

Football Money League

*The climbers and
the sliders*



Edited by

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Introduction

By Dan Jones, Partner, Sports Business Group at Deloitte.

Welcome to this, the eighth year of the **Deloitte Football Money League**, which profiles the largest clubs in the world's most popular sport. There are a number of different methods of defining a large club – in terms of fanbase, attendances, TV audiences, or success on the pitch. However, for the purposes of this publication, we look at the best publicly available measure of 'financial muscle': income from day to day football business operations. We don't consider a club's budget for outgoings or what someone might pay to buy a club.

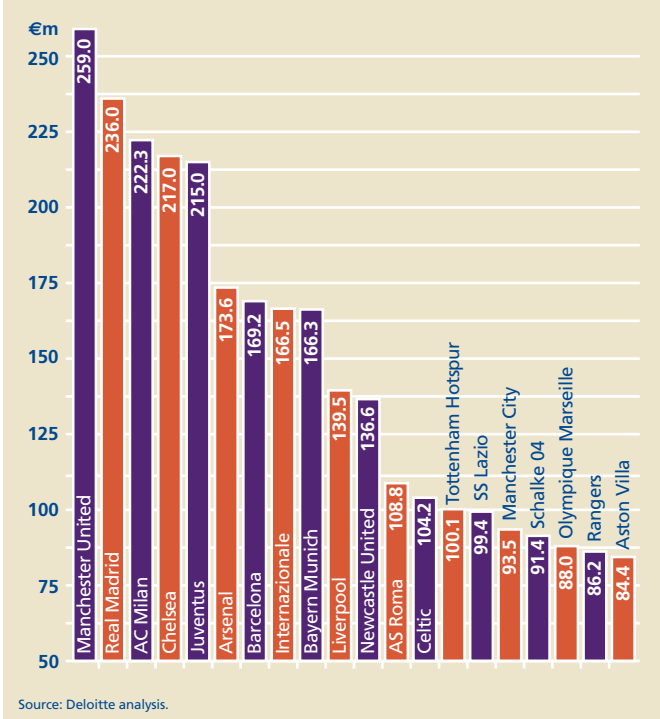
This edition of the Money League covers the 2003/04 season and is therefore the most contemporary and reliable analysis of this aspect of clubs' relative financial performance, being released less than nine months after the end of last season, as soon as the relevant clubs' accounts are available to us. Revenues have continued to grow since our last edition, continuing a long term trend. In the first edition, back in 1996/97, the 20 clubs' combined income was €1.2 billion – this year's top five clubs earned almost as much as that between them and the top 20 clubs collectively generate almost €3 billion, a compound growth rate of 14% per year.

Chart 1 shows the revenues of the 20 Money League clubs, and clearly there are some mini leagues within the overall 20 clubs themselves. The top five clubs are some distance ahead of a chasing pack of four clubs, who in turn are well ahead of the next two clubs, with the remaining nine clubs being relatively close to each other. It is notable, however, that the revenue of the fifth club – Juventus – is more than double that of the thirteenth club – Celtic. This illustrates how difficult it is for a club to reach the upper echelons of the league – and underlines Chelsea's achievement in jumping six places to reach fourth position compared to tenth last year.

The primary source of growth for many clubs – over the past ten years, particularly in Continental Europe – has been huge increases in broadcasting revenue. Football is critical to the development of a strong and sustainable subscriber base for Pay-TV broadcasters. Pay-TV needs top level football as much as football needs Pay-TV's revenues, and therefore we expect broadcasting revenues for the 'best properties' to hold their values – especially when revenues for overseas territories are considered. The recent French domestic broadcast deal supports this and may, in a couple of years time, cause a bigger French presence in the Money League.

Clubs are not purely reliant on broadcasting revenue – and many have moved to successfully develop their other primary revenue streams. UK clubs, in particular, have developed their stadia into a key source of income, with revenues from stadium operations on matchday and non-matchday rising accordingly. Some of the more progressive continental European clubs are taking steps to follow the UK example – in addition to the recent investments in Germany and Portugal we have seen some big projects elsewhere. Often an outside push is needed to encourage clubs to invest in stadium development and recoup the commercial rewards from it. In England it was safety legislation, in Germany and Portugal it was the prospect of a major international tournament. The stadium is a key asset, but clubs need to plan carefully and work hard to ensure that it delivers revenues from existing and potential customers (particularly in the corporate hospitality market and on non-matchdays) to enable them to secure the revenue growth which, they hope, will see them move up the table in future Money Leagues. Non-UK clubs, however, do need to address this now. With Chelsea's success and Arsenal's Emirates Stadium development we can foresee a scenario where English clubs fill the top three places in the 2006/07 Money League.

Chart 1: Total revenues 2003/04



“Many Money League clubs are global brands. They spread well beyond their national borders but some may be unsure as to how they might best capture the value of their international appeal.”

As further increases in domestic market income become more and more difficult to realise, international markets will become increasingly important and may well be the next key differentiator between clubs. Many Money League clubs are global brands. They spread well beyond their national borders but some may be unsure as to how they might best capture the value of their international appeal. ‘Gaining a fan’ in another country is one thing; unlocking value in a distant and – in all likelihood – less committed fan base is not easy and is quite another thing. The key is to have a clear strategy to capture information about the fan and then build loyalty, through regular dialogue topped up by face-to-face exposure (by way of tours, training camps or coaching schools), planned strategically and over the long-term. These are not ‘quick wins’.

Considering how certain clubs lurch from territory to territory in their pre-season activities, it is not always clear that clubs have thought through their international market development plans as well as they might. It is important that clubs pick the right territories, target the right potential customers and then have the ability to access business efficiently and profitably. Not a straightforward task.

Our focus this year

We provide some additional features this year, in addition to our usual profiles of the top 20 clubs and their revenue sources. We examine differences between the UK and European clubs in terms of stadium income, and explore the prospects for future revenue growth from commercial partnerships. Finally, we review the UEFA Champions League and its importance to Money League clubs. We don’t expect many new clubs in next year’s Money League – given the success of the list of 2003/04 clubs in the 2004/05 Champions League. Firstly, however, we look at the biggest 20 clubs in the world’s most popular sport.

The **Deloitte Football Money League** was compiled by Dan Jones, Rich Parkes and Austin Houlihan of the Sports Business Group. Our thanks go to all those who have assisted us, inside and outside the Deloitte international network. We hope you enjoy this edition. ●



Dan Jones
www.sportsconsulting.co.uk

How we did it

We have used, for each club, the figure for total income extracted from the club’s annual financial statements, or other direct sources, for the 2003/04 season. In some cases, the annual financial statements do not cover a whole season, but are for the calendar year, in which case we have used the figures for the most recent calendar year available.

Income excludes transfer fees and VAT. In a few cases we have made adjustments to total income figures to enable, in our view, a more meaningful comparison of the football business on a club by club basis. For instance, significant non-football activities or capital transactions have been excluded from income.

Based on the information made available to us in respect of each club, to the extent possible, we have split income into three categories – being income derived from matchday, broadcast and commercial sources. Clubs are not wholly consistent with each other in the way they classify income. In some cases we have made reclassification adjustments to the disclosed figures to enable, in our view, a more meaningful comparison of the financial results.

Matchday income is largely derived from gate receipts (including season tickets and memberships). Broadcast income includes revenue from television and radio and from both domestic and international competitions. Commercial income includes sponsorship (mainly derived from brand/name placing on team shirts and around stadia), conference, catering and merchandising.

Information about stadium capacity and attendances has been obtained from publicly available sources.

We have not performed any verification work or audited any of the information contained in the club financial statements for the purpose of this publication.

All figures for the 2003/04 season have been translated at 30 June 2004 exchange rates. Comparative figures have been translated at exchange rates as at 30 June for the relevant year e.g. 30 June 2003 for 2002/03 figures.

There are many ways of examining the relative wealth or value of football clubs – and at Deloitte we have developed sophisticated models of anticipated future cash flows to help potential investors or sellers do just that. However, for an exercise such as this, there is insufficient public information to do that. Here – in the **Deloitte Football Money League** – we use income as the most easily available and comparable measure of financial wealth. Income, like salary for an individual, is not the be all and end all of ‘richness’, but all would agree that – as a starting point – it is better to have more than less, and the choice of how to spend it. ●

Exchange rates:

£1 = €1.5104 (30 June 2004)

£1 = €1.4370 (30 June 2003)

1. Manchester United



€259.0m
(£171.5m)

Position 02/03: **1** → ←
Revenue 02/03: **€251.4m** (£174.9m)

Manchester United have been the number one football club (in revenue terms) in every edition of the Money League. This year they make it eight years in a row. United's income in 2003/04 totalled €259.0m (£171.5m), and although total revenue (in Sterling) fell slightly in 2003/04, exchange rate movements meant that, in Euro terms, revenue grew by €7.6m. This was still enough to keep the club more than €20m ahead of its nearest competitor.

On the pitch, the club finished third in the English Premiership and won the FA Cup for the eleventh time, but were eliminated from the Champions League at the second round stage. Home games at Old Trafford were all sell outs, and their average Premiership attendance of 67,600 was a new Premiership record. Old Trafford hosted a further six domestic cup or Champions League games, plus two England international matches, all of which contributed to the highest matchday income of any club in the world – €92.4m (£61.2m). Indeed, demand from fans has been so strong that in March 2004 the club announced plans to expand Old Trafford and raise ground capacity to around 76,000.

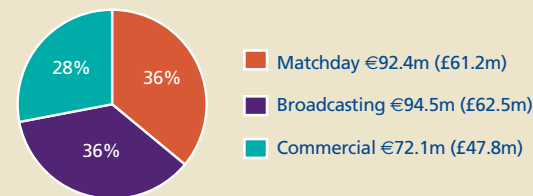
The club's elimination from the Champions League at the first knockout stage was their earliest exit from the competition since 1994/95 – but the competition still delivered a total of €37.6m (£24.9m) to the club. Domestically, the final year of the Premier League's broadcast deal with BSkyB and ITV brought €51.1m (£33.8m) to the club, taking total broadcasting revenue to €94.5m (£62.5m). However, United expects reduced broadcast revenues in 2004/05 as a result of the new domestic Premier League deal and the impact on Champions League revenues of their third place domestic finish in 2003/04.

United have perhaps the most progressive commercial strategy of any football club. Central to this are their two major commercial partnerships, with Nike and Vodafone. The 2004/05 season was the first year of a four year extension to Vodafone's shirt sponsorship deal, which will earn the club a total of €54m (£36m) over that period. The club is also in the third year of its revolutionary €458m (£303m) 13 year partnership with Nike, which manages the club's merchandising arm. The structure of the deal was unique in football when it was signed, and has now been followed at other leading European clubs. Audi joined the club's group of platinum sponsors in 2004/05. This group had contributed a further €8.3m (£5.5m) in 2003/04, helping the club to generate total commercial income of €72.1m (£47.8m).

United claim an estimated 75m fans worldwide, and aim to interact with as many of them as possible. In July 2004 the club toured North America, while this summer will see the club visit Asia. United's website is available in English and Mandarin, and the club sold 3.8m replica shirts during the last two seasons, of which a third were outside the UK.



Manchester United: Revenue sources and percentages




Source: Deloitte analysis.

The club invested heavily during summer 2004 to bring Wayne Rooney, Alan Smith and Gabriel Heinze to Old Trafford, but United maintain their commitment to cost control. In 2003/04 the total wages/turnover ratio stood at 45%, below the club's target of 50%. As a result the club delivered operating profit of €88.1m (£58.3m) which would put it some distance ahead of any of its competitors (in England or Europe) in any profitability list.

United remain one of the most desirable sporting brands worldwide, and the club is the subject of takeover activity from one of its major shareholders, Malcolm Glazer – the owner of the American Football franchise, the Tampa Bay Buccaneers. With a significant lead over their nearest competitors, United are likely to remain the club to beat in future Money Leagues.

“United claim an estimated 75m fans worldwide, and aim to interact with as many of them as possible. In July 2004 the club toured North America, while this summer will see the club visit Asia.”

2. Real Madrid

	€236.0m	Position 02/03: 4 ↑
	(£156.3m)	Revenue 02/03: €192.6m (£134m)

Real Madrid had a disappointing 2003/04 on the pitch, finishing fourth in the Spanish League and being knocked out of the Champions League by finalists Monaco at the quarter final stage. However, they moved back into the top two of the Money League for the first time since 1999/00, with total revenue of €236.0m (£156.3m).

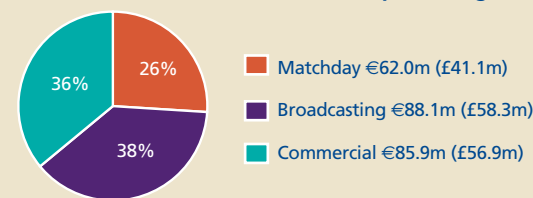
Real's historic drive for on pitch success led to debt problems, and in 2000 President Florentino Perez was elected with a policy of turning the club's finances around. Since then the club has managed to reduce its debt burden while still investing in the playing squad (largely through the sale of its inner city training ground) and has concentrated on developing mechanisms to capitalise on the value of their worldwide fanbase. In 2003/04 revenue rose by 23%, principally from strong increases in broadcasting and commercial revenues.

Broadcasting revenue totalled €88.1m (£58.3m) in 2003/04. Spanish clubs (in common with their Italian counterparts) negotiate individual domestic broadcast deals and 2003/04 was the first year of a five year deal with Sogecable, worth a reported €54m (£35.8m) per season. The income from this will have helped to offset the reduction in Champions League revenues – due both to their quarter final exit and also to the reduced Champions League broadcast values in Spain.

Commercial income was the second highest of any club at €85.9m (£56.9m) – 36% of total revenue. Since 2000/01 commercial revenues have more than doubled, with the majority of this increase being derived from merchandising and licensing. In addition, the club's technical and main sponsorship deals (with adidas and Siemens respectively) deliver competitive values compared to their major European counterparts. Real Madrid's challenge for first place in the Money League in coming years will be a strong one. The club have more than halved the gap between themselves and Manchester United since our last edition. If Real Madrid are to finally close that gap, a key challenge will be whether they can make the Bernebeu as lucrative as Old Trafford on a matchday.




Real Madrid: Revenue sources and percentages



Source: Deloitte analysis.

“Real Madrid’s challenge for first place in the Money League in coming years will be a strong one. The club have more than halved the gap between themselves and Manchester United since our last edition.”

3. AC Milan

	€222.3m (£147.2m)	Position 02/03: 3 → ← Revenue 02/03: €200.2m (£139.3m)
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2003/04 saw AC Milan retake the mantle of being Italy’s club with the highest attendances from their San Siro neighbours Internazionale. For the third season they topped Italian season ticket sales (49,300), and improved matchday sales, in their Scudetto winning season, meant attendances averaged 63,200. However, their Champions League defence saw them eliminated at the quarter final stage, which (along with changes to the competition format) meant that five fewer matches were played at the San Siro – causing a fall in matchday revenues to €27.9m (£18.5m). This is only 30% of Manchester United’s matchday income.

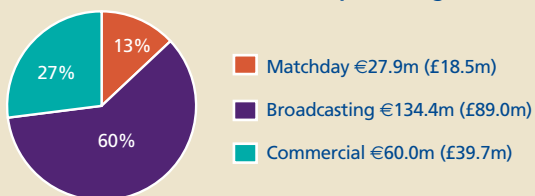
As with all the Italian clubs in the Money League, the mainstay of their position is broadcasting revenues, which totalled €134.4m (£89.0m), almost two thirds of revenue, dwarfing other revenue sources. Italian clubs negotiate individual broadcast rights contracts, and Milan’s lucrative deals with Sky Italia and Mediaset give their income a huge boost, particularly this year, but also into the next couple of seasons.

However, the Rossoneri will have to cope with the departure of President Silvio Berlusconi after 18 seasons at the helm of the club. A new Italian law forbids the country’s prime minister to have other managing roles in private companies or clubs and Berlusconi resigned at the end of 2004.



“As with all the Italian clubs in the Money League, the mainstay of their position is broadcasting revenues, which totalled €134.4m (£89.0m), almost two thirds of revenue.”

AC Milan: Revenue sources and percentages



Source: Deloitte analysis.



“The huge investment in the club by Roman Abramovich delivered no silverware in 2003/04, but under Jose Mourinho they are excellently placed this time around.”

4. Chelsea

	€217.0m (£143.7m)	Position 02/03: 10 ↑
		Revenue 02/03: €133.8m (£93.1m)

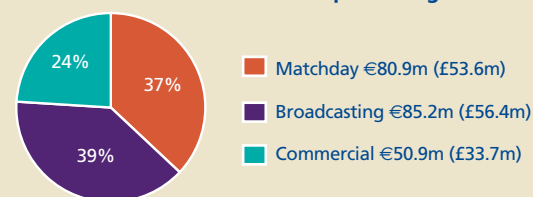
Chelsea are the biggest climbers in this year’s Money League, rising into the top four for the first time, from tenth last year. The huge investment in the club by Roman Abramovich delivered no silverware in 2003/04, but under Jose Mourinho they are excellently placed this time around. In revenue terms the effect has been dramatic, with a 62% increase in income (in Euro terms) in 2003/04.

Despite having only a 42,500 seater stadium, Chelsea’s matchday revenues are impressive. A high earning London fanbase and seven European nights at Stamford Bridge (compared to one the previous season), meant that 28 home games generated matchday revenues of €80.9m (£53.6m) – 37% of total income.

Chelsea’s run to the semi final stage of the Champions League was worth a further €28.9m (£19.1m) in centrally generated broadcast and sponsorship revenue. Total broadcasting revenue was €85.2m (£56.4m), a figure boosted by the final year of the BSKyB/ITV deal and the club’s second place Premiership finish.

Commercially, Chelsea remain some distance behind the Money League leaders – their commercial income total of €50.9m (£33.7m) is €35m below that of Real Madrid – but if continued on pitch success leads to further improvements in commercial revenue, they should rise further. Abramovich’s millions have been invested in a powerful attempt to achieve the former – future Money Leagues will demonstrate whether the commercial team led by Peter Kenyon have achieved the latter objective. Having devoured two-thirds of Manchester United’s revenue lead in one season Chelsea will not think that future overall leadership is beyond them.

Chelsea: Revenue sources and percentages



Source: Deloitte analysis.

5. Juventus

	€215.0m (£142.4m)	Position 02/03: 2 ↓ Revenue 02/03: €218.3m (£151.9m)
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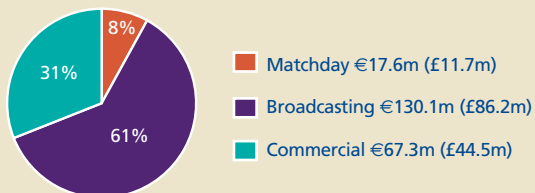
Juventus have slipped to fifth in the Money League. A slight fall in total revenue to €215m (£142.4m) was largely due to the club's relative lack of on pitch success in 2003/04.

The club's broadcast income reached €130.1m (£86.2m), and Juve now rivals AC Milan for the highest level of broadcasting revenue of any football club in the world. This increase was largely due to advance payments on a new media rights deal with Mediaset, rather than revenue from the Champions League – Juve exited at the first knock-out stage. Broadcast income is likely to be further boosted from 2004/05 when, in addition to the Mediaset deal, a new three-year deal with Sky Italia commences, worth a reported €82m (£54.3m) a season.

Whilst Juve performs well in generating broadcast and commercial revenues, it is constrained by low matchday income. This totalled just €17.6m (£11.7m), only 8% of total revenue. Despite claiming the support of 44% of Italy's 14m football fans, the club's average domestic league home attendance was 34,400, the lowest of any of the clubs in our top 20 revenue earners.




Juventus: Revenue sources and percentages



Source: Deloitte analysis.

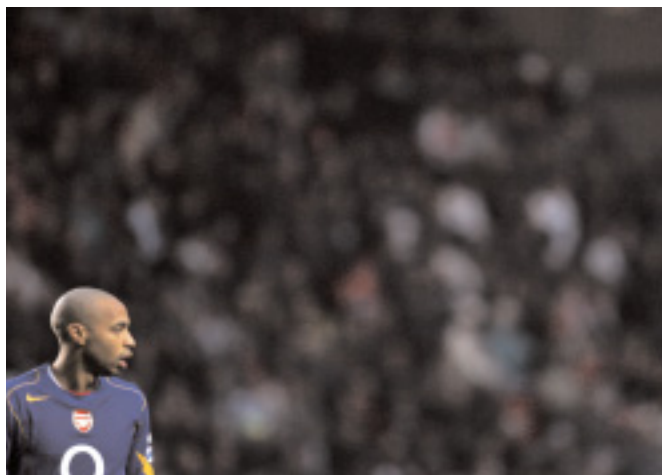
6. Arsenal

	€173.6m (£115.0m)	Position 02/03: 7 ↑ Revenue 02/03: €149.6m (£104.1m)
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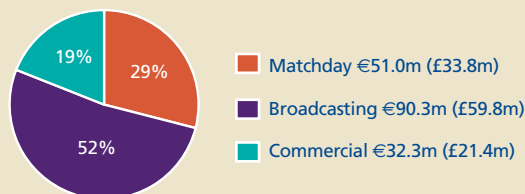
Arsenal move up from seventh place to sixth as their revenue rose by 16% (in Euro terms) to €173.6m (£114.9m). On the pitch the club achieved the first unbeaten League season in England in over a century, and the first in a major European league since AC Milan in 1991/92. The club were also semi finalists in both domestic cups and reached the quarter final stage of the Champions League.

In financial terms the most significant development of the season was the commencement of work on the club's new 60,000 seat Emirates stadium, which is due to open in August 2006. The club is currently constrained by Highbury's 38,500 capacity and despite hosting 29 home matches, matchday revenue totalled just €51.0m (£33.8m), small in comparison to domestic rivals Manchester United and Chelsea. The new stadium should deliver significantly enhanced matchday revenues and could well see Arsenal challenge Manchester United and Chelsea at the top of the matchday revenue charts.

In October 2004 the club signed a commercial partnership deal with Emirates involving stadium naming rights for 15 seasons, and shirt sponsorship for eight seasons starting in 2006/07. The deal is reportedly worth €135.9m (£90m) and will contribute greatly to future commercial revenues. We expect to see Arsenal move further up the Money League in the coming years as they and Chelsea lead London's challenge to Manchester, Madrid and Milan.




Arsenal: Revenue sources and percentages



Source: Deloitte analysis.

7. Barcelona

	€169.2m (£112.0m)	Position 02/03: 13 ↑ Revenue 02/03: €123.4m (£85.9m)
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A rejuvenated Barcelona has halted its slide down the Money League and climbed six places back up to seventh, with a 37% increase in total turnover to €169.2m (£112m). This increase is even more impressive given that the Catalan giants did not compete in the Champions League in 2003/04 and eschew the idea of a shirt sponsorship contract.

Turnover growth can be attributed to large jump in both broadcasting and matchday income, up by 55% and 38% respectively.

The gain in broadcasting income arises from 2003/04 being the first year of a new five-year domestic broadcasting deal with Televisio de Catalunya – worth an estimated €54m (£35.8m) a year. Larger Spanish clubs, and Barca and Real Madrid in particular, benefit from being able to negotiate individual broadcast deals for home matches. These two clubs account for around a third of the 20 team Primera Liga’s total broadcasting income.

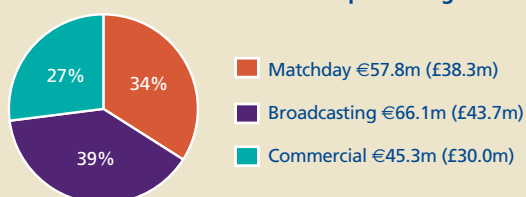
Despite average attendances at home league matches remaining broadly static at 67,500, matchday income has been boosted by an increase in season ticket prices during 2003/04.

Looking forward – income in 2004/05 is likely to rise further from participation in the Champions League, whilst the 98,000 capacity Nou Camp provides plenty of potential for further increasing matchday income. The club continues to resist negotiating a shirt front sponsorship deal, despite recent press speculation to the contrary.



“Larger Spanish clubs, and Barca and Real Madrid in particular, benefit from being able to negotiate individual broadcast deals for home matches. These two clubs account for around a third of the 20 team Primera Liga’s total broadcasting income.”

Barcelona: Revenue sources and percentages



Source: Deloitte analysis.

8. Internazionale

	€166.5m	Position 02/03: 6 ↓
	(£110.3m)	Revenue 02/03: €162.4m (£113.0m)

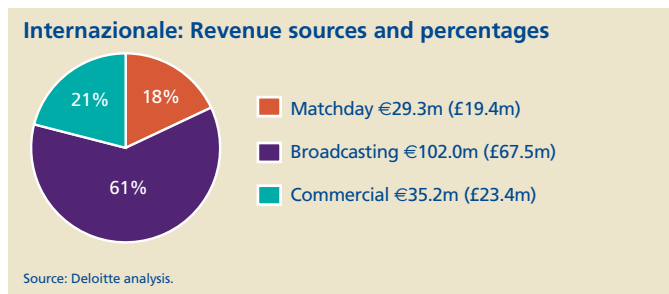
Internazionale are one of Italy's big three clubs (along with AC Milan and Juventus). However, they remain the poor relation of the three in terms of on pitch success, having failed to win the Scudetto since 1988/89. They finished fourth in 2003/04 and were disappointingly eliminated from the Champions League at the Group stage.

Although they went on to reach the quarter finals of the UEFA Cup, the loss of potential revenue from failing to reach the knock out stages of the Champions League meant that broadcasting revenue fell some way short of the other big three clubs at €102.0m (£67.5m). Inter have signed a new broadcasting deal with Sky Italia, reportedly worth €130m (£86.1m) over two seasons from 2005/06. As from 2004/05 they will benefit from a separate digital terrestrial deal with Mediaset worth around €9m (£6m) a season so these substantial domestic broadcast revenues look safe for some years to come.


Inter retain long term commercial partnerships with Nike and Pirelli. This helps them to generate €35.2m (£23.4m) in commercial revenue. They are likely to need significant on pitch success, particularly in European competition, and growth in matchday income at the San Siro, to break into the Money League's top five clubs.



“Inter have signed a new broadcasting deal with Sky Italia, reportedly worth €130m (£86.1m) over two seasons from 2005/06. As from 2004/05 they will benefit from a separate digital terrestrial deal with Mediaset worth around €9m (£6m).”

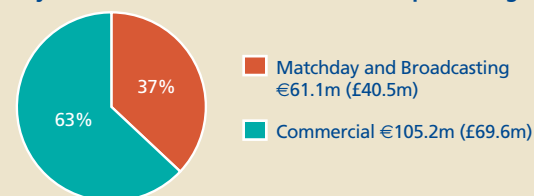


9. Bayern Munich

	€166.3m (£110.1m)	Position 02/03: 5 ↓ Revenue 02/03: €162.7m (£113.2m)
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Bayern Munich: Revenue sources and percentages



Source: Deloitte analysis.

Despite a slight increase in overall revenue to €166.3m (£110.1m), Bayern continue to drift down the Money League. They drop from fifth to ninth after falling out of the top three last year for the first time.


Bayern continues to benefit from the strength of the German corporate market, and large commercial revenues. The club's biggest single deal is its €17m (£11.3m) a season shirt sponsorship deal with telecommunications company Deutsche Telekom – the most lucrative shirt sponsorship deal of any football club.

The club is set to move to a new 66,000 capacity stadium in time for the 2005/06 season. As well as generating income from naming rights sponsor Allianz, this move has the potential to boost matchday income.

The collapse of media company Kirch in 2002, taking its record media rights deal for the Bundesliga with it, has contributed to German clubs being less reliant on broadcasting revenue compared to clubs in the other 'Big Five' European leagues.

Maximising the business opportunities from the new home stadium, as well as continued success in generating commercial revenue, and strong performance in the Champions League, are likely to be the keys to Bayern's future revenue growth.

10. Liverpool

	€139.5m (£92.3m)	Position 02/03: 8 ↓ Revenue 02/03: €149.4m (£104.0m)
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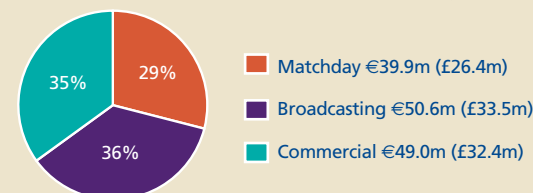
Liverpool's income fell by 7% (in Euro terms) to €139.5m (£92.3m). This decrease can be attributed to the club's failure to qualify for the 2003/04 Champions League.

The club progresses with its plans to build a new 60,000 capacity stadium close to its existing Anfield home ground, and recently received planning permission for the project. The move to a larger venue should assist the club to increase matchday income, which currently stands at only €39.9m (£26.4m) – 29% of total revenue – less than half that of Premiership rivals Manchester United and Chelsea.

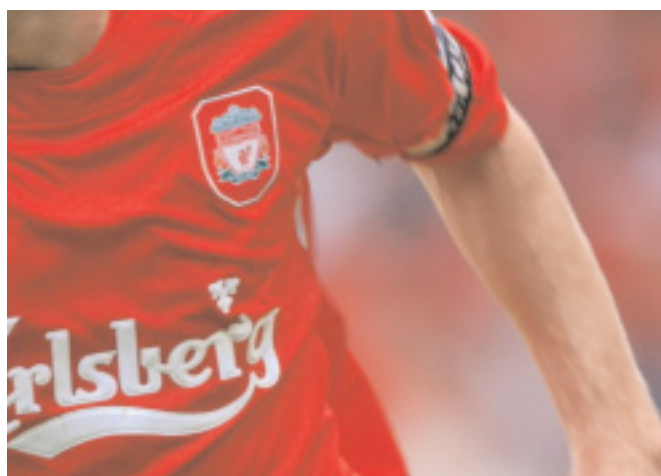
Liverpool should keep a top ten spot in the next Money League for two reasons. Firstly, its progression to the knock out stages of this season's Champions League. Secondly, the 2004/05 season is the first year of the club's new six-year kit deal with Reebok – reportedly worth up to €151m (£100m).

The club continues to be the subject of takeover speculation. This may or may not ultimately lead to an injection of additional funding; although this can be no substitute for continued development and growth of all its income streams.

Liverpool: Revenue sources and percentages



Source: Deloitte analysis.



11. Newcastle United

	€136.6m (£90.5m)	Position 02/03: 9 ↓
	Revenue 02/03: €138.9m (£96.7m)	

Although Newcastle exited the Champions League at the qualifying round stage in 2003/04 they slipped only slightly down the Money League. Revenue (in Euro terms) fell by only 2% to €136.6m (£90.5m). A run to the UEFA Cup semi finals, partially mitigated the failure to qualify for the group stages of the Champions League.

Broadcast income from European matches fell by €15.3m (£10.1m), meaning that total broadcasting revenue fell by 19% to €50.8m (£33.7m). Rising matchday receipts made up for some of this fall.

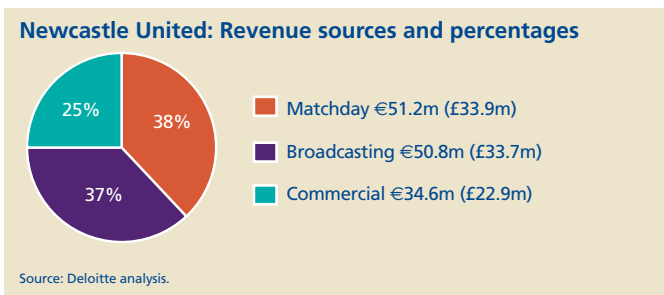
Newcastle are famed for their loyal and strong fanbase (the ‘Toon Army’), and Premiership attendances at St James’ Park again averaged close to 52,000 (99.6% capacity utilisation). Season tickets have been sold out for 12 consecutive seasons. Matchday revenues increased by 4% over the year, to a new club record total of €51.2m (£33.9m).

Merchandising sales remained healthy at over €8.0m (£5.3m), despite there being no home kit launch. The club announced new main sponsorship deals with adidas and Northern Rock, both of which run until 2010. The revenue from these deals is likely to increase commercial revenue in future seasons, and with cost control keeping total wages under 50% of turnover, the club recorded operating profits of €12.5m (£8.3m).

A return to the Champions League group stages would doubtless mean a return to the top ten in the Money League. To achieve that position without Champions League football is a tall order and a notable achievement for any off-field business team.



“Newcastle are famed for their loyal and strong fanbase (the ‘Toon Army’), and Premiership attendances at St James’ Park again averaged close to 52,000. Season tickets have been sold out for 12 consecutive seasons.”



12. AS Roma

	€108.8m (£72.0m)	Position 02/03: 11 ↓ Revenue 02/03: €132.4m (£92.1m)
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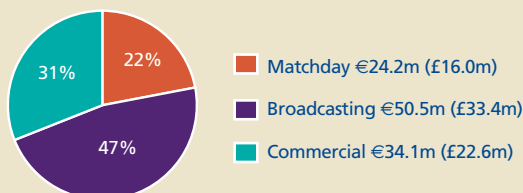
AS Roma slipped only one place in the Money League in 2003/04, despite seeing revenue fall by 18% in the season. The primary reason for the reduction has been the absence of Champions League football – which, in 2002/03, amounted to almost €18m (£11.9m).

Unlike the other Italian representatives in this year's Money League, broadcasting revenue comprises less than half of Roma's revenue, totalling €50.5m (£33.4m) – 47% of income. The club is likely to see this increase in 2004/05, as they signed a new Pay-TV contract with Sky Italia worth a reported €145m (£96m) over three years, and also a digital terrestrial deal with Mediaset, which will reportedly generate €22m (£14.6m) (over the same period).

Domestically Roma improved on their previous league placing to finish in second place, thus qualifying for the 2004/05 Champions League. However, average Serie A attendances slipped to 46,500, and as a result they dropped to fourth in the Italian attendance league, behind Milan, Inter and Lazio. Roma will need a substantial improvement in both on and off pitch performances to climb the Money League table, given the near €30m (£19.9m) gap to the team above, and a c.€60m (£39.7m) gap to Bayern Munich just three places above.



AS Roma: Revenue sources and percentages



Source: Deloitte analysis.

13. Celtic

	€104.2m (£69.0m)	Position 02/03: 18 ↑ Revenue 02/03: €87.0m (£60.5m)
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The Scottish Premier League champions, along with their neighbours and Old Firm rivals Rangers, are the only Money League representatives from outside the 'Big Five' European Leagues. Celtic moved up five places this year as turnover rose 20% to reach €104.2m (£69m).

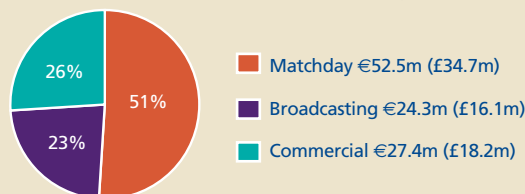
A big boost came from a prolonged European campaign in which they reached the first group phase of the Champions League, and subsequently the quarter-finals of the UEFA Cup.

Celtic's matchday income of €52.5m (£34.7m) accounted for over half of total turnover, the highest proportion of any of our top 20 clubs. The club's huge domestic fan base is reflected in an average home domestic league attendance of over 58,000.

Commercial revenues also increased due to 2003/04 being the first year of a new shirt sponsorship deal with beer brand Carling, negotiated jointly with Glasgow rivals Rangers and worth a combined €18.1m (£12m) to Celtic over three seasons. Commercial revenues will rise in future seasons after the club negotiated a kit sponsorship deal with Nike worth €37.8m (£25m) over five seasons, commencing in 2005/06.

The relatively low value of the SPL's broadcast deal, means that future revenue growth is likely to depend on the club's ability to further develop their own commercial revenues, and progress in the Champions League. The fact that Glasgow has two teams in the Money League is a testament to the Old Firm's brand strength – particularly their matchday figures. For the city to have as many representatives as Spain and Germany and more than France is a phenomenal achievement.

Celtic: Revenue sources and percentages



Source: Deloitte analysis.



14. Tottenham Hotspur

	€100.1m (£66.3m)	Position 02/03: 16 ↑ Revenue 02/03: €95.6m (€66.5m)
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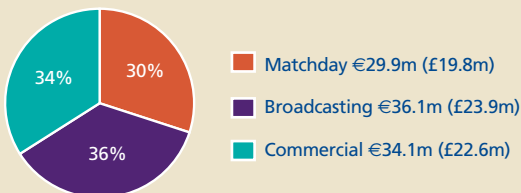
Spurs are one of the few clubs in the Money League who consistently feature despite, rather than because of, their on pitch record. The club has yet to appear in the Champions League and their last appearance in the latter stages of any European competition came back in 1991/92 (before the Premier League started), when they reached the quarter final of the European Cup Winners Cup.

Their willingness, however, to embrace good business principles in generating revenues for the club means that Spurs earn significant corporate hospitality and matchday income. Average attendances of 34,900 helped to secure €29.9m (£19.8m) in matchday revenues, 30% of total revenue. Spurs' fourteenth place finish in the Premiership netted the club €28.7m (£19m), while commercially, the club extended its current shirt sponsorship deal with Thomson for a further year.

The club raised €22.7m (£15m) through a share issue, some of which has been invested in new management and playing staff for the new season. This investment will need to deliver on the pitch for Martin Jol's team if Spurs are to move towards the upper reaches of the Money League.



Tottenham Hotspur: Revenue sources and percentages



Source: Deloitte analysis.

15. SS Lazio

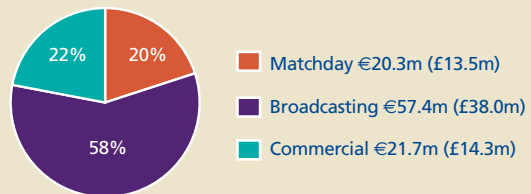
	€99.4m (£65.8m)	Position 02/03: 15 → ← Revenue 02/03: €98.4m (€68.5m)
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Lazio maintain their place in the Money League for 2003/04. Lazio's finances attracted a lot of attention in the last year, but its revenue held up reasonably well. On the pitch the club finished bottom of their Champions League group and finished sixth in Serie A, qualifying for this season's UEFA Cup, and won the Italian Cup.

Lazio is heavily reliant on broadcast revenue with 58% or €57.4m (£38m) of their total income coming from this source. Their deal with Sky Italia – which was extended to cover the 2005/06 and 2006/07 seasons – is reportedly worth €32m (£21.2m) per season, while the club continue to negotiate the sales of digital terrestrial and broadband internet rights.

Lazio's attendances averaged 49,300 for Serie A games but they only earned €20.3m (£13.5m) in matchday revenues. With its failure to reach the 2004/05 Champions League, Lazio will be hard pushed to maintain their place in the top 20 next year.


SS Lazio: Revenue sources and percentages



Source: Deloitte analysis.



16. Manchester City

	€93.5m	Position 02/03: (n/a) ↑
	(£61.9m)	Revenue 02/03: €70.5m (£49.1m)

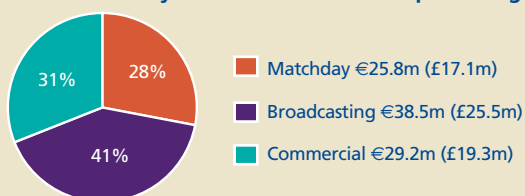
Manchester joins Milan, London, Madrid, Glasgow and Rome as the only cities to have two or more clubs make it into the same Money League. Manchester City are the only debutants in our 2003/04 table, with total revenue of €93.5m (£61.9m). The catalyst for this is their move to the 48,000 seater City of Manchester Stadium, bringing a 36% increase in Premiership attendances – and a near doubling of City’s matchday revenues to €25.8m (£17.1m). The increase is a fine example of a club capturing, and then capitalising on, a new stadium’s potential, and transforming its revenues as a result.

City finished in a disappointing sixteenth position in the Premiership, but still earned €27.2m (£18m) in domestic broadcasting revenue – testament to the value of the Premier League’s domestic TV contracts. They also made their first appearance in European football for 25 years – and agreed a three year shirt sponsorship deal with travel company Thomas Cook.

Having gained a place in the Money League, City will aim to move up the table. The next step will only be achieved with a higher Premiership placing and, then, regular European football.



Manchester City: Revenue sources and percentages



Source: Deloitte analysis.

“Manchester City are the only debutants in our 2003/04 table, with total revenue of €93.5m (£61.9m). The catalyst for this is their move to the 48,000 seater City of Manchester Stadium, bringing a 36% increase in Premiership attendances – and a near doubling of City’s matchday revenues.”

17. Schalke 04

	€91.4m (£60.5m)	Position 02/03: 14 ↓ Revenue 02/03: €118.6m (£82.5m)
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Schalke were a new entry into the Money League last year. This year a 23% drop in revenue to €91.4m (£60.5m) means that the club falls from fourteenth to seventeenth position.

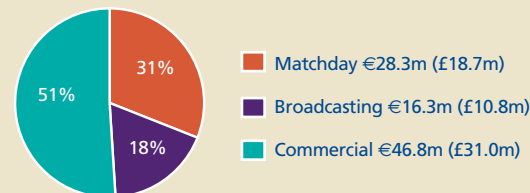
Operating in the largest commercial market in Europe, like other German clubs, Schalke's commercial income of €46.8m (£31.0m) represents the highest proportion of total revenue (51%). A shirt sponsorship deal with insurance company Victoria and stadium sponsorship deal with brewers Veltins are key contributors to this total.

Indeed the stadium is what differentiates Schalke and it represents the key to its revenue success and presence in the Money League. Attendances at the Arena Auf Schalke in Gelsenkirchen average over 61,000 for league games. As with other German clubs lower ticket prices mean that matchday income per attendee is much lower than for UK clubs. The prestige of the stadium is such that it hosted the 2004 Champions League final, which will have boosted revenues.

The club's on field performance doesn't quite match its stadium. Seventh place in the Bundesliga in 2003/04 means the club will have no European competition for the second successive season. It may prove challenging for Schalke 04 to keep its place in next year's Money League.




Schalke 04: Revenue sources and percentages



Source: Deloitte analysis.

18. Olympique Marseille

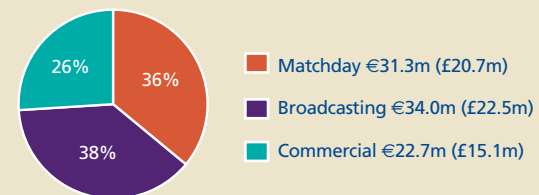
	€88.0m (£58.3m)	Position 02/03: (n/a) ↑ Revenue 02/03: €61.6m (£42.9m)
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Olympique Marseille make their first appearance in the Money League since 1999/00 and are the only French representative this year. The club has the highest attendances in France and last season averaged 51,600 for domestic league matches. In addition, their prolonged European run, in which they participated in the Champions League group stages and then went on to become UEFA Cup finalists, meant that the Stade Velodrome hosted a total of 29 home matches. Matchday revenues rose to reach €31.3m (£20.7m), 36% of total revenue. The club is currently considering an expansion to the stadium from its current 60,000 capacity to 80,000.

Marseille finished in seventh place in last season's Championnat. This meant that the club missed out on European competition this season, and may not be part of the 2004/05 Money League.

Marseille's broadcasting revenue, which in 2003/04 was €34.0m (£22.5m), will increase as a result of the start of a new broadcast deal negotiated between Pay-TV broadcaster Canal Plus and the French League. This is worth a reported €600m (£397m) per season for the league – over 80% higher than the value of the current deal, under which rights are shared between Canal Plus and its rival Pay-TV broadcaster TPS. The deal is likely to see a French resurgence in the Money League and we expect Olympique Lyonnais and others to appear in future editions as the proceeds from the deal come on-stream in 2005/06.


Olympique Marseille: Revenue sources and percentages



Source: Deloitte analysis.



19. Rangers

	€86.2m (£57.1m)	Position 02/03: (n/a) ↑ Revenue 02/03: €70.5m (£49.1m)
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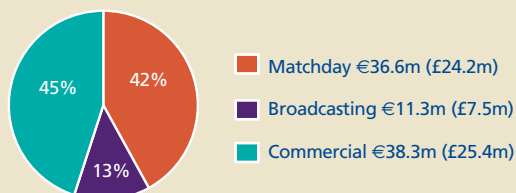
Rangers return to the Money League for the first time since 2000/01 as revenue increased by 22% in Euro terms to reach €86.2m (£57.1m). Like their great rivals – Celtic – Rangers’ commercial revenue is impressive as a result of their fanatical domestic and international support, but the club is reliant on the boost to revenue which European football brings, in order to make it into the Money League.

Their 2002/03 Scottish Premier League Championship win meant that they entered the Champions League at the group stage. Although they finished bottom of their group, they received €7.5m (£4.9m) in centrally generated revenues, which helped broadcasting revenue rise to €11.3m (£7.5m), 13% of total revenues. Like Celtic they enjoy strong support, and average league attendances in 2003/04 were an impressive 49,000. The revenue from these matches, plus that from three European games, caused matchday revenue rise to €36.6m (£24.2m).

A share issue was launched in November 2004, which will provide additional funds to strengthen the balance sheet. Rangers were eliminated from the Champions League in the third qualifying round, and this is likely to mean that they will struggle to maintain their place in next year’s Money League.




Rangers: Revenue sources and percentages



Source: Deloitte analysis.

20. Aston Villa

	€84.4m (£55.9m)	Position 02/03: (n/a) ↑ Revenue 02/03: €65.3m (£45.4m)
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Aston Villa make their first appearance in the Money League for five years, on the back of a strong Premiership performance. The club finished in the Premiership top six for the first time in four seasons and reached the Carling Cup semi finals. The future looks bright as the club won the FA Youth Cup in 2002, and were finalists in 2004, and some of their Academy players have progressed further to the first team squad this season.

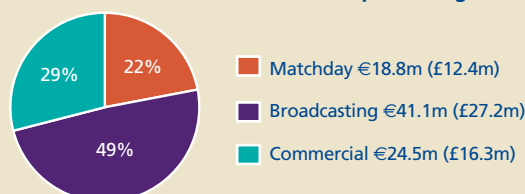
Average league attendances were 36,600 – their highest for five seasons – and matchday revenues totalled €18.8m (£12.4m). The sixth place finish in the Premiership meant that they received €34.8m (£23.1m) in domestic broadcast payments, which helped total broadcast revenue to reach €41.1m (£27.2m), 49% of turnover.

In the summer of 2004 the club announced new commercial partnerships with kit supplier Hummel, and shirt sponsor DWS which should raise commercial revenue above its current €24.5m (£16.3m). For the club to retain their Money League place they will need to develop commercial revenues and their matchday income further, and maintain their on pitch improvement to secure regular European football at Villa Park.

“Aston Villa make their first appearance in the Money League for five years, on the back of a strong Premiership performance.”



Aston Villa: Revenue sources and percentages



Source: Deloitte analysis.

Grounds for improvement

The Deloitte Football Money League is once again filled by clubs from Western Europe, but only six countries provide all 20 clubs on the list. England has the most (eight clubs), followed by Italy (five), Germany, Spain and Scotland (two each), and France (one club). What is different about the UK market which means that England and Scotland provide half of the Money League representatives?

It's about balance...

Despite the recent realignment of the broadcast market, clubs in mainland Europe still have a much higher level of dependency on broadcasting revenue than their UK counterparts. In Italy and Spain clubs can negotiate individual deals with broadcasters and this has resulted in a flight to quality, with the largest clubs commanding phenomenal amounts in broadcasting revenue. This also explains the disappearance from our top 20 of all bar the biggest Spanish and Italian clubs. In the 2003/04 season 'signing on bonuses' from broadcasters to the three big Italian clubs meant that broadcasting revenues represent as much as 60% of their turnover. By contrast, UK clubs have a more balanced spread of revenues, with a greater proportion being derived from matchday and commercial sources, and some might argue that this creates a more robust business as a result.

The revenue category in which this difference is most pronounced is 'matchday'. The average British (English & Scottish combined) club in the Money League generates approximately €48m (£31.8m) from matchday revenues, just over a third of the club's total revenue. By comparison their mainland European counterparts in the top 20 generate, on average, €30m (£19.9m) from matchday revenues, which equates to less than 20% of their total revenue.

The amount of money that British clubs have invested in their stadia is well documented in the **Deloitte Annual Review of Football Finance** (the Premiership has spent over €1.5 billion (£1 billion) since it was formed). Clubs in other countries often have bigger stadia and bigger crowds but much lower income – why? The key is building the right stadium to maximise revenue and achieve the best returns.

Table 1: Average home attendances and matchday revenue

Club	Matchday revenue 2003/04 (€m)	Average home attendance 2003/04	Matchday revenue as % of total revenue
Manchester United	92.4	67,500	36%
Chelsea	80.9	39,700	37%
Real Madrid	62.0	67,600	26%
Barcelona	57.8	62,000	34%
Celtic	52.5	56,000	51%
Newcastle United	51.2	50,000	38%
Arsenal	51.0	36,600	29%
Liverpool	39.9	41,800	29%
Rangers	36.6	47,200	42%
Olympique Marseille	31.3	51,000	36%
Tottenham Hotspur	29.9	34,100	30%
Inter Milan	29.3	47,500	18%
Schalke 04	28.3	59,400	31%
AC Milan	27.9	53,300	13%
Manchester City	25.8	43,800	28%
AS Roma	24.2	40,700	22%
SS Lazio	20.3	44,000	20%
Aston Villa	18.8	35,600	22%
Juventus	17.6	28,900	8%

Notes:
 1 Average home attendances include domestic league and cup matches, UEFA Champions League, UEFA Cup and InterToto Cup matches and are rounded to the nearest 100.
 2 Bayern Munich were unable to provide a matchday revenue total and have therefore been excluded from this analysis.

Source: Deloitte analysis

...and skill...

Clubs need to ensure that they are taking into account the requirements of their spectators (or "the market"). That means two things – properly tailoring their estimation of demand by targeted research and consulting with their market, through whatever forum is the most appropriate. It should not be about simply replicating someone else's model because "it feels right" or because the club's President or Chairman wants to build some sort of monument to his reign.

Football clubs, like hotels and airlines, are selling perishable assets. If a plane takes off with a seat unsold, it can never be sold. The same goes for a football club with empty seats. Similarly, a segment of the market will pay a premium for extra comfort, convenience and catering that costs less to provide than people are willing to pay. Yield management, segmentation techniques and packaged ticket offers (with catering and car parking for instance) are all valuable improvements clubs can make. This does not require great capital investment – but it does require some thought, and research. We have advised a number of clubs on improving operational performance in existing stadia through our methodologies that utilise market-based and statistical techniques.

We believe there are further opportunities available for all clubs to improve their returns from the stadium and increase their level of matchday income. In some cases these gains could be very dramatic in terms of increasing from the base levels discussed below.

“Football clubs, like hotels and airlines, are selling perishable assets. If a plane takes off with a seat unsold, it can never be sold. The same goes for a football club with empty seats.”

...and delivery

Looking at individual clubs, Manchester United generate the highest matchday revenue, earning €92.4m (£61.2m) from this source – from average attendances at Old Trafford of 67,500. This is almost 50% higher than the best performing Continental European club in this area – Real Madrid who earned €62.0m (£41.1m), from a similar level of average attendance to Manchester United – see Table 1. In fact English and Scottish clubs occupy seven of the top ten places in terms of absolute levels of matchday income.

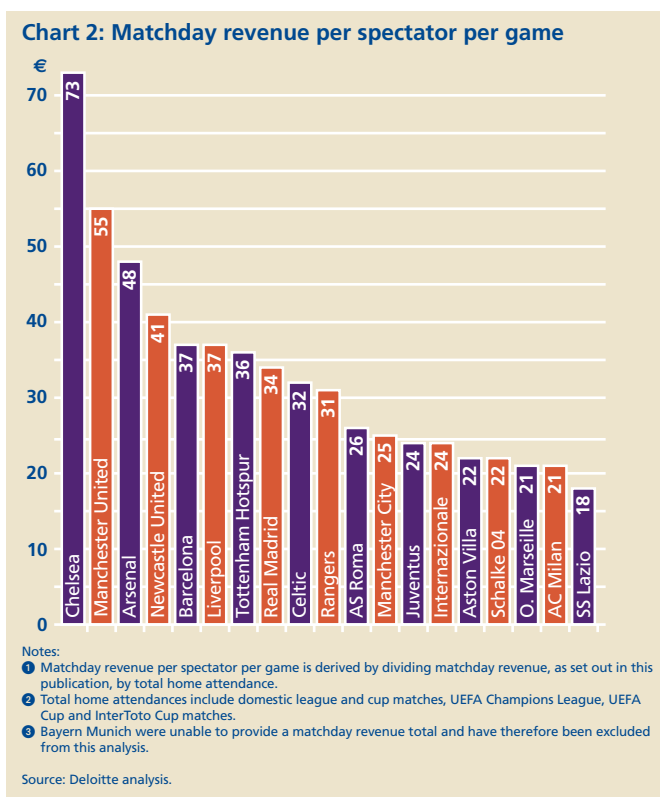
The club with the lowest matchday income of the 20 – Juventus (€17.6m (£11.7m)) – is actually placed fifth overall in the Money League. This is largely due to two factors – the amount of their broadcasting income – €130.1m (£86.2m) the second highest of all 20 clubs – and their commercial income – €67.3m (£44.5m), the fourth highest in the Money League. Their matchday income represents only 8% of their total and is less than a fifth of the matchday income being achieved by Manchester United. This is a worrying imbalance and shows the critical importance to Juventus of making progress with the business aspects of its stadium redevelopment (and also perhaps of its ‘marketing to and commercialisation of its fanbase’).

When looking at the clubs’ home attendances – a key performance indicator – the below par performance of Juventus in matchday income terms is partly explained by the fact that, at 28,900, it has the lowest average attendance (in all competitions) of all 20 clubs in this year’s Money League. This is despite having one of the larger stadium capacities. Juventus experience a very wide “spread” of attendance levels between their best and worst attended matches, which results in a lower overall average.

The level of matchday income per spectator being achieved by the clubs in the Money League varies widely – see Chart 2 – Lazio average just €462 (£306) per spectator (or €18 per person per match).

Compare these numbers to those being achieved by the clubs at the other end of the scale. Whilst Manchester United hold the number one spot in terms of overall matchday income, Chelsea are demonstrating an ability to generate the highest matchday income per spectator.

Chelsea’s matchday income per spectator – €2,041 (£1,351) per spectator per annum or €73 (£48) per spectator per game – is almost 50% higher than the second and third placed clubs in this category – Manchester United (€1,370 (£907) or €55 (£36) per



spectator), and Arsenal (€1,394 (£923) or €48 (£32) per spectator), with Newcastle United the only other top 20 club which is able to break the €40 (£26) per spectator barrier.

Indeed, big crowds do not guarantee big revenues. Borussia Dortmund do not make this year’s Money League, despite having the highest average domestic league attendance level in Europe (79,600).

UK clubs have consistently managed, through focused investment and targeted marketing, to achieve enhanced returns from their stadium asset which has helped them to achieve a more balanced spread of revenues. Although ‘ownership’ may be an issue for some mainland European clubs in terms of developing stadia, this does not preclude the employment of focused customer relationship management techniques to better understand their market. Though in general UK clubs perform better, numerous opportunities exist for many clubs to enhance matchday and general business revenues, by further developing their stadia or trying to use their existing asset more effectively. ●



Mark Roberts
Senior Sports Business Consultant

UEFA Champions League – the icing or the cake?

February 2005 sees the resumption of the UEFA Champions League, Europe's highest profile football club competition. The competition has become an integral part of the European club season – but how significant is it financially?

A European success story

The Champions League was created by reform of the European Champion's Cup in 1992/93 and, over the last decade, has developed from a 32 team competition involving one representative from each country (the previous season's domestic league champions), to one which involves a total of 74 entrants (of which 32 progress to the 'lucrative Group stage' – to use a regular journalistic epithet), with up to four representatives per country. The group stage guarantees participants a minimum number of matches, and broadcasters and commercial partners a more defined product. By any measure the competition has been a phenomenal success.

The Money League is dominated by clubs which take part in the Champions League. Of the 20 clubs, 12 participated in the Champions League group stage during 2003/04, of which 7 progressed to the knockout stages. 12 of these 20 clubs also participated in the competition in 2004/05, with 10 having progressed beyond the group stage. A pointer to the composition of next year's Money League?

UEFA markets broadcasting and sponsorship revenues (from the Group stage of the competition onwards) via the TEAM sports marketing agency, and revenues have increased strongly since the competition was rebranded. In revenue terms the Champions League is one of the most valuable commercial properties in club football (along with the top few domestic leagues). Despite an overall reduction in values in 2003/04 (as a result of changing market conditions and a restructuring of the tournament format), UEFA generated €581m (£385m) in broadcast and sponsorship revenues. The vast majority related to broadcasting revenues. Some of this revenue is distributed to UEFA's member national associations as solidarity payments. This finances many of UEFA's development activities – thus providing substantial benefit to the game's grassroots, particularly in less wealthy nations.

“The financial impact of non-participation in the Champions League is clear to see.”

Liverpool FC Annual Report 2004.

Dividing the spoils

The majority of Champions League broadcast and sponsorship revenue is, however, distributed to the 32 clubs which participate from the group stage onwards themselves – some €414m (£274m) in 2003/04. The distribution formula comprises two elements. 50% of this pool of revenue is distributed according to on field performance in that season's Champions League and 50% according to the relative value of the broadcast market in each country. Each country then divides that ('broadcast' share) according to their participant clubs' on-field performance. The amounts received by clubs in 2003/04 ranged from the €4.2m (£2.8m) received by Partizan Belgrade (who were eliminated at the group stage) to €28.9m (£19.1m) received by semi-finalists Chelsea. English clubs received the largest revenues, partly because of the relative size of the UK broadcast deal compared to other countries, but also due to strong on-pitch performances.

On top of this centrally generated revenue, clubs generate matchday, sponsorship and other commercial revenues themselves and, for a successful club in a big market, this can amount to a large pot of revenue. We estimate that the 12 Money League clubs who participated in the 2003/04 competition (see Table 2 plus Bayern Munich) collectively earned almost €300m (£200m) from their respective Champions League campaigns, which equates to 14% of the clubs' turnover. This excludes the extra 'local' sponsorship and commercial successes which flow with the kudos of Champions League status. Chelsea generated the biggest estimated Champions League revenue, €44m (£29.1m), one fifth of their total 2003/04 revenue. While, at one time, an appearance on the European stage was seen as being a bonus – a reward for a successful domestic season – many clubs now view Champions League qualification as the minimum acceptable level of on pitch success – the cake itself rather than the icing upon it.

Table 2: Contribution of UEFA Champions League ('UCL') estimated revenue to overall club revenues

Club	2003/04 Total revenue (€'000)	UCL central revenue (€'000)	Estimated UCL matchday revenue (€'000)	Total estimated UCL revenue (€'000)	UCL estimated revenue as % of total 2003/04 revenue
Chelsea	217,044	28,900	15,100	44,000	20%
Manchester United	259,034	27,900	9,700	37,600	15%
Arsenal	173,645	28,400	8,400	36,800	21%
Real Madrid	236,001	19,500	11,300	30,800	13%
AC Milan	222,268	17,800	5,000	22,800	10%
Juventus	215,042	15,200	3,100	18,300	9%
Celtic	104,248	7,500	8,100	15,600	15%
Olympique Marseille	88,000	9,800	4,600	14,400	16%
Internazionale	166,543	11,300	2,900	14,200	9%
Rangers	86,212	7,500	6,000	13,500	16%
SS Lazio	99,397	9,500	1,200	10,700	11%
Total	1,867,434	183,300	75,400	258,700	14%
Average	169,767	16,664	6,855	23,518	14%

Notes:

- 1 Unless stated clearly as a specific item in the clubs' accounts, estimated matchday revenue is derived by multiplying average matchday revenue per spectator per game by total Champions League 2003/04 attendance.
- 2 UEFA distributed centrally generated Champions League revenues in Swiss Francs. We have converted the amounts to Euros using the exchange rate as at 30 June 2004 (€1 = CHF 1.52375).
- 3 Bayern Munich were unable to provide a matchday revenue total and therefore have been excluded from this analysis.

Source: Deloitte analysis.

In it to win it

Some clubs may now commit to a level of costs (principally in terms of player salaries) necessary to achieve Champions League football in the hope – and expectation – of achieving the revenues. But such plans can come unstuck and Champions League qualification cannot be assumed. Borussia Dortmund and Valencia both failed to qualify for the Champions League in 2003/04 – and they missed out on a top 20 spot in this year's Money League. Some clubs are beginning to 'insure' themselves against such occurrences by developing performance related pay for players (with bonuses for qualification, rather than guaranteed salaries) – this is a welcome development, and one of which at Deloitte we would like to see much more.

While the existence of Champions League football is an important element of revenue for positions in the Money League, progress in the competition does not guarantee a place in the list. The strength of a club's domestic market – and the club's relative position in it – are also important factors, as illustrated by the fact that three of the four Champions League semi finalists in 2004 (Deportivo La Coruña, AS Monaco and FC Porto) including both finalists, are not part of this year's top 20. The competition winners Porto received a total of €19.6m (£13m) in UEFA revenues, but of this €17.7m (£11.7m) comprised performance bonuses and only €1.9m (£1.3m) was from the 'broadcast pod', due to the relatively small Portuguese broadcast market (in European terms). Nor is the Champions League the only avenue to move up the Money League – Barcelona increased revenue in 2003/04 by €46m (£30.5m) – 37% – and moved from thirteenth to seventh despite not being in the competition at all. Also Tottenham Hotspur have been ever present in our top 20 but have never appeared in the Champions League.

“The primary target each season is to qualify for the following season's UEFA Champions League.”

Manchester United Annual Report 2004.

Clues to the 2004/05 Deloitte Football Money League?

For the big clubs in the big markets progress to the final stages of the competition delivers a big boost to revenues – the icing on the cake, as it were. The second round of this season's Champions League draw has paired eight of our top nine Money League sides with each other – Real Madrid v Juventus, Manchester United v AC Milan, Chelsea v Barcelona and Bayern Munich v Arsenal, with the winners of these ties going forward to the quarter finals. Given the relative revenues of these clubs in 2003/04, the results of these matches may have a big influence on the clubs' potential positions in the Money League next year. ●



Rich Parkes
Sports Business Consultant

It's all about partnership

Twenty years ago matchday revenues were the key to football club incomes. Ten years ago, the Pay-TV platforms kick-started media revenues. Now, the focus turns to the third segment of a football club's revenue – commercial income.

Progressive football clubs have long been talking about 'partnership' as an underlying business principle. Football sales patter is littered with references to mutuality and working together – 'we don't just stick your logo on a piece of wood at the side of the pitch, we don't just take the money and run; honest.' But, of course, actions speak louder than words. In many cases the implementation of a true partnership approach still lags somewhat behind the rhetoric. Partnership – in its widest sense – is a philosophy which will secure future values (and not just financially) in the Game.

Deloitte has highlighted football's most important partnership for many years. A club's relationship with its fans has to be a true partnership – a 'give and take', sporting matrimony – transparent, honest and for life. In this section, we reflect on why a partnership philosophy is so important to securing other commercial revenues.

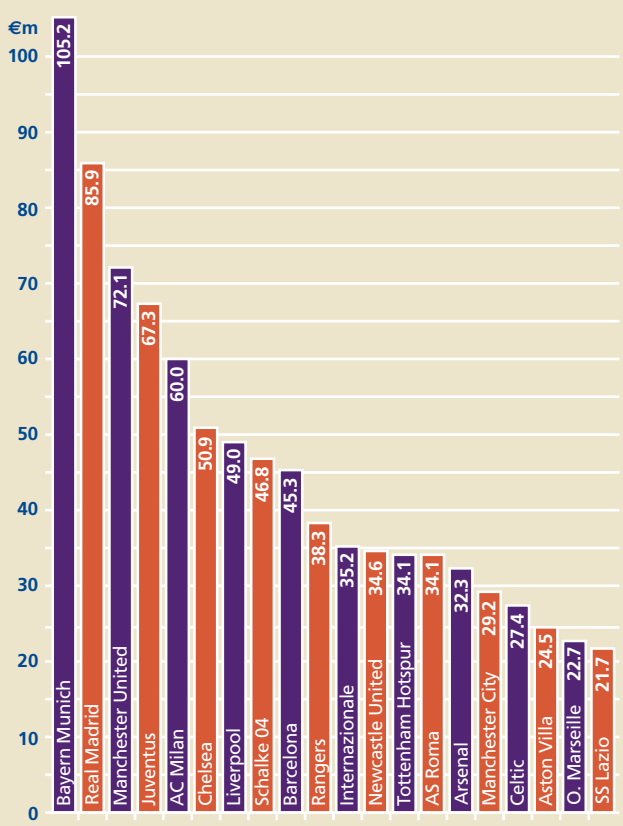
Commercial revenue covers a wide range of sources – sometimes due to inconsistent income classifications – but its principal components are retail and sponsorship. In football terms, both areas are relatively new to clubs, having emerged over the past 15 years or so into a sport well over a century old, and both can present complex challenges, particularly for clubs looking to exploit such opportunities in emerging international markets.

Growth potential

Retail and sponsorship revenues may well represent the greatest potential future revenue growth for many clubs (it is notable that the top six Money League clubs each generate over €50m (£33m) in commercial revenues – see Chart 3) due to 'limits' on matchday and broadcast income sources.

Matchday revenues have historically been football's lifeblood and the **Grounds for improvement** section shows there is still a substantial opportunity for some clubs in that area. Broadcast revenues are an infrequent (and, for the individual club, often a third-party and, hence, uncontrollable) transaction. Only at clubs with their own broadcast channels does broadcasting itself necessitate a major commercial operation requiring day to day attention. Sponsorship and retail revenues are therefore key areas where properly focused clubs can steal a march on their competitors.

Chart 3: Commercial revenues 2003/04



Source: Deloitte analysis.

On average, commercial revenue currently accounts for 31% of the total income of the 20 Money League clubs, but commercial revenues' share of the total at each club ranges from just over 20% at Lazio – €21.7m (£14.3m) to almost 63% at Bayern Munich – €105.2m (£69.6m). For many clubs commercial revenue is an evolving business, and perhaps this still shows in some clubs' figures?

“Big clubs can be choosy about the company they keep. The major brewers, mobile communications businesses and financial services providers, for example, covet the global reach and consumer loyalty that clubs in the Money League can deliver.”

Retail

On the whole, football retail in Europe remains the preserve of the British fan – and English and Scottish clubs out-perform their overseas rivals. However, profitable growth, in the domestic market, is becoming increasingly difficult. The domestic sports retail market is mature and business is highly competitive. The future of retail for our footballing elite, with fans around the world, is likely to be international and partnership-driven. Clubs need to select, then work in partnership with, progressive sports brands. ‘Piggybacking’ their brand equity, and most importantly, capitalising on the purchasing and (global) distribution power to put the right products, in front of the right people, in the right territories, at the right time and for the right price – will bring success. This is a tough challenge for the more independently minded football club.

Commercial partnerships

In just the same way as the major sports brands have ‘cherry-picked’ the top three or four clubs in each of the major European leagues, the major sponsors have started to do the same. We expect to see more and more of this as the relatively small family of football-friendly global brands extend tournament or single territory activities across other clubs, taking ownership of the sport and rolling out proven marketing strategies. Joining football’s elite family brings sponsors cost-effective visibility and consumer credibility around the globe. Beyond this, for the sponsor or corporate partner football partnerships can shift brand perception, likelihood to buy and ultimately brand loyalty but only with the support of proactive clubs.

At the ‘top end’, big clubs can be choosy about the company they keep. The major brewers, mobile communications businesses and financial services providers, for example, covet the global reach and consumer loyalty that clubs in the Money League can deliver. Outside the elite clubs, supply – the number of available club commercial properties – significantly exceeds demand (from the bigger corporates) and the resulting price-driven competition is forcing their sponsorship values down. On the other hand, the Money League is a small and exclusive group and there is only a restricted amount of partner ‘space’ available. Meaningful, ‘clean’ branding opportunities are limited, and, there are only so many endorsed products the fans will buy. On the other hand, if there is too much activity, then there is a real danger of ‘affinity overload’ or clutter as official status and club logos appear on more and more products. With strong demand (at least for the proactive, well-managed, commercially minded clubs) and a shortage of supply (and space), sponsorship values for those on the Money League should increase substantially if a proper (and discerning) partnership approach is taken.

However, clubs are now realising that partner selection is not just about the biggest guaranteed cheque. As important as the upfront cash should be the potential to develop collaborative business opportunities and, especially in non-local territories, the ability to benefit from the partner’s intrinsic marketing and operational acumen. The same principles of reach, buying and distribution power that Nike and adidas bring to the table are also true of Budweiser, Siemens, T-Mobile and Mastercard. Future market development will come from long-term alliances with these types of partners.

“...clubs are now realising that partner selection is not just about the biggest guaranteed cheque.”

But how do the best clubs develop and execute an effective commercial strategy? We try to set out some key principles below:

- The enduring challenge remains to grow (and then retain) a large, loyal and addressable fan base. A large fan base sustains a high volume, but passive dialogue; but, offering an enfranchised and addressable fan base affords a much more proactive and lucrative relationship.
- Segment by market potential – identify business potential by territory or market and target the most attractive markets.
- Consult with fans in priority markets to determine the products and services they want.
- Consider and approach reputable, global providers of those offerings.
- Maximise commercial values but also consider wider business benefits – in particular, harness local partner resource to develop and sustain fan relationships in priority markets.

The market has changed. Clubs and brands are both now saying ... “in our deal with ‘x’ we were really disappointed, there was so much we wanted to do with them but they did not support the partnership”. Ultimately, future success will come from new fans, in new markets buying more and more club and partner product. A passive approach to marketing for either category of product is unlikely to reap maximum rewards. Similarly, restricting partner relationships to a single product or service provider is equally limiting. The message is clear to clubs and their partner brands – get the most out of your partnerships. ●



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