

A Work Project, presented as part of the requirements for the Award of a Master Degree in Management from the NOVA – School of Business and Economics.

CRM FIELD LAB at SPORT LISBOA E BENFICA  
- Internationalisation Strategies Leveraging on Digital Platforms -

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3<sup>rd</sup> of January 2018

## **Abstract**

As part of the Customer Relationship Management Field Lab, this work project intends to provide Sport Lisboa e Benfica recommendations as to how it can devise its internationalisation strategies leveraging on digital platforms, for the proposed countries: China, USA and India. The project contains an overview of the existing literature on global marketing strategies, digital marketing, social media and digital international marketing in the football industry, culminating with a set of recommendations for SL Benfica to enter and succeed in each of the mentioned countries, based on the group report.

**Key Words:** global marketing strategy, digital marketing, football, SL Benfica.

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## **Introduction**

Sport Lisboa e Benfica is one of Portuguese League's major players, making, together with Sporting Clube de Portugal and Futebol Clube do Porto, the Big Three in Portugal. It is widely recognized as the Portuguese club with the highest number of supporters and also the club with one of the highest number of members, worldwide. Although Benfica has such a favourable position in its home country (leading in revenues, with €126M in 2016; in members, with 184K; and titles, with 36 championships and 2 European Champions Leagues), it does not hold such a position amongst its top European counterparts. The Big 5 Leagues in Europe are considered to be The Premier League (English), La Liga (Spanish), Bundesliga (German) Serie A (Italian) and Ligue 1 (French), which together accounted for over 50% of the European football market size (Deloitte, 2016). With revenues of €344M in 2015, the Portuguese League is the 8<sup>th</sup> largest in Europe in terms of revenues, clearly contrasting with the frontrunner Premier League, which holds an overall value of €4 866M. However, when it comes to the average revenue per club, the league drops to the 11<sup>th</sup> position, clearly showcasing the differences in revenue across the league, the leading position of the Big Three and, once again, the contrast with the Premier League, holder of an average revenue per club of €243M ( Deloitte, 2016), 70% of the whole Portuguese League. Ultimately, this lack of quality in and across the league makes it predictable and not competitive enough in the eyes of global football fans, making it less interesting than the Big Five Leagues. Indeed, Benfica, although enjoying from a favourable fan base and revenues in its country, lacks international interest and engagement in order to grow at a European level. Compared with clubs such as Real Madrid and Manchester United, Benfica's ticketing revenues account to €24M, whilst Real Madrid's are of €210M and Manchester United's of €120M. Looking at commercial results (sponsorship, rents, royalties, other revenues), Benfica's position is again clearly perceived as inferior, with revenues of €33M contrasting with Manchester United's €263M. For Benfica, this clear disadvantage has led the

club to think strategically and find ways to grow outside its league. In this sense, Benfica has outlined and started to implement a strategy to position itself as an international brand, having already established operations outside of Portugal, having to this point achieved a good percentage of its revenues sourcing from outside the country (78% of the group's revenues come from international sponsors and players' sales) and having allocated its commercial team to develop business more and more outside the country rather than inside (Domingos Soares de Oliveira – Benfica's executive administrator, Tudo é Economia - RTP 3, 25.09.2017). Ultimately, the globalization phenomenon offers Benfica an opportunity to internationalise and unlock the yet untapped potential of foreign markets, enabling the club to increase its international exposure, disclose new sources of revenues and, on the long run, achieve a higher sportive success with the acquisition of new star players. For Benfica, the internationalisation strategy will have as main pillar the club's experience and know-how in the development and training of the younger generations, under the form of academies and football schools. Hence, this dissertation intends to analyse how Benfica should establish its international marketing, more specifically through digital platforms, in order to gain track in new markets. The next sections will therefore be devoted to evaluating the existing literature on international marketing strategies, then moving on to the importance of digital tactics to support decision making and optimise cross-cultural management in international organizations, and finally evaluating European clubs' current international marketing strategies (digital media included) for new markets in an increasingly globalised world.

## **Literature Review**

### **i. Global Marketing Strategies**

Globalisation and increasing worldwide competition has led an increasing number of firms to internationalise. Internationalisation can be defined as the process by which firms increase their involvement in international operations (Welch & Luostarinen, 1988). The internationalisation

process of a firm is stimulated by internal and/or external factors, labelled as motives. Motives are initiating forces of internationalisation that can change over time, which tend to be associated with the existence of perceptive management, internal company events or conditions, increasing demand for the firm's product abroad, domestic market saturation, increasing competition in the domestic market, company participation in trade associations and identification of international opportunities (Katsikeas & Piercy, 1993; Santos & García, 2011). Notwithstanding, there are clear differences across markets and between customers. Hence, there is a need for adapting international marketing based on differences across both countries and consumers. "International marketing can be defined as the process of management responsibility in identifying, anticipating and satisfying customer requirements across international boundaries" (Doole and Lowe, 2008).

Evolving as a firm enters new countries, building a global marketing strategy is a dynamic and ongoing development. Ultimately, a global marketing strategy entails a need of understanding the foreign environments' conditions, its competitive forces and internal pressures within the firm. Differences in foreign environments may include cultural, economic and technological differences, as well as differences in consumers' tastes, needs and wants, the market's structure, ways of doing business, political stability, policies, laws and regulations (Akgün, Keskin, & Ayar, 2014). Hence, the need for firms to establish dedicated strategies.

In studying global marketing strategy, a number of different approaches have been adopted, but there are three major perspectives - standardization, configuration-coordination and integration – that have been the focus of many authors.

The standardization perspective entails that a firm holds standardized marketing efforts across different countries (Levitt, 1983; Subhash, 1989), particularly with regard to the traditionally called as the 4Ps: product, price, promotion and place. The benefits of standardization are widely identified to be the existence of economies of scale (Levitt, 1983), uniformity in serving

customers and the ability to replicate good practices and/or introduce products across all markets in a rather fast way (Laroche, Kirpalani, Pons, & Zhou, 2001). All in all, the theory examines the benefits that may arise when choosing a standardized approach across some, or all, components of the marketing mix.

A second perspective of global marketing strategy is the configuration/coordination theory according to which configuration and coordination are the major tools through which a value chain is managed (Porter, 1986). The theory states that in order to be successful, the firm must have both configuration concerns, meaning, how to structure its value-chain activities in an optimal way (where and in how many places the activity is taken upon) and coordination concerns, meaning, the firm is to govern such activities, so as to coordinate its efforts across all different markets, when it has activities in more than one place (Craig, Douglas, Samuel, & Douglas, 2015; Porter, 1986; Roth, 1992). On the one hand, having coordination across markets enables the firm to derive synergies from economies of scale, scope, and learning (Christopher A. Bartlett; Sumantra Ghoshal, 1987; Roth, 1992). On the other hand, having configuration concerns allows the firm to choose the right locations and exploit location-specific comparative advantages (Douglas & Craig, 2011; Ghoshal, 1987) - different countries have unique comparative advantages, and, therefore, concentrating value-chain activities in locations where they can be performed most efficiently enables the firm to maximize efficiency. Ultimately, this perspective entails that both efficiency and competitive advantages may be improved if firms recognize the importance of configuration/coordination across value chain decisions.

A third perspective of global marketing strategy is the integration perspective, according to which success arises from both participating in key markets and effectively integrate the firm's competitive strategies across these markets (Birkinshaw, Morrison, & Hulland, 1995; Zou & Cavusgil, 1996). Within the theory, operations across different markets are interdependent, as operations in one specific market are supported by gains in another one, and response to

competitive pressures in one market are compensated by counterattacking in another one (Birkinshaw et al., 1995; Ghoshal, 1987). Thus, in the integration perspective, all markets in which the firm is present are seen as part of an integrated whole and it is key to integrate and execute marketing efforts across all these markets.

All in all, it is key for a firm to develop a strong global marketing strategy, choosing the one that suits best its industry, capabilities and goals, so as to achieve competitive advantages over its competitors and a leading position in the minds of consumers.

## **ii. The role of Digital in International Marketing**

The Internet increasingly fosters global marketing, enabling businesses to connect on a real-time basis from anywhere and everywhere, serving as an enabler and driver of globalisation. It has too had its impact on international marketing strategy, giving rise to digital marketing. Digital marketing may be defined as “a form of direct marketing which links consumers with sellers electronically using interactive technologies like emails, websites, online forums and newsgroups, interactive television, mobile communications” (Kotler and Armstrong, 2009). and, regardless of the validity of any global marketing strategy, it comprises clear advantages for company, giving them access to large quantities of real-time data to build campaigns on, the ability to create long-term, omnichannel relationships and the possibility to deploy ways of gathering instant feedback from customers (Schuurin et al., 2017). Ultimately, the gathered data is valuable for measuring the efficiency and effectiveness of the firm’s marketing efforts, and, consequently, optimize the expenditure in marketing instruments, enabling the firm to effectively manage costs of acquiring customers online, retention costs and allocate actions to specific segments and individual customers (Kannan, PK; Hongshuang, L, 2016).

Digital marketing has usually been used in the promotion of products or services in a timely, relevant, personal and cost-effective manner (Bains et al., 2011). In this sense, it shows particular capabilities in reaching different types of consumers, especially in addressing



differences in culture. In fact, although it is true that some authors have predicted a convergence of culturally different markets into a “one-world culture”, giving rise to standardized marketing activities (Levitt, 1983), this vision has turned out to be an illusion as too many cultural factors, that have to be dealt with to succeed, still arise in international marketing. It is broadly acknowledged that “cultural factors act as invisible barriers in international marketing communications” and that “understanding cultural differences is one of the most significant skills for firms to develop in order to have a competitive advantage in international business” (Tian & Borges, 2011). Hence, being aware and actively engaging in diminishing cultural differences is a significant source of success for global players. Failing to develop marketing strategy in accordance to countries’ cultural environment, will determine losses for brands and business relations (Emery and Tian, 2003).

For Fulgoni & Lella (2014), US Hispanic consumers differ from non-Hispanics in the sense that they have a higher probability of being a "mobile- only" Internet user and engaging in social activities online and showcase a larger consumption of multimedia and entertainment content, whilst for Meyer, Michael, & Nettesheim (2009), Chinese consumers have clearly differentiated preferences for Europeans and Americans, namely in the sense that they deeply value authenticity and accurateness of online information, attribute success and/or bad luck to given numbers and colours and cherish opinions from their peers in their buying process. Like these, there are many other differences between countries and even groups of consumers. If contacting with people from the same culture often presents its difficulties, then communication among people from different cultures will present even more difficulties, with miscommunications being not only probable but almost inevitable (Ferraro, 2006).

Nowadays, one of the biggest communication tools for companies, is social media. Social media refers to “a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of User

Generated Content” (Kaplan & Haenlein, 2010). Social media usage and popularity in a provided country is a function of the country’s technological advancements (e.g. Internet speed is key for YouTube), government (e.g. Chinese government has banned Facebook leading its users to rely on social media networks such as Weibo and WeChat) and cultural values and customs (Berthon, Pitt, Plangger, & Shapiro, 2012). In addition, social media can too have its impact on organizations. Local events seldom remain local and, therefore, firms must emphasize the importance of assessing local stories in the light of their possible impact on the firm’s brand, and measure its overall impact in the firm’s strategy (Berthon et al., 2012). These risks provide further evidence of how differences between countries need to be tackle by companies. Despite them, however, social media may increase brand awareness and loyalty, allows firms to listen to their customers and offers many conversion opportunities, unlocking opportunities for companies.

All in all, due to its degree of adaptability digital marketing can, therefore, mitigate cultural differences across markets and enable firms to carry out their international marketing strategy, achieving better results, in an increasingly globalized world, that is changing the face of all industries.

### **iii. Digital International Marketing in the football industry**

One industry in which globalisation has made its point and, therefore, international marketing efforts have been widely taken, is sports. Indeed, over the past decade, the technological phenomenon has greatly increased opportunities for sport organizations and all stakeholders within the sport industry, transforming the industry into a more commercialized and international one (Bauer, Sauer, & Schmitt, 2005).

Specifically, within this industry, football has been gaining momentum. As an industry growing at an increasingly higher yearly rate, the market size of the European professional football was set to reach a record €25 billion in 2016/17, making football a rising star (Deloitte, 2016).

Technological advances together with an increasing exchange across countries and cultures have led the industry to take on a global dimension with teams such as FC Barcelona and Manchester United as well as players like David Beckham, Cristiano Ronaldo and Lionel Messi achieving the status of global brands (Richelieu & Desbordes, 2009). Indeed, football clubs are increasingly expanding to new markets, aiming at serving larger audiences (Dobson & Goddard, 2004), with the objective of creating new business opportunities not only in the form of merchandising, but of sponsorship, which increasingly shows global features, reflected by their largest sponsors, e.g. Coca Cola and Adidas (Kozma & András, 2014).

One of the factors that most contributes to these brands' global success is their well-developed system of communications (Richelieu & Desbordes, 2009). Undeniably, digital marketing has been taking a leading role in clubs' internationalisation process, serving as a means to increasingly develop a deeper understanding of consumers' needs and wants through data collection, whilst hindering cultural differences and serving as a means to target a larger audience.

Technological developments enabled the spread of broadcasting, not through the traditional channels, but through the internet, a factor that clubs have been well taking advantage of: Sina Sports (China's leading digital sports media platform) and Manchester United have a long-term partnership through which SinaSports became the official Manchester United digital media partner in China, in which it is the sole broadcaster of MUTV (Manchester United Television). Additionally, football clubs have been taking advantage of physical experiences to gain a digital boost, creating offline-to-online experiences. In this sense, clubs have been using promotional/pre-season tours in order to generate value for a club by enhancing sales and merchandising activities. Many clubs have actually launched entire merchandising lines and even e-commerce activity in a country through the boost provided by their physical presence, as is the case of Manchester United's China tour, whilst others have taken advantage of it to

include different promotional acts and have a heavy social media coverage, including players and game highlights, events and match reports, as is the case of FC Barcelona's US Tour.

As mentioned, social media is a powerful tool for companies in new markets, serving as engagement platforms for clubs and consumers. Increasingly, clubs have established specific pages for each market and, more importantly, develop a presence in platforms that they would not use otherwise (as is the case of Weibo and WeChat for the Chinese market). Moreover, clubs have been adapting their posting hours and content for the provided market, creating both informative and interactive platforms that fully embrace the country's culture.

Furthermore, clubs have not only actively engaged in mitigating cultural differences but also on embracing them. Clubs have been taking advantage of important events in China, such as the Autumn Festival, the Chinese National Day or the Chinese New Year, in order to strengthen bonds with the Chinese fans, paying respect to Chinese customs, as Real Madrid players wishing a happy Chinese New Year.

All in all, through the analysis of the possible internationalisation strategies, and, specifically, the ones used by the big football clubs as well as the way these use digital not only to support international action but as an active tool in the strategy itself, may serve as a bridge and guidebook for SL Benfica, for its own internationalisation efforts and needs.

## **Conclusions and recommendations**

Sport Lisboa e Benfica communicated to us their 3 target markets, with an agenda to develop both timely and organized entry strategies. These are: China, in which SL Benfica already has a physical, albeit small presence, the United States of America, and India. In light of the previous results, it is clear that the 3 countries present quite different sizes, customs and culture. The group report showcases detailed data and facts for each individual country over which the analysis was performed. Hence, the need for SL Benfica to effectively adapt its entry mode to each one, namely its digital approach.

Consumers from the 3 provided countries value different things and, therefore, Benfica should take that in consideration. Firstly, in China, SL Benfica will need to focus on its history, on helping China improve its overall football quality and on ascertaining that football is a career. China should be the priority for the club, given that the club is to further its activity in the country in 2018. Secondly, in the US, the club must associate itself as a football stars' factory, communication "the American Dream". Thirdly, in India, communication should revolve around family, community and building a future with a successful career.

Additionally, in order to address consumer preferences, SL Benfica will need to both adapt its communication channels (use Weibo, WeChat, Youku and T-mall for China; Facebook, Twitter, Instagram and Snapchat for the US and YouTube, Facebook and Twitter for India) and personalize its positioning. Furthermore, the club is to develop a clear tone for communicating in each country. The club needs not only to take into consideration the previously mentioned channels, but also to clearly establish which content functions better for the industry at hand. Examples of such adaptations are highlighting SL Benfica's colours for China (red stands for happiness, love and luck and gold for fortune). Ultimately, the goal of social media content is for it to be tailored to the needs and wants of the given market, combining this with the communication of SL Benfica's goals. For China, specifically, this translates into building a strong Weibo page, featuring a mix of content that should include articles, funny stories/videos, and promotional pieces.

All in all, digital can be used to boost physical presence as well as increase brand awareness, brand interest and engagement. It is a great tool for football clubs to smooth cultural differences and make all markets feel as if a global player is actually local, due to its such high level of adaptation and knowledge of the country's ways.

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