise. In short there is no potential constraint on what can be considered a firm's resources or capabilities*."
>
> (Gallagher, 2004)

[3] The "*Loi Evin*" in France prohibits any advertising of alcoholic beverages at sporting events, but does not ban their sale.

[4] Online betting is illegal in Brazil. It is encompassed by a 1960's legislation that has prohibited gambling in the country. Hence, there are no online betting sites based in Brazil. Besides, the government has recently passed a law that specifically prohibits online betting. An amendment added in July 2009 also outlawed unauthorized lotteries that competed with the *Caixa Econômica Federal*, Brazil's national lottery operator.

[5] Wernerfelt, B. (1984). A resource-based view of the firm. Strategic Management Journal, 5, 171–180

VRIO Analysis and the soccer industry

VRIO is an acronym for the following key concepts analysis (Barney, 1991). According to VRIO analysis, firm's winning strategies should exploit resources and capabilities that are:

- **Valuable**: resources and capabilities should
    - have the capacity to generate profit or –at least- preclude losses (Miller & Shamsie, 1996);
    - enable companies to exploit opportunities or prevent threats (Barney, 1991; Miller & Shamsie, 1996; Gallagher, 2004)

  As stated by Gallagher (2004), "*Common competitive foundations […] for firms are efficiency, quality, customer responsiveness, and innovation. If a resource helps bring about any one of these four things then it is valuable*[6]*.*"

- **Rare:** resources and capabilities that are not "*widely possessed by competitors*" (Gallagher, 2004)
- **Inimitable:** resources and capabilities that are hard to imitate or nonsubstitutable
- **Organized:** According to (Gallagher, 2004), "*A resource is organized if the firm is able to actually use it. Generally, organization is frequently neglected by strategy because it often deals with the inner workings of firm management.*"

Soccer is a cultural/creative industry

As a cultural industry[7], soccer industry significantly differs from most other industries. Cultural (or creative) industries produce goods and services with symbolic value. Indeed, creative industries do not only create products but also "sell a meaning"

[6] Hill, C.W.L., and G.R. Jones (1998). Strategic Management Theory: An Integrated Approach, 4th. Boston: Houghton Mifflin.
[7] "cultural industries" and "creative industries" are used interchangeably

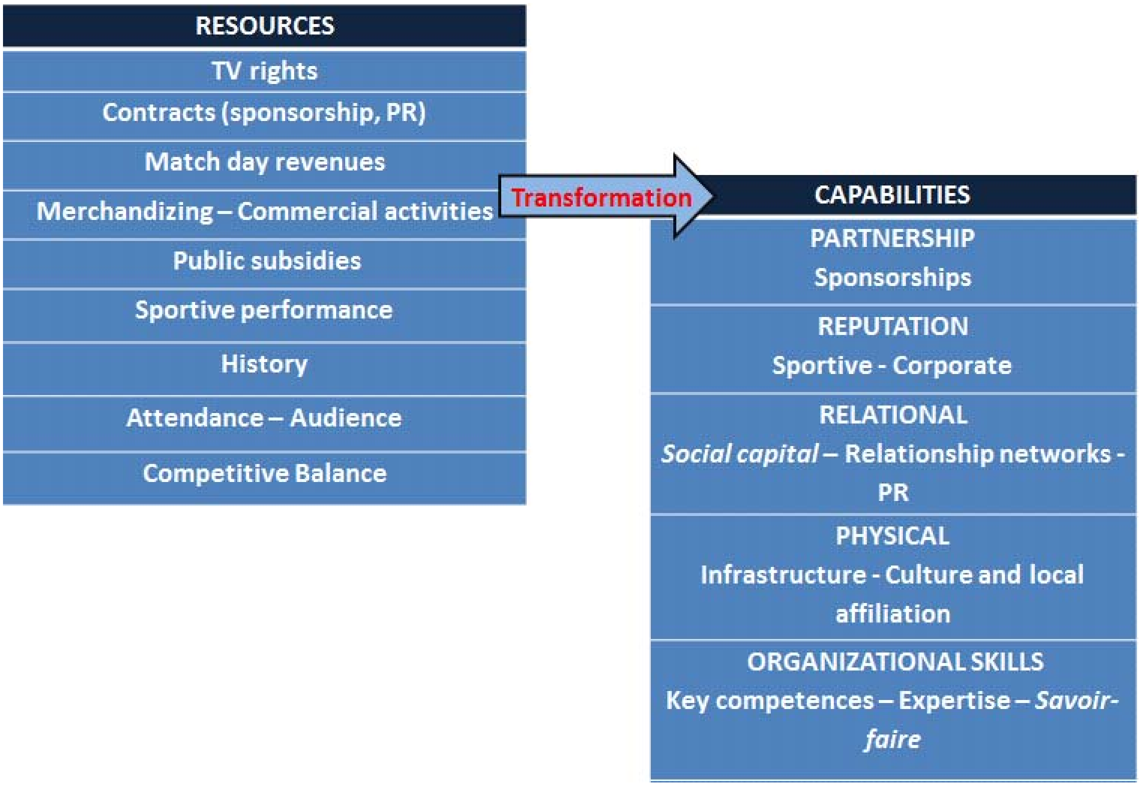
(Lawrence and Phillips, 2002, p.432 apud Robinson, 2008). As stated by Robinson (2008),

> “*[…] this "symbol-intensive" form of organisation [differs] from those that are capital-intensive or knowledge-intensive because it is the process of symbol creation and the continuous innovation of new cultural products that needs to be managed*."
>
> (Robinson, 2008, p. 59)

Lampel et al. (2000 apud Robinson, 2008) stated that cultural products arouse “intensely private experiences, and they tap values and aspirations that are neither utilitarian nor commercial” (Lampel et al., 2000, p. 268 apud Robinson, 2008). According to him, cultural industries only relies on “creativity”, which is an intangible resource, difficult to define and manipulate.

The soccer industry can be seen as a range of firms (clubs) involved in a set of business activities through the production of a live show. Soccer’s resources can be keyed out to transform them into capabilities so they can become valuable.

Figure 4 – Resources/Capabilities framework applied to soccer industry - Inspired from Maltese (2009)



3.1.2 Fan loyalty and elasticity of demand

"Despite popular opinion, the most successful sport organizations in the world are not the ones that understand sport (their products and services) the best. The most successful sport enterprises are those that understand sports" consumers the best."

(Smith & Westerbeek 2003, p. 52)

Soccer is a very uncommon business because of the passionate devotion of customers to a peculiar *marque*. The importance of the fans has also undergone many changes. They are forming formal organized groups and they increasingly try to interfere more directly in the most important decisions of their clubs (Lustosa da Costa and Marinho, 2006).

There is a complex relationship between passion and consumption because the fans are often passionate about their clubs. While its team has unsatisfactory sportive results, the fan will not leave his club at heart. A soccer fan can abandon or change their spouse, or friend, but they cannot change their favorite soccer team (Aidar, Leoncini and Oliveira, 2002).

Because of their devotion to their club, fans think they have the rights to have a say to the team management even when they did not hold any club’s share. They have to bear costly ticket entrance, expensive team merchandize, inopportune kick off times and overpriced food sold in arenas because the option of exit is very unlikely. The discontented fan has only a limited range of alternatives at one’s disposal: “stop attending at all; start supporting another club; or watch another sport” (Grant, 2006). Fidelity is a hindrance to the second alternative and, actually, other clubs may be just as much expensive in the previous cited domains. If the fan begins to support a non-league club, the level of the team and the standard of the structures will be inferior. Changing to another sport is an improbable alternative (Grant, 2006). Economically speaking, both for other club and other plays, the “cross-price elasticity of demand” is almost null (Sandy, Sloan and Rosentraub, 2004, apud Grant, 2006).

Contrary to what happen in common markets, the soccer consumer´s relationship with a brand (a club) is indifferent of the service offered, for example, the lack of titles, discomfort and insecurity in the stadiums that may occur.

Smith and Westerbeek (2003) identified four categories of sports spectators. At the bottom we find people that have no sympathy for sports. At the second degree we have “social” fans that have curiosity for sports events and attend them very rarely. Next fan level is the regular sports spectators who like to follow the great events. Finally, the highest degree is the fervent fan fervor whose life is devoted to his passion.

Figure 5 - Type of fans, motivations and behaviours (Smith and Westerbeek, 2003, p.74)

Type of Spectator	Motivation	Behaviour
Aficionado	Seeks quality performance	Loyal to 'game' rather than team, although may usually have a 'preferred' team; attends on regular basis – puts emphasis on aesthetic or skill dimension.
Theatregoer [casual and committed]	Seeks entertainment, close contest	Only moderate loyalty to team; frequent losses create disinterest only in team; but may attend other games.
Passionate partisan	Wants team to win	Loyal to team; in short term loyalty undiminished by frequent losses; strongly identifies with, and responds to teams success and failure.
Champ follower	Wants team to win	Short term loyalty; loyalty a function of team success; expects individual or team to dominate otherwise supports another team or spends time elsewhere.
Reclusive partisan	Wants team to win	Loyalty not always translated into attendance; strong identification but provides latent support only

Source: Reproduced from A. Smith and B. Stewart (1999), *Sports Management: A Guide to Professional Practice*, Allen & Unwin, Sydney.

In England the soccer fan is also classified according to the consumer market he belongs to (Leoncini, 2001):

i) Virtual fans, those who do not go to the stadium;

ii) Fans, who watch live matches in their region;

iii) Fans followers, ccompanying the club elsewhere,

iv) Family suporters, going to the stadium with another member of family;

v) Corporate Media, those who go to the stadium and require special treatment in boxes and VIP areas.

According to Kuosmanen (2011), the sports supporter is guided by a multifaceted assortment of motivations. These motivations can be advertising, weather conditions, substitute recreation, family herence, social conformity and modal value. Some fan motivations and behaviours are connected to the importance of some sports events (World Cup, Olympic games) and some are much more culturally and economically related. The CB, the uncertainty of game outcome, the visiting squad quality, the identification with the local club along with modal value and the weather explain the seasonal/short-term attendance while evolution in cultural matters and consumption patterns can explicate the long-term fan attendance figures (Smith and Westerbeek 2003, p. 63-65 and p.68-71.)

Taylor (1998) noted that the emotional relationship was converted into a business relationship. Manchester United Football Club is maybe one of the best outstanding example of this phenomenon: because the club has a greater reputation than the other English clubs, it has lead the ranking of average attendance, even without winning titles (Szymansky, 1995). In Brazil, Italy or France, clubs are able to strengthen its relationship with the fans, despite being relegated to the second division, like *Botafogo de Futebol e Regatas, Juventus Football Club, Olympique de Marseille* - and even in the case of a third national division relegation (*Fluminense Football Club*).

This relationship between client and club suggests that demand for soccer is price inelastic (Szymansky; Kuypers 1999). One factor that may contribute to this inelasticity is that soccer competes in the entertainment industry, with other alternatives for society (cinema, theater, concerts, other sports). Potential interested individual can compare the level of spectacle offered for each entertainment event. However, in Brazil, this inelasticity seems contestable, since increased tickets entrance have led to less attendance in the stadiums. In a sense, Brazilian society has shown its dissatisfaction with the level of service offered at sporting events.

According Ducrey et al. (2003) –retrieved by Silva (2006), the most important factors for a fan are:

- **Quality of the Game**: spectacle, entertainment, pleasure to watch the games and quality of the visiting teams.
- **Uncertainty or unpredictability of the outcome** (of the game or the league): the more unexpected the outcome of a match, the more attractive it is for the fans. As the result of a domestic league, there is a common belief that the average attendance rate is influenced by a greater CB. Consequently, there is greater fan consumption utility in response to fierce competition, which generates growth for businesses related to domestic soccer leagues and clubs.
- **Fan’s team success**: there is a level of satisfaction of fans that is reached with the good performance of its favorite team. Fairly enough, teams with bad sporting results are supposed to less attract the public.

3.1.3 Joint production and uncertainty

Soccer "differs from other businesses because it requires joint production." (Sandy, Sloane and Rosentraub, 2004, p. 157 apud Grant, 2006) i.e. produced at least by two teams under the regulation of three referees.

The philosophy of soccer's game is such that uncertainty of outcome is one of its biggest peculiarity even among other sports, both in everyday games and throughout the season as a whole (Grant, 2006).

Troelsen and Dejonghe (2007) described soccer leagues as business entity. The league organizes controls and legalizes the sport competition in order to sell products, the product being the competition organized between the licensed teams.

> *"The product is created by the league + team (-owners) + players + the players unions + Media complex + stadium + local authorities + fans + sponsors (Neale 1964)."*
>
> Troelsen and Dejonghe (2007, p. 14)

Soccer's uncertainty is potentially a blessing for soccer's fans and an everyday struggle for soccer clubs' managers. Many of them have to accept the pressure and the game's uncertainty as a fundamental parameter of their current/future life knowing that their contract has potentially more chance to be denunciated before the contract's end term than in any other business.

General interest and the joint interest of the owners

Detailing soccer market structure, Symanski (2009, p. 19) noted that soccer has some "*quasi- public good*" facets offering entertainment to a broad quantity of people. He added that this "*public good*" is engendered as a joint product with the exclusive interests of the club owner, the latter being a private good.

> *"The interests of the owner may differ from the general interest, particularly in relation to the setting of ticket prices. Clubs are generally thought of as local monopolists, and therefore pricing is likely to involve a dead-weight loss. Perhaps more interesting than this fairly standard*

economic problem is the issue of whether the manner of competition between club owners promotes either the joint interests of the owners or the broader general interest."

Symanski (2009, p. 19, 20)

3.2 The globalization of soccer

Born in the second half of the nineteenth century, soccer is an economic embodiment of modernity. Soccer first developed into a world shaped by traditional, industrial and nationalistic values. Today, our twenty-first century society is considered as post-traditional, post-industrial and even post-national. Though, soccer has never been as omnipresent in the world as it is today.

Thibault (2008) related that Tomlinson and Young (2006) and others (Wertheim, 2004; Westerbeek and Smith, 2003) noted that the FIFA is more 'global' than the United Nations (UN) since the UN has a membership of 192 countries while the FIFA's membership is 208 countries (cf. FIFA, 2008; UN, 2008). According to the FIFA, the European television rights for 2010 amounted to an approximate total of €[8]1 billion, which is an historical record.

Soccer is one of the most popular and commercialized sports in the world. Its approximate revenues were €16.3 billion during the 2009/10 season taking Europe alone. While the UEFA covers 53 national domestic leagues in Europe (UEFA, 2011), the European top-5 leagues (English Premier League, Spanish Liga, German Bundesliga, Italian Serie A, French Ligue 1) accounted for more than 53% of European revenues[9].

The *Deloitte Football money league 2010* report has stated that the combined revenues of the top 20 Money League clubs was over €3.9 billion in 2008/09, which

[8] The exchange rate at 30 June 2009 has been used to convert figures in Euros (£1 = €1.1741).
[9] Manchester United Memorandum - 2010

represents an 26 M€[10] increase on the previous year. Therefore, the *Real Madrid* club has become the first team in any sport to record revenues to exceed 400 M€.

In order to compete in an increasingly competitive environment, soccer clubs have set up new strategies to be both competitive and profitable. As Doherty et al. (2005) noted, "*Sport organizations need new and diverse perspectives, ideas, and approach for success-and even survival.*"

In response to this growing global competition, European soccer (and soccer in general) has shown increasing evidence of a globalization on different levels (finance, human resource, trade).

Moran noticed (2003, p. 88 apud Grant, 2006), "*the increasing colonization of sport by the market. This has commonly involved much more than merely selling the activity. It has transformed the way it is organized and even played*."

3.2.1 Soccer in Europe

In this part, the European soccer industry structure will be presented. Particular stress will be put on the different levels within the European soccer organization.

The Major Actors in European Professional Football

The European soccer market for professional clubs has been historically dominated by five countries: England, Italy, Spain, Germany and France. In particular, the English, Spanish and Italian leagues have a couple of clubs with an extraordinary historical record in both domestic and continental competitions such as *Real Madrid*, *AC Milan*, *FC Liverpool*, *FC Barcelona*, *Internazionale Milano*, *Manchester United FC* and *Juventus FC*. This dominance may be partly enlightened by the ratio (domestic market size/interest for soccer) of the cities and countries cited above.

Still, some clubs outside this European top-five have succeeded sometimes in the last decades especially in the continental competitions. Some of these glorious clubs can be found in Germany (*Bayer Munich*), France (*Olympique de Marseille*) the

[10] Millions of euros

Netherlands (*Ajax Amsterdam, PSV Eindhoven*), Belgium (*RSC Anderlecht*), Portugal (*FC Porto, SC Benfica Lisboa*) or Scotland (*Glasgow Rangers, Celtic Glasgow*).

However, according to Marquez and Martin (2000), *"the competitive environment in European soccer has changed in the last ten years and it could be argued that there are now different categories or groups of clubs that are relatively homogeneous in terms of the way they compete"*. These categories are presented by the authors as followed: soccer elite, elite followers, nationals and survivors.

Figure 6 - Strategic groups in European soccer

FOOTBALL ELITE

- *Internationally focused*
- *High brand identification in Europe (prestige)*
- *Every year compete in UEFA tournaments*
- *Possess the top players*
- *Important wages bills (in absolute terms)*
- *High financial power (high income)*
- *Significant contracts with sponsors*

ELITE FOLLOWERS

- *Internationally focused*
- *Some brand awareness in Europe*
- *Less frequent participation in UEFA tournaments*
- *Just some good players*
- *Medium wages bills*
- *Medium financial power*
- *Standard sponsorships*

THE NATIONALS

- *Nationally focused*
- *Brand recognition only in the domestic market*
- *No participation in UEFA competitions*
- *No top players*
- *Modest total wages bills (in absolute terms)*
- *Low financial power*
- *Just some sponsorships*

THE SURVIVORS

- *Nationally focused (even regionally focused)*
- *Low brand recognition, even in the domestic market*
- *Compete in the lower domestic divisions*
- *Semi-professional players*
- *Low total wages bills*
- *Very low income: some risk bankruptcy*
- *No important sponsorships*

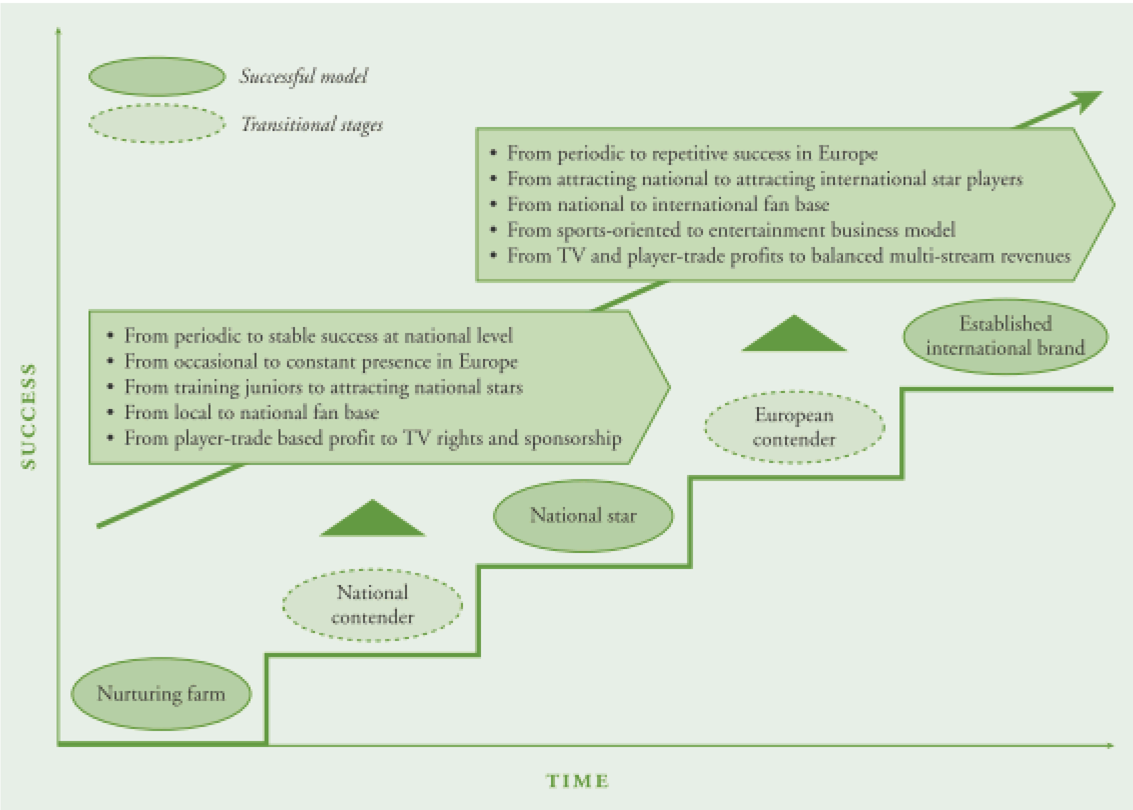
Source: Marquez and Martin, 2000.

As believed by Marquez and Martin (2000), the demand for competition in soccer implies that "t*here is no monopoly stage in the strict sense of the term*". However, the leading soccer clubs have created dominant position in their domestic markets in term of fan support. They illustrated this fact noting that *"in France, Germany, Italy and Spain, more than 25 percent of soccer fans support the country's most popular club,[…] while more than 40 percent support one of the two biggest clubs."*

Nonetheless, A.T Kearney showed that these groups were not permanent. On the contrary, he detailed five stages to build more competitive clubs:

1. Nurturing farm
2. National contender
3. National Star
4. European contender
5. Established international brand

Figure 7 – Building competitive clubs**: s**tages of a soccer club's development



Source: A.T. Kearney

The legal environment of the European Union has contributed to widen the gaps between European clubs both at a domestic and continental level

As stated by Besson (2009), European legal environment has been crucial to the ever-increasing deregulation of soccer industry. The free movement of person's principle has unequaled European professional sports in general and soccer in particular. The European professional sports workforce has long been characterized by its ample mobility along with high incomes. Best players' signings have been then facilitated for Top European clubs. The author then added (2009, p.25): "*Since the 1995 Bosman ruling, European soccer is experiencing a double movement of globalization and deregulation*".

In accordance with the Bosman ruling, two regulations are imposed:

1. No transfer fee may be requested for a player out of contract in the European Union;
2. No nationality clause can limit the number of European players within a same team.

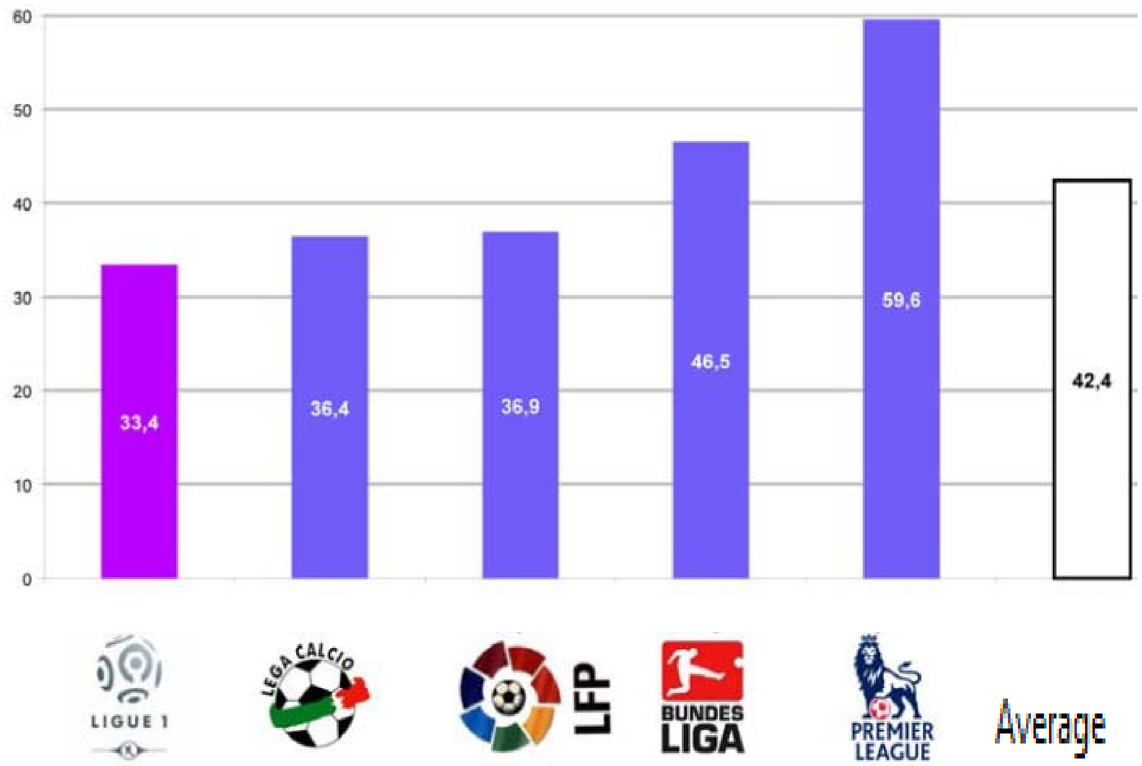
The abolition of these restrictions on the transfer market - then extended by other rulings (Malaya[11], Kolpak and Simutenkov[12]), resulted in an increase in transfer numbers and amounts, along with salary inflation. It indeed strengthened the dominant positions of the richest clubs.

Poli and Ravenel (2008) carried out an annual survey of the European soccer players' labor market. As a result, they found that within the 5 major European leagues, the percentage of foreign players was 42.4% in average during the 2007-2008 season (38.4% during the 2005-2006 season). The greatest gap is between France (33.4%) and England (59.6 %), as shown in the figure below. Twelve English clubs are among the twenty more internationalized soccer clubs. The ranking is indeed topped by *Arsenal*, an English club with 92% of foreign players during the 2007-2008 season. Brazil players are the most represented workforce.

Figure 8 - Percentage of foreign players in the Top-Five European leagues (2007/08)

[11] The Sunday Herald, Dec 21, 2003, "The ruling that could change the face of sport"; In 2002, he European Court of Justice extended the Bosman ruling to non EU-national whose states signed cooperation agreements with the European Union.

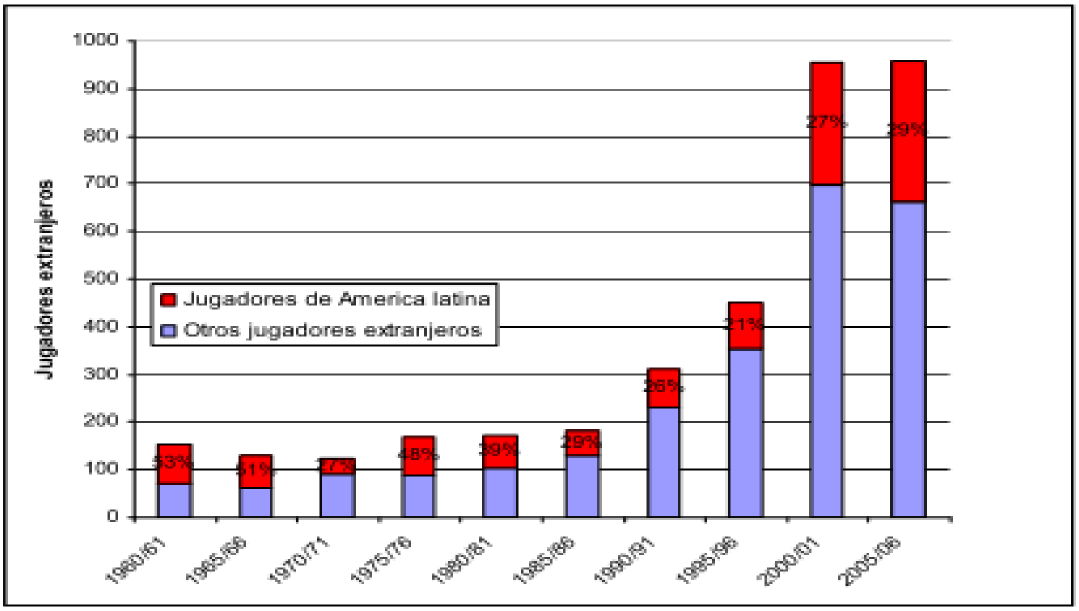
[12] Enacted in 2003 and 2005 by the Court of Justice of European Communities, the Kolpak and Simutenkov rulings broadened even more the geographical scope of application of the Bosman ruling to countries like Russia.



Source: MEPP Treatment

Latin American players have always been one the greatest workforce of the five major European soccer leagues (U.K, Spain, Italy, Germany, and France). They traditionally represent more than 20% of the foreign players' total (Besson and Ravenel, 2009)**.** The diffusion and the importance of soccer in Latin American society, the quality and the domination of South American national teams in the soccer world cups history widely explain the influence of the home production of players (Lanfranchi and Wahl, 1995; Lanfranchi and Taylor, 2001; Mascarenhas, 2003). In 2008, there was on average 2.04 South American players in a professional soccer club in Europe (Besson, Ravenel, 2009).

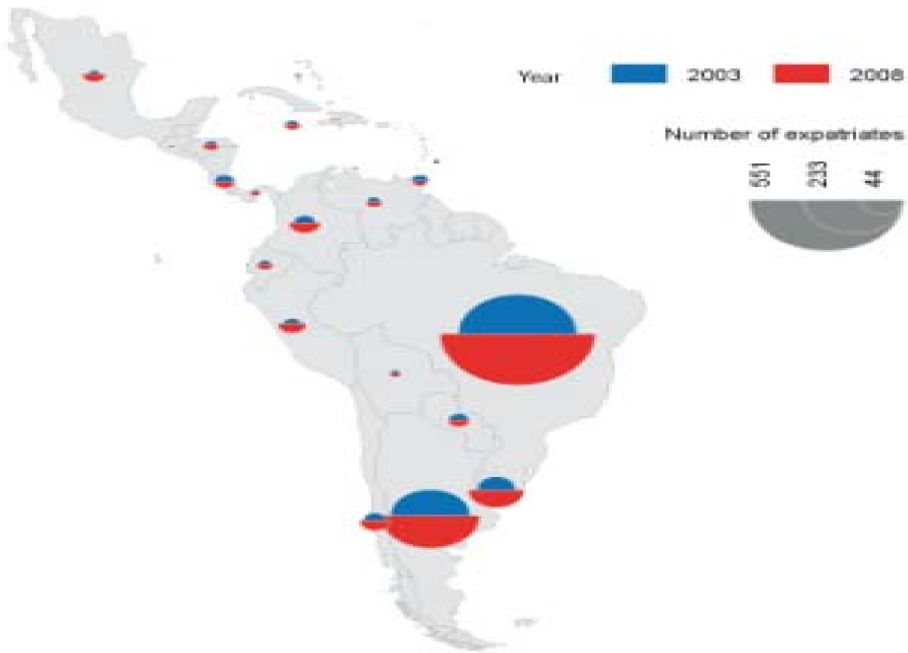
Figure 9 - Foreign players in the soccer leagues "Big-Five" (England, France, Italy, Spain and Germany) from 1960 to 2005



Source: Ravenel and Polli (2008)

158 Brazilians played into one of the five major European leagues in the 2007/08 season. Argentina ranked second with 98 players, mainly in Spain, Italy, and France.

Figure 10 - Country of origin of the Latin American players employed by European clubs (2003 - 2008 - 30 European leagues)



Contrary to the African players who usually emigrate early from their home countries as professionals (18.8 years), Latin American players arrive later (21.7 years) in Europe (Besson; Ravenel, 2009**).** They had the opportunity to grow longer in their respective domestic league as recognized professionals before being transferred to the best European clubs.

As argued by Besson (2009), this internationalization of the workforce is coupled with an increasing mobility of the players. On average, a player plays in 3.44 clubs in a 10-year career. However, he noted that (2009, p. 28) "*sporting success is inversely correlated to the number of transfers made*". Best ranked clubs recruit fewer players than the lower ranked clubs (3.4 players on average). Finally, the report showed an obvious correlation between club sporting performance and the percentage of players with international experience used.

Richest clubs and leagues are the main beneficiaries of deregulation. They use it to assert their dominance on the European continent. Since 2003, Besson (2009) noted an English club has always made it up to the Champions League[13] final (7 out of 10 finalists; 3 titles). Besides, Russian, Ukrainian, Portuguese and intermediate Spanish clubs (*FC Porto, FC Shakhtar Donetsk*, *Sevilla*, *Zenit St. Petersburg*, *CSKA Moscow* etc.) are stumbling on competing with the internationally recognized clubs.

3.2.2 Soccer in Brazil

A Brazilian way of life

Soccer has been long adopted as a cultural aspect of the culture and way of life in Brazil:

> *"It attracts the largest number of supporters and drives the most resources, not only in ticket office takings and matches broadcasting, but also in professional contracts between athletes, coaches, physical training instructors, directors and employees in general. In Brazil,*

[13] The UEFA Champions League is a competition set up by UEFA since 1971 for eligible European soccer clubs. It is the second most prestigious European club soccer competition since 1955 for the top soccer clubs in Europe. It is widely considered to be the most prestigious soccer club competition in the world.

soccer is a passion embedded in the Brazilian way of life. Here we can rightly say that soccer is our greatest cultural asset.”

(Silva, 2010, p. 24)

According to Nascimento (2008), no other sport in Brazil has more potential - and is so poorly explored - than soccer. He added that this occurs for several reasons the first being the fact that the clubs are much disorganized: for example few clubs hold updated accounting system. Most clubs often operate are used to build personal wealth and making political career. The Brazilian clubs are likely not to reveal their accounts and nobody is able to say if any of them has ever made profits (Franco, 1997). For Grellet (1998), Brazilian soccer is considered the richest in terms of raw material worldwide, i.e. the technical quality of the players. But at the same time, Brazilian clubs are seen as one of the most mismanaged in the world, outside the pitch.

As stated by Nascimento (2008), Brazilian soccer administration is about 20 years late compared to the European “Big-Five” or American sports management standards in terms of functional organization and financial returns. He mentioned that in Italy for example clubs were forced to convert into companies in 1974. Another example showed that sports economy in the U.S. accounts 3.5% of the domestic GDP[14] but only about 0.1% in Brazil (Grellet, 1998).

As reported by Nascimento (2008) and according to Augusto Viveiros[15], Brazil soccer accounted for only 0.3% of the Brazilian economy in 2007, when the average percentage of soccer business in the world was 0.7% of the national GDP. Viveiros also declared that it was possible to double to R$4 billion the soccer market in Brazil, only through organizational improvements [16](Nascimento, 2008).

A 2006 *Ipsos Marplan* survey retrieved by Nascimento (2008) studied the economic, social or moral importance of sports in Brazil society. This study compares the variation in GDP of Brazil Sports with Brazil’s GDP growth rate. While Brazil's GDP accounted for US$ 537 billion in 1999 and US$ 798 billion in 2005, the GDP of

[14] Gross Domestic Product

[15] President of the then Instituto Nacional do Desenvolvimento do Desporto (Indesp), -which was responsible for Brazil sports policy as attached to the Ministry Sports and Tourism-,

[16] Lancenet. (06/12/2000) "*Indesp entra na briga da Lei Pelé*".

Brazil Sports increased from US$10.3 billion (1.91%) in 1999 to US$15.6 billion (1.95%) in 2005. Consequently, it is worth noticing that in the 1999-2005 periods the GDP growth of Brazil Sports was approximately 20%, which is largely above the 32% national GDP growth rate in the same period (Gurgel, 2007; Nascimento, 2008).

Figure 11 - GDP of Brazil Sports with Brazil's GDP growth rates comparison analysis

O PIB do Brasil e o PIB do esporte brasileiro

A preços correntes (em bilhões)

	Brasil / ano	1999	2000	2001	2002	2003	2004	2005
em R$	Brasil	974	1.101	1.199	1.346	1.556	1.769	1.902
	Esporte	18,6	21,7	23,7	26,4	30,0	34,1	37,1
em US$	Brasil	537	602	510	459	498	627	798
	Esporte	10,3	11,9	10,1	9,0	9,6	12,1	15,6
% do PIB	Esporte	1,91	1,97	1,98	1,96	1,93	1,93	1,95

Source: Dossiê do Esporte, p 129.

According to Brazilian soccer coach Vanderlei Luxemburgo[17], this mismanagement is responsible for local players' exodus, making local clubs end up losing the initial investment made in the young athletes training (Nascimento, 2008). As believed by the former national team coach, it is important that the first signed contract by the player should be longer than the current ones, in order to secure better returns on investment.

Since 2009, the situation seems to have improved. Brazil is not only able to retain its youngest talents a little longer (Neymar, Ganso, Lucas etc.), but also to repatriate some stars who still have a few good years ahead to play at a top level (Ronaldo, Ronaldinho, Rivaldo etc.). As confirmed by the current *Seleçao* manager Mano Menezes, Brazilian domestic soccer has entered a new era.

> *"[…] our soccer has entered a new reality. The global economy has changed and Brazil is in a better position than other countries that were*

[17] Globo Esporte. *« Para Luxa, clubes são mal administrados.»* http://globoesporte.globo.com/ESP/Noticia/Futebol/Santos/MUL91002-4404,00.html

our competitors before. Although the exodus of our players abroad continues, the level of our league is improving."

(Mano Menezes, 2011)

Top Brazilian players have been coming home, not only because clubs can largely match the level of European salaries. In reality, private investors are the ones who bought some top players' rights and are responsible for their salaries. They finance it with players' advertising exploitation. This is the case of DIS, a *Sonda* supermarket group's company, which owns respectively 45% and 40% and of Ganso and Neymar. However, it must be said that these practices have absolutely nothing to do with patriotism.

"Our idea is not to keep national players as long as possible in Brazil to please the local club fans. Our goal is to sell these players at the best price by making them stay a little longer so they can develop, get tougher and attract even more interest so that we can obtain higher profits."

(Thiago Ferro, DIS director, 2011)

As stated by Nascimento (2008), in this new scenario, the unexplored opportunities for merchandising are critical to obtain potential alternative sources of income. International marketing expansion should be contemplated not only in Latin America and Europe but also in Asia and North America where soccer business offers the greatest opportunities. It is therefore imperative to boost revenue from licensing and the use of the mark so that clubs can keep their key players in Brazil and attract the best talents through the world.

3.3. The soccer clubs' administration

3.3.1. Sources of revenue

According to the Manchester United Memorandum (2010), the primary drivers of revenue for professional soccer clubs are:

• Matchday revenues: tickets sale, match day catering, hospitality, tours and fan membership. Constant high attendance rates cumulated with new and bigger stadiums with modern facilities contributes to strongly increase match day revenues within a domestic league.

• Media revenues: income received from broadcasting rights "*to air live, near live or highlights*" of domestic leagues or local cups along with participations to continental competitions such as the Europa League[18] and Champions League[19] in Europe or the *Copa Sudamericana*[20] and *Copa Libertadores*[21] in Brazil or even the Intercontinental Cup[22]. Besides, it contains "*digital, mobile and other new media, a growing source of revenues at many clubs*". The attractiveness of European and Brazilian soccer as well as notable interest from pay and free television transmitters (both national and international) have enabled media rights owners such as the UEFA and CONMEBOL to generate higher profits. They are then partaken with the member soccer clubs.

• Commercial activity revenues: "*sale of merchandise such as shirts, kits and memorabilia to fans (either directly by clubs or through licensing agreements with sponsors), and the sale of sponsorship rights to corporate sponsors*". This is a growing revenue source for soccer clubs which limited additional costs can give rise to high operating margins. Providing the importance of media coverage and fan interest of European (and Brazilian) clubs nationally and internationally, commercial revenues have increased throughout the history of soccer club and now represent a growing part of clubs business's total earnings.

---

[18] The UEFA Europa League is an annual association soccer competition set up by UEFA since 1971 for eligible European soccer clubs. It is the second most prestigious European club soccer competition after the UEFA Champions League. Clubs qualify for the cup depending on their results in their domestic leagues and cup competitions.

[20] The *Copa Nissan Sudamericana de Clubes*, known simply as the *Copa Sudamericana*, is an annual international club soccer competition organized by the CONMEBOL since 2002. It is the second most prestigious club contest in South America. Clubs qualify for the cup depending on their results in their domestic leagues and cup competitions.

[21] The *Copa Santander Libertadores de América* is an annual international club soccer competition set up by CONMEBOL since 1960. It is the most prestigious club contest in South America and one of the most watched events in the world, broadcast in 135 countries in the world.

[22] The Intercontinental Cup or Toyota Cup (after 1980) is a soccer competition organized by CONMEBOL and UEFA between the champions of the European Champions League and the South American Copa Libertadores.

3.3.2. The European "Big-Five"

The soccer industry in general suffers from a lack of transparency in the accounting results of certain clubs. It is particularly true for the leagues that do not belong to the "Big-Five" – excepting Spain. Similarly, official information on strategy and management of leagues is missing. Consequently, exhaustive and scientific comparisons of European models, - especially on the financing and the ownership of stadiums; on accounting profits or net deficits; intermediate clubs' budgets, would have been impossible. Because the UEFA and FIFA instances are aware of these difficulties, they are working on projects to improve clubs' financial transparency. Nevertheless, a number of elements can be identified and a detailed comparison of incomes of top European clubs has been carried out. Significant resource gaps are identified: they directly affect the competitiveness of soccer as a show business industry.

This part will detail the current economic framework of the Top European leagues and clubs. It will also develop an analysis of the management, TV rights, players' compensation, youth training, stadiums, and match day revenues.

The European soccer economy model

The context of economic crisis along with the depreciation of the English Pound has not challenged the dominance of the English Premier League. Dan Jones[23] declared in June 2010:

> "*European football's continued revenue growth demonstrates an impressive resilience to the extremely challenging economic times – underlying the continued loyalty of its fans and the continued attractiveness of football to sponsors and broadcasters. Unquestionably, football's biggest challenge is not revenue generation, but rather the need for much greater cost control – notably over players' wages and transfer fees*[24]*.*"

Meanwhile, according to Besson (2009), the French *Ligue 1* is significantly lagging behind its "Big-Five" counterparts (at least 400 M€ of revenues separate the French league with the other four leagues). However, thanks to the future potential

[23] Partner in the Sports Business Group at Deloitte
[24] Available in http://www.deloitte.com/view/en_IE/ie/news/rss-news-feeds/eaa61feb49619210VgnVCM100000ba42f00aRCRD.htm

achievements of the Euro 2016 that will take place in France, national soccer has an exceptional opportunity to develop. The German league has positioned itself as a well-structured and cost effective league having exploited the benefits of the World Cup 2006 organization. The Italian league has long dominated the “Big Five” but is now lagging behind its Spanish and English counterparts; the *Italian Serie A*’s perspective of development has now to integrate and diversify its matchday revenues, making significant progress in the modernization of its stadiums, which is do not seem to be in progress yet apart from some ongoing projects such as the one of the *Juventus FC*.

European “Big-Five” clubs’ budgets are important and diversified: England, Germany, Spain, Italy and France have higher, more diversified income, and better sports results

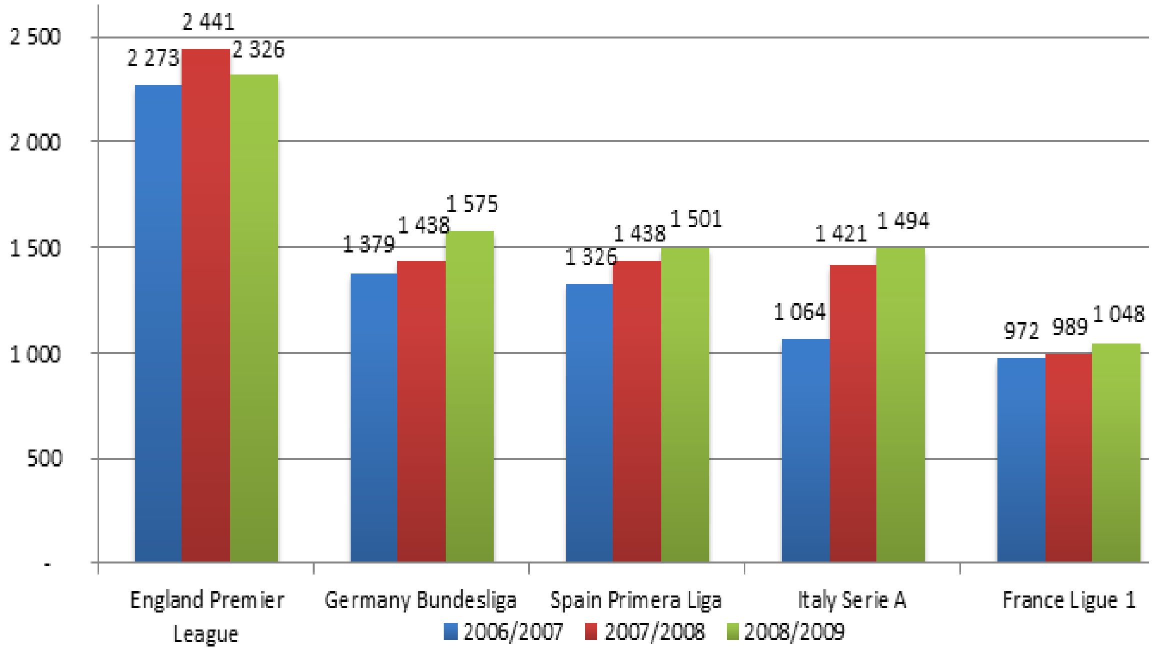
The 2010 classification of the European “Big-Five” soccer leagues ranked by budget is as follows[25]:

1. England
2. Germany
3. Spain
4. Italy
5. France.

This hierarchy has been respected for more than four years. Financial downturn did not seem to have an impact soccer clubs’ revenues.

Figure 12 – Revenue trend top European Leagues

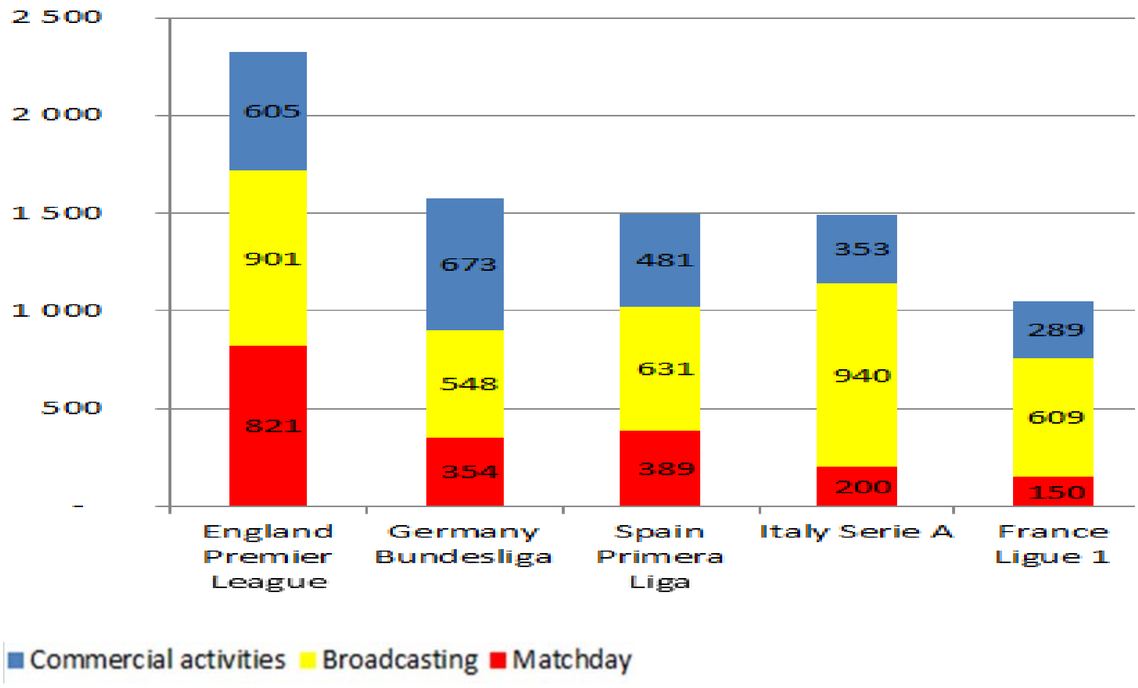
[25] Deloitte Football Money league report 2011



Source: Deloitte Annual Review of Football Finance, June 2010, M€

Within the leading group, the French *Ligue 1*is lagging behind in term of budget. The difference with the Italian Serie A,-penultimate of the group- is about 15%. Then comes a group of three balanced leagues (Germany, Spain, and Italy) that has a budget approximately 15% inferior to the English *Premier League*. According to Besson's figures, the Netherlands, Scotland, Portugal, Austria and Sweden follow in the rankings with budgets of 398, 259, 239, 151 and 87 M€.

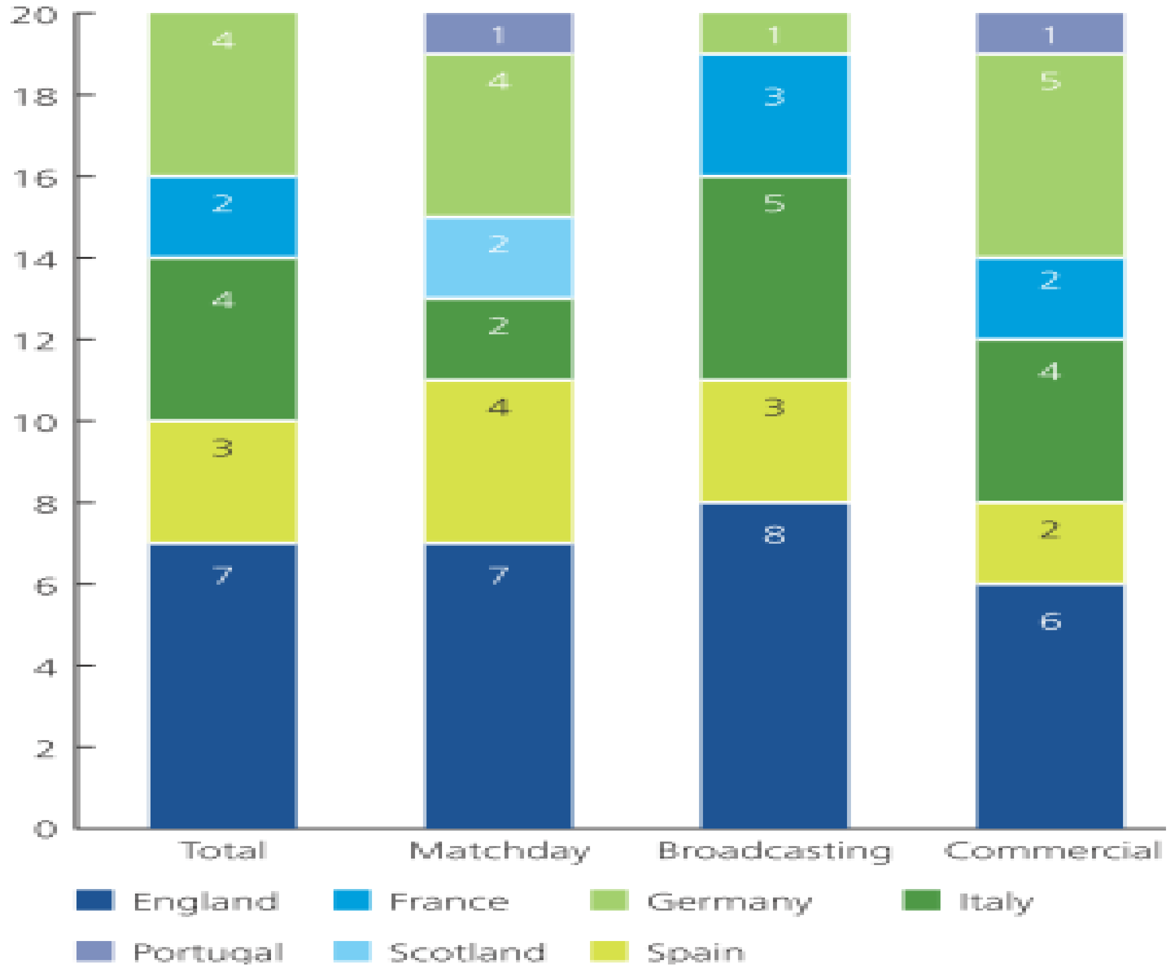
Figure 13 - Detailed Budgets of the 5 major European soccer leagues: proportion of revenues generated from matchday, broadcasting, commercial activities, and 2010 (%)



Source: Deloitte, June 2010, M€

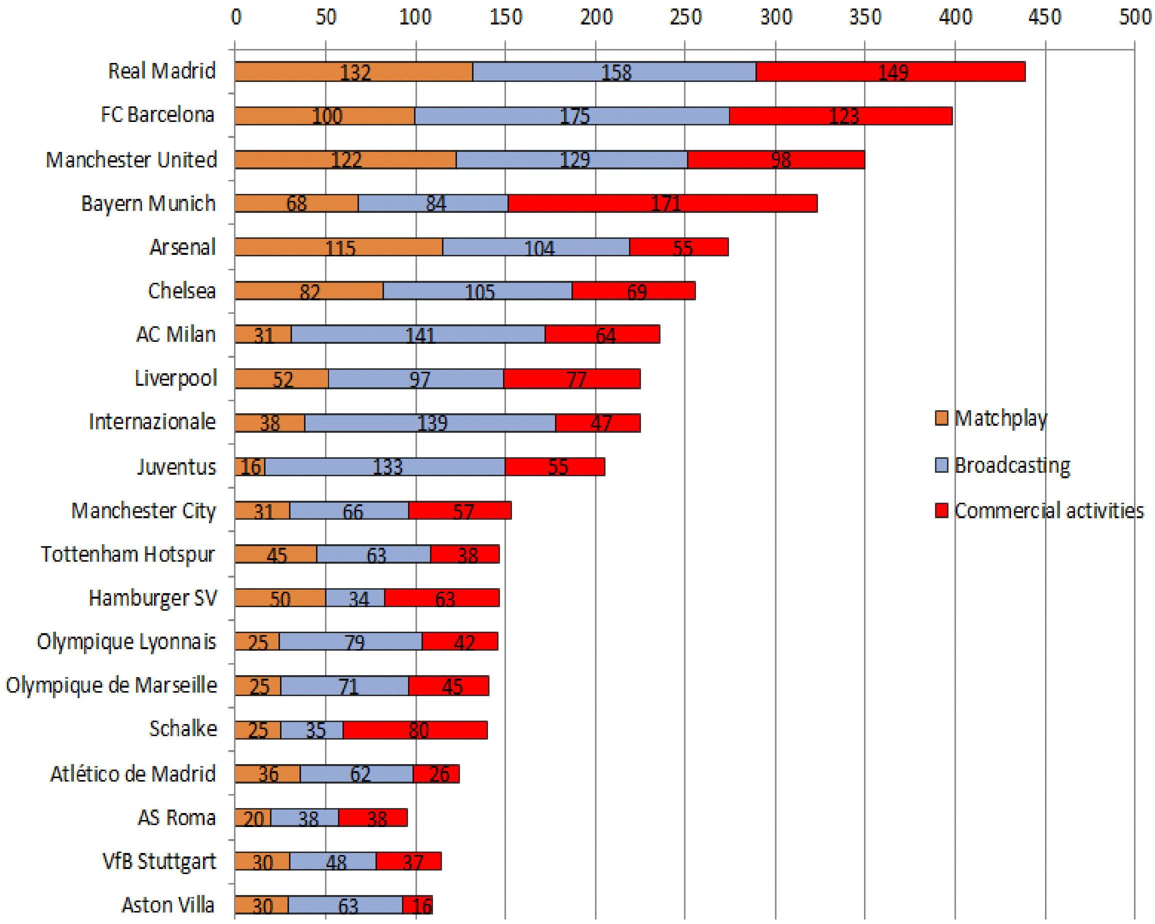
The comparison with the twenty richest European clubs (*Deloitte Football Money league report 2011*) only confirms this hierarchy: four English, two Spanish, one German and three Italian clubs ranked on the top ten; only two French clubs belong to this ranking, both in the top twenty.

Figure 14 - Number of clubs in top 20 rankings by country (2010)



Source: Deloitte analysis

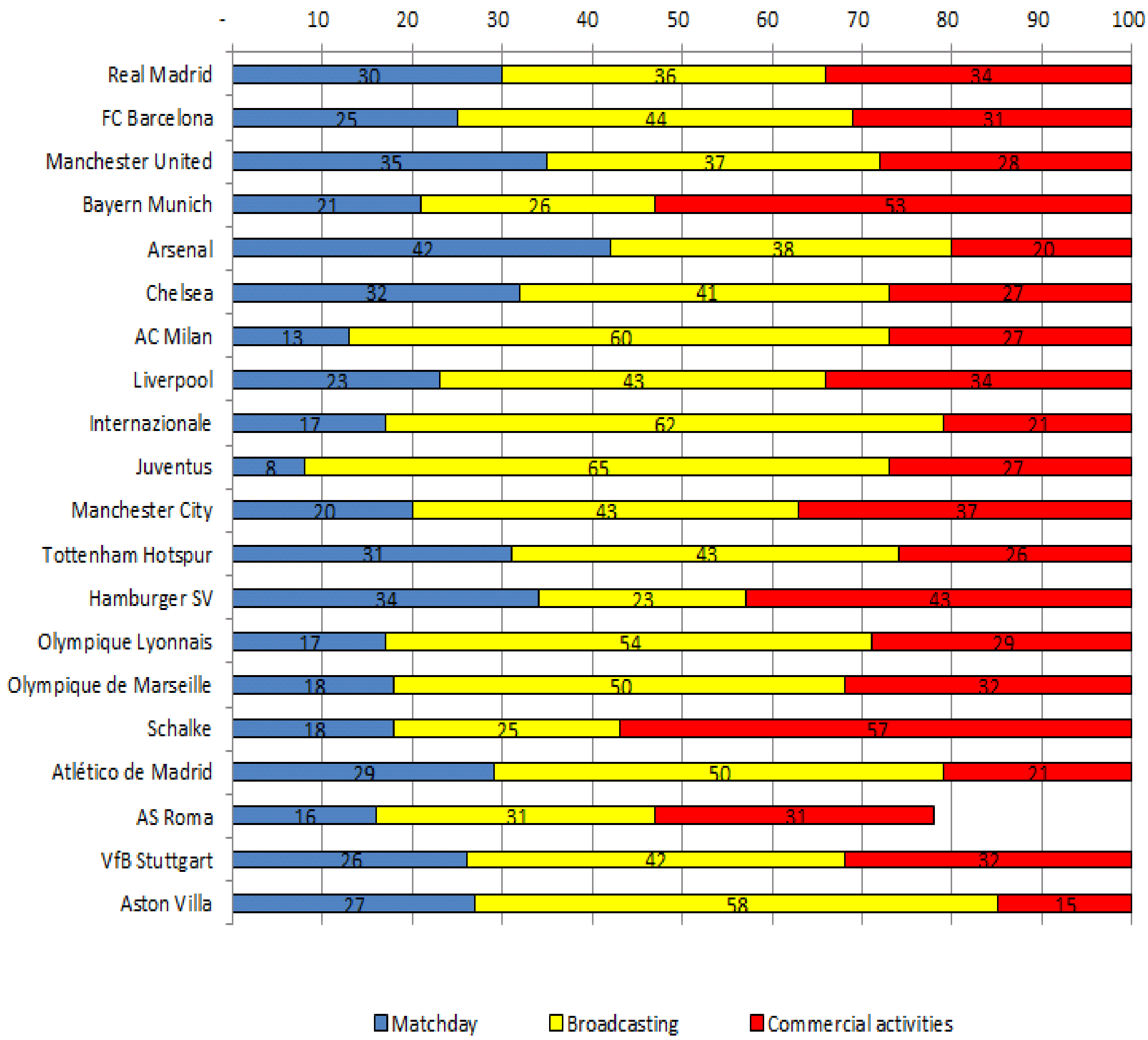
Figure 15 - Detailed budgets of the 20 richest clubs in Europe in 2010



Source: Deloitte

Cumulatively speaking, the Premier League and the *Bundesliga* present the most important budgets in Europe. Both leagues also stand apart with a lower share of television rights in their budgets (less than 40%). In contrast, Italy and France rank last in terms of budget. Besides, the two leagues have a television rights share close to 60%. This overall trend is confirmed when the analysis was conducted among 20 major European clubs.

Figure 16 - Budgets composition of the 20 richest clubs in Europe in 2010



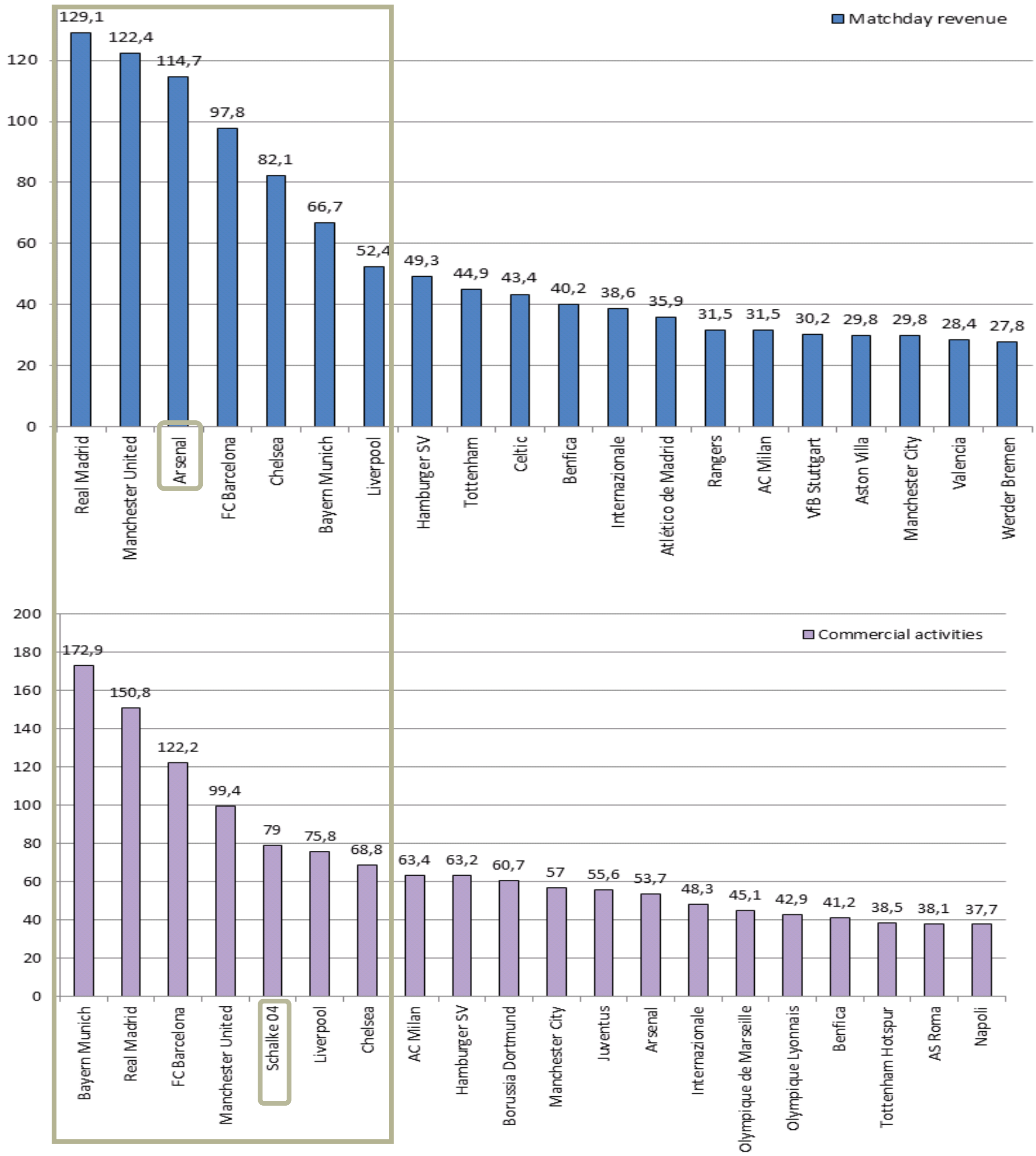
Source: Deloitte

The stadium: a direct and indirect source of profits for clubs

The analysis of the income structure of European clubs shows the importance of the stadium as source of income as stated by Besson (2009). Because they manage their "production tool", clubs can set up strong marketing policy, target customers, customize the stadiums for better reception, attract sponsors, and work on their image. The close correlation between revenues from commercial activities and ticket sales (merchandising, sponsorship, including stadium naming[26]) is shown by the fact that the same seven clubs that are at the top of the ranking of income from each of these two positions (except *Arsenal* and *Schalke 04*).

[26] The naming consists in giving the name of a brand or company to a sports arena. Examples: the Allianz Arena in Munich or the Emirates Stadium in London.

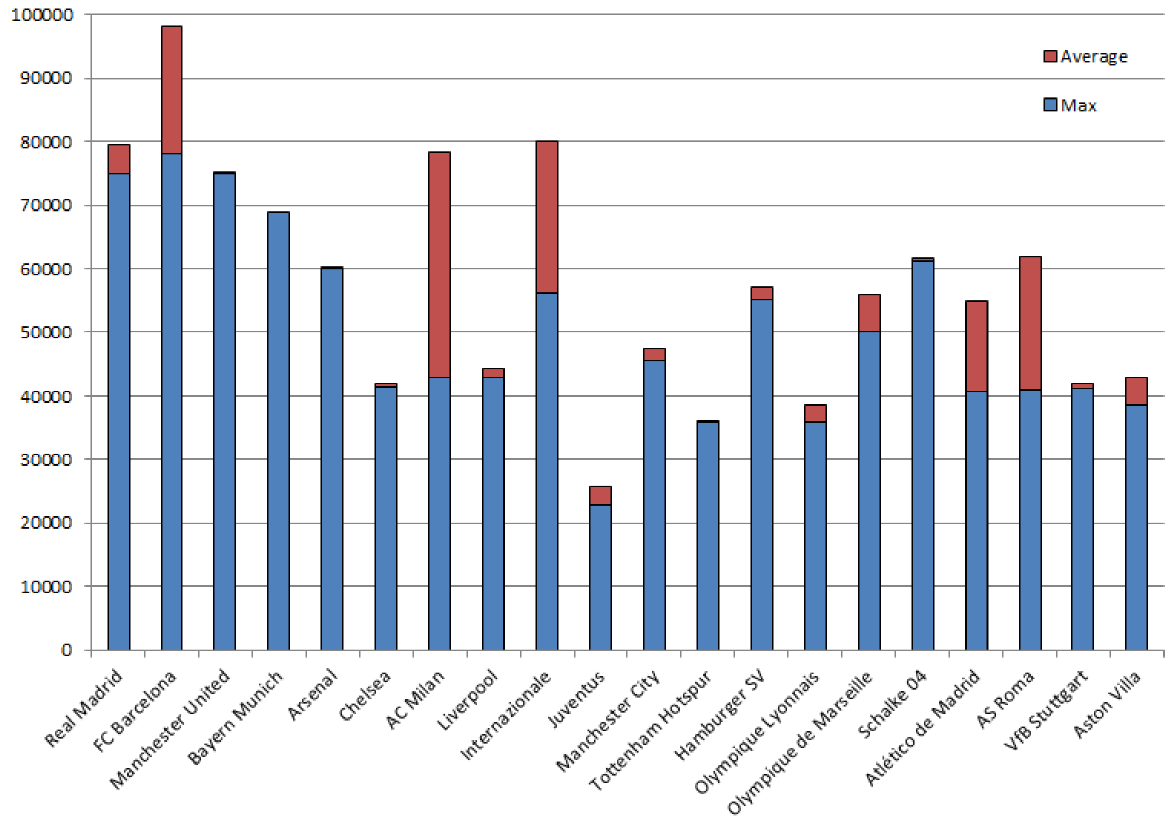
Figure 17 – Matchday and commercial activities of the 20 richest clubs in Europe in 2010



Contrary to marketing policy which aims at attracting sponsors and optimizing merchandising through the development of the club image, boosting ticket sales involves a set of risks of excesses (Besson, 2009). As stated by Besson (2009), the biggest English clubs have proposed a profitable ticketing tariffication policy partly based on a sophisticated "business and VIP" offer, which represents 10-15% of the seats in Arsenal and Manchester United's stadiums for example. Thus, teams like the

Olympique Lyonnais, with comparable stadium capacity (40,000 seats), only earns 22 M€ annually from ticket sales, which is 110 M€ less than Chelsea for example. But the growth of these revenues is also linked to the capacity of the infrastructure availability, as shown in the figure on the attendance of the twenty richest clubs' stadiums in Europe.

Figure 18 – Maximal and average stadiums attendance of the twenty richest clubs in Europe (2010)



Source: www.european-football-statistics.co.uk – MEPP treatment

Financial strength and sports results are related

In its latest study on professional soccer[27], Ineum Consulting firm crossed the European clubs rankings to the 2009 UEFA index with their general revenue (2009-2010 season) to study the correlation between financial means and sports results. The financial resources are now presented as the most crucial feature to attract the best talents. Consequently, the dominance of Spanish, Italian and English clubs can largely

[27] Football professionnel : finances et perspectives, Ineum Consulting / Euromed, 2008

be explained by the purchasing power they have which has allowed them to acquire the most talented players.

Indeed, the clubs that ranked in the top eight in the UEFA index are all among the ten richest in Europe. A group of clubs, however, has obtained relatively low sports results compared to their financial power (*Real Madrid*, *Chelsea*, *Juventus*, and *Bayern Munich*). However, the 2008 Spring results minimized the findings of underperformance of these richest clubs reported their financial strength: Chelsea, for example, competed in the final of the 2008 Champions League.

6.3.3. The CBSA

CBSA and the *Brasileirão*

The Brazilian soccer league – popularly known as *Brasileirão* in Brazil- is the local main sports event organized for the best Brazilian soccer clubs, held annually since 1971 by the *Confederação Brasileira de Futebol* (CBF). The first division (*Serie A*) is composed of 20 clubs that compete in home and away games. The first four best ranked are directly qualified for the *Copa Libertadores*. The last four worst ranked are relegated to second division (*Serie B*).

Historically, the CBSA have had the greatest difficulties to establish itself as the leading domestic competition. Indeed, mainly because of the country's huge size, local leagues (*Campeonatos Estaduais*) have long held the upper hand. Nowadays, the *Brasileirão* has now established itself as the number one soccer competition for Brazilian fans[28]. Other characteristics of the Brazilian soccer league have long been the lack of a standardized system of games -that used to change almost every year- as well as the game rules and the number of contenders

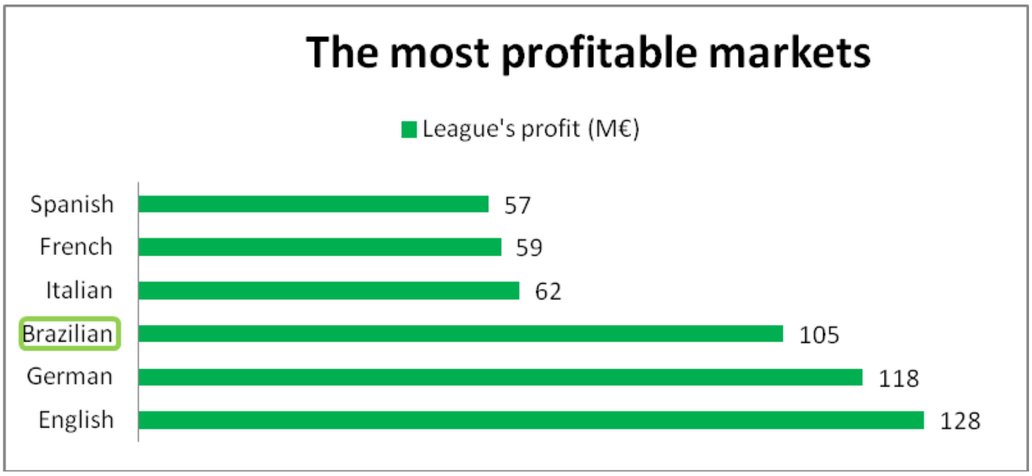
The way forward for Brazilian domestic soccer

The economic crisis that hit some of the main European economies and the good period of Brazilian economy made CBSA entered the Top-3 ranking of soccer league

[28] Retrieved in: http://clubedostreze.globo.com//pt/noticias/0,,99200,00-BRASILEIRAO+E+O+PREFERIDO+DO+TORCEDOR.html

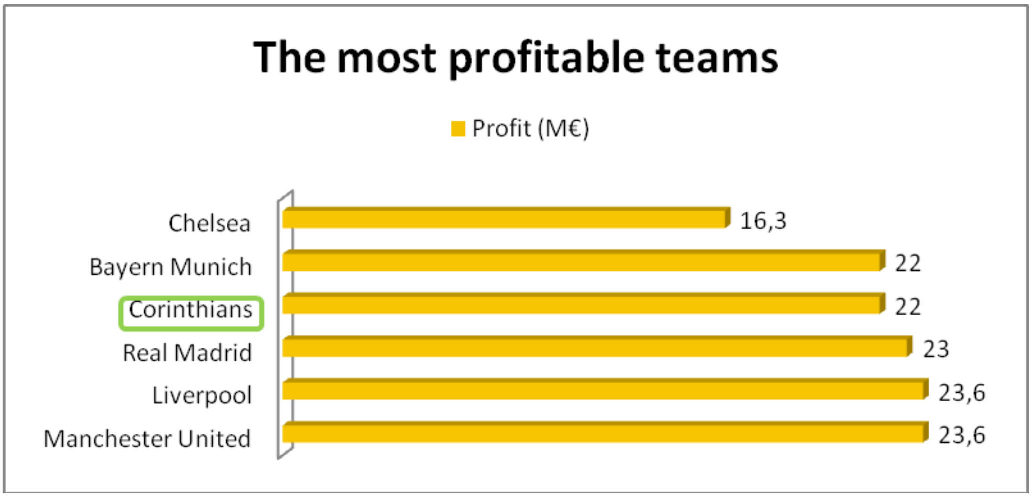
profits. The *Corinthians* is now only beaten by two English teams and one German team in terms of annual profit (2010). The performance is particularly noteworthy knowing that CBSA did not appear in the top-8 biggest revenue markets.

Figure 19- The most profitable soccer markets - 2010



Source: Sport+Market 1

Figure 20 – The most profitable soccer teams worlwide - 2010



Source: Sport+Market 2

Local stars & jersey sponsorship

Brazilian soccer clubs are “becoming stronger than ever with 2 digit revenue growth[29]” and increased purchase power to hire gifted players. CBSA’s growth trend (12%) is much higher than the average of Top 5 European Leagues (4%). Spending in new players has gone from 61 to 79 MU$D in 2010. Increased purchase power has enabled Brazilian clubs to bring back successful local talents exiled in Europe such as Deco, Rivaldo, Ronaldinho, Ronaldo or Adriano. Thanks to this stars recruitment policy, clubs revenues coming from jerseys’ sponsorships have skyrocketed and have overtaken three majors European soccer leagues in this matter (Italy, France, and Spain).

Figure 21 – Jersey sponsorships: Brazil ranked 3rd on a worldwide scale (2009)

England	Germany	Brazil	Italy	France	Spain
128 M€	118.5 M€	104.6 M€	65.9 M€	58.9 M€	57.5 M€

Source: L’Equipe Magazine, 2011

TV rights

TV rights have been historically the main source of revenues of top Brazilian clubs (Martins, 2011). According to *Prime Time Sport Brazil* (2010) TV rights revenues perceived by CBSA’s clubs have grown significantly with an average increase of 27% between 2008 and 2009. After *Rede Globo*’s withdrawal and *Rede Record*’s weak proposal, *RedeTV!* is now owning CBSA’s TV broadcasting rights for R$ 500 million a year for the 2012-2015 triennium. The R$ 1.55 billion deal (US$ 932.9 million) represents a US$ 34.3 million increase on the preexisting contract with *Rede Globo*. A new TV rights sales model with no more exclusivity should be contemplated to generate competition and then even more profits.

[29] Football Transfer Review 2010 Ediçao Brasil- English version

> *"Traditionally, TV Globo, the country's largest broadcaster, has had little opposition. But with the emergence of Record, there is now real competition for the rights of the Brazilian national league […]Record are […] offering around RS$600 million for the three-year contract. It is believed that Globo paid RS$250 million for their current deal*[30]."
>
> (Jon Cotterill, February 2011)

Martins (2011) argued that the soccer industry in Brazil is currently in transition. According to him, the power is concentrated by the media (especially free-to-air TV broadcasters) and soccer club managers. Those are the one who exert the strongest influence in the *Clube dos Treze*[31] to negotiate broadcasting rights, which are the main source of revenues for Brazilian clubs. Due to this lack of competition, Martins' research shows that TV rights fees are much lower to its full potential in Brazil. *Rede Globo*'s dominant position both in the television (free-to-air and cable) and advertising market makes CBSA quite dependent from the most important medium of the country.

> *"Globo dominates most of the cable TV market (channels specialized in sports), and therefore it imposes a strong restriction on Record. If they acquire the rights to broadcast the matches, [Record] will have no infrastructure to distribute it and much less audience to get return through the sale of advertising space, […], Globo as the dominant agent established mechanisms to counteract the expansion of potential competitors"*
>
> (Martins, 2011, p. 146)

Indeed, CBSA should move towards a more objective and systematic distribution model of the TV rights. In that sense, the English model could be food for thought. As reported by Martins (2011), it consists in the following repartition:

- 50 % equally distributed
- 25% according to the team's number of live games broadcasted

[30] Chaos looms in battle for the Brasileiro TV rights, February 25, 2011, retrieved in http://pitacodogringo.wordpress.com/2011/02/25/chaos-looms-in-battle-for-the-brasileiro-tv-rights/

[31] The Clube dos 13 ("Club of the 13") is an organization defending the interests of the top 20 soccer clubs in Brazil. This organization talks the terms of radio and TV broadcasting rights of domestic competitions such as the CBSA in a unified voice with the Brazilian Football Confederation.

- 25% according to the team's final position in the league

The new situation that seems to be emerging, which is to negotiate individually TV rights fees[32] poses a high risk of seeing the CBSA to come down to a duel between two teams (*Corinthians* and *Flamengo*) as it is already the case in Scotland and in Spain[33].

Besides, Global TV distribution has to follow the current path by enlarging to Europe and soccer emergent countries (China, U.S.A, India, Malaysia, Thailand etc.)

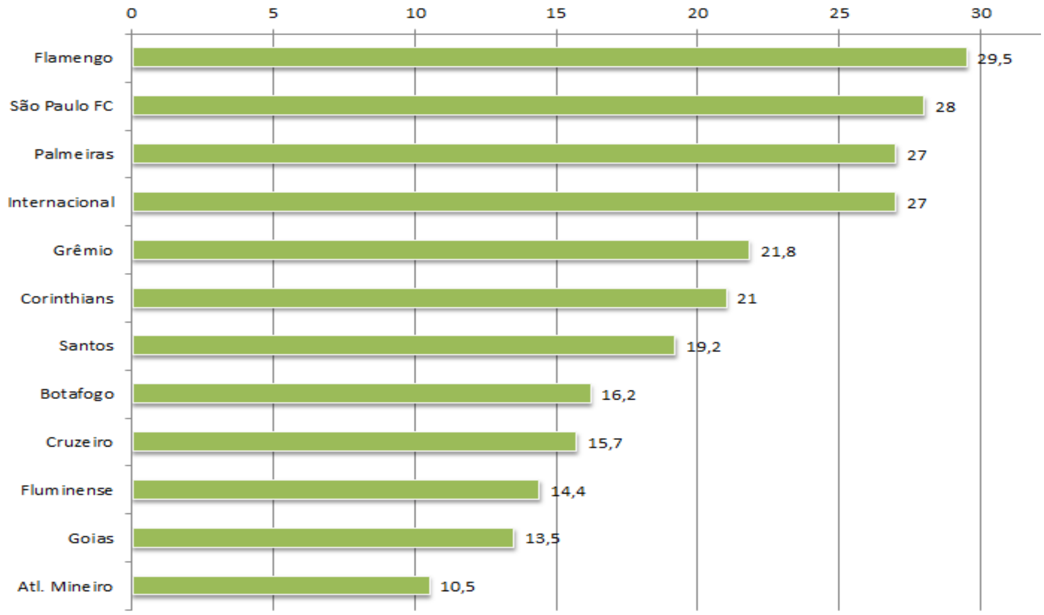
As believed by Martins (2011), Brazilian soccer is also lagging behind the Brazilian society in terms of Internet use failing to provide a growing interaction between the fans and their favorite club.

> "*Brazilian football as a product does not meet the demands of their customers (fans) and is far from its potential to produce content with other distribution channels than television (free-to-air or cable)*" (Martins, 2011, p.58).

Figure 22 – TV rights perceived by Brazilian clubs (2010, M€)

[32] *Corinthians, Botafogo, Flamengo, Fluminense, Coritiba, Cruzeiro, Vitória, Santos, Goiás, Sport, Bahia* and *Vasco* decided in 2011 to trade directly their TV rights fees without the mediation of the *Club dos Treze*

[33] "*Sevilla chief Maria del Nido: Two-horse race La Liga is becoming like the* SPL", May 19 2011, Daily Record. Retrived in http://www.dailyrecord.co.uk/football/world-football/2011/05/19/sevilla-chief-maria-del-nido-two-horse-race-la-liga-is-becoming-like-the-spl-86908-23140539/

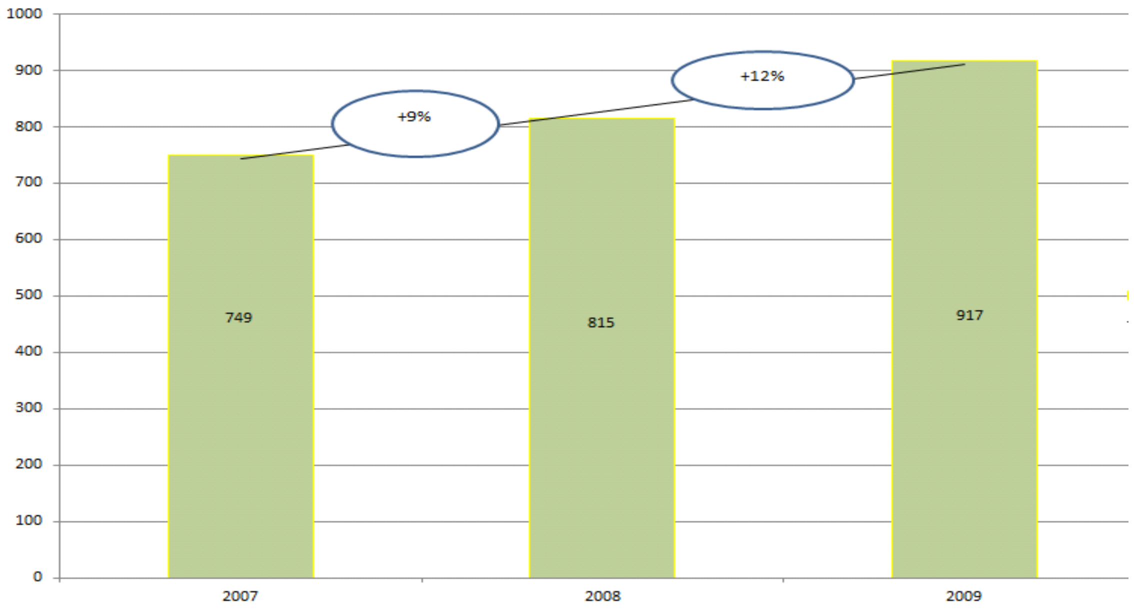


Source: Futebol Finance

CBSA growth trend & challenges

However, according to Blumenschein and Kaufmann Nedal (2010), there is no doubt that soccer in Brazil has not yet reached its full potential. *Prime Time Sport Brasil* noted that the growth trend of the Top 5 European Leagues (4%) is much smaller than the average of CBSA's (12%). In 2009, CBSA's clubs overall revenue (917 MU$D) was only equivalent to 39% of the overall revenue of English Premier League's clubs (2.326 MU$D). This figure is also considerably inferior to overall revenues of Top-4 European soccer leagues (Italy, Germany, Spain). Blumenschein and Kaufmann Nedal do not forget to mention that Brazil's GDP accounts for about 47% of England's and that the Brazilian population is more than three times bigger than the English one. As for clubs in 2009, while Real Madrid's revenues were 401M€ with "only" 20 million fans, *Corinthians* with its 35 million fans "only" generated 74 M€ of revenues (*Prime Time Sport Brasil*, 2010; Crowe Horwath RCS, 2010).

Figure 23 – CBSA's revenue trend (2007-2009, MU$D)

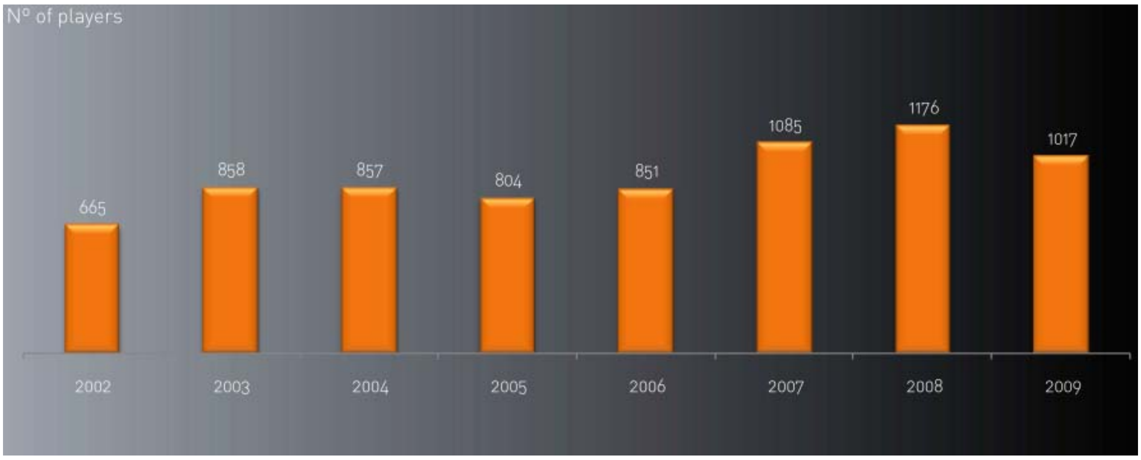


Source: Prime Time Sport Brasil; Crowe Horwath RCS, 2010

Silva (2010) reported that according to Crowe Horwarth RCS data the revenue of the twelve biggest clubs in Brazil had a 128% increase between 2003 and 2008. In 2003, twelve clubs analyzed generated R$ 509.4 million in total revenues. In 2008, this value rose to R$ 1.16 billion. Nonetheless, several experts say that the revenues of Brazilian clubs have still much to grow, especially regarding the licensing of its brands, ticket sales, meals and services in stadiums, among other. He then noted that a significant part of the revenues of the greatest Brazilian clubs was related to the transfer of players. This leads to another major problem which is the Brazilian audience's demand for soccer that goes with high-leveled spectacle consistency. They indeed are known to absolutely passionate and accustomed to the best soccer in the world with their national team.

Prime Time Spots noted that despite the fact that Brazil has been the number one soccer players' "producer" in the world, a stabilization of the player exports number has been witnessed during the last four years. The sports agency even revealed that the overall market price of Brazilian player exports faced a 25% falloff to 177 MU$D in 2009 for the first time in ten years.

Figure 24 – CBSA's evolution of players tranferred abroad – 2002-2009 period



Source: Prime Time Sport Brasil; CBF.

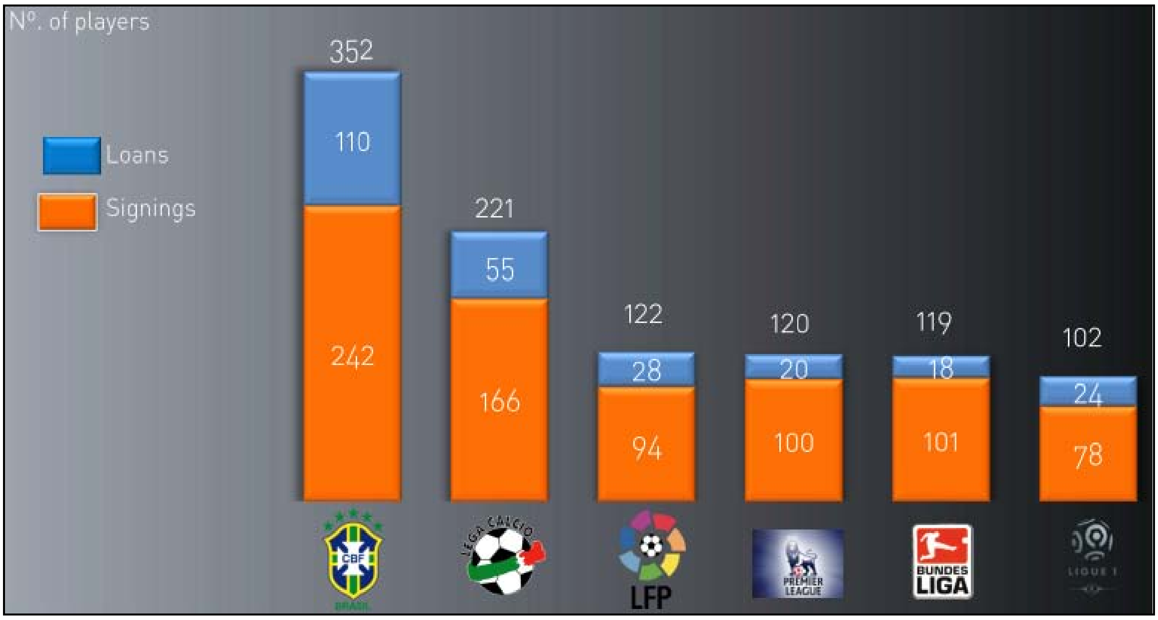
Figure 25 – CBSA's evolution of players transferred abroad (%) – 2007-2009 period

Source: Ministério do Desenvolvimiento, Indústria e Comércio ExteriorTotal Brazilian football (all divisions)

To get a more detailed picture, Silva explained that the three clubs that invested most in players' salaries in CBSA in 2008 were *International* with 13.2 M€, *Palmeiras*, with 11.6 M€ and *Sao Paulo*, with 9.5 M€. These numbers, although sizeable, are still low if compared with those of some European clubs. *FC Porto, Olympique Lyonnais* and *Arsenal* spent respectively 36.2 M€, 60.6 M€ and at least 90 M€ for the latter in the same period. With such a difference, he remarked that it has been hard to keep the best players in the league. This situation has been threatening the quality of the spectacle and reduces revenues on the long-term according to Lam (2006). Also, problems such as risk of violence and lack of comfort do not entice the Brazilian public to go to stadiums.

Another problem derived from Brazilian clubs' historical dependence on transfer fees is that the level of rotation of teams is much higher than in any other top European clubs as shown by *Prime Time Sport Brasil*. Higher rotation level means that each and every league season, a greater quantity of players have to get used of a new environment and playing system which is indeed not consistent with immediate good results. The Professional Football Players Observatory led a case study for the 2007-08 season on the top 5 European leagues and demonstrated that there were a strong statistical correlation between squad constancy and rankings achieved.

Figure 26 – Number of players signings - Top 5 European leagues and CBSA - 2010



Source*: Prime Time Sport Brasil*

Still, recently -since 2007, obvious signs of Brazilian soccer's progress have been witnessed:

- Brazilian clubs have been competing with the best European teams to attract the best Brazilian players: increased financial revenues of Brazilian clubs have enabled the comeback of top national players that have played in the European "Big-Five"
- A global TV distribution in favor of Brazilian soccer has been contemplated

As a consequence, Brazilian soccer has a great opportunity to develop and consolidate a new model based on both its internal (revamped value) and external (Brazilian economy growth) domestic league's strengths.

Passion, liabilities and instability

However many liabilities would prevent the CBSA to be as competitive as its Top 5 European counterparts. Here are the sectors to improve taking the European "Big-Five" as examples:

- Club Management professionalization: English and German models
- Stadia reorganization (2014 World Cup and 2016 Rio Olympics): German model
- TV rights redistribution model: English model
- Player talent retention combined with important players import for both sporting performance and media coverage internationalization: English and German models; ex Italian model.
- Lower player rotation (much higher than the European "Big-Five"): English and Italian models.
- Increase managers' stability: English model.
- Season calendar synchronized with Europe
- Consistent and constant internationalization (teams tour, international marketing, friendship game etc.): English, Spanish and German models

The 2014 World Cup challenge & opportunities

According to Souto and Torres (2010), the 2014 World Cup attribution to Brazil is both a chance and a major challenge.

"The 2014 World Cup brings a perspective of improvements in sectors of the Brazilian economy and Brazilian management, but at the same time it represents a major challenge. In addition to the investments required for the event, involving communication infrastructure, energy, transport, accommodation, airports and public security, it will be necessary to build economically feasible sports arenas"

(Souto and Torres, 2010, p. 46)

Souto and Torres noted that the 2014 World Cup is an excellent opportunity for Brazil to invest in key sectors of the economy, especially those related to urban cities mobility, tourism, information technology, soccer model management along with the emergence of modern arenas.

According to Celso Grellet (2010), the 2014 World Cup is above all a chance to better Brazilian clubs administration.

"*The major changes in soccer since the last World Cup in Brazil, sixty years ago, show how important it is to have efficient administration of Brazilian clubs. A number of factors, especially the arrival of television, have made soccer into big business. This is why club administration is complex: it requires administration tools in the areas of marketing, finance, human resources and so on. […] the 2014 World Cup is the ideal moment for the clubs to achieve administrational excellence."* (Grellet, 2010, p. 52)

3.4 How to measure soccer leagues' competitiveness?

Marquez and Martin (2000) detailed three measures of success in the soccer industry based on two basic relationships they demonstrated:

- Increased salary spending leads to better sporting results
- Enhanced sporting results leads to increased revenues

As a consequence, they concluded giving three essential factors for soccer club in order to maximize success:

- Success on the pitch
- Club potential to attract customers (fans and sponsor companies) which depends on various elements: *"the club's location, reputation (with all its elements: history, brand awareness, revenue-generating capacity, prestige, etc.), external architecture, any strategic asset in the club's management, etc."* (Marquez and Martin, 2000)
- League attractiveness measurable by CB

Financial strength and sports results are related

The relationship between economic power and sporting victories is crucial when comprehending the relevance of the CB theory.

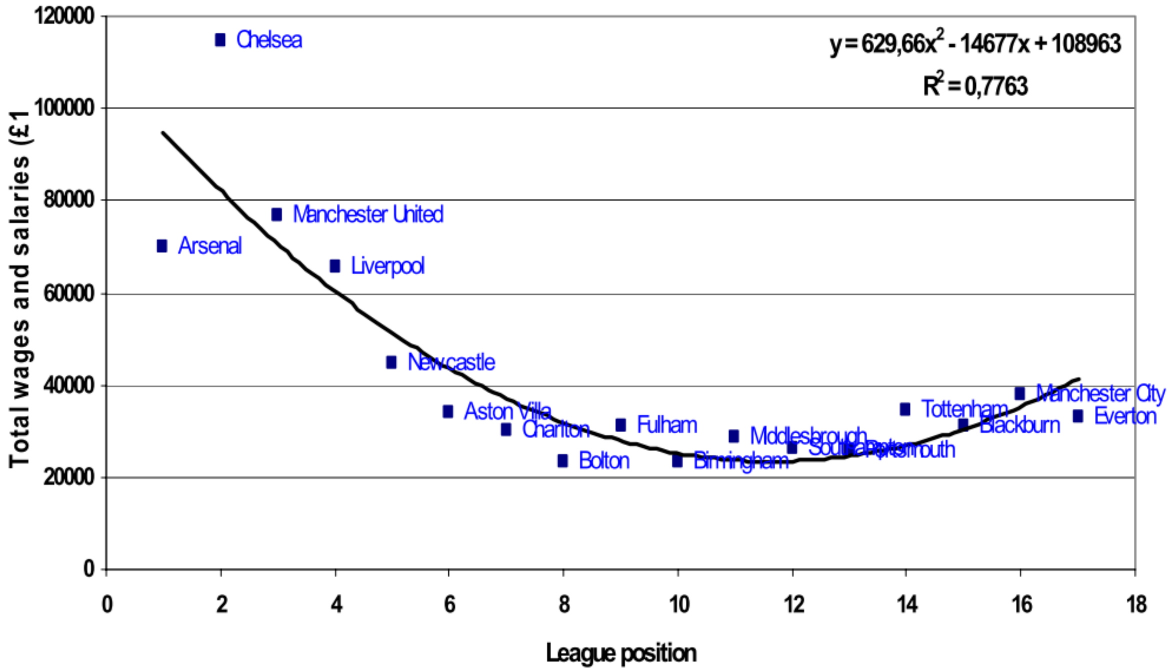
In the previous chapters, we discussed the way European and Brazilian clubs were organized and how they have been participating in domestic and international competitions. Now is the time to approach an essential aspect of soccer business, what is the relationship between sports results and economic performance of a club?

Traditionally, soccer has been regarded primarily as a sport. Therefore, a club's main objective has long been to optimize athletic performance. For example, Szymanski and Kuypers (1999, p.281) stated that, historically, there has been no relationship between the benefit of soccer clubs and their performance in the pitch. However, because of some clubs' serious economic problems and broader knowledge of professionalized sports management practices, existing legislation has forced top professional soccer clubs to establish an economic objective of profitability along with the traditional sports results.

Analyzing the English case, Szymanski and Kuypers (1999) pointed out that since 1991, when some clubs start to go public, profits and sporting success have grown together. This statement must be qualified especially in recent years as a result of the economic crisis, its impact on TV purchasing power and soccer club incomes.

As stated by Troelsen and Dejonghe (2007), several empirical studies presented a high correlation between sporting performance and budget/wages in main European soccer leagues[34]. The authors even produced a figure retrieved here to show the relationship between the league position and the size of the budget.

Figure 27 – Total wages versus league position, English Premier League (excluding 3 relegated teams) 2003/2004



Source: Troelsen and Dejonghe, 2007

It seems indeed logical to expect some positive relationship between quality of play of a team and its economic performance. Finding a balance between the quality of play and the resources needed to achieve it is what should be aimed by a cost-effective management of the club. In this sense, Szymanski and Kuypers (1999, p.125) argued that the fundamental dilemma for soccer clubs is to draw a balance between sports and economic results as long-term objective.

[34] Examples gave by Troelsen and Dejonghe (2007),: Premier League 65% (wages-performance) Deloitte(2004:39) and a Spearman Correlation of 0.92-0.83 for the period 1996-99 (Szymanski & Kuypers,1999); Dejonghe(2006) 0.52-070 in the period 1999/2000-2005/06; Dejonghe(2004b) 0.82-0.93 in the Netherlands 1999/2000-2002/03; 0.9 in Portugal between 1999-2005(Tenreiro, 2006) 0.54-0.84 in Italy for the 1996-2005 period (Brunelli, 2006); 0.49-0.72 in France for the 1999-2003 period (Gouget J-J & Primault D.,2006)

3.4.1 Financial revenues

As stated by Marquez and Martin (2000), *"[…], the more competitive is a domestic league the more revenues the league will produce for its local clubs. A league becomes attractive for its clubs when it is able to generate higher revenues. To achieve such a purpose almost everything is valid.*".

According to the authors, while a club is making money (more revenues) it can attract better players, more fans and wealthier investors and sponsor.

However, they also noted (p.272): "*It is evident that, as wage levels continue to rise and as facilities improvement demands increase, clubs need to generate significant amounts of new revenues to balance their books.*"

Revenues vs. Profits

The 14th edition of Deloitte Football Money League (2011, p.274) profiled the highest earning clubs in the world both in terms of revenues and profits.

Most of the soccer clubs have long been seen as non-profitable enterprises even where and when the financial figures were missing – especially in Latin Europe and Brazil.

> *"[...] football has traditionally been an unsuccessful business. In the 1980's many English clubs, such as Chelsea, flirted with bankruptcy. In France, the leading club of the era, Bordeaux, was relegated in 1991 due to financial difficulties. In Italy, AC Milan only survived through the early 1980s thanks to significant cash injections from the owner."*
>
> (Kearney, 2004, p.2)

While English Premier League has been traditionally – for some years now – the highest earner by far (€2.5 billion of revenue in 2010), the German *Bundesliga* has been considered the most profitable (138 M€ in 2010) thanks to both its modern vision on soccer administration and its financially conscious management.

The economic strength of the top ten clubs is due to their recurring presence in the European competitions - and for the most part the gain of titles-; a significant fan base at regional, national and international levels; high-capacity stadiums (eight clubs out of ten have at least a 60 000-seats stadium); high TV rights; strong financial investment from among the richest people of the world.

On the whole last decade, only England and Germany have achieved results beyond positive. French League 1 and Italian Serie A has presented a decline in their net, striving to stay positive; in 2010, the two leagues presented deficits (around 102 M€). Spanish financial results are not transparent as they do not publish net results. The situation is quite similar in Brazil. Elsewhere in Europe, the leagues of Netherlands (420 M€), Turkey (378 M€) and Russia (368 M€) are the one that generate the biggest turnover thanks to commercial revenues mainly (match day revenues, jersey sales and accessories etc.).

3.4.2 Club sporting performance

Even if the present research presents soccer from a business-oriented perspective, the sporting side cannot be put aside according to financial success.

According to Marquez and Martin (2000, p.271), "*success can be expressed in win percentage and also can be measured in different ways*".

As Marquez and Martin (2000) noted, financial success and success in sports are connected through a virtuous cycle. Besides, Burger and Walters (2003) wrote that team performance and league market size directly affect club revenue, and thus affects the ability of the club to recruit and retain talent in the team.

Actually there is a direct correlation between financial results and sports results, and this correlation can be positive (virtuous circle) or negative (vicious cycle), as noted by Lam (2006). Moreover, there is a correlation between these two cycles, not all clubs can be as wealthy at the same time since revenues are unequally distributed in the same league.

3.4.3 Competitive Balance

Neale[35] (1964 apud Troelsen; Dejonghe, 2007) reported quite a famous sentence pronounced by the president of the Yankees, when they dominated the American Baseball League in the 1950's that eases the understanding of the CB concept: "*Oh Lord, make us good, but not too good*"

Michie and Oughton (2004) gave a more rational definition of the CB concept: "*CB refers to balance between sporting capabilities. The more balanced the teams, the more uncertain the outcome of each match*".

Kuypers (1997) gave three definitions to CB:

- The attractiveness of a balanced game
- The closeness of a league final ranking
- The absence of long-term dominance

Historically, the majority of researches on CB were focused in the first two definitions detailed above (Szymanski, 2000). Indeed, Jennett (1984), Jones and Ferguson (1988), Cairns (1988), Peel and Thomas (1988) and Kuypers (1997) focused on the importance of match uncertainty. Demmert (1973), Noll (1974), Whitney (1988) and Kuypers focused on the closeness of league final ranking and scrutinized its effect on game attendances. Szymanski (2000) concentrated on the relevance of a balanced league on the long-run.

Besides, Szymanski remarked:

> *"In a perfectly balanced contest, each participant starts with an equal chance of winning, so that the outcome will be completely uncertain. If there is no competitive balance then the exact outcome can be predicted with probability one."*
>
> (Szymanski, 2000)

CB is relevant to analyze because the logical presupposition hereafter would be to think that CB is necessary condition to attract TV audience and spectators and then to clubs' total income. "*It is widely accepted that a degree of competitive balance is an*

[35] Neale W. (1964), "The peculiar Economics of Professional Sports", The Quarterly Journal of Economics, 78,1,p.1-14

essential feature of attractive team sports […]. Without at least a degree of competitive balance, fans will lose interest in a competition." analyzed Szymanski (2000).

That is pretty much what Troelsen and Dejonghe stated with the following terms:

> *"In a league with high Competitive Balance (CB) all teams at the start of a season have a realistic expectation to perform well and end up high in the final ranking. The result is that almost no teams are constantly ranked in the top or in the bottom of the league […]Lack of governing CB in EUR soccer will on the long run result in less growth in revenues, financial gambling in reaching playoffs, bankruptcies, rival leagues and fewer fans for the EUR-leagues."*
>
> (Troelsen and Dejonghe, 2007)

Michie and Oughton (2004) also agreed:

> *"Competitive balance is important because, other things being equal, uncertainty of outcome generates interest from supporters and increases demand for watching matches both at the ground and on television (including by subscription and pay-per-view). A league that is not competitively balanced is therefore not maximizing potential income from spectators and viewers. Maintaining and promoting competitive balance is therefore important in order to maximize demand for a club's and the league's product. This is part of the business logic behind sports leagues adopting regulatory rules to redistribute income and promote competitive balance. Competitive balance is also important to ensure league stability. Unbalanced leagues face increased risks of bankruptcy of lagging clubs and threats of league break-up from new or rival leagues."*
>
> (Michie & Oughton, 2005, p.4)

According to Marquez and Martin (2000), increasing CB is fundamental to launch the following virtuous cycle for domestic soccer leagues.

> *"First of all, the more competitive is a domestic league the more revenues the league will produce for its local clubs. Thus, new talent is likely to come to the league, which may enhance the playing performance in European competitions. That would let the league's clubs to obtain a higher UEFA ranking coefficient. Second, with a growing coefficient, the opportunities for the national league to have two or three clubs in the Champions League would be higher. Thus, clubs are also interested in enhancing their domestic league's attractiveness because it will have a repercussion on their possibilities to enter the group phase in the Champions League."*
>
> (Marquez and Martin, 2000, p.274)

However, Szymanski (2000) proved that the relation between decrease in CB and decline of fans' interest –at least in English soccer- might not been automatic. In addition, in the same paper, the author said that enhancing CB was not always beneficial in soccer. According to him, indeed, fan interest not only depends on CB but also equally to the team success that is supported along with the unequal geographic/demographic distribution of the club region. He concluded:

> "*In particular, intensely supported teams are likely to create excessively unbalanced competitions. This might be taken as grounds for limited redistribution. […] There are many factors that influence attendance, and isolating the effect of competitive balance using only a short time series is unlikely to reveal capture all the dynamics of the underlying relationship."* (Szymanski, 2000).

3.7 Competitive Balance in soccer

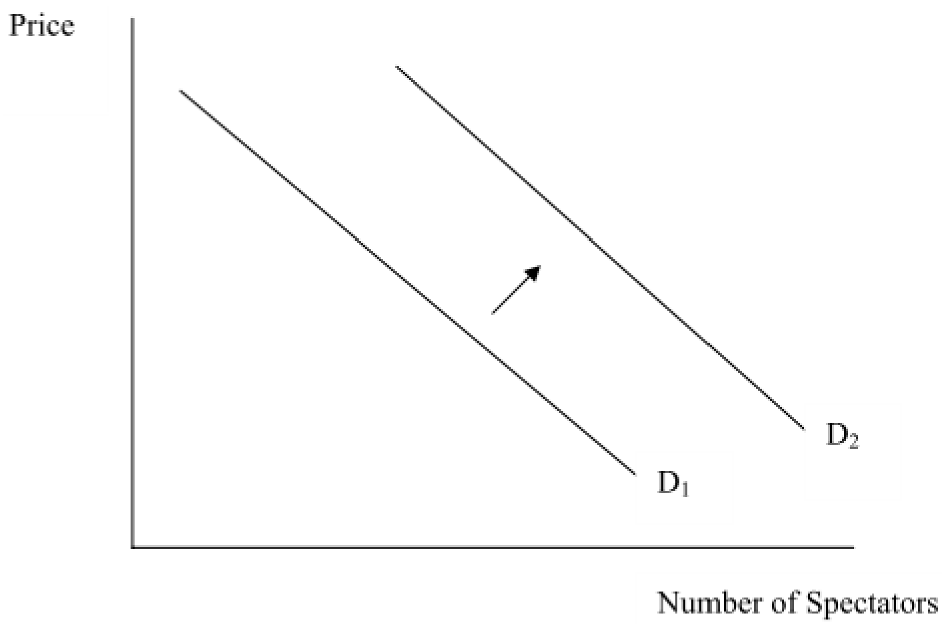
After the contextualization of the soccer industry used in the literature and strategic management, this section aims to present a more specific discussion about CB in soccer along with measures used to test it.

3.7.1 Conditions

The debate on soccer league competitiveness is based on the concern that sports leagues require different levels of CB to grow and maintain on the long-run (Michie and Oughton, 2004; Silva, 2006).

Under this supposition, the lack of competitiveness makes both matches and leagues predictable which leads to a non-maximization of the number of spectators and TV audience. Moreover, the CB is relevant to study because it has the consequence of shifting the demand curve for watching games up and to the right (cf. Figure 28). Increasing and supporting CB is then relevant in order to maximize demand for both clubs and leagues. The logic behind is to make sports league institutions to adopt supervisory regulation to better redistribute revenues to ensure league balance through the promotion of CB.

Figure 28 – The Impact of Competitive Balance on spectator demand (Oughton and Michie, 2005; retrieved by Silva, 2006)



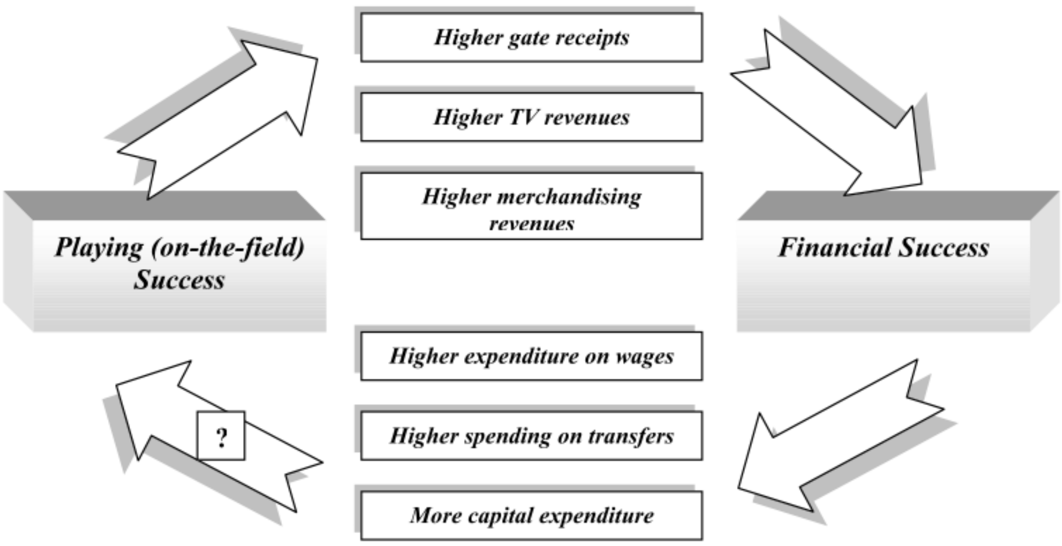
Michie and Oughton (2005) detailed the risks associated with unbalanced leagues:

- Increased risks of bankruptcy of lagging clubs
- League break-up from new or rival leagues.

- Increased risks of large income gaps between and within the leagues, resulting in greater gains for participation in certain tournaments (European Champions League). These gaps may increase the risk of the soccer industry encouraging clubs to spend even more to be competitive and ensure success.
- Increased risks of match predictability and boredom: spectators and TV viewers would tend to decline proportionally to the degree of the game outcome certainty.

A major risk needs to be understood through the virtuous cycle theory of soccer, as in figure 29. Clubs with more revenue coming from increased ticket sales, participation in major competitions, television quotas, or derived from marketing strategies and customer relationships are the ones who get greater financial revenues. This success enables hiring better player and enhancing salary costs, influencing directly team performance on the pitch. With the successes on the pitch, the club generates greater revenues.

Figure 29- Soccer virtuous cycle - (Márquez and Martin, 2000)



Source: Ashurst Morris Crisp., 1997

This virtuous cycle of soccer is directly linked to the dominance of certain clubs over others. The only barrier to entry in this virtuous cycle is "money" (Silva, 2006). Inversely, the clubs that cannot reach financial success enters in a vicious cycle of repetitive failures. In the long-run, this situation can increase the domestic financial gap between the clubs. This issue is directly related to CB in soccer.

3.5.2 Building more competitive clubs and leagues

How can be implemented more CB – if wanted - in Brazilian and European domestic soccer leagues?

As stated by Troelsen and Dejonghe (2007), "*there is no easy formula for CB*". They studied and presented the ways European soccer should carry out to develop more CB in the future.

- **Closed leagues**. Helps erecting continuing partnerships with "*sponsors, the city elites, the fans, investors, the market and the local authorities*" (p.15). It also enhances competition through increased "*rivalries, adding to the intensity and excitement*" (p. 15).
- **Salary caps**[36]. An efficient salary cap has to limit the amount of money a team can spend on player salaries within a same league in order to guarantee parity between squads. "*Salary cap might be very difficult to accept […] and can only be implemented when revenue sharing occur.*" (p. 15).
- **Revenue sharing**. More revenue sharing can be reached through more equal redistribution of broadcasting rights and the share of matchday ticket sales. The problem here is that only the home teams' have the marketing charge to fill the stadium.
- **Talent drafting**. The UEFA once contemplated to impose to each team that they have a restricted number of non-home grown playing in the squad. This to secure a local development of talents and to keep the sport locally rooted. However, bounding the freedom of players' movement would be illegal regarding European Union regulation (cf. "Bosman ruling").

[36] *The A-League*, the top Australasian professional soccer league settled a salary cap for each club during the 2010/2011 season

- **Ruling and management of the leagues**. Independent bodies at a federal level are needed "*to rule the balance between sportive, marketing and economic issues*" (p. 15) to ensure equity for each club of the league.

3.5.3 Measurements of Competitive Balance in soccer

Though difficult it might be to measure CB in certain leagues, or any other sort of sports competition, CB is a major theme of the professional sports economics in the United States and Europe. Many researches were made to establish the most relevant criteria to evaluate CB.

Michie and Oughton (2004) and Silva (2006) gave quite a comprehensive summary of the main techniques to assess CB for not only soccer but also for some other American sports (basketball, football, baseball etc.). This summary is partly reproduced in Figure 1 in the Appendix of this research. As described by Cairns (1987) and Silva (2006) and as reported in the Figure 1 of the Appendix, general lines of research on competitiveness measures are analyzed through the long-term dominance scope during a league season in relation to the probability of victory given some definite matches.

4 RESEARCH DESIGN

In their research on CB, Michie and Oughton (2004) summarized the main statistics techniques used to measure the degree of sports leagues concentration. They have been retrieved by Silva in 2006.These measures are listed in Figure 1 of this study appendix.

In the specific case of CB in soccer, two types of research goals have been identified after the literature review:

1. long-term dominance
2. seasonal

In the analysis of CB in soccer in particular and sports leagues in general, HHI indicator has been used both for long-term dominance and seasonally calculations (Silva, 2006).

Indeed, because HHI indicator has been used as one of the most efficient concentration measurer by specialist researchers for sports leagues in general and soccer in particular, this study will calculate the long-term dominance and seasonal results of CBSA and nine of the major European soccer leagues (Belgium, England, Germany, Netherlands, France, Italy, Portugal, Scotland, and Spain) using it as analysis mean.

The choice of the period to be searched is fourteen years (beginning with the 1996/97 season in Europe), taking into account the difficulties of getting the numbers for CBSA due to the different formats used by the clubs before 1996.

Calculation 1: HHI - Model Oughton and Michie (2004) – Seasonal (adapted from Silva, 2006)

This calculation is used for work such as Michie and Oughton (2004) and Depkin (1999), performing the calculation of the HHI on the classification table and utilization percentage of each club. For demonstration purposes, the table below describes the HHI with the maximal disequilibrium possible within a 20-team league.

As described in the formula below, the calculation is done through the utilization index (“approval”) of each team in the league by taking the sum of the squares of this utilization index (“approval”). *Si* is the “approval” of each club in relation to the maximal total points possible that can be reached in a season:

$$HHI = \sum_{i=1}^{n} s_i^2$$

Figure 30 – Maximum Imbalance for 20 teams:

Teams	Games	Victories	PPG	Total	Max	Approval (%)	(Approval (%))²
1	38	38	3	114	114	100%	1,000
2	38	36	3	108	114	95%	0,898
3	38	34	3	102	114	89%	0,801
4	38	32	3	96	114	84%	0,709
5	38	30	3	90	114	79%	0,623
6	38	28	3	84	114	74%	0,543
7	38	26	3	78	114	68%	0,468
8	38	24	3	72	114	63%	0,399
9	38	22	3	66	114	58%	0,335
10	38	20	3	60	114	53%	0,277
11	38	18	3	54	114	47%	0,224
12	38	16	3	48	114	42%	0,177
13	38	14	3	42	114	37%	0,136
14	38	12	3	36	114	32%	0,100
15	38	10	3	30	114	26%	0,069
16	38	8	3	24	114	21%	0,044
17	38	6	3	18	114	16%	0,025
18	38	4	3	12	114	11%	0,011
19	38	2	3	6	114	5%	0,003
20	38	0	3	0	114	0%	0,000
						BASE	6,842
						HHI MAX	0,068

Calculation 2: Dell’Osso and Symanski, S (1991) Model – Long-term dominance (adapted from Silva, 2006)

This research will use the measure proposed by Dell'Osso. F. & Symanski. S. (1991) in an article entitled “'Who Are the Champions?" and retrieved by Silva (2006), giving 1, 2 and 3 points for the first, second and third places in each and every studied league and checking the concentration of the dominant teams in the top positions in the leagues’ end of the season result. A long-term dominance pattern will then be obtained for each and every studied league. This methodology will be complemented by the use of the HHI, in order to demonstrate the concentration of these teams in the top positions of each national league over a fourteen-year period. This methodology is based on the works of Eckard (2001) resumed by Gerrad (2004) to determine long-term dominance and concentration of titles within a sports league.

Also for this calculation, the numbers will be compared with the achieved maximum HHI. In this case, "HHI Maximum" represents the maximum concentration of teams in the top three positions, representing the largest imbalance possible, as shown below.

The comparison of the highest HHI rate possible (“HHI MAX”) (Example 1) will be made with another more balanced situation, and thus a more balanced HHI (Example 2). In Example 2, the random results of a fictive league are such that the HHI for the fourteen years studied represents 64.29% of the “HHI MAX”, which represents the maximum imbalance (2,500/3,889*100=64.29%).

Figure 30 bis – Long-term dominance calculation – Two examples

1°

Example 1																		
Country	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**	**1997**	**SUM**	**%**	**HHI**	**HHI MAX**
Team A	3	3	3	3	3	3	3	3	3	3	3	3	3	3	42	50%	2 500	
Team B	2	2	2	2	2	2	2	2	2	2	2	2	2	2	28	33%	1 111	
Team C	1	1	1	1	1	1	1	1	1	1	1	1	1	1	14	17%	278	
														SUM	84	100%	3 889	3 889

Champion	3 pts
Vice-champion	2 pts
3rd place	1 pt

2°

Example 2																		
Country	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**	**1997**	**SUM**	**%**	**HHI**	**% HHI MAX**
Team A	3	3	3	3	2	2	2	2	2	1	1	1	1	1	27	32%	1033	
Team B	2	2	2	2	1	1	1	1	1	0	0	0	0	0	13	15%	240	
Team C	1	1	1	1	0	0	0	0	0	0	0	0	0	0	4	5%	23	
Team D	0	0	0	0	3	3	3	3	3	2	2	2	2	2	25	30%	886	
Team E	0	0	0	0	0	0	0	0	0	3	3	3	3	3	15	18%	319	
														SUM	84	100%	2500	64,29%

Champion	3 pts
Vice-champion	2 pts
3rd place	1 pt

Indeed, it is possible to calculate with this indicator the level of concentration for the nine European leagues studied and the CBSA. The difference in their concentration in their respective top soccer division leagues would then be analyzed. This becomes an effective measure of long-term dominance. This method had been already used by Silva (2006).

5. RESULTS

The results of the research will be demonstrated as the calculation method described in the research methodology. The calculation method is based on the works on long-term dominance by authors such as as Dell'Osso and Symanski (1991), Eckard (2001) and Gerrard (2004). They have been resumed by Silva (2006). The interpretations on the results and comment on other sports and about future research will be presented afterwards.

5.1. Dominance calculation

The calculation took into account the dominance of the final positions of the annual leagues' season rankings. From them, we calculated the concentration of these teams in leadership positions: First (Champion), Second (Vice-champion) and Third (3rd place) using the HHI index of concentration for a period of fourteen years[37] by comparing the different national leagues' trio winner (Brazil, Belgium, England, Germany, Netherlands, France, Italy, Portugal, Scotland, and Spain).

The ten figures below shows the calculations for all the national soccer leagues studied. The eleventh one would summarize and rank the data obtained. The figures are presented by clubs' alphabetical names for each national league.

Figure 31 – England -Premier League

England	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	SUM	%	HHI	HHI MAX
Arsenal	1		1			2	3	2	3	2	2	2	3	1	22	26	686	
Chelsea	3	1	2	2	3	3	2					1			17	20	410	
Leeds											1				1	1	1	
Liverpool		2		1	1				2	1			1		8	10	91	
Manchester United	2	3	3	3	2	1	1	3	1	3	3	3	2	3	33	39	1543	
Newcastle								1						2	3	4	13	
														SUM	84	100	2744	71%
Champion	3 pts									HHI MAX		3889						
Vice-champion	2 pts																	
3rd place	1 pt																	

[37] All the years mentioned are the years the league is ending. For example 1997 = season 1996/97

Figure 32 – Spain - *Liga*

SPAIN	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	SUM	%	HHI	HHI MAX
Atletic Bilbao													2		2	2	6	
Deportivo La Coruña							1	1	2	2	3				9	11	115	
FC Barcelona	3	3	1	2	3	3	2				2	3	3	2	27	32	1033	
FC Sevilla		1		1										1	3	4	13	
RCD Mallorca										1		1			2	2	6	
Real Madrid C.F.	2	2	3	3	2	2		3	1	3		2		3	26	31	958	
Real Sociedad								2					1		3	4	13	
Valencia C.F.	1				1		3		3		1				9	11	115	
Villarreal C.F.			2			1									3	4	13	
														SUM	84	100	2270	58%
Champion	3 pts									HHI MAX		3889						
Vice-champion	2 pts																	
3rd place	1 pt																	

Figure 33 – Germany - *Bundesliga*

Germany	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	SUM	%	HHI	HHI MAX
Bayer Leverkusen							1		2		2	2	1	2	10	12	142	
Bayern Munich	3	2	3		3	3	2	3	1	3	3	3	2	3	34	40	1638	
Borussia Dortmund								1	3	1				1	6	7	51	
Hamburg					1						1				2	2	6	
Herta Berlin												1			1	1	1	
Kaiserslautern													3		3	4	13	
Shalke 04	2		1	2		2				2					9	11	115	
Stuttgart		1		3				2							6	7	51	
Werder Bremen	1		2	1	2	1	3								10	12	142	
Wolfsburg		3													3	4	13	
														SUM	84	100	2171	56%
Champion	3 pts									HHI MAX		3889						
Vice-champion	2 pts																	
3rd place	1 pt																	

Figure 34 – Italy - *Lega Calcio*

Italy	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	SUM	%	HHI	HHI MAX
AC Milan	1	1			2	2	3	1			1	3			14	17	278	
AS Roma	2		2	2			2		2	3					13	15	240	
FC Internazionale Milano	3	3	3	3	1	1		2	1				2	1	20	24	567	
ACF Fiorentina												1			1	1	1	
Juventus FC		2	1		3	3	1	3	3	2	2		3	3	26	31	958	
Parma FC														2	2	2	6	
S.S. Lazio				1						1	3	2			7	8	69	
Udinese Calcio													1		1	1	1	
														SUM	84	100	2120	55%
Champion	3 pts									HHI MAX		3889						
Vice-champion	2 pts																	
3rd place	1 pt																	

Figure 35 – France - *League 1*

France	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	SUM	%	HHI	HHI MAX
AJ Auxerre	1								1						2	2	6	
FCG Bordeaux		3	2		2							3			10	12	142	
RC Lens									2				3		5	6	35	
Lille OSC					1	2				1					4	5	23	
Olympique lyonnais	2	1	3	3	3	3	3	3	3	2	1	1			28	33	1111	
Olympique de Marseille	3	2	1	2				1				2			11	13	171	
FC Metz													2		2	2	6	
AS Monaco						1	1	2			3		1	3	11	13	171	
FC Nantes										3				1	4	5	23	
PSG							2				2			2	6	7	51	
Toulouse FC				1											1	1	1	
														SUM	84	100	1740	45%
Champion	3 pts									HHI MAX		3889						
Vice-champion	2 pts																	
3rd place	1 pt																	

Figure 36 – The Netherlands

Netherlands	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	SUM	%	HHI	HHI MAX
Ajax Amsterdam	2	1	2	2		2	3	2	3	1			3		21	25	625	
AZ Alkmaar		3		1	2	1									7	8	69	
FC Twente	3	2												1	6	7	51	
Feyenoord					1		1	1	1	2	1	3		2	12	14	204	
NAC Breda			1												1	1	1	
PSV Eindhoven	1		3	3	3	3	2	3	2	3	3	1	2	3	32	38	1451	
SC Heerenveen											2				2	2	6	
Vitesse Arnhem													1		1	1	1	
Willem II												2			2	2	6	
														SUM	84	100	2415	62%
Champion	3 pts									HHI MAX		3889						
Vice-champion	2 pts																	
3rd place	1 pt																	

Figure 37 – Portugal

Portugal	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	SUM	%	HHI	HHI MAX
Benfica	3	1		1	1	3	2	2			1	1	2	1	18	21	459	
Boavista									2	3		2			7	8	69	
FC Porto	1	3	3	3	3	2	3	3	1	2	2	3	3	3	35	42	1736	
Sporting Braga	2														2	2	6	
Sporting Portugal		2	2	2	2	1	1	1	3	1	3			2	20	24	567	
Vitoria Guimarães			1										1		2	2	6	
														SUM	84	100	2843	73%
Champion	3 pts									HHI MAX		3889						
Vice-champion	2 pts																	
3rd place	1 pt																	

Figure 38 - Scotland

Scotland	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	SUM	%	HHI	HHI MAX
Aberdeen FC				1											1	1	1	
Celtic FC	2	2	2	3	3	2	3	2	3	3	2	2	3	2	34	40	1638	
Dundee United	1													1	2	2	6	
Heart of Midlothian		1			2			1			1		1		6	7	51	
Hibernian FC						1	1			1					3	4	13	
Livingston FC									1						1	1	1	
Motherwell FC			1												1	1	1	
Rangers FC	3	3	3	2	1	3	2	3	2	2	3	3	2	3	35	42	1736	
Saint Johnstone												1			1	1	1	
														SUM	84	100	3450	89%
Champion	3 pts									HHI MAX		3889						
Vice-champion	2 pts																	
3rd place	1 pt																	

Figure 39 – Belgium

Belgium	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	SUM	%	HHI	HHI MAX
Excelsior Mouscron														1	1	1	1	
FC Bruges	2	1	1		1	3	2	3	2	2	2	2	3	2	26	31	958	
KFC Germinal Ekeren													1		1	1	1	
KSC Lokeren								1							1	1	1	
La Gantoise	1										1				2	2	6	
Lierse SK														3	3	4	13	
RC Genk				2					3			3	2		10	12	142	
RSC Anderlecht	3	2	2	3	3	2	3	2	1	3	3	1			28	33	1111	
Sporting de Charleroi															0	0	0	
Standard de Liège		3	3	1	2	1	1			1					12	14	204	
														SUM	84	100	2438	63%
Champion	3 pts									HHI MAX		3889						
Vice-champion	2 pts																	
3rd place	1 pt																	

Figure 40 – Brazil – CBSA

BRAZIL	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	SUM	%	HHI	HHI MAX
AD São Caetano										2	2				4	5	23	
Atletico MG												2			2	2	6	
Atlético Paranaense							2			3					5	6	35	
CR Flamengo		3		1											4	5	23	
CR Vasco da Gama											3			3	6	7	51	
Cruzeiro EC	2		1					3			1		2		9	11	115	
Fluminense FC	3									1					4	5	23	
Goiás EC						1									1	1	1	
Grêmio Porto Alegre			2		1				1						4	5	23	
Santos FC				2			3	2	3				1		11	13	171	
São Paulo FC		1	3	3	3		1	1				1			13	15	240	
SC Corinthians	1					3			2			3	3		12	14	204	
SC Internacional		2			2	2								1	7	8	69	
SE Palmeiras														2	2	2	6	
														SUM	84	100	989	25%
Champion	3 pts									HHI MAX		3889						
Vice-champion	2 pts																	
3rd place	1 pt																	

5.2 Results analysis

The figure below groups the results in maximum imbalance order, in terms of long term dominance. Indeed, the Scottish league has the highest imbalance and the CBSA has the weakest imbalance over the last fourteen years, identified by the concentration of same teams in the top-three league rankings from 1997 to 2010.

Figure 41 – Grouped figure: Long-term concentration final results

League	% HHI MAX
Scotland	89
Portugal	73
England	71
Belgium	63
Netherlands	62
Spain	58
Germany	56
Italy	55
France	45
Brazil	25

Long-term analysis

Among all the countries studied, Brazil presented the highest results in CB as shown in figure 11. The English *Premier League* appears to be the most unbalanced league within the top-5 European leagues. Indeed, the study reported that the concentration of the same teams in the leagues' first positions represented 71 % of the maximum disequilibrium possible in England.

Two group patterns seem to emerge in Europe according to the study:

1. The *highly unbalanced* leagues: England, Scotland, Portugal, Belgium, Netherlands
2. The *4-moderates:* Spain, Germany, Italy, France

We observe than there is a rather negative relation between balanced league/league results. Actually, the more balanced is a league, the less competitive it is according to UEFA leagues ranking index.

England is the only top-5 ranked soccer league in Europe to rank among the most imbalanced leagues. The English Premier League case seems indeed to question the relevance of the CB concept when applied to soccer league competitiveness.

Brazil presents a totally different pattern than the studied European leagues with a very low level of winning team concentration.

Analyzing thoroughly the results, we might tempt to point out a desirable level of CB. The analysis might be imprecise since the best soccer league (71%) has quite an important level of unbalance. It seems then difficult to discard Portugal (73%) that is slightly more unbalanced that the number one league. At the bottom, we might think that France's level of CB is too low if we compared it with its overall results in terms of sporting and financial performance. Italy (55%), despite its decline, could still be considered as a reference league. Also Italy's CB is almost the same as the German league, which is seen as the new reference league in term of management.

Figure 42 - Two group patterns seem to emerge in Europe, towards a desirable level of CB?

	League	% HHI MAX
1	Scotland	89
2	Portugal	73
3	England	71
4	Belgium	63
5	Netherlands	62
6	Spain	58
7	Germany	56
8	Italy	55
9	France	45

[55%;73%] ?

Final analysis for each national league

- **The Scottish league (89%)** proved to be the most unbalanced competition studied. One of the main characteristics of the Scottish Premier League (SPL) is the dominance of the two “Old Firm” clubs, Rangers and Celtic. Only the two “Old Firm” clubs have won the league since 1998 and there has only been one season (2005–06) where both clubs did not rank second or first. An interesting statistics concerning the SPL is that Scotland has more fans going to games than anywhere else in Europe that per head of population[38]. Both clubs’ average number of spectators is much more important than the other clubs. Consequently, the two leading teams have been generating much more revenues that can be used to spend on players. Both clubs also have long taken advantage of the revenues from their habitual participations in the top European championships. These clubs financially developed and entered in a virtuous cycle as proved by Lam (2006). The SPL ranked 15th by 2011 UEFA's ranking.

- **The Portuguese league (73%)** also presents a very high level of disequilibrium, due the historical domination/rivalry between the “Big Three” (“Os Três Grandes”): the recent dominant *FC Porto* and the Lisbon clubs *Benfica* and *Sporting Portugal* have gathered a total 74 titles since 1934. Historically, only five clubs have won the champion title: the “Big Three” plus *Clube de Futebol "Os Belenenses*" and *Boavista Futebol Clube*. As a result, the great majority of fans support one of the “Big Three” teams plus their second local team (Nebel, 1967).This absence of fervor for local teams partly explains why the *Primeira Liga* has one of the worst attendance ranks in continental Europe. As a result, the three leading teams have been generating much more revenues that can be used to spend on players. Both clubs also have long taken advantage of the revenues from their habitual participations in the top European championships. These clubs financially developed and entered in a virtuous cycle as demonstrated by Lam (2006). The *Primeira Liga* ranked sixth by 2011 UEFA's ranking.

- **The English league (71%)** proves to be the most unbalanced league among the European Top-5, with an obvious leader: Manchester United. More recently, Arsenal and

[38] Daily Record, 21 January 2011, *Scottish football still drawing biggest crowds per head of population in Europe, says SPL chief.*

Chelsea tempted to beat the unchallenged leader. Consistent with the works of Dell'Osso and Symanski (1991), the English league has been historically tailed with great teams such as Manchester United and Liverpool. These clubs have long been praised as efficient models of soccer administration in particular and even in sports in general. These clubs financially developed and entered in a virtuous cycle as proved by Lam (2006). The emergence of Chealsea in the group of Manchester United's main challengers is due to the great flow of foreign capital, namely Russian, from. The high level of concentration has been strictly the same for five years. The *Primeira Liga* ranked first by 2011 UEFA's ranking.

- **The Belgian league (63%)** presents quite the same pattern as the Scottish league with an unrivalled duo composed by *FC Bruges* and *Anderlecht*. However, the Belgian league proves to be a slightly more balanced competition than the Scottish one. Since its creation in 1895, only fifteen clubs have won the champion title. The Belgian Pro League ranked 14th by 2011 UEFA's ranking.

- **The Dutch league (62%)** presents quite the same pattern as the Portuguese league with an unchallenged trio composed by an uncontested leader (*PSV Eindhoven*), a main contender (*Ajax Amsterdam*) and a secondary challenger (*Feyennoord*). However, the Dutch league proves to be a slightly more balanced competition than the Portuguese one.

- **The Spanish league (58%)** also presents the domination of the same clubs in the top positions. More recently, *FC Barcelona* has taken back the dominant position both nationally and at a European scale. Through legislation, Spain was pioneer in forcing clubs to go public even if they had negative results on their balance sheets. This forced them to improve their management tools and clean accountability. Along with *Athletic Bilbao* and *Real Madrid*, *FC Barcelona* is controlled like a registered association. It is then only possible to buy clubs' membership but not entering in the capital. Tough it topped the worldwide rankings in term of player’s salaries and overall revenue associated with an aggressive marketing strategy, the *Real Madrid* has been failing to challenge *FC Barcelona*’s stars mainly coming from its youth academy. The high level of concentration has increased since 2005 (53%).

- **The German league (56%)** also presents quite a high level of disequilibrium, mainly due to the overwhelming domination of *Bayern Munich* and of *Bayer Leverkusen* at a lesser extent in the first five years studied (1996-2001). The German league already seems to suffer from the threat of rival leagues, i.e., the English, Spanish and Italian leagues that present more appeal, with better international players. The high level of concentration has decreased for five years since 2005 (63%).

- **The Italian league (55%)** has always been seen as one of the greatest world soccer leagues. In a recent past, *Juventus* and *AC Milan* share the domination of the *Serie A* which influenced the high levels of disequilibrium in this research. Silva (2006) noted that recently, in 2006, major teams including mainly *Juventus* but also *Milan, Fiorentina, Lazio* were accused of rigging games by selecting the referees before the matches (*Calciocaos)*. Among these cited clubs, only *Juventus* was punished and sent to second division. It was possible that this scandal had represented an opportunity for other teams, like Inter, to thrive and progress. Still, the concentration of the three major clubs (*Juventus*, AC *Milan* and *Inter*) remains high due to their regular participation in the European leagues that comes with important flows of capital. Regardless, the major Italian clubs have a high level of professionalism in terms of training facilities and individual performance management. The high level of concentration has decreased since 2005 (59%). This trend seems to be continued in the next years since historically powerful clubs are back in first division (*Juventus, Napoli* and *Genoa*).

- **The French league (45%)** presents the highest level of equilibrium with quite a good balance of leading teams. Over the past five years, a fairly clear hierarchy emerges though:

- A leading position for *Olympique Lyonnais* that won the champion title 7 times a row from 2002 to 2008.
- A contender position for *Olympique de Marseille* and *Girondins de Bordeaux* which stand out with greater regularity over the past five seasons. *AS Monaco* lost its regularity over the past 6 years and is now heading towards the third group of *Olympique Lyonnais*' challengers.
- A group of four secondary challengers: *Paris, Lille, Lens, Nantes.*
- A group of marginal contenders: *Auxerre, Metz, Toulouse*.

The moderate level of concentration has been almost the same since 2005 (44%).

- **The Brazilian league (25%)** has the he particular characteristic to be the most balanced competition. Silva (2006) noted that contrary to what happened with clubs like Manchester United, Bayer Munich, FC Barcelona or Real Madrid, no Brazilian club succeeded in maintaining positive and constant results on the long-term. The management model historically oriented to players 'sales have long prevented the clubs to build competitive teams on the long-run. The disorganized structures, coupled with a fragile economy (in the past) have encouraged players to be transferred abroad, mainly in Europe. Indeed, due to most clubs' structural and administrative weakness, CBSA reaches the highest level of CB. Brazilian clubs must prepare to change its revenue model, through better relationships with customers and improved structures. However, the main challenge is to maintain the historic balance embedded in the CBSA history while gaining international exposure.

Final analysis and global comment

We observe than there is a rather negative relation between balanced league/league results.

The results showed that CB might be relevant for some of the weakest European leagues (Belgium, Netherlands, Portugal, and Scotland) but not for the top G5 (Germany, Spain, France, England, and Italy).

Actually, the more balanced is a league of a top European G5, the less competitive it is according to UEFA leagues ranking index. For the weakest European leagues, the conclusion is more balanced.

Figure 43 – UEFA points average from the nine European soccer leagues studied since 1997 (1996/97 season)

League/Season	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Spain	17 928	15 000	17 875	16 625	15 642	12437	14312	15500	14857	16611	18571	10000	8428	11600
England	17 928	13 312	13 875	19 000	14 428	15571	11250	10666	11571	14166	14500	7437	7785	7400
Italy	15 428	11 375	10 250	11 928	15 357	14000	8875	15928	12571	9812	12000	12000	12285	10142
Germany	18 083	12 687	13 500	9 500	10 437	10571	4714	9142	13500	11062	11071	6357	11000	9142
France	15 000	11 000	6 928	10 000	10 812	11428	13500	7916	7125	9500	10285	8642	6800	7125
Portugal	10 000	6 785	7 928	8 083	5 500	8166	10250	10570	9375	6125	5833	3500	3416	7400
Netherlands	9 416	6 333	5 000	8 214	7 583	12000	5416	6166	10166	6083	6250	4833	6833	6250
Belgium	8 700	4 500	4 500	4 700	5 500	14722	8833	9689	13291	8125	8194	6000	7972	8717
Scotland	2 666	1 875	10 250	6 750	4 250	4750	7375	7375	6625	5625	5125	5625	3125	3125

Sources: UEFA; Ineum Consulting/Euromed

Figure 44 – Comparative analysis between the average UEFA points ranking and the average level of concentration of the nine European soccer leagues studied since 1997 (1996/97 season)

Inverse Average UEFA points ranking

Average	League/Season	
6 799	Belgium	9
8 365	Scotland	8
8 612	Netherlands	7
8 850	Portugal	6
9 271	France	5
9 719	Germany	4
10 267	Italy	3
10 384	England	2
11 393	Spain	1

Long-term concentration results (CB)

	League	% HHI MAX
1	Scotland	89
2	Portugal	73
3	England	71
4	Belgium	63
5	Netherlands	62
6	Spain	58
7	Germany	56
8	Italy	55
9	France	45

The two rankings should be inversely proportional if long-term competitiveness and CB were perfectly related although the results of the research are not. As proved by the two figures, the English league can be considered as the second best soccer league in Europe but ranked as the third more unbalanced league of the nine leagues sampled. Inversely, the Dutch and Belgian leagues are minor leagues in terms of sporting performance but are just slightly more unbalanced than Spanish, German and Italian leagues.

Consequently, CB should be contemplated as a negligible variable when considering soccer leagues' competitiveness despite the growing interest for the concept in literature. Brazilian league's competiveness response should then focus on improving clubs' general business administration structures before enhancing internal competition. The worldwide marketing success of English and Spanish clubs such as Manchester United, Barcelona, and Real Madrid should be food for thought for Brazilian clubs.

Despite the "Big Four dominance", the English Premier League is the world's most viewed sportive championship, being televised to over 625 million people in 211 countries worldwide in 2010. The Premier League is peculiarly famous in Asia (India, Malaysia, Thailand, Hong Kong and China) where it is the most broadly broadcasted sports program.

"El Clásico" between Real Madrid and FC Barcelona is regularly viewed by more than 150 million viewers and is broadcast in over 180 countries[39].

Both two dominant leagues – Spain in terms of sporting performance (UEFA index) and England in terms of financial results- are able to mobilize fans from all over

[39] ABC, 26 November2010, El mejor partido del mundo

the world. Whether international marketing should be a cause (in the case of England) or a consequence (in the case of Spain) of this international development, it has enabled the top clubs of the two leagues to launch a virtuous cycle of soccer described by Márquez and Martin (2000).

Figure 45 – Comparative analysis between the size population ranking and the average level of concentration of the nine European soccer leagues studied since 1997 (1996/97 season)

Size population ranking

League	Population	
Scotland	5 062 011	1
Portugal	10 618 000	2
Belgium	10 667 000	3
Netherlands	16 404 000	4
Spain	46 754 784	5
England	51 446 000	6
Italy	61 016 804	7
France	65 102 719	8
Germany	81 471 834	9
Brazil	190 732 694	10

Long-term concentration results (CB)

	League	% HHI MAX
1	Scotland	89
2	Portugal	73
3	England	71
4	Belgium	63
5	Netherlands	62
6	Spain	58
7	Germany	56
8	Italy	55
9	France	45
10	Brazil	25

1	Country	Population	% HHI MAX	Population/HHI
2	Scotland	5 062 011	73	69 343
3	Portugal	10 618 000	63	168 540
4	Belgium	10 667 000	89	119 854
5	Netherlands	16 404 000	71	231 042
6	Spain	46 754 784	45	1 038 995
7	England	51 446 000	56	918 679
8	Italy	61 016 804	55	1 109 396
9	France	65 102 719	62	1 050 044
10	Germany	81 471 834	58	1 404 687
11	Brazil	190 732 694	25	7 629 308

The two tables show a certain correlation between a country's population size and its long term concentration results (CB). The more population a country has, the more balanced seems to be its domestic soccer league except for England and Germany -at a lesser extent. As proved by the two figures, and though there is no perfect relation between population size and CB, the English league particularly stands out once again from the

analyzed pattern. The great unbalance of the English league cannot still be explained by its population size that is one the greatest in the studied sample. Also, we might notice that Germany is largely the most populated country in Europe but has a much more unbalanced domestic soccer league than France. Also, in the case of Brazil, CBSA's great unbalance seems to go much beyond its proportional superiority over the other sampled countries. Actually, measuring the relationship Population size/HHI Index, we notice that the 3 groups seems to emerge:

1. **Small European countries/Weak domestic leagues group: [69 343; 231 042]**
2. **Big European countries/Strong domestic leagues group: [918 679; 1 404 687]**
3. **Brazi ≡ 7 500 000**

Why Brazilian soccer would not benefit from more CB

As believed by Troelsen and Dejonghe (2007), CB is not neutral but only benefit to some actors of world soccer. In our case, Brazil CBSA would not benefit from high CB competition.

Some soccer actors benefit than others from weak CB competition:

• The **regular well-ranked clubs** of domestic championships with huge domestic market, strong fan bases and large media coverage make international expansion possible and lucrative. Example: the English "Big-Four" and Spanish "Big-Two". As shown above, Brazil CBSA fall into this category being one the biggest soccer market in the world with record number of fans (*Corinthians*, *Flamengo* etc.)

• The **high paid players** would suffer loss by establishing a salary cap. Having permanent established finances, a club would only recruit for sportive reasons and would not capitalize on marketing-oriented players –for further worldwide expansion. Brazil would be unable to both attract domestic stars and retain young talents if a salary cap would be set up in the CBSA. Besides, the contemplated marketing policy aimed at attracting players from soccer emergent markets would prove less efficient.

• **Cities and vicinities' fan bases of the most competitive clubs** and country's greatest areas**.** Sao Paulo's (*Sao Paulo*, *Corinthians*, *Santos* and *Palmeiras*) and Rio de Janeiro's teams (*Botafogo FR*, *Fluminense FC*, *CR Flamengo* and *CR*

Vasco da Gama) development would be then dented while they have the greatest potential to develop commercially abroad.

• More than in any other country than Brazil, winning a soccer competition, be it national or continental, gives **self-confidence and happiness** to general public. Taking Brazil case further on both national and economic matters, we might think that low CB lead to more victories from big agglomerations' teams and then more happy people willing to consume goods. In short, *Flamengo*'s victory might bring self-confidence and happiness to more people than an *Atlético Goianiense*'s success.

• Victims; All South-American smaller countries would suffer a talent drain. CBSA already has quite an important proportion of Argentinean, Ecuadorian, Chilean, Colombian (etc.) players. This might let fall the interest of the domestic soccer league in the rest of South-America. But given the important disproportion between Brazil and the rest of South-America countries both in terms of size market and current economic growth, Brazil domestic clubs might take advantage of this situation to improve their competitiveness through the import of cheap foreign talent.

Actually, increasing CB competition would only benefit to smaller cities and clubs along with all the players who are below the very best. It is also not sure that media would take advantage of more CB -adding telling of the sport- since a part of the biggest club fans should be tempted to stop following their team in case of repetitive failures.

The conclusion is that the CBSA would not benefit from improving CB. Brazilian soccer has to begin to implement ruling and governance to improve general club management practices. Stadiums reorganization and International marketing expansion should be contemplated as priorities.

Analogy with other sports

The discussion about the relevance of the CB to determine league competitiveness could also be analyzed, adjusted and redesigned to other sports like formula one, cycling, American football, hockey, baseball, rugby, basketball, volleyball, handball, polo, water-polo, etc.

For example, one the application would be to determine whether Armstrong *Tour de France* seven consecutive times wins lower public audience –both for television and spectators attendances.

The question will be then to know if uncertainty derived from competitive competition is a crucial parameter of the public interest for each and any sports, which influences TV audience, sponsorships contracts and the commercial activities of the event (Silva, 2006).

Suggestions for future researches

Other research could be conducted taking this research as a starting point:

- Is the development of Latin-American soccer clubs a necessary condition to improve the CBSA competitiveness?
- Is the high level of CBSA's CB a consequence of the poor management and low infrastructures of the clubs?
- How to improve the competitiveness of the top Mexican, Colombian and Argentinean soccer leagues?
- What is the optimum level of CB for soccer leagues?
- Is the optimum level of CB for soccer leagues vary according to countries?

CONCLUSIONS

Questioning the relevance of the CB concept in soccer leads to also verifying the importance of uncertainty of outcome in sports to attract the audience when determining a league's champion.

Soccer club competiveness pillars are three-fold:

a. Financial results (long-term revenues; long-term profit)

b. Sporting results (win percentage; official rankings)
c. League CB (HHI index)

In the case of Brazil's CBSA, we proved that the two first elements were connected and necessary to achieve to improve short and long-term competitiveness. The third proved negligible not say irrelevant to measure the level of the clubs of a given league. Worse still, we witnessed that the two best soccer leagues (England and Spain) in the world were among the more unbalanced in Europe.

With the globalization of soccer and the increasing competition to attract the best players that comes with it, Brazil soccer priority should be the development of clubs' trademarks worldwide, easily recognizable anywhere in the world to grow its revenue and enter the virtuous cycle described by Márquez and Martin (2000). More worldwide recognition means more revenues that can be the converted into better players' acquisition.

The coming years -2014 FIFA World Cup, just two years before the 2016 Olympic and Paralympics Games are going to be history for Brazil in general and national sports in particular. For the whole country, this event represents a unique opportunity to establish the foundations of a viable economic model for Brazilian soccer. This model should take into account the economic, social, historical and political specificities of a country with such great talent, which is to develop by creating its own management model tools.

Brazilian clubs will have to become more and more commercial-oriented to generate higher revenues and above all, higher profit. CBSA clubs would have to satisfy the new requirements of the "Sports Business" framework (facilities, international players, youth formation, etc.). Maximizing clubs (league) reputation is then the most advised lever to improve CBA competitiveness. It includes taking advantage of the coming two most important world sports events that will take place in Brazil.

To do this, Brazil has some unique cultural assets. The economics of clubs and leagues is naturally emergent and relies on growing resources in terms of structures, TV rights and partnerships. However, the sportive and economic value of the best Brazilian players continues to grow and becomes a strategic issue, especially for the big European clubs. To truly benefit from its integration into the international market transfers, Brazilian soccer has to build imperatively a business model enabling it to strengthen its bargaining power. To build this new model, all levels of deciders should be mobilized (local and foreign private investors, state sponsors) and capitalize on the coming 2014 Brazilian World Cup. It is also necessary to make a permanent virtuous economic model possible.

Since the link between financial strength and athletic performance is proven, it is possible to evaluate the competitiveness gains for Brazilian soccer if all the determinants of its economic model were optimized. The paths of development for Brazilian soccer can be summarized into three major areas.

- Organization and professionalization of the CBSA organization and other main competitions, particularly in terms of programming;
- Modernization of clubs' infrastructure both in youth formation and stadiums;
- Professionalization of the clubs in administration, marketing (domestic and international) and youth formation

But it is useless to increase revenue if unchecked amounts are spending on hiring players. It is necessary to undertake a strategic planning for the achievement of the objectives outlined in it.

The future competitiveness of CBSA will depend on the performance of all the talent of its professionals all along the soccer industry chain. Starting from well-educated administrator, managers and executives to players on the pitch, Brazil soccer should focus on adopting the best practices in business management and governance strategies in order to create successful financial and commercial conditions for the future.

Finally, it seems obvious – especially in the German and English cases that a great part of soccer clubs revenue increase is due to best practice business management and governance strategies implementation. Consequently, successful clubs are the ones that have been able to fully exploit their potential revenue streams all along the soccer industry chain. That is why best soccer managerial practice of these clubs should be learnt and expanded worldwide – especially in Latin America and Brazil. Soccer Business administration courses should be proposed to prepare soccer managers and administrators with the required skills in strategic planning, economics administration and management. It will help soccer clubs to capitalize on what it takes in this unique and though corporate environment. It could also take the form a practical business code for soccer governance in Brazil taking the existing English model as the starting point.

REFERENCES

Adler, N.J (1991), *International dimensions of organizational behavior* (2nd ed.), Boston: PWS-Kent

Aidar , A. C.; Leoncini , M. P.; Oliveira, J. J. (2002), *A Nova Gestão do Futebol*. 2ª. ed Rio de Janeiro: FGV, 284 p.

Amit, R.; Schoemaker, P.J.H. (1993), “Strategic Assets and Organizational Rent”, Strategic Management Journal, 14, pp. 33-46.

Barney J.B. (1991), “Firm Resources and Sustained Competitive Advantage”, Journal of Management, 17, 99-120.

Barney J.B. (2002), Gaining and Sustaining Competitive Advantage, 2nd Edition, Prentice Hall.

Blumenschein F.;Kaufmann Nedal R. (2010). "A importância do futebol na economia brasileira".*Cadernos FGV Projetos: Futebol e desenvolvimento*

Burger, J. D.; Walters, S. J. K. “Market Size, Pay and Performance: A general model and application to Major League Baseball”. Journal of Sports Economics, v. 4, n. 2, p. 108-125, mai 2003

Buzzacchi, L., Symanski, S., and Valetti, T., M., (2003) “Equality of opportunity and equality of outcome: open leagues, closed leagues and competitive balance”, Journal of Industry, Competition and Trade, Vol.3, No.1, pp.167-186.

Cairns, J. A., (1988) “Outcome of uncertainty and the demand for football”, University of Aberdeen Department of Economics Discussion Paper, 88-02.

Demmert H. (1973), The Economics of Professional Team Sports, Lexington Books, Massachusetts.

Doherty, A.J. and Carron, A.V. (2003). Cohesion in volunteer sport executive committees, Journal of Sport Management, Vol. 17, 116-141.

Ducrey, P; Ferreira, C,E; Huerta, G; Marston, K, T. (2003), UEFA and Football Governance: A new model. Centre International d'étude du Sport.

Eckard, W. (2003) “ANOVA-based competitive balance measure”, Journal of Sports Economics, Vol.4, No.1, pp.74-80.

Espitia-Escuer, M., García-Cebrián, L.I. (2006) "Performance in sports teams: Results and potential in the professional soccer league in Spain", Management Decision, Vol. 44 Iss: 8, pp.1020 – 1030

Franco, Jaime (1997). « A preço de banana ». Revista Veja, São Paulo, ed. 1510

Grant, W. (2007) '*An Analytical Framework for a Political Economy of Football*', British Politics, 2007 (2), 69-90.

Grellet, Celso. As células-mater do esporte. In: RBA - REVISTA BRASILEIRA DE ADMINISTRAÇÃO. São Paulo: RBA, ano VIII, nº 22, Julho de 1998, p. 50-57.

Guilianotti, R. (2005), 'Playing an Aerial Game: The New Political Economy of Soccer' in J. Nauright and K.S. Schimmel (eds.) The Political Economy of Sport, Basingstoke: Palgrave-Macmillan, pp. 19-37.

Gurgel, A. (2007), A pátria de bicicletas, quimonos, raquetes, chuteiras. Brasília: IPEA - Revista Desafios do Desenvolvimento. Seção Reportagens – Esportes. Ed.33, Abr. 2007.

Halpin, AW. Theory in Research in Administration. New York: The MacMillan Co., 1966.

Kearney, A. (2004), Playing for Profits: Winning Strategies for Football in Europe and Around the Globe.

Kuosmanen, N. (2011) PERCEIVED FOOTBALL BRAND IMAGE: Interpreted with brand model. Bachelor's Thesis. Degree Programme in Business Administration Business and Services Management. Jamik University of applied Sciences.

Kuypers T. (1997) Unpublished PhD Thesis. University College London.

Jennett, Nicholas (1984) Attendance, uncertainty of outcome and policy in Scottish League Football, Scottish Journal of Political Economy 31, p176-198.

Jones, J.C.H.; Ferguson, D.G. (1988). Location and Survival In The National Hockey League. The Journal Of Industrial Economics. Volume XXXVI, No. 4, pp. 443-457.

Lam, B (2006), Modelo de Negócio para clubes de Futebol: Uma comparação entre Brasil e Europa

Lampel, J., Lant, T. & Shamsie, J. (2000), Balancing act: Learning from organizing pratices in cultural industries, *Organization Science*, 11 (3), 263-269.

Lanfranchi P.,Taylor M. (2001), *Moving with the Ball. The Migration of Professional Footballers*, Berg, New York/Oxford.

Lane, H.W. Maznevski, M.L., Mendenhall, M.E., and McNett, J., *Handbook of Global Management: A Guide to Managing Complexity*. Oxford, Blackwell Publishing. 2006 (Chapter 10 – Leading in a global Context and Chapter 11 – Designing and forming Global Teams)

Lawrence, T. B.; Phillips, N. (2002), Understanding cultural industries, Journal of Managament Inquiry, 11(4), 430-444

Lustosa da Costa, F.; Marinho, E. (2006), *Fome de Bola: Desafios de gestão esportiva e o futebol no Brasil*. Relatório não publicado, FGV.

Maltese L. (2004), Approche Par les Ressources d'un événement sportif : Application aux cas des tournois de tennis internationaux français, Thèse de doctorat en Sciences de Gestion, IAE Aix-en-Provence, décembre.

Maltese, L. (2006a), "De l'orchestration à la gestion des engrenages entre actifs : le cas des tournois de tennis ATP français", XV ème Conférence Annuelle de l'Association Internationale de Management Stratégique, AIMS, Annecy, 14-16 juin 2006.

Maltese L. (2006b), "Approche par les ressources d'un grand événement : l'‘étude du cas Roland Garros", in Nouvelles Figures du Projet en Management, coordonné par Olivier Germain, Editions Management et Société – Collection Gestion en Liberté – EMS), pp. 349-378.

Maltese, L. (2009), “Managing assets in the field of sports special events: Proposal for a new methodological and analytical approach”, International Journal of Sport Management and Marketing, 5 :3, pp. 310-329.

Marquez, M; MARTIN, H. (2000), The New Football Business: a challenge for elite followers – a case study for IFK Göteborg. Master Thesis – School of Economics and Commercial Law, Göteborg University, Göteborg

Martins do Carmo, R. (2011), *Habitus, capitais e agência no futebol brasileiro*, Dissertaçao de Mestrado, Pontifícia Universidade Católica do Paraná, Curitiba.

Mascarenhas G. J. (2003), *Futebol, globalização e identidade local no Brasil, Educación física y deportes*, n°57, http://www.efdeportes.com/efd57futebol.htm.

Michie J.; Oughton C.(2004) Competitive balance in football: trends and effects, Research Paper 2004.2, Birkbeck, University of London

Michie J. ; Oughton C.(2005) *Competitive Balance in Football: An Update*. London: The Sports Nexus.

Miller, D.; Shamsie, J. (1996). The resource based view of the firm in two environments: The Hollywood film studios from 1936 to 1965. Academy of Management Journal, 39, 519 –543.

Moran, M. (2003), The British Regulatory State, Oxford: Oxford University Press.

Nascimento Spessoto, R. E. (2008), *Futebol Profissional e Administração Profissional: da prática amadorista à gestão competitive*. Dissertaçao de Mestrado, Universidade de Brasilia-UnB.

Nebel, Gerhard (1967): Portugiesische Tage. Hamburg, Hoffmann und Campe.

Noll R. (ed) (1974) Government and the Sports Business. Brookings Papers.

Peel, David and Dennis Thomas (1988) Outcome Uncertainty and the Demand for Football, Scottish Journal of Political Economy 35, p242-249

Poli R.; Ravenel L. (2008), *Etude annuelle du marché du travail européen des footballeurs.*

Ravenel; Besso (2009), *Migração dos jogadores sul-americanos de futebol profissionalpara a Europa : uma abordagem geográfica*

Robbins, S.P (1994), *Organizational behavior: Concepts, controversies, and applications* (6th ed.), Englewood Cliffs, NJ: Prentice-Hall

Robinson, S. M. (2008), Understanding the Resource-Based View: Implications of Methodological Choice and a New Creative Context, Thesis submitted to the School of Management, Faculty of Business, Queensland University of Technology

Sanderson, A. R. ; Siegfried, J. J. (2003). *Thinking about Competitive Balance.* Journal of Sports Economics 4(4), 255-279.

Souto, L.; Torres, R. (2010), "Arenas da Copa 2014: o desafio da viabilidade dos investimentos".*Cadernos FGV Projetos: Futebol e desenvolvimento*

Silva, C.V. (2006), *Administração esportiva: uma comparação da competitividade do futebol brasileiro com o futebol europeu (G-5) usando métodos quantitativos*. Dissertaçao de Mestrado, Faculdades Ibmec, Rio de Janeiro.

Silva, O. (2010), "Futebol, um negocio que move paixões". *Cadernos FGV Projetos: Futebol e desenvolvimento*

Szymanski S. (1998), “Hermetic Leagues, Open Leagues and the Impact of Revenue Sharing on Competitive Balance”, paper submitted as evidence to the Restrictive Practices Court in the Premier League.

Szymanski, S. (2000), “Income inequality, competitive balance and the attractiveness of team sports: some evidence and natural experiment from English soccer”, The Economic Journal, 111, pp. 69-84.

Szymanski, Stefan; Kuypers, Tim (1999): Winners and Losers: The Business Strategy of Football. Penguin, Harmondsworth.

Thibault, L. (2008), Globalization of Sport: An Inconvenient Truth. Journal of Sport Management, 2009, 23, 1-20

Troelsen, T.; Dejonghe, T. (2007), *The need of competitive balance in European professional soccer: A lesson to be learned from the North American professional leagues.*

Wertheim, L.J. (2004), The whole world is watching. Sports Illustrated, 100(24), 72–86.

Westerbeek, H; Smith, A. (2003). Sport business in the global marketplace. Hampshire, UK: Palgrave Macmillan.

Whitney J. (1988) "Winning games versus winning championships: the economics of fan interest and team performance" Economic Inquiry, 26, October, 703-724

Wright, P., S.P, Hiller, J.S., & Kroll, M. (1995), Competitiveness through management of diversity: Effects on stock price valuation, *Academy of Management*, 38, 272-287

Newspapers (principal articles used):

- *Daily Record*, 21 January 2011, Scottish football still drawing biggest crowds per head of population in Europe, says SPL chief.
- ABC, 26 November 2010, El mejor partido del mundo

APPENDIX

Figure 1 - Summary of measures of competitive balance in sports leagues and soccer

a) American sports leagues

Author and Publication Year	Competitive Balance type	Measurement Description	Comments
Scully (1989), Quirk and Fort (1992)	Seasonal	Seasonal standard deviation of winning percentage divided by ideal standard deviation	Standard criterion in American leagues
Fort and Quirk (1992)	Long-term dominance	Lorenz curve measured the cumulative percentage of championships obtained in the 1901-1990 period	Used for cross-sectional comparison and long-term dominance. Shows that NBA has the worst competitiveness index in the 5 American major leagues
Horowitz (1997)	Seasonal	Entropy Measure used as winning percentage. Relative to the Maximum Relative Value in a perfectly unbalanced league	Estimated Relative Entropy of the American Baseball League between 1903 and 1995 and found increase in competitive balance
Depkin (1999)	Seasonal	Herfindahl-Hirschman Index calculated by the difference between the sum of the squares of the percentage of each team victory and 1 / N	Research on competitiveness of the baseball league for the 1920-1996 period, which resulted in more stability
Eckard (2001)	Seasonal and Dynamic	Measurement of the Variance that considers the level of cumulative effects of victories decomposing the variance of victory percentages over time in cumulative variance and time variance	Cumulative measure of variance between 1975 and 1999 for the baseball league.
Eckard (2001)	Dominance	Herfindahl-Hirschman Index based on the percentage of participation in the top-4 positions in the league within 5-year period	Found results consistent with the measurement of variance in American leagues

b) Soccer

Author and Publication Year	Type of Competitive Balance	Measurement Description	Comments
Kuyoers and Szymanski (1999)	Seasonal	Standard deviation score for each club during 10 seasons since 1946. Sensitive to changes in the scoring system and number of teams	Showed that the average standard deviation of the total points (for the last 10 seasons) increased in the last three decades since 1946, but fell in the 1986-96 period
Kuyoers and Szymanski (1999)	Long-term dominance	Resumed the Quik and Fort model (1992) for the Lorenz curve measuring the cumulative percentage of championship victories for the 1946-1998 period for five European leagues	Showed that the English league has the lowest degree of dominance in the long run and the Dutch Championship has the highest degree for the 1946-1998 period
Szymanski (2001)	Seasonal and tendencies	SDW (Standard Deviation of Winning percentages) calculated between soccer club leagues and the English Premier League over the 1977-1999 period. This measurement technique is far more common in American studies that are generally deflated by the ideal standard deviation where each club has an equal chance to win a match	Showed no clear trend in competitive balance. The measure combines and compares the four leagues in SDW for each league
Buzzacchi, Szymanski and Valleti (2003)	Dominance	Compared the current number of teams that had won leagues or had entered the first 5 positions with the theoretical probability of winning	3 American closed leagues are more balanced than three closed European leagues
	Seasonal	Included SDW estimates (averages of 5 periods of 10 years)	SDW measurement for the English league showed decline in competitive balance in the late 80's and improvement in the 90's.
Morrow (2003)	Dominance	Research on the top-5 clubs in a 5-year period (1998-2002)	Produced a table for the five major European leagues clubs for 7 European leagues
Bourg (2004)	Seasonal	Used SDW as Scully (1989) and Fort and Quirk (1992)	SDW mean for the four-year period between 1980-200. Found that the competitive balance declined between1986-90, improved between 1991-95 and decined again between 1996-2000
Dobson and Goddard (2004)	Seasonal and tendency for the English cup	Probability of victories in the FA Cup matches and position of the club in the league	As Szymanski (2001), found a decline in the FA CUP competitiveness
Gerrad (2004)	Dominance	As Eckard (2001) used the HHI index to measure concentration of titles and top-4 rankings. Also examined the participation of titles in the top 2 and top 3 clubs and points difference between the first and the second	The concentration of titles is used for cross-section analysis and competitiveness comparison between different national leagues

23 novembre 2010

Les vrais vainqueurs de la Ligue des champions

La Ligue des champions, dont l'entraîneur de Manchester United Alex Ferguson a estimé récemment qu'elle était plus intéressante que la Coupe du monde, est devenue au cours de la dernière décennie une extraordinaire entreprise commerciale, générant des revenus qui ont connu une croissance à la mesure de celle des droits de télévision. L'âge d'or débute avec les années 2000: l'explosion date précisément de la saison 1999/2000 et, en dépit d'un creux au milieu de la décennie, le montant de chacune des trois dernières saisons représente... six fois celui de 1996/1997.

Qui gagne à la répartition de ces richesses, ensuite? Ces sommes sont distribuées entre les clubs selon trois grands critères: une part fixe, une part "sportive" indexée au parcours dans la compétition et une part baptisée *Market Pool*, calculée en fonction du montant des droits de télévision payés par chaque pays... Ce qui en fait un levier puissant pour diriger les ressources là où elles sont déjà les plus concentrées. Ainsi, pour le même parcours jusqu'aux quarts de finale, Manchester United aura touché près de 29 millions d'euros de *Market Pool*, Bordeaux 11,9 millions et le CSKA Moscou 4,8.

Pour mieux savoir qui profite le plus du système, nous avons regroupé des données sur les gains des clubs au cours de la période courant de la saison 2003/2004 à la saison 2009/2010 et correspondant à une formule sportive inchangée (hormis celle des tours préliminaires).

Les gains des clubs anglais représentent plus du double de ceux des clubs français. Mais le fossé se trouve surtout entre le top 5 et les suivants. La France, 5e, a ainsi encaissé plus du double que les Pays-Bas, 6e.

Le *Big Four* n'est pas une vue de l'esprit. Seuls quatre clubs anglais ont participé à la compétition en sept ans. Ils se sont assurés le plus gros gâteau tout en le découpant en peu de parts.

La Liga détient le record du nombre de participants (10) tout en ayant qualifié le duo Real-Barça 13 fois sur 14. Valence émarge à trois participations, les sept autres formations espagnoles en comptent une à deux. C'est l'option *Big Two*.

L'Angleterre réalise un triplé sur le podium, pour deux titres remportés par Manchester et Liverpool - les *Reds* étant seulement huitièmes. Les quatre gros concrétisent avec cette manne la domination anglaise sur la période (à moins que ce ne soit l'inverse).

Un seul titre a échappé aux membres du top 10 au cours des sept dernières saisons: celui du premier exercice, 2003/2004, qui est revenu au FC Porto de José Mourinho. Le club portugais est 14e, malgré un strike de sept participations.

Le FC Barcelone ne pointe qu'en sixième position, en dépit des deux titres remportés. Les Blaugranas ne comptent "que" six participations et pâtissent d'un *Market Poo*l moindre que celui des clubs français.

L'Olympique lyonnais devance Barcelone, le Bayern, Liverpool, l'AC Milan et le Real... Il s'est assuré 100 millions d'euros de plus que son dauphin national, Bordeaux. C'est le Big One à la française... ou à l'Allemande, puisque le Bayern a creusé des écarts analogues avec ses concurrents de Bundesliga.

La Ligue des champions crée ainsi, aussi bien au travers de sa formule de compétition que de son système de répartition des gains, un cercle vertueux au profit des clubs les plus riches: ils sont assurés de récupérer une part des recettes qui leur garantit une position très dominante à la fois économiquement et sportivement - avec la capacité de truster le marché des meilleurs joueurs. Les réformes (retour à une seule phase de groupes en 2003/2004, nouvelles conditions d'accès offrant une meilleure représentativité des "petits" pays) ont à

peine infléchi la tendance *(lire "Une réforme pour presque rien ").*
On comprend aussi à quel point la qualification quasi systématique pour la C1 est une condition sine qua non pour se maintenir dans ce gotha. Entre ceux qui y parviennent et les autres, il y a un monde désormais.

[1] **Porto: 7. Olympiakos, Dynamo Kiev, PSV: 6. Celtic: 5. Fenerbahce, Rangers, CSKA Moscou, Panathinaikos: 4.**

NdA : d'autres données sont présentées en graphiques ici .

21 juin 2011

Europe : un football à deux étages

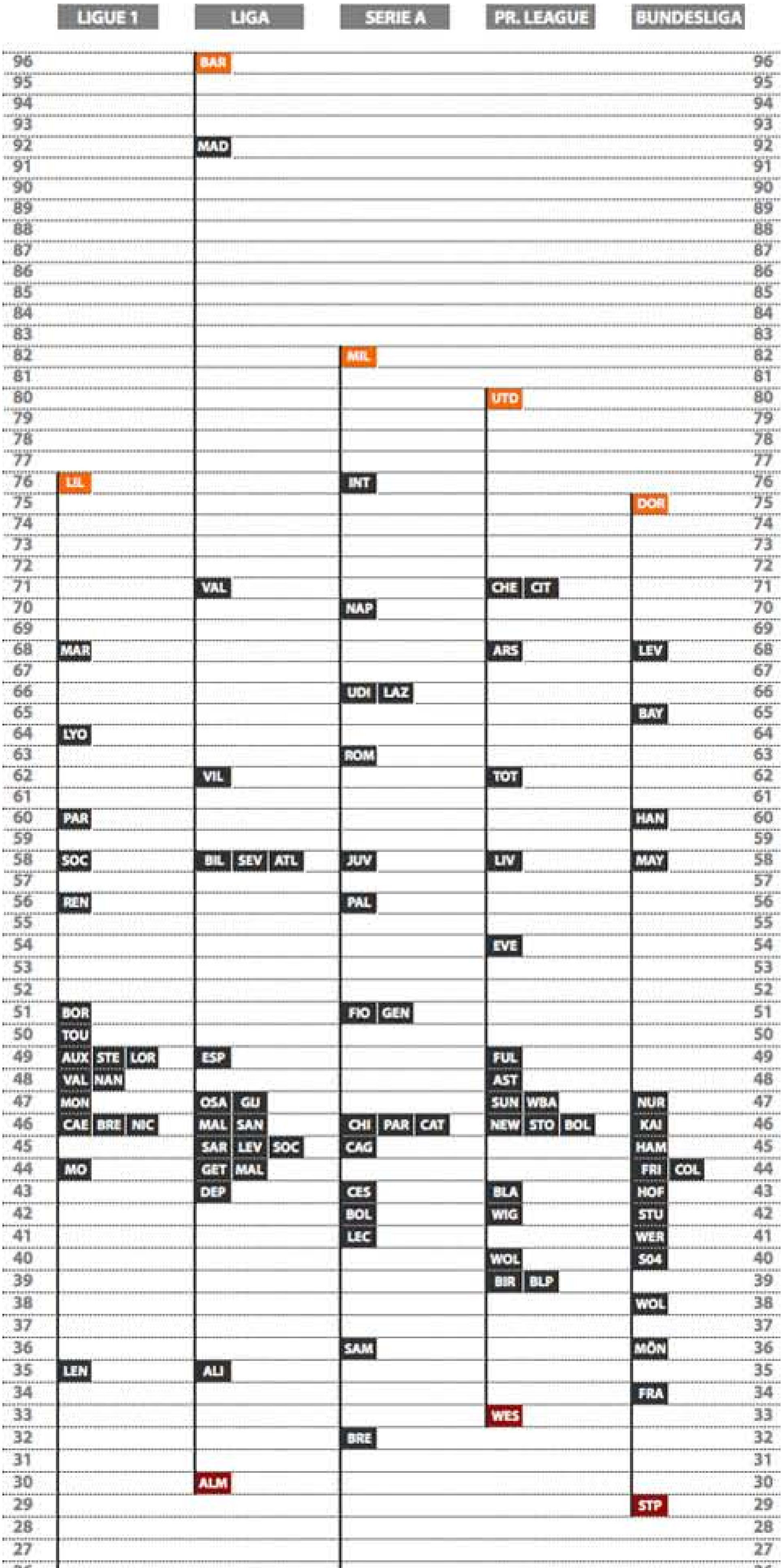
À la mi-saison, nous avions proposé un comparatif des "classements en relief" des cinq grands championnats européens, dans le but notamment de visualiser la distribution des équipes au classement général *(lire "Homogène, pas de plaisir?")*. En voici la mise à jour, qui s'imposait une fois les championnats achevés, avec quelques données supplémentaires.

L'EUROPE VUE DU CIEL

Le classement confirme que les compétitions du top 5 présentent toutes une configuration analogue, à quelques variantes près: **une élite de cinq à sept clubs** qui jouent les qualifications européennes, nettement détachée d'un groupe compact d'équipes concernées par la relégation.

Pour ce qui est du décrochage par le haut, l'Espagne crève les plafonds avec **le Barça et ses 96 points** (14 de plus que le "deuxième meilleur premier" en valeur absolue, l'AC Milan [1]), tandis qu'Arles-Avignon donne à la France la palme de la lanterne rouge la plus distancée (20 points).

CLASSEMENTS EN RELIEF DU TOP 5 EUROPÉEN



particulièrement resserrée à la trêve, a fini par se décanter nettement en tête de classement. Elle présente au final un profil semblable à celui de ses voisins. Comme en Liga ou en Premier League, les équipes du peloton ont été concernées aussi bien par la relégation que par les places en Ligue Europa. La notion originelle de "**ventre mou**" désignait des clubs à l'abri d'une descente en division inférieure: aujourd'hui, il faudrait parler de bas-ventre dur.

En s'appuyant sur l'écart entre le premier et le dernier, la Bundesliga et la Premier League se présentent comme les championnats les moins étirés, devant le championnat de France – mais qui a la particularité de masser 11 équipes en 6 rangs (de 46 à 51 points), un **record de densité**. En faisant abstraction du premier et du dernier, c'est l'Angleterre et la France qui présentent le classement le plus compact. Un constat plus surprenant pour les Anglais que pour nous.

Bundesliga (2,9) et Premier League (2,8) figurent encore en tête pour la moyenne de **buts par match**, la Liga (2,7) complétant le podium. La Ligue 1 (2,3) apparaît une nouvelle saison comme le parent pauvre de ce point de vue-là, et elle détient le plus fort taux de **matches nuls** (plus du tiers, contre 21% à la Liga et la Bundesliga).

VIRAGE ÉLITISTE

Même s'il faut aussi étudier les positions de chaque équipe sur plusieurs saisons pour conclure à une fracture nette entre deux classes de clubs (tout en sachant qu'il resterait tout de même de la place pour des parcours surprenants de la part de "petits" et pour des déconvenues chez les "gros"), cette traduction visuelle des écarts de résultats au sein des cinq championnats majeurs semble confirmer le virage "élitiste" du football européen, que l'on pourrait ainsi schématiser en un football à deux étages séparant les cinq à sept clubs disputant les places européennes, et les deux tiers ou les trois-quarts restants qui ne jouent que leur maintien.

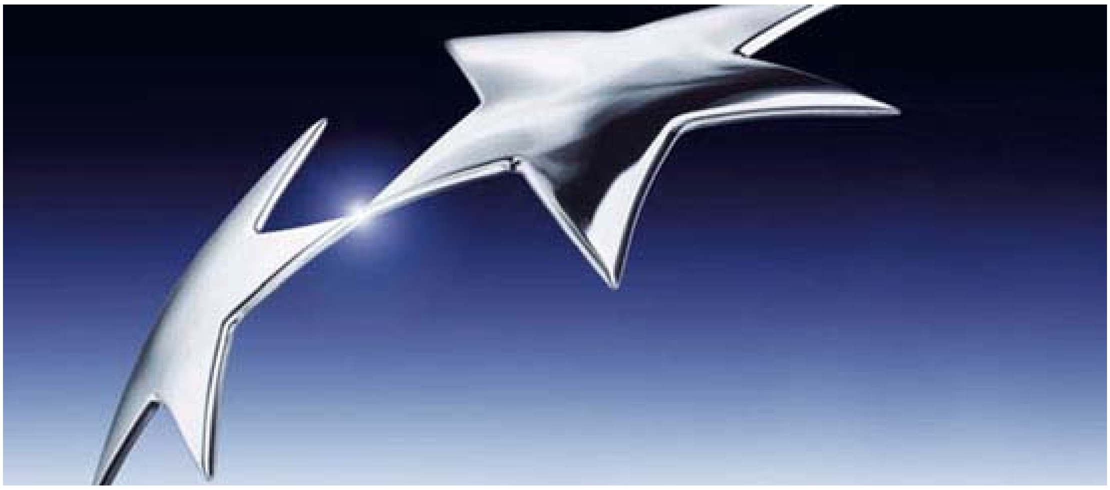
Les classements tendraient ainsi à reproduire les écarts croissants de ressources économiques que les ligues et l'UEFA "organisent" au travers de la redistribution de leurs revenus *(lire "Les vrais vainqueurs de la Ligue des champions")*. Au-delà, c'est la régularité des participations à la C1, sur plusieurs saisons, qui détermine le plus directement la composition et l'enrichissement de cette élite. Mais en définitive, les profils de ces cinq championnats nationaux se ressemblent terriblement.

[1] Si l'on pondère en tenant compte du fait que la Bundesliga ne compte que 18 clubs, ce "deuxième meilleur premier" est le Borussia Dortmund.

23 novembre 2010

« De fait, la Ligue des champions est une ligue fermée »

Boris Helleu est maître de conférences à l'université de Caen. Spécialiste d'économie et de marketing du sport, il livre son analyse des évolutions économiques de la "C1". Sur Twitter: @bhelleu .
Lire aussi : Les vrais vainqueurs de la Ligue des champions .



La formule de la Ligue des champions est-elle le principal facteur de l'accroissement des écarts de richesse entre une douzaine de clubs de l'élite économique européenne et les autres?
À l'évidence oui. Les changements de formats initiés depuis 1992, lorsque la Ligue des champions a remplacé la Coupe des clubs champions, n'ont eu pour objectif que de réduire l'incertitude sportive et d'accroître les revenus de la compétition. En instaurant une phase de poule, en permettant la qualification de plusieurs équipes par pays et en minorant le risque d'élimination directe en vigueur dans l'ancienne formule, l'UEFA a rassuré les plus grands clubs tentés par une ligue privée, fermée. En conséquence, une poignée de clubs participe systématiquement à la C1 et même, sauf accident, atteint de façon quasi assurée les huitièmes de finale. De fait, la Ligue des champions est une ligue fermée.

Pourtant, avec la réforme imposée par Michel Platini, la compétition semble s'être ouverte?
Certes, mais il y a les clubs qui participent et ceux qui gagnent. L'année dernière, si l'on tient compte des phases qualificatives, ce sont 76 clubs de 52 pays qui ont pris part à la compétition. En phase de poule, il y avait 32 équipes de 18 pays, dont plus de la moitié provenait des cinq grands championnats. Pour les huitièmes de finale, il n'y avait plus que sept pays représentés. De façon très schématique, en progressant dans la compétition, les "petits clubs" de l'Est sont évincés tandis que les "riches" des grands pays commencent les choses sérieuses. Ainsi, le véritable exploit des dernières années, ce n'est pas la demi-finale

de Lyon ou la finale de Monaco, mais le parcours des Chypriotes de Famagousta en 2008-2009, qui sont parvenus à atteindre la phase de poule après trois tours qualificatifs.

Faut-il alors envisager une répartition plus égalitaire pour maintenir l'incertitude de la compétition?

Le partage des droits télévisuels est toujours un choix stratégique et politique, selon que l'on favorise l'égalité et l'incertitude des compétitions, ou l'équité et le mérite. L'endroit où l'on place le curseur résulte d'un consensus. Le format actuel de la Ligue des champions, au niveau sportif et économique, semble satisfaire le plus grand nombre. Petits et grands participent à la plus prestigieuse des compétitions continentales même si, en définitive, les gains sportifs et économiques sont concentrés dans les cinq grands pays. Ainsi, le téléspectateur a l'assurance d'un beau spectacle en retrouvant chaque année les plus grands clubs.

Au prix d'un écart de plus en plus définitif entre l'élite économique et les autres

Il existe véritablement un football à deux vitesses au niveau européen, mais aussi au niveau national puisque les clubs régulièrement engagés en C1 assoient leur position dominante sur leur championnat, grâce aux revenus considérables gagnés en Ligue des champions. La problématique à venir du football européen est l'articulation entre niveau national et niveau continental. Pour les clubs, quelle échelle favoriser? Alors que la tendance est à la globalisation et à la consommation internationale des spectacles sportifs, il n'y a guère que la Premier League anglaise qui dispose d'un prestige comparable à la C1. Aussi, peut-être viendra-t-il un jour ou un club disputera plus de matches de Coupe d'Europe que de championnat national.