Red Bull Gaining Momentum in European Club Football
-
The Competitive Advantage of Rasen Ballsport Leipzig e.V.

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Dissertation written under the supervision of
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Abstract

Dissertation Title: Red Bull Gaining Momentum in European Club Football - The Competitive Advantage of Rasen Ballsport Leipzig e.V.

Author: Lars Rouven Penke

Key Words: Competitive Advantage, Value Proposition, Competitiveness, Marketing, Brand Recall

Porter has majorly shaped the recent literature about competitiveness with his concept of competitive advantage. In combination with his idea of a unique value proposition, he has driven companies how to position themselves in the highly dynamic environment, fostered through globalization and digitization. In order to position their products efficiently, many companies use sports sponsoring as a marketing measure.

A teaching case, that aims at educating undergraduate and post-graduate students about the concept of competitive advantage, value proposition and sports sponsoring has been developed. For this, Red Bull's international football conglomerate, with its top club Rasen Ballsport Leipzig e.V. was taken as an example.

The German football market has high market entry barriers for financial investors, however Red Bull found ways to establish a 100% equity owned club in Europe's third strongest league. With a remarkable transfer strategy, only signing players between 17-23, with a salary cap of €3m/a and strong characteristics such a discipline and humbleness, the club moved up from Germany's fifth league to the first in just seven years and reached the UEFA Champions League in two out of three seasons in the first league.

The international competitiveness pays off twofold for Red Bull, as through displays in international broadcasting, brand awareness for the energy drink increases too, aside the increased market value of the club's young talents.

Resumo

Título da dissertação:	Red Bull Gaining Momentum in European Club Football - The Competitive Advantage of Rasen Ballsport Leipzig e.V.
Autor:	Lars Rouven Penke
Palavras-chave:	Vantagem Competitiva, Proposta de Valor, Competitividade, Marketing, Rechamada da Marca

Porter influenciou a mais recente literatura sobre competitividade com o seu conceito de vantagem competitiva. Em combinação com a sua idealização de proposição única de valor, ele guiou o posicionamento de empresas em ambientes altamente dinâmicos, promovido pela globalização e digitalização. De forma a posicionar os seus produtos eficientemente, diversas empresas usam o patrocínio desportivo como uma ferramenta de marketing.

Nesta dissertação foi desenvolvido um caso de estudo, que tem como objetivo educar estudantes de licenciatura e mestrado sobre o conceito de vantagem competitiva, proposição de valor e patrocínio desportivo. A título de exemplo, foi utilizado o conglomerado internacional de futebol do Red Bull, com o seu clube Rasen Ballsport Leipzig e.V..

O mercado de futebol alemão apresenta elevadas barreiras de entrada a investidores financeiros, no entanto a Red Bull arranjou forma de obter 100% de participação num clube de futebol da terceira liga mais forte da Europa. Com uma estratégia de transferências marcante, contratando apenas atletas entre as idades 17-23 anos, limite salarial de 3 milhões por ano e com características relevantes como a disciplina, humildade, o clube ascendeu da quinta divisão alemã para a primeira em apenas 7 anos e alcançou a UEFA Champions League em duas das três temporadas que marcou presença na primeira divisão.

A competitividade internacional retornou a dobrar a Red Bull, através de transmissões internacionais, maior exposição da marca da bebida energética e adicionalmente um aumento do valor de mercado dos jovens talento do clube.

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Above all, I would like to thank my parents for on the one hand providing me with the opportunity of excellent education but on the other hand especially for supporting me unconditionally over the course of the past 15 months. You commuted 4h daily to the hospital, just to sit with me. Even though we some days hardly exchanged a word, it meant the world to me. Thank you to my siblings Dorian and Lara, despite us all being so far apart geographically, I am so grateful, that we can still rely 100% on one another.

There are no words to describe Franzi's value along this thesis. Met and fallen in love with her in Lisbon, she has shown unbelievable support and loyalty. Thank you for showing me new ways of living, you have enriched my life since the first day. You have been patient, sensitive and so motivating, that I had no other choice than getting back on my feet that quickly after my cancer therapy. Your efforts to be with me in the hospital as often as possible despite living and studying in Lisbon were state of the art. Seeing you step through the door just made all of my days bright. Wow! I do not know where I would be without you today. Thank you for making me realize, that it was time to fly home early from Brazil. Thank you for reminding me, that being not ok, is ok. Thank you for introducing me to your amazing family, I am fortunate enough to have spent plenty of moments of great laughter with them.
Danke Herzenskrauti.

Table of Contents

Table of Figures

Table of Tables

Glossary

bn	Billion
CAGR	Compound Annual Growth Rate
CL	Champions League
EL	Europa League
FCB	FC Bayern Munich
FFP	Financial Fair Play
m	Million
KPI	Key Performance Indicator
RB	Rasen Ballsport
UEFA	Union of European Football Associations

1 Introduction

Sport has outgrown its status of a community engaging activity. Sport has become a multi-billion Euro business world-wide across different disciplines, with clubs being established as strong brands globally. According to Euromonitor, North America has the strongest performing leagues, with the

> "National Football League on top, outpacing runner ups including the National Basketball Association, Major League Baseball and the National Hockey League."
> (Euromonitor International, 2018).

However, the world's most popular sport is football, achieving steady financial growth over the past two decades. From 1992 until 2013, revenue of the five biggest European leagues has risen at a compound annual growth rate of 14%, from $1billion (bn) to $12.2bn, according to Deloitte (Boor et al., 2018). The most attractive leagues are the English Premier League, German Bundesliga and Spanish La Liga, being positioned fourth, sixth and eight respectively in the global league's attractiveness index (Euromonitor International, 2018).

By the nature of commercialisation and capitalism, a forefront of about five leagues and 30 clubs majorly within these, have become the elite of European club football (Boor et al., 2018). These majorly historically financially strong grown clubs, which have proven to be dominating Europe's elite football cups competition, the UEFA Champions League (CL) and Europe League (EL), are accompanied by clubs these days, that were majorly pushed financially by investors in recent years (Ross et al., 2019). Vast amount of money of their originating business was invested and made major impact in the power tensions in European club football. This is a trend that is majorly noticeable in England, Italy and France (Boor et al., 2018).

Aside these major financial investments, financial wealth is majorly driven by national and international sporting success that correlates with a club's and national league's brand value. Since the Premier League has a strong international brand reputation, it is not surprising, that 8 out of the 20 revenue strongest teams are English clubs (Ajadi et al., 2020). German clubs have fallen behind on sporting success and financial competitiveness compared to the other four major football leagues in Europe in recent years (Boor et al., 2018). However, Rasen Ballsport (RB) Leipzig has pushed into the German football market as a new and competitive player. A project, that was founded by the energy drink producer Red Bull. The management has found ways to cleverly play with the boundaries of Germany's 50+1 ownership rule. A regulation, which prevents investors to hold a majority of the club's voting rights and preserve Germany's unique football culture (Bundesliga, 2018).

This thesis will be a teaching case for a lecture, elaborating on Red Bull's unique international football conglomerate project. Factors like identifying expanding its marketing concept to mass audience, a well-defined value proposition and a strong competitive advantage have become crucial for long term competitiveness in today's business world. Red Bull leveraged on these factors, combined with extensive sport's sponsoring activities, in order to build a strong brand with recognisable patterns and values for its sport's business (Fürweger, 2008).

The underlying theories of these factors will be the focus of the literature review. Firstly, competitiveness will be discussed on non-industry specific basis, focusing on the concepts of value proposition and competitive advantage by Porter (2015). In the following, insights about the business model of professional football clubs will be provided and the topics of competitiveness and determinants for success in the football business elaborated. Examples will be provided by describing big clubs' success stories. The theoretical framework will be closed with an overview about sports sponsoring.

This teaching case has been written to be introduced to under- and post graduate students. It can be used in the field of strategic management, in particular in classes dealing with competitive advantage and value proposition. Moreover, the case has interesting insights of the importance of a common culture and identity of international companies. Major emphasis is put on the approach of a firm entering a totally new industry, in order to become highly competitive on short notice, as exemplified in the case by Rasen Ballsport Leipzig.

2 Literature Review

The following section consists of four main subjects, which are the theoretical foundation for the analysis to be conducted in the teaching case.

Firstly, the topic of competitiveness will be discussed with a special focus on the value proposition and competitive advantage. Secondly, the business model of professional football clubs across Europe will be evaluated. Aside the revenue and cost structures, especially the value propositions of professional football clubs and their potentially perceived competitive advantage will be discussed. The chapter will be closed with shading light on trends within the industry and elaborating on the concept of sports marketing.

[redacted] Competitiveness

Competitiveness is a very broad and diversely discussable research topic, that has gained great importance in the research field since the early 1990's. Competitiveness can be considered on microeconomic level regarding the factors impacting a single's firm performance or on macroeconomic level, which takes the performance of a nationwide industry into consideration (Porter, 1980, 2008). The overall shift from a pull to a push market has led to a strong customer focus (Porter, 1980). This makes it necessary to take the disciplines of value proposition, competitive advantage, price competitiveness, strategy as well as historical and sociocultural perspectives into account, when discussing competitiveness (Vlachvei et al., 2016).

Analysing the attractiveness of an industry is a crucial measure be conducted, before entering a new industry. Porter's five forces concept, imaged in *Figure 1*, has established itself to provide a holistic view on the industry during the evaluation process, if conducted carefully. Moreover, it can shade light on industry's profitability (Porter, 2008).

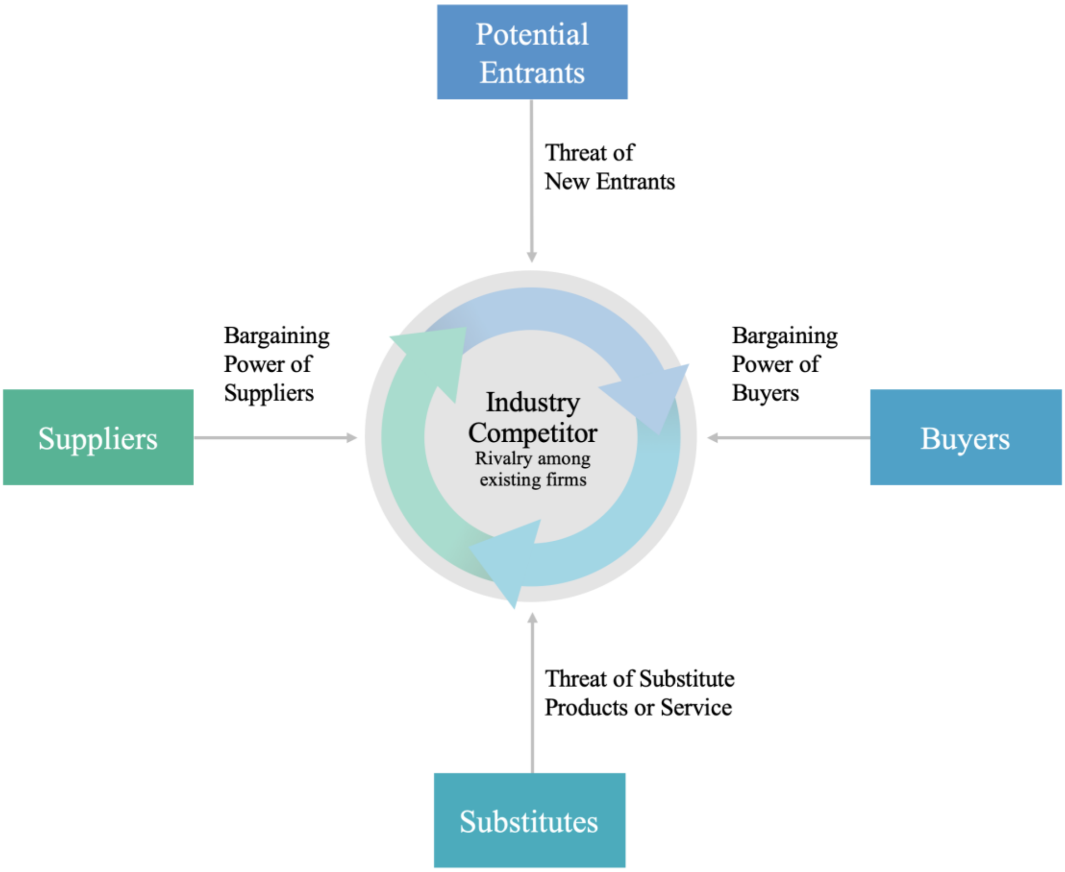

Figure 1 - Porter's Five Forces

Source: Porter (1980)

2.1.1 Value Proposition

Today's business environment is as competitive as never across industries. Globalisation and digitisation have further improved price and quality competition. The globally linked production chains enable companies to offer goods and services for low prices, making the entire business world very dynamic by ever evolving trends (Wiersema & Bowen, 2008).

For this reason, it has become crucial for companies to create an authentic value proposition (Anderson et al., 2006; Frow & Payne, 2011). Well phrased, it shall stimulate customer's decision-making drivers by clearly stating the need it will satisfy through an easy to understand message. The strong, comprehensive message shall transmit the added value to the customer and why it is superior to competitor's products (Sinek, 2009). In order to let customers easily grasp the added value, the proposition shall be phrased as a strong heading on prominent places with the brand's logo, in order to create a strong recall value. Intuitive wording and a supporting sub-heading can further strengthen the message (Sinek, 2009). When a company is able to define a unique value proposition, often new customer demands are being created, which they were not even aware of. Consequently, the value proposition is the strategy's brick to attract customers (Anderson & Narus, 1998). The Harvard Business School proposes three essential dimensions to be defined for a value proposition (Harvard Business School, 2020).

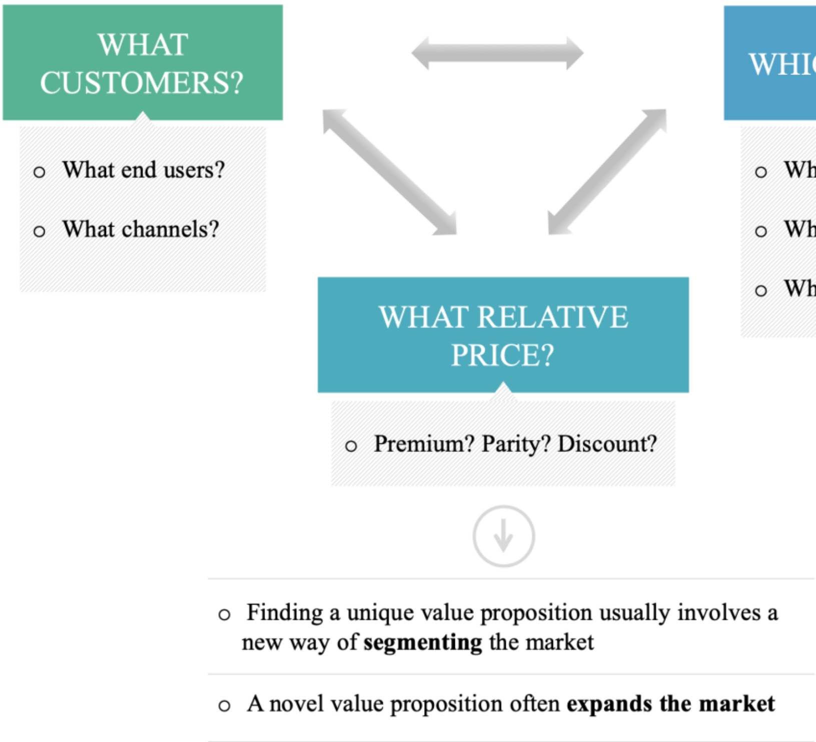

Figure 2 - Three Dimensions of the Value Proposition

Source: Harvard Business School (2020)

When defining a value proposition, the dimensions displayed in figure 2 need to be taken into consideration (Harvard Business School, 2020). If a customer segment of a specific industry is the first variable defined for a value proposition, customer's needs and relative price fall into place respectively (Harvard Business School, 2020). However, value propositions can be targeting one specific or multiple customer segments (Anderson et al., 2006).

Most commonly, the demand to be served by a company's product or service is the first variable that is defined in the value proposition triangle. This implies the company is being aware of a potential customer base, that is seeking to satisfy a specific need, which their product's or service's features will do. The company's target group is therefore specified by the common need to be satisfied. In case there are no other sufficient solutions available on the market satisfying customers' need, they are willing to pay a premium price (Harvard Business School, 2020).

In case the relative price is the first determinant defined in the triangle of the value proposition, this product or service is often placed in a satisfied market. Companies then penetrate the market with their low-priced offering, which is achieved by economies of scale and only meeting the customers' essential needs (Harvard Business School, 2020).

2.1.2 Competitive Advantage

In order for a business to sustain on the long term in a its business environment, it must achieve a sustainable competitive advantage. For this, the company has to find a relative position with the industry, which best matches the integrative view of customers' demands and internal resources, to meet the market's demand.

By considering the consolidated view of a company's overall strength and weaknesses compared to its industry's competitors, there are two main types of competitive advantage, a company can achieve: differentiation or cost advantage (Hill, 1988; Porter, 1980). The second dimensions that needs to be taken into consideration is, if a firm acts in a broad range of industry segments or focuses its activities on a specific segment, which is then a focus strategy with cost or differentiation focus, as displayed in figure 3 (Porter, 1985).

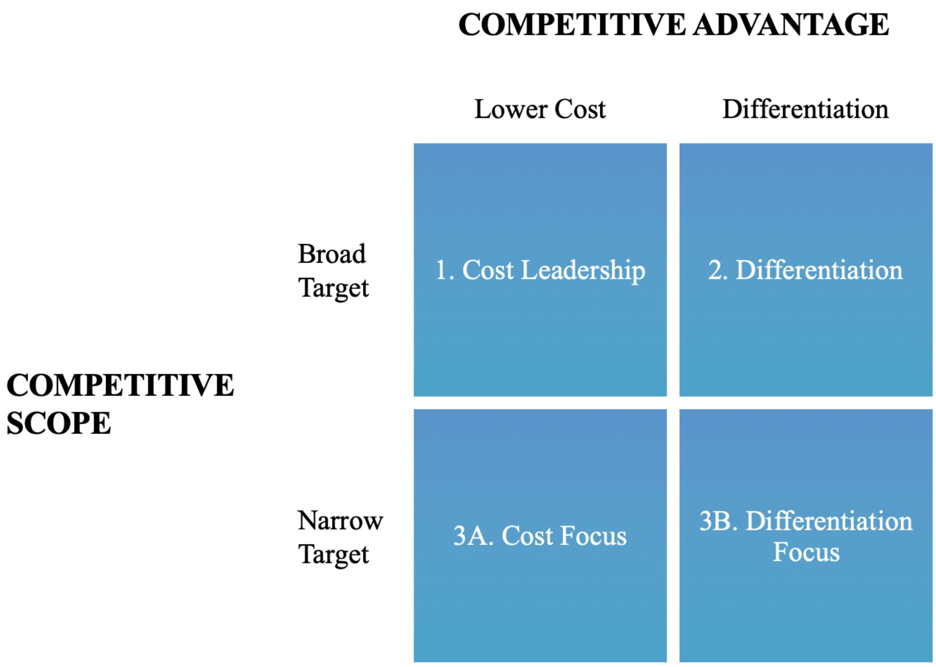

Figure 3 - Three Generic Strategies of Competitive Advantage

Source: Porter (1980)

If a company can claim a *cost advantage* as their competitive advantage, it either has mastered production costs across the entire value chain, achieved respective economies of scale, established unique proprietary production technology or has preferential access to raw materials (Porter, 1985). Since offering products at low price, which consequently results in smaller absolute margins per item, the form must serve a wider range of industry segments or provide products and services, that are cross industry relevant (Porter, 1985). Despite being the cost leader in the industry, the firm must still meet the bases of customers' demand, in order to be achieve above average returns in the industry (Porter, 1985). Usually, there is only one cost leader within the industry, if others simply adapt, this can disrupt the entire industries competitive structure, due to the strong bargaining power of customers and the devasting consequences for the firms' returns (Porter, 1985).

The second competitive strategy a company can choose is *differentiation*. For this, a company must provide unique product or service attributes among the industry, which are important for consumers in the decision-making process. Due to the uniqueness, the firm can claim a premium price. Porter (1985) claims that "*The means of differentiation are peculiar to each* *industry. Differentiation can be based on the product itself, the delivery system by which it is sold, the marketing approach, and a broad range of other factors."*. However, it always needs to be considered, that the costs for the company's uniqueness must be well covered by the premium price, in order to achieve a sustainable market position with above average returns (Porter, 1985). Thus, even a differentiator shall seek cost parity compared to its industry's competitors, especially since contrary to the cost leadership strategy, it is possible to have multiple differentiation players in the industry, due to the variety of attributes customers value (Porter, 1985).

Porter's (1985) third generic strategic approach is the *focus strategy.* This implies, that the market is segmented into certain sub-groups. Potential market segments can be based on consumers' demographics, their behaviour and product knowledge, in terms of geographic distinction or their psychographics, e.g. specific lifestyles or their core values.

Porter suggests, that if a company chooses to serve a niche market with a focus strategy, it shall either follow a cost- or differentiation approach. Otherwise, according to Porter, the company is stuck in the middle and will not be able to achieve above average performance by achieving a sustainable competitive advantage (Porter, 1985).

Skinner (1974) already stated in 1974, that *"a factory that focuses on a narrow product mix for a particular market niche will outperform the conventional plant, which attempts a broader mission"*. This consequently also, implies, that the competitors serving the market cannot satisfy the niche market's needs. The focus strategy also applies to services (Skinner, 1974).

2.1.3 Internationalisation Strategy

No matter at which economy you look at on the globe, over the past two decades value chains have become interlinked across the entire globe. Especially for large corporations it has become crucial, to create a strong brand and value proposition, that is globally recognized (Sbordone, 2007).

There are three main forces, that have majorly enabled internationalisation (Cacciolatti & Lee, 2015). Firstly, the decreased price for communication technologies, that enable firm to connect the people across their international hubs (Cacciolatti & Lee, 2015). Secondly, many international trade agreements have been signed, which makes shifting goods and people across borders and continents a lot easier. Thirdly, the breakdown of socialism in the former Soviet

Union States and the partly opening of the Asian, especially Chinese market, has created growth opportunities (Cacciolatti & Lee, 2015).

The reason for internationalising varies by each firm (Knight, 2004). One might want to strengthen its domestic market position by expanding its operations to new markets or leverage on lower labour costs in the foreign country in order to improve its cost structure (Knight, 2004). To achieve this, one can distinguish two major entry modes into the new market – equity based internationalization and non-equity based internationalization (Pan & David, 2000; Wall et al., 2009). The choice of entry is strongly correlated to the associated risk of the entry mode (Wall et al., 2009). A non-equity-based market entry includes e.g. exporting, strategic alliances, licensing, franchising and further contractual agreements. Due to the little relevance for the teaching case, non-equity market based entry modes will not be further elaborated (Wall et al., 2009).

Equity based entry modes are by the nature of it more risk associated, since it is a direct foreign investment. Hence, a company can claim full ownership over a newly established factory, subsidiary – alternatively it can create a joint venture and thus share the invest risk with the respective partner.

According to Knight and Cavusgil (2004) there are usually six variables considered when choosing the entry mode:

1. "The *goals* and *objectives* of the firm, such as desired profitability, market share or competitive positioning.
2. The particular financial, organizational and technological *resources* and *capabilities* available to a firm.
3. *Unique conditions in the target country*, such as legal, cultural and economic circumstances, as well as the nature of business infrastructure, such as distribution and transportation systems.
4. *Risks* inherent in each proposed foreign venture in relation to the firm's goals and objectives in pursuing internationalization.
5. The nature and extent of *competition* from existing rivals and from firms that may enter the market later
6. The *characteristics of the product* or *service* to be offered to customers in the market."

(Cavusgil et al., 2011)

[redacted]Business Model in Professional Football

The modern football industry has undoubtedly become a very impactful branch of today's business world and is widely branched to other industries through sponsorship and broadcasting. The English Premier League's clubs are currently on the top of the financial pyramid in Europe due to a highly valued broadcasting contract, which has led to a very quick widening of the financial gap to others' leagues upper midfield-teams and those below (Brennan, 2017).

In the following the business model of professional football clubs across Europe will be evaluated, drawing lines to club's value proposition and potential competitive advantages. Moreover, light will be shed on determinants for sportive competitive success in football and recent trends.

2.2.1 Revenue Streams

The business model of modern football clubs and their respective revenue stream structure heavily depend on their country of origin, its popularity locally and internationally and the competitive success (UEFA, 2019b).

In the following three major revenue streams are considered, which consolidate respective sub-groups; *Media*, *Commercials* and *Matchday* revenues. Additionally, it needs to be noted, that certain clubs have successfully embedded player's transfers into their business strategy. This can result in significant and reoccurring revenue incomes (Ajadi et al., 2020).

Looking at Deloitte's Money League (2020) report, English Premier league is represented with eight clubs in the list of the 20 revenue strongest football clubs. This is majorly due to a high value media broadcasting contract the Premier League has signed (Ajadi et al., 2020).

Broadcasting revenues are on the one hand originating from broadcast right's revenues from the local league's competition but especially participating in UEFA's European club cup competitions is very lucrative. If a team qualifies for the top tier UEFA *Champions League* or second tier *Europa League*, a fixed broadcasting revenue is granted (UEFA, 2019a). For the 19/20 season, a total of €2.04bn, compared to €1.976 bn in the previous season, will be distributed among UEFA Champions League and UEFA Super Cup participating clubs. UEFA

Europa League participating clubs will be granted a total of €510 million (m), reflecting the attractiveness, though also the big gap to the CL bonuses (UEFA, 2019a).

Broadcast revenues make up 44% of the total revenue of the top 20 revenue generating football clubs, achieving the greatest Compound Annual Growth Rate over the past five years of the three revenue streams, with 11%. Though, when looking at the revenue distribution of the first five clubs in the ranking, they rely a lot less on broadcasting revenue, on average 33% of their total, compared to the bottom five of the top 20, whose share of broadcast revenue averages at 65% of their total (Ajadi et al., 2020). It needs to be highlighted, that the broadcasting revenue is the one of least direct influence by the clubs. On the one hand, it depends on the team's performance in the national and international competition and on the other hand, the broadcasting rights are usually distributed centrally for the local and international market by the league's body and UEFA (UEFA, 2019b).

The English Premier league continues to be the most popular football league world-wide, achieving a combined revenue of €3.466 bn per season for the 2019 – 2022 cycle, this is despite a decline in the local broadcasting rights. As shown in figure 4 below, LaLiga and the Bundesliga were able to sign lucrative recent domestic broadcasting deals, however for the international broadcasting rights, LaLiga (€897m) and especially the Bundesliga (€240m) lack behind the Premier League (KPMG, 2019).

Despite the Spanish and German league clearly having improved their revenue competitiveness, Premier League's advantage in revenue is based on them being the first mover in distributing their rights centrally and being perceived globally as the strongest league, with many international top stars playing in the league (KPMG, 2019) . These contribute to the international interest, with their huge social media reach combined with the English club's strong branding. Nevertheless, according to Bundesliga's CEO Mr. Seifert, digital groups and OTT players like Amazon are expected to compete in future biddings, expecting to boost overall broadcasting revenue (Ahmed, 2019).

League	Previous deal	Matches sold (pay TV)	€ million/ season	€ million/ match	Latest deal	Matches sold (pay TV)	€ million/ season	€ million/ match	% Growth per game
Premier League	16/17 to 18/19	168	2,034	12.1	19/20 to 21/22	200	1,884	9.4	-22%
LaLiga	16/17 to 18/19	380	883	2.3	19/20 to 21/22	380	1,140	3.0	29%
Bundesliga	13/14 to 16/17	306	627	2.0	17/18 to 20/21	306	1,160	3.8	85%
Serie A	15/16 to 17/18	380	1,067	2.8	18/19 to 20/21	380	973	2.6	-9%
Ligue 1	16/17 to 19/20	380	726	1.9	20/21 to 23/24	380	1,153	3.0	59%

Figure 4 - "Big Five" Leagues' Domestic Broadcasting Deals and Revenues

Source: KPMG (2019)

Commercials are the second major revenue pillar of football clubs, which source of sponsorship, retail, merchandising, stadium tours and third-party non-football brands, that brand their products with the club's logo for example. By the nature of these activities, clubs can strongly influence commercial revenues, by establishing diversified and innovative offerings, that are attractive to the fan base. Borussia Dortmund and Atletico Madrid for example have leveraged on the potential of social media, to access new markets and fans e.g. through the signings of players, who have a large follower community. Thus, the number of fans, the overall reputation of the club, sponsoring payments and merchandising's sales are positively correlated with success on the pitch (Ajadi et al., 2020).

In order for clubs to engage strongly with the fans and enlarge the fan base, they need to act strongly in line with the club's identity, to not upset them. The club's identity is often historically grown, which is why it is important to emphasize the importance for the fan base, as their passion directly makes each fan a potential customer (Tapp, 2004). It will be crucial for clubs to truly understand who their fans are, to achieve further growth in the commercial sector. Successful businesses clearly understand customer's needs and adapt their offerings accordingly. Since fans globally engage with content of the club and the focus is not only on the on-pitch performance, new commercial business models need to be established (Euromonitor International, 2018). Current trends will be elaborate in the section *innovative trends.*

Looking at the five top ranked clubs of Deloitte's money League report (2020), it can be seen that they make on average 50% of their revenue from commercials, stating €355m. in absolute numbers. Bottom five club's commercial revenue make up only 22% on average (Ajadi et al., 2020). Whereas Barcelona earns more than eight times of 20th placed Napoli's commercial revenue (Ajadi et al., 2020). Commercial revenues, especially of the top clubs, are majorly positively influenced by big sponsorship kit deals, e.g. Real Madrid signed a new sponsoring deal with Adidas last year, worth about €120m per year (Hofer, 2019). Additionally, their shirt sponsor Fly Emirates pays approximately another €60m per year (Hofer, 2019).

Matchday revenue is on average among all clubs that of smallest share of overall revenue. This revenue subcategory includes all incomes earned during home games, such as tickets and corporate hospitality. Ticketing revenues are limited by number of homes games, which can be increased through competing in international cups such as CL or EL, and the available seats in the stadium, as excessive price increases are just recently heavily discussed (UEFA, 2018a). Ticket's per game are on average most expensive in England, represented with five out of 10 clubs in the highest ticket's prices in Europe in the 2017/2018 season, as displayed in figure 5. Thus, the Bundesliga achieved the highest average attendance rate with 44,500 spectators, followed by England with 38,000 and far behind Spain, with 27,000 spectators on average per game (UEFA, 2018a).

Figure 5 - The Most Expensive Football Tickets in Europe

Source: Statista (2019a)

2.2.2 Cost Structures

Football has become one of Europe's biggest service entertainment markets, providing entertainment through on pitch performance. Therefore, the players are clubs' greatest assets in order to achieve success on and of the pitch. This is also reflected in clubs' cost structure.

Taking the German Bundesliga as an example, the biggest cost factor was by far salaries for players and trainers, on average accounting for 36%, followed by player's transfer cost with 23% and other expenses, with 20%. Any cost's associated with home games account for 11%, whereas administrative cost account for only 7% and expenses for youth development and amateur teams are only 4% (DFL, 2019).

2.2.3 Relevant KPIs

Due to the consistently rising total value of the football business and growing interest of investors and other stakeholders for the industry, a financial fair play regulation was introduced by UEFA, which limits the direct investments of investors and limits clubs in their transfer spending. This is in order to prevent financial doping from investors. Consequently, a higher management quality is required, in order to break down a club's strategy, into actionable day to day measures, that lead towards achieving sustainable sporting and financial success, as well as fan welfare (UEFA, 2018b). Additionally, clubs have to comply with national league's licensing regulation, which all make it necessary for clubs to monitor their financial performance closely for planning, steering and controlling management measures, Aside, also non-financial KPIs have become relevant, which will be discussed too, however we have to consider, that depending on the club's goals, tracked KPIs can vary significantly (Dehesselles, 2011).

The operating profit or *EBIT* of a football club is a viable KPI to determine its financial performance. In order to prevent major one-time impacts, player trading related payments are excluded. The *EBIT* gives managers a comprehensive view of the club's financial situation, as it reflects the impact of the actions they can control. Since the KPI is independent of the club's financial structure, it allows benchmarking of club's financial performance. Additionally, it has also become a crucial KPI for the Financial Fair Play regulation introduced by UEFA in 2011/2012 (Dehesselles, 2011). Since many clubs declared significant losses over years or were financially backed by private investors, clubs must not spend more money for relevant expenses, than they earn. This however also includes incomes and costs for player's transfers (Preuss et al., 2014).

Additionally, clubs need to monitor their growth in the respective financial revenue and cost streams, in order to be able to benchmark developments with competitors and adjust strategic measures if necessary, in order to achieve stated objectives and licensing requirements. Last decade's revenue growth was majorly driven by growing broadcasting revenues across all European leagues, allowing especially the English clubs to decline debt, however, this is revenue clubs cannot majorly influence (UEFA, 2019b).

More influential KPIs are all match day associated revenues, such as stadium utilisation, spending per visitor in the stadium, and the ratio of season versus day tickets. Stadium utilisation can also be a mood board for the fans' welfare (UEFA, 2019b).

As the football business is a very labour-intensive business, the *staff cost to total turnover* ratio is another important KPI. Figure 6 illustrates very well, that the German Bundesliga has by far the lowest revenue labour cost ratio, majorly since rising costs were covered by equally rising revenues. However, in English Premier League and especially the Spanish. Italian and French first division, the ratio is on average above 65% (Barnard et al., 2018). This is an indicator towards the efficiency of the business, especially if you bring it into relation with the sporting performance. In absolute numbers, the English Premier League spent €3.2bn in the 17/18 season, whereas in Germany's Bundesliga it was just 50% of that. The KPI can be distinguished, considering only squad related labour costs or including all labour costs of the club (Grömling, 2006).

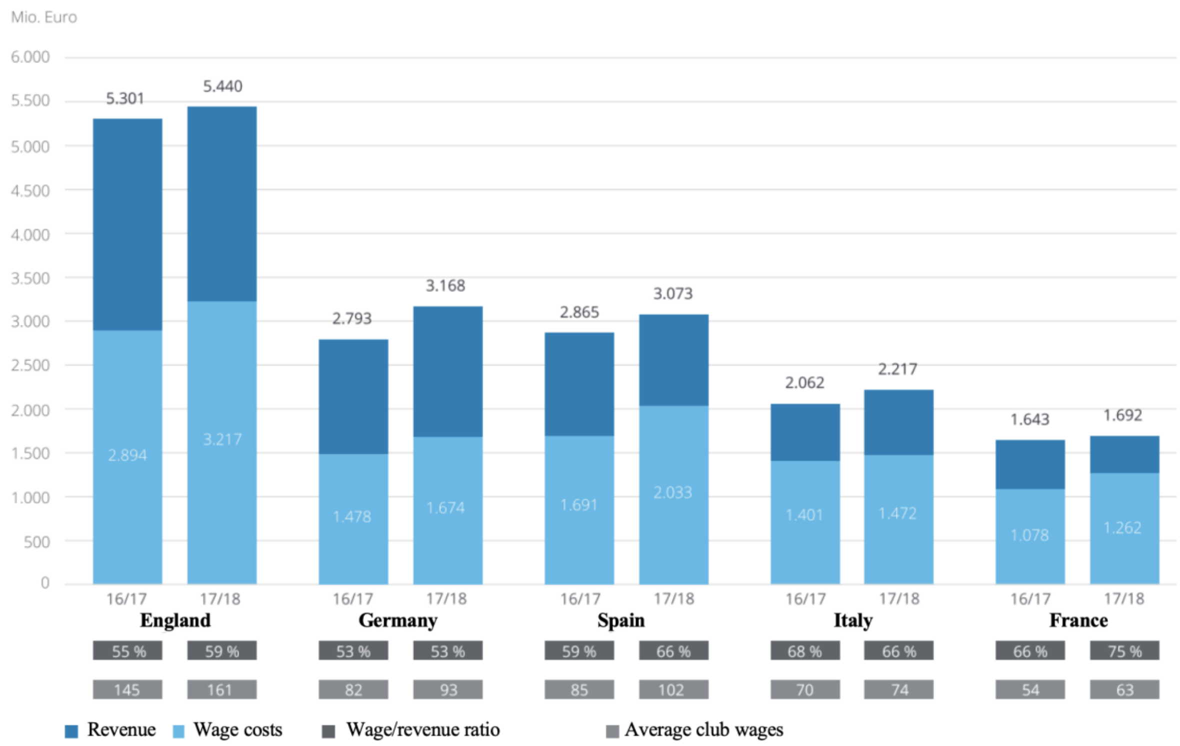

Figure 6 - Personnel Expenses in the European "Big Five" Leagues 2016/2017 and 2017/2018

Source: Ludwig et al. (2019)

Another important KPI is club's debt ratio, which has strongly improved since the implementation of the UEFA Financial Fair Play among all leagues. The 2016/2017 season was the first, in which no EPL club reported an operating loss, allowing net debt of all clubs to decrease to below £2bn., resulting in a decrease of net debt to revenue ratio to 43%, compared to 61% in the previous year (Ludwig et al., 2019).

Most loans in EPL are soft loans, borrowings from the clubs' owner. According to UEFA in 2017, the Italian clubs have however the greatest net debt per club, with on average €67m, followed by English with €66m. Nevertheless, there is a major difference between the two leagues. In Italy the net debt is 62% of total revenue, whereas in England it is only 25%, accordingly a much lower risk, as illustrated in the graphic below (UEFA, 2018a).

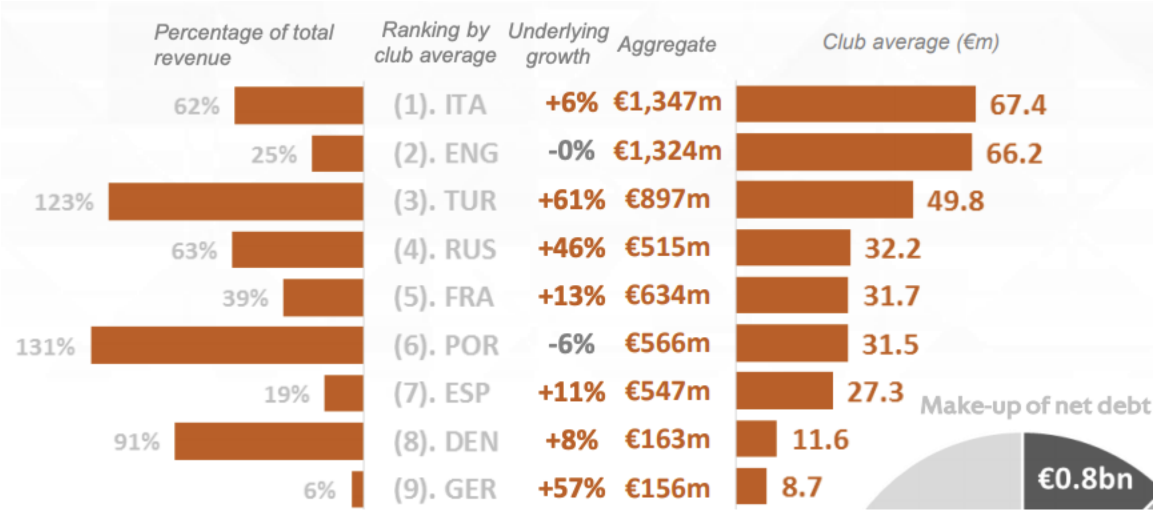

Figure 7 - Top 9 Leagues by Average Net Club Debt

Source: UEFA (2018a)

There are also many relevant non-financial KPI, which however also have an indirect impact on the club's financials.

The club's performance can be measured by the achieved position in the league tables, the advancement in the national and international cup competitions and each nation's performance is quantified in UEFA 5-year rating (UEFA, 2020a). This ranking relies on the success of each country's clubs in the CL and EL, is quantified via average points for draws and wins per team over the course of 5 years and determines, how many clubs are eligible to start in the UEFA CL and EL (UEFA, 2020a). Ultimately, there is also a 5 year club coefficient ranking (UEFA, 2020a).

In order to evaluate the leadership and governance of the clubs' management, the club's performance can be evaluated on the quality of its transfers, regarding percentile appearances of new players with regard to their expected role in the team, the increase of new players market value and if a club is able to manage a good succession management, by integrating promising talents early and balance a healthy age average. The competition for promising talents has drastically increased over the past decade, peaked at the first transfers greater than €100m for teenagers, namely Kylian Mbappe and Joao Felix (Taormina, 2018).

Due to strongly increasing transfer fees, though unevenly spread rise of revenues across leagues and clubs, the focus of certain club has become a lot more on the youth development, by establishing excellent training and campus facilities for the talents. The success of these efforts can be assessed by the sporting success, as well as the conversion on talents into the first team, signing of professional contracts and the transfer fee income from home grown talents versus the operating costs of the youth academy (European Club Association, 2012).

A fairly new dimension for non-financial KPIs is the monitoring of followers among the major social media platforms; twitter, Instagram and Facebook (Ross et al., 2019). Fans are eager to be as close as possible to the team, which is why producing value creating content on these platforms is crucial. The developments of follower across the different channels have also illustrated the impact of top players moving from one club to another. Cristiano Ronaldo's move from Real Madrid to Juventus Turin is the most drastic example (Griffee, 2018). After his €100m move, his former club lost 1m followers on twitter solely within 24h after the announcement, whereas Ronaldo's new club gained over 6m followers across all social media platforms, more than 10% overall reach (Griffee, 2018).

2.2.4 Value Proposition

Jock Stein stated early, that Football without the fans is nothing (Johnston, 2014). Often football is also called *soccer,* an abbreviation for association – belonging together.

"You could say, socialism is the political form of football." said Critchley (2017). What does make football the most popular sport on the planet? Football is about a strong sense of belonging of the individual to something big, sharing emotions in times of success and defeat while sympathizing strongly for the team (Critchley, 2017). This emotional experience, when thousands of fans chant in the stadium or the local pub. It comes down to a very basic human need, a sense of belonging to a community, that shares similar values. Many football clubs have a strong historical background, e.g. that of a workers' club. This mentality and image are then to be transferred on the pitch. A hard-working mentality, with strong individual characters, who never give up and work strong as a team (Payne et al., 2017).

Fans want to experience this authentic sense of belonging to their club, its community and be entertained (Critchley, 2017). That is why clubs need to understand the sources of customer satisfaction and provide a fan experience by meeting the crowd's expectations (Critchley, 2017). For certain clubs, sporting success tends to be the major focus such as Real Madrid, though fans of all clubs appreciate sporting success. Real's rival, Atletico Madrid however, was founded in the area of a hard-working lower social class. And that is the style of football, fans want to see on the pitch and for which they show extreme loyalty, as an emotional fan and customer (Critchley, 2017). And even those clubs are under severe short-term sporting success pressure from the public, as Borussia Dortmund's chief Joachim Watzke states: *"The pressure is unbelievably high because every third day [we] are under review, [and] have to deliver in front of the eyes of the public. That's not the case in any corporation in the world."* (Zülch & Palme, 2017).

Fan's loyalty is more than chanting *You will never walk alone,* as Liverpool FC's fans do. It is often about spending a big proportion of their yearly income for a season ticket, joining the club for away games and also supporting it in times of defeat. However, commercialization, nationalism and corruption are majorly challenging this traditionally established picture of football, which is why it crucial for clubs to establish an excellent fan experience in the stadium and at home, to keep their most loyal customers. Additionally, a study by Oxford University of English fans has shown, that loyalty to a club is majorly influenced by emotions (Bodkin, 2016). However, it does not matter if it was positive or negative, thus the intensity of the experience is what lets supporters *"fuse their own identity with that of their club and fellow supporters."* (Bodkin, 2016).

Moreover, clubs have also started to become aware of their social responsibility and acknowledged, that engaging in corporate social responsibility tasks for the society within their region can also be beneficial (Kolyperas et al., 2015). A recent study has shown, that clubs most popular themes for projects are *integration, education* and *health & physical activity* (European Club Association, 2016). Almost 60% of the study's projects target children and youth, which reflects in combination with the focus themes, the strong responsibility club's feel towards potentially unprivileged humans, that seek a sense of belonging and guidance. Providing this does not only help the children and young adults in their personal development but also lets them become potential customers by creating an emotional bound (European Club Association, 2016).

2.2.5 Competitive Advantage

According to Porter (1985): *"competitive advantage is a the heart of a firm's performance in competitive markets"*. Football clubs most dominant performance takes place on the pitch, quantifiable as the sporting success by determinizing a club's position in the final league table and the advancements in the respective national and international cup competitions (Bar-Eli et al., 2008). Bar-Eli et al. (2008) go in line with Porter's idea and point out, that under normal conditions, winning is what any team strives for in sports and therefore a club, which has more wins than others, is outperforming the competition (Bar-Eli et al., 2008).

As the literature for competitive advantage suggests, the sporting success must then be based either on a cost advantage in the market or a differentiation strategy, that is based on the club's management activities. Taking the extraordinary circumstances of the professional football environment into consideration, we have to consider, that there might be multiple clubs holding a competitive advantage with a differentiation approach (Porter, 1985).

This is based on the fact, that top clubs spent most of their money on player's transfers and their respective wages, in order to improve the sporting competitiveness. Revenue is on the one hand generated and increased by sporting performance but additionally also by club's assets, that are not directly football or sport associated, but for example leverage on a club's brand strength. In literature stated positive correlation between financial and sporting success, can however also be artificially pushed (Ahtiainen, 2018). Despite UEFA's Fincial Fair Play regulations, e.g. Manchester City and Paris St. Germain found ways to play with the regulations' boundaries and become highly competitive on a sportive level, nationally and internationally, after being bought by investors in a fairly short time frame (Rohde & Breuer, 2016).

In order to be able to determine competitive advantages of tier 1 professional football clubs, an industry analysis with Porter's 5 forces framework (Porter, 1980) was conducted in the following with looking at the industry of top performing football clubs in Europe.

2.2.5.1 Potential Entrants

The *threat for new entrants* among the top performing football clubs is low. Previous analysis conducted that there are on average two to three clubs in each of the top five European leagues, which are competing for the title. The same applies for the UEFA' cup competitions. However, there have been examples such as Manchester City, Paris SG and in the early 2000's the FC Chelsea, which were priory average competitive clubs, though were bought by foreign investors and financially strongly backed in order to finance highly skilled player's transfers and become sportive competitive, nationally and internationally (Rohde & Breuer, 2016).

2.2.5.2 Suppliers

The bargaining power of clubs towards their *suppliers* is fairly low. Considering the game on the pitch as club's product, the players are the most crucial suppliers to provide the product. Highly skilled players, top class clubs want to sign, are very scarce and therefore there is a big competition for those, which puts the players into a powerful bargaining position. However, also other football clubs need to be considered as suppliers, since they are the first to talk to, when they want to sign a player, who is not a free agent. UEFA's financial fair play regulations might sometimes force clubs to sell player, e.g. PSG, in order to not be penalized by being excluded from UEFA cup competition or a transfer ban, which has happened to Chelsea FC recently, because they signed underaged players. Establishing a flourishing youth academy has become a crucial strategic factor for certain clubs, which nurture their first team with young talents and thus accept certain imbalances in sporting performance, as they consider the long-term perspective to be crucial. In order to establish such strategic approach, a club also needs a coach, who shares that vision, which is the third major supplier layer (Rohde & Breuer, 2016).

2.2.5.3 Substitutes

Considering potential *substitutes,* the likelihood is very low for the next decades. Football is one of the fastest growing branches of Europe's entertainment industry. It is the most popular sport in the world and aside the trend of the last decades towards stronger commercialization of the sport, which is heavily criticized by the majority of the fan bases, utilization of stadiums especially in England and Germany are very high and fans engage with their club and favourite players via social media platforms. Football is widely established across Europe's cultures, which is why other sports such as basketball, American football or rugby will not become equally big in financial terms in Europe in the near future. Also the uprising e-sports business, in which many football clubs engage, and which has become very popular especially in Asia, filling arenas with ten thousands of seats, is not expected to substitute football in European culture (Fieldman, 2016).

2.2.5.4 Industry Competitor and Buyers

The *industry rivalry* among Europe's top football clubs is extremely high and goes hand in hand with the buyers' purchasing power. Potential buyers of the clubs' product are fans and broadcasting firms. Whereas fans are not price sensitive, broadcasting firms willingness to pay, highly depends on sporting success. Club's performance is judged almost every three days by media, fans and sponsors, which puts a big pressure on the clubs' management for immediate success. The expectations for success among Europe's big clubs are equally high, while following the club's culture. However, the fast-paced environment has forced some clubs to go off track from their culture, such as Barcelona. A club, that was known for its excellent youth academia La Masia, with a high quota of home-grown players in their first team, has recently taken many high value transfers and is to date the only club, that has taken three transfers worth €100+ m (Kuper, 2019). The steep rise in transfer fees also reflects, how competitive the industry has become and how important a solid financial basis is for sporting competitiveness. Another critical factor for the clubs is their brand strength, when competing for lucrative sponsor deals, which provide further financial basis for sporting competitiveness. Manchester United for example, has not been sportive successful over the past years except the winning of second-class UEFA Europa league in the 2016/2017 season. Nevertheless, according to KPMG it still has the second highest enterprise value of all European top clubs with €3.207 bn, only topped by Real Madrid with €3.224 bn. The English Premier League clubs dominate this ranking, with six clubs under the top 10 valued clubs, which is majorly defined by the high valued media rights deal (KPMG, 2017).

This is majorly driven by the highly competitive and attractive football played in the Premier League. The great interest of fans from around the world due to strong branding also leads to higher valued sponsoring deals, since the target group for international companies is huge, due to the broadcasting around the globe (Butler & Massey, 2019).

Strong branding can be a differentiating factor, as the example of Manchester United demonstrates and is built on different layers. A branding study among sports' clubs has revealed six crucial layers for a strong branding (Davey, 2016).

1. A *recognizable colour* scheme, such as Celtic FC's Irish green or FC Barcelona's iconic Catalonian red and blue, with a little bit gold.
2. A strong *visual element* increases the recognizability of a club, which makes it easier to monetize it. The Baseball club New York Yankees or New Zealand's rugby national team, the all blacks, have probably the most recognizable elements, with the iconic NY and the silver fern.
3. A unique font for the *logo* text can further enhance recognizability of the club. To be named as benchmarks are the New York Yankees and Manchester United
4. If clubs are able to create a strong branding message as a short slogan, that represents the club's values, this enhances authenticity and establishing the brand in new markets. Liverpool FC's iconic *You'll never walk alone* is legendary around the globe and put to live by the squad on the pitch.
5. *Partnering* with brands that share the same values, can further increase authenticity and create access to new geo- and demographic target groups. FC Barcelona's *more than a club* slogan fits UNICEF's work and value, which is why Barcelona has created a partnership with the organization, which will help the club make new fans in emerging markets.
6. Being in the *public spotlight* with the visual brand is crucial in order to remain recognizable and increase the brand's strength (Davey, 2016).

Competitive advantage in terms of sporting success is therefore majorly driven by financial welfare (Costa et al., 2018). This is in England on the one hand based on the strong branding of the Premier League and the respective high valued broadcasting deals and excelled by financially strong club owners, such as Roman Abramowitsch, who has spent millions on the club. Also, Manchester City has seen a step rise in sporting competitiveness since the acquisition by sheikh Mansour Bin Zayed Al Nahyan. However, Liverpool is a great example, that top talented players need a coach, who forms a winning team of them. Prior to the arrival of Jürgen Klopp as the head coach, Liverpool FC wasn't sportive competitive on the highest level for a long time, despite heavy investments into the club's squad (KPMG, 2020a).

The two Spanish heavy weights Real Madrid and FC Barcelona have historically grown strong branding and financial wise due to sporting success, like Germany's top club FC Bayern Munich. However, their domestic leagues are not as attractive for the international market due to lacking competitiveness and the international recognizability of the clubs. According compensating strategies were implemented to remain internationally competitive (KPMG, 2020a).

Top 10 European clubs by *enterprise value*

1	Real Madrid CF	€3,224m
2	Manchester United FC	€3,207m
3	FC Bayern München	€2,696m
4	FC Barcelona	€2,676m
5	Manchester City FC	€2,460m
6	Chelsea FC	€2,227m
7	Liverpool FC	€2,095m
8	Arsenal FC	€2,008m
9	Tottenham Hotspur FC	€1,679m
10	Juventus FC	€1,548m

Table 1 - Top 10 European clubs by *enterprise value*

Source: KPMG (2019)

2.2.6 Innovative Trends

Due to the growth restricting factors for match day revenues and the little influence for growth in the broadcasting revenue streams, clubs are seeking new opportunities to monetize their brand image in order to diversify their commercial revenue streams or initiate collaborations to target a not yet reached target group (Ajadi et al., 2020).

The newly rich Team Paris SG for example has just recently released an apparel and footwear collaboration with the strong basketball associated American brand Air Jordan, featuring the basketball legend Michael Jordan. The collaboration was initiated due to Neymar's former collection by Air Jordan. The joint project, which includes soccer and basketball shirts and boots, provides the opportunity for both parties to reach not yet reached target groups in new geographic areas (Mikhail, 2018). The social media hyped superstars Kylian Mbappe and Neymar are also strong individual brands, which further help PSG to enter the North American sports market and its big customer potential with this lifestyle brand (Dodson, 2018).

Additionally, PSG has also launched its own crypto currency, which allows fans to buy shares and voting rights via the block chain-based currency. Due to the pressure of UEFA's financial fair play, PSG is hoping to become less dependent on the investor's money (Dodson, 2018).

Tottenham Hotspurs is another club, which leverages on a collaboration to tap into the North American sports market. It has signed a ten-year contract to host at least two NFL games per year in their new state of the art stadium. NFL is the financially strongest sports with revenues of about $13bn annually, therefore Tottenham is looking at leveraging on the commercialisation expertise of the NFL clubs. And where other clubs are individually trying to gain momentum in the highly competitive market, Tottenham has a strong partner aside (Connelly, 2017).

[redacted] Extraordinary football projects

The following projects shall exemplify three differentiation approaches towards a competitive advantage in top class European football. Other clubs with significant reputation and interesting financial backings are Real Madrid FC, FC Internationale Miliano or Chelsea FC.

2.3.1 City Football Group

The City Football Group is the holding company of an international football conglomerate, that consists of eight professional football clubs, based in Europe, North – and South-America and Asia. The holding is owned by the Abu Dhabi United Group, which is owned by Sheikh Mansour bin Zayed Al Nahyan. The group's flagship club is Manchester City, which's entire management and organizational structure was overhauled after the takeover of the City Football Group in 2008 in order to quickly become a Champions League participant by achieving a top four position in the English Premier League. This was necessary, due to the introduction of UEFA's financial fair play regulation in 2009, which prevents clubs from spending more than what they earn and club owners to cover financial mismanagement and losses exceeding €45m (UEFA, 2018b).

However, the sum of sole transfer earnings and expenditures for the past 5 seasons sum up to a deficit of € 667m This great loss is driven by City's strong will to finally win the UEFA Champions League, after having won several domestic league and cup titles. For this, every year huge amounts are spent on new players, to improve on pitch performance. Despite having built a state-of-the-art youth academy for £ 200m, producing highly skilled talents, who however do not see the prospect to play in the first team and leave, due to the stars signed every year. It seems like, there is an endless source of money (Rutzler, 2019). However, in February 2020, City was banned from the UEFA CL for the next two seasons, due to failing compliance with the FFP. City has received over €150m in sponsoring's from Abu Dhabi based firms, which all belong to the City Football group owner too. There have been accusations, that the sponsoring money was paid privately from Sheikh Mansour, meaning a forbidden private financial boost. If this judgement gets proved, this means great failure of City's strategy of winning titles by signing the potentially greatest players instead of leveraging on the excellently profiled talents from their own academy, which excel at other clubs (McMahon, 2020). J. Sancho is just one of money examples, who is currently rumoured to be transferred for about €150m, from his current club Dortmund, which signed him for €8m (Transfermarkt, 2020b). Missing two CL seasons is estimated with a loss of about €200m revenue prize money, which would make it necessary for City to sell players and is at risk of losing one of the world's most sophisticated coaches, Pep Guardiola (McMahon, 2020).

2.3.2 FC Barcelona

The FC Barcelona is the second largest football club by members in the world, has Europe's biggest stadium and has been one of the most successful clubs in this century. Sportive and financially, being the revenue strongest club, according to Deloitte's 2020 Money League report (Ajadi et al., 2020). The club's slogan *FC Barcelona – more than a club*, is on the one hand due it is strong political involvement in Catalonia, seeking independence from Spain and on the other hand characterized by the strong identity of the club, embedded by Johann Cruyff. The former player re-joined Barcelona in 1988 as the head coach. He embedded Barcelona's famous Tikitaka style to play football, from the youth teams in La Masia up to the first team.

Tikitaka is a very pass and pressing intense on pitch strategy, which every player across all teams has to master. This is one aspect, why Barcelona's youth academy so famous and successful. The other is the values and behaviours taught in La Masia, to be humble, hardworking, conscious about food, doing good for society and the experience of family like loyal care from all staff (Barcelona.de, 2020). The peak in La Masia's work was reached, while Pep Guardiola was head coach. He mastered the Tikitaka, sent sometimes 11 La Masia grown players to the pitch and won 14 titles in four years, including two CL titles (Barcelona.de, 2020).

According to the CIES football observatory, a total of 34 La Masia grown players play across the top 5 leagues today, that is only topped by Real Madrid, which reaches 39. However, new transfer strategies of the management have led to a strong decrease of La Masia players in the first team, driven by the purchase star players for hundreds of millions of Euros (Kuper, 2019). Where about 20 La Masia players were in the 2011/2012 squad, it is only five in this season. The FC Barcelona has remained sportive successful in Spain, however lacked competitiveness in the UEFA CL and has lost its clear dominance on the pitch. No strongly pursuing the former identity and competitive advantage of sportive success by home grown players has put cracks into FC Barcelona's entire image, which is however not yet financially relevant, also due to the strong brand of individual player such as Lionel Messi or Luis Suarez (UEFA, 2019b).

And the club is set to grow, not only having in housed its commercial merchandising in order to achieve greater financial results but also having established eight youth academies across the US, six in Canada and nine in Latin America (LoRé, 2019).

2.3.3 FC Bayern Munich

The FC Bayern Munich (FCB) is Germany's most successful club, on the pitch and financially. Former FCB president Uli Hoeneß stated, that his greatest objective was to make the club independent of matchday revenue. When he became manager in 1979, it was 85% of the total revenue, today it is about 18% (Strasser, 2019).

Revenue has risen from €6m in 1979 to over €660m today, without any long-term debt or external majority investors, which are regulated in the Bundesliga. Hoeneß early established financial independence and sustainable financing of the entire club. With innovative merchandising approaches, a talent to acquire sponsors and great visions e.g. by building Bayern's highly modern Allianz Arena, Hoeneß has built one of Europe's financially healthiest and sportive successful clubs. By making the club a stock company in 2002, the management leveraged on the opportunity to sell shares. Adidas, Allianz and Audi are now minority shareholder holding 8.33% each and are outfitter of the club, respectively advertisement partners for the stadium *Allianz Arena* and the *Audi Cup* (Wettengl, 2019).

An international pre-season cup played each summer attended by other international top-class clubs sponsored by Audi, e.g. Real Madrid or Tottenham Hotspurs (Wettengl, 2019).

Having become one of the strongest sporting brands in the world, driven majorly by organic growth, FCB has moreover achieved competitive advantage on the pitch, being the dominating club in Germany and being very competitive in the UEFA CL too. The club is able to pay all major investments from its cash flows and states that its guiding principle is "Maximizing sporting success by economic soundness." (Jakobs, 2015)

Its strong fan commitment is also illustratable by the utilisation of the Allianz Arena, which has been 100% over the past years, a statistic especially Spanish and Italian top class clubs desire. And opening offices in Asia and North-America, aside the ability to sign world class players, while maintaining a healthy wage to revenue ratio of 54% (KPMG, 2020b).

[redacted] Sport Sponsoring

"Football clubs in Europe claim the top spots in the Global Club Attractiveness Index. Those clubs contain the key factors of success, from strong local support to extensive digital media footprint globally, guaranteeing a high return on investment for sponsor companies," comments Egle Tekutyte, sports analyst at Euromonitor International (Euromonitor International, 2018).

Melovic et al. (2019)*: „The main goals of sport sponsorship are the improvement of image, attitude, loyalty and the increase in brand awareness among consumers."*

Seeing brands' names or slogans on large LED screens in stadiums, on club's shirts or as a name branding of a stadium is normal these days. Brands pay millions of Euros to become a commercial partner of the big European football clubs. They leverage on the strong public visibility of the clubs, as millions of people around the globe follow the games. The better the sportive performance in an objectively relevant competition, the higher the amount paid by the sponsor (Melovic et al., 2019).

However, the digitization has created even greater opportunities in the field of Sport sponsoring. Social media platforms allow very targeted advertising with emotional storytelling and content marketing in times of overstimulation. Emotions are the key to manipulate consumers to purchase the product and within sports, there are so much emotions that make it possible to overcome linguistic and cultural barriers for the global reach. The advertising is aiming to transfer the values of the club or testimonial to the sponsoring brand in order to make potential customer sympathize with these. A recent study has also shown, that the acceptance for advertising associated with sports, is a lot higher than via any other medium (Thieringer, 2018).

However, since sport's sponsoring is a very costly measure in form's marketing plan, the objective of such sponsoring measure and the expected return of such investments need to be defined up front by the sponsor, in order to track the efficiency. During the 2018 football world cup in Russia for example, Adidas advertised its newly launched app platform on the stadiums' perimeters, achieving a 14% increase in downloads. This might not be monetizable, however the data generated from the users and the following app revenues are traceable, in order to calculate a return on invest (Thieringer, 2018).

3 Teaching Case

[redacted]European Football Landscape

105m spectators. €21bn overall revenue. €5bn in transfer income. Europe's top football clubs have set new benchmarks in the 2018/2019 season (UEFA, 2019b). The €222m transfer fee PSG paid for Neymar Junior's move is the most significant example of the vast financially flourishing environment of European club football (Transfermarkt, 2020f). High valued broadcasting deals, lucrative sponsoring contracts and an overall professionalised management of the sport's clubs have led to an inflation of 1800% of transfer fees across Europe since 1992, a recent study revealed. Highly skilled players are scarce but financial strength has risen rapidly. Inflation for consumer goods in Germany rose on average by 33% in the same time span. Experts rumour that the hyperinflation might lead to a burst of the financial football bubble (Focus Money Online, 2018).

This might happen, once incomes are smaller than expected, however those forecasted incomes are already spent. The development of new training grounds or a stadium as well as future player's transfers are a likely scenario. In order to comply with UEFA's Financial Fair Play (FFP), which regulates transfer spending to the respective income over a 3 year period, it has become common to sign a new player on a loan contract with a purchase obligation after the loan period, in order to delay the transfer spending. This transfer set-up let Paris SG sign Neymar and Mbappe in the same transfer period (Smith, 2019).

According to Deloitte's money league report, the 10 revenue strongest club would have the financial power to purchase players for over €100m. FC Barcelona has become the first football club to achieve a revenue above €800m in 2018/2019, excluding the transfer fees paid and received. A club that has achieved extraordinary with his home grown players in its youth academy La Masia. As so many tried to copy, it was considered a real competitive advantage (Ajadi et al., 2020). The business model of professional football clubs is based on three major revenue streams; broadcasting, matchday and commercial revenue. Between the 2013/2014 and 2018/2019 season, broadcasting revenue has overtaken commercial revenue as the major revenue for Europe's 20 revenue strongest clubs, peaking in 2018/2019 with an average of €206m, that reflects a five year CAGR of 11%, followed by an average of €184m (8% CAGR) of commercial revenue and an average of €75m (4% CAGR) for matchday revenue (Ajadi et al., 2020).

Considering the first five clubs of the ranking, it is striking that they rely a lot less on broadcasting revenue, than the bottom five of the table. Their major income source is commercials (Ajadi et al., 2020). This includes all sponsoring relates payments, merchandising sales, stadium tours and other commercial related measures (Ajadi et al., 2020). The commercial revenue stream is the most influenceable, as it is up to the clubs' creativity to monetize the club's brand strength. Whereas broadcasting revenue is of least influence of the club, as the rights are sold centrally (Ajadi et al., 2020).

Looking at the UEFA club coefficient, which reflects the sportive performance over the past five years, eight of the ten commercial revenue strongest teams are among the ten best performing in the UEFA cup competitions, indicating the importance of sportive competitiveness for commercial success (Ajadi et al., 2020). Sporting success in the prominent UEFA Champions League (CL) puts clubs directly in a comfortable position to be displayed on screens around the globe. Over the course of the last 11 seasons, Spanish clubs FC Barcelona and Real Madrid have won the CL seven times, which has positively influenced them becoming the football clubs with most fans around the globe, taking social media followers as a reference (Ajadi et al., 2020) However, Cristiano Ronaldo's transfer from Real Madrid to Juventus Turin has also demonstrated, the value of player's brand regarding social media followers and merchandising purchases. Juventus' Instagram channel gained over 26m followers since Ronaldo's signing, totalling 37m today. Additionally, 520.000 Ronaldo replica shirts were sold in the first 24h after his signing, leaving Juventus with a 10-15% share of the €100 sales price. Overall, Juventus reported an increase of €16m from sales of products and licenses in the 18/19 financial year, which is associated to Ronaldo's signing (Jones, 2019).

Whereas most of the top 20 revenue generating clubs in Europe have a strong history regarding international competitiveness, Paris Saint-Germain and Manchester City were just recently artificially lifted to international sporting competitiveness, by financial investors. According to the Soccerex Football Finance report, they are the financially most powerful football clubs in the world today. Manchester City was acquired in 2008 by the Abu Dhabi United Group, which is owned by Sheikh Mansour bin Zayed al Nahyan, part of the Royal Family. PSG was acquired 2011 by the Qatar Sports Investment group, which's CEO is Nasser Al-Khelaïfi. Since their acquisition with the aim to become winner of Europe's most important football cup competition, the Champions League, PSG has invested €1.29bn and City €1.92bn in new players, placing them 3rd and 1st place respectively in the time period's expenditure ranking (Transfermarkt, 2020e). Whereas both clubs have been dominant in their domestic leagues, neither has to date advanced further than the CL semi-final (Transfermarkt, 2020g). Dominance of few clubs has been widely spread among Europe's big five leagues. The 25 domestic league titles of the past 5 years were shared by 9 clubs, of which four have won four or more titles. Only in England there were three different national Champions across the past 5 years (Transfermarkt, 2020a).

[redacted] German Football Landscape

The domestic German league has been dominated by Bayern Munich, which won the last seven domestic league titles, and eight of the last ten. The sporting dominance goes hand in hand with the club's financial dominance, developed by strategic and sustainable organic growth, making Bayern Munich one of Europe's most successful football clubs on and off the pitch. Uli Hoeneß is the chief of Bayern's success story, being innovative, always striving for greatness and winning, he established a world-wide known brand, that is financially very healthy and has grown organically since the late 1970's. Players describe the club's identity like a big family, which is why it is so appealing to world class players aside its sporting competitiveness. Its reputation enables Bayern to sign almost any player from other Bundesliga clubs, which has been strongly criticised, especially from Dortmund's fan base, due to the signing of some of their best players over recent years (Strasser, 2019).

Nevertheless, Dortmund has been the only team in Germany to consistently compete with Bayern over the course of the past 10 years. Dortmund has established a highly competitive strategy, creating a team of young talented players, homegrown and purchased. On the one hand, they have an excellent youth academy, that produces highly skilled players and on the other hand, they have been signing Europe's greatest talents. The club has proven, that it is good ground for young talents to further develop. However, their positive transfer balance of over €100m over the past 10 years indicates, that they are not able to retain all their great talents in the club (Transfermarkt, 2020e).

Sustainable financial management has always been important in Germany, since the domestic 50+1 regulation doesn't allow external investors to acquire clubs, own major voting rights and compensate major club's losses. This has been called as a reason for the poor competitiveness of German clubs in the UEFA cup competitions, apart from Bayern Munich, in recent years, due to the lack of financial backing. This does however not weaken local fan support, making the Bundesliga the league with highest average attendances per game with 42,700, followed by

English PL (38,200) and Spanish La Liga (27,100) (Ashelm, 2019). The fan culture in Germany is based on very traditional values, in terms of financial investors and has a fairly strong influence on the German League's Association, as recently demonstrated regarding the ban of Monday evening league games. Introduced in order to create an extra TV slot and increase broadcast revenues, heavy fan protests have led to a ban of Monday evening league games with the expiration of the current broadcasting contract in 2021 (FAZ, 2018).

Fan protests also continue to target the investor-based clubs TSG Hoffenheim and RB Leipzig, which have found legal boundaries of the 50+1 regulation, to take the respective clubs from minor leagues to the Bundesliga. Whereas Dietmar Hopp, co-founder of the global software giant SAP, has been financially supporting the club since 1989 and led it to financial independence, Red Bull is investing into football in a much larger scale than just RB Leipzig (Merx, 2014).

[redacted] Red Bull's Move from an Energy Drink Producer to a Sports Media Company

"We don't believe in traditional marketing; we don't do big television commercials, we've never done that… we believe that we can activate through events and great content, and that's where we'd rather spend our money." is how Red Bull Media Network's CEO Gerrit Meier describes the Austrian based energy drink company (Cole, 2020). Dietrich Mateschitz and the Hongkong based family Yoovidhya founded Red Bull in 1984. Since then, it has become the world's 2^{rd} most valuable soft drink brand in the world, worth US$13.2bn, only topped by Coca-Cola with US$68.6bn (Statista, 2019b).

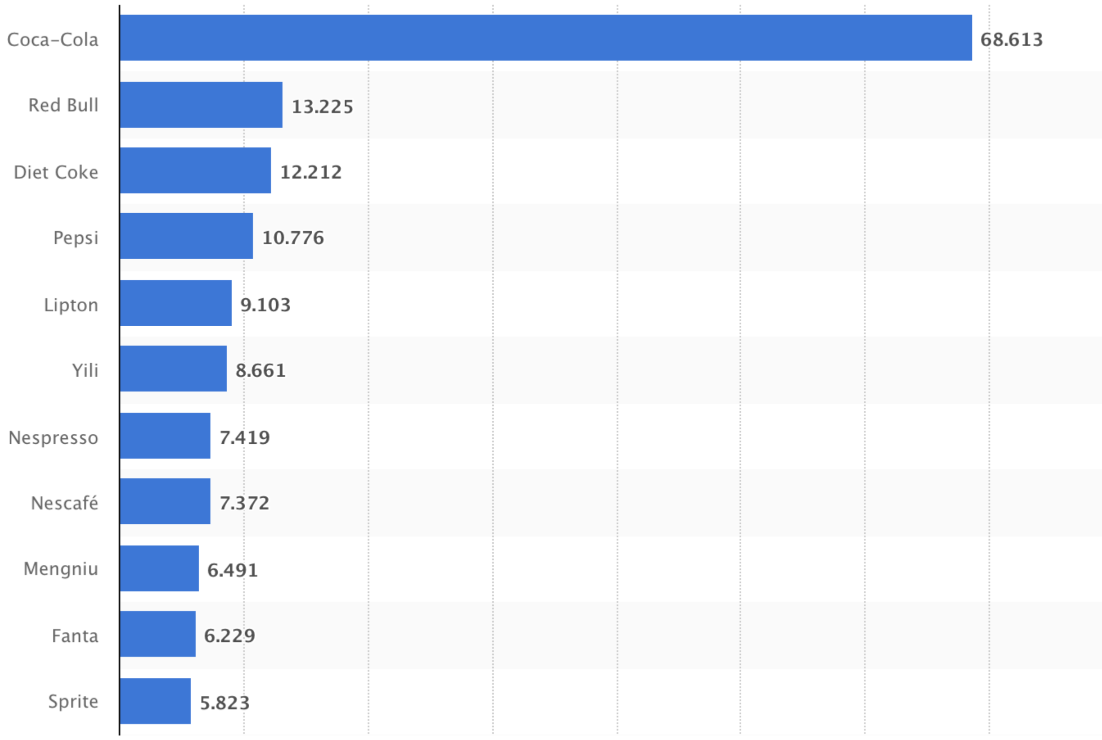

Figure 8 - Brand Equity of the Most Valuable Soft Drink Brands Worldwide 2019 (m$US)

Source: Statista (2019b)

However, you hardly see a TV commercial of Red Bull, promoting its canned energy drink, that *gives you wings*. In line with Red Bull's major target group, sportive males aged 18-35, it has created a unique marketing strategy. Red Bull has developed a number of extreme sport events such as cliff jumping or the Red Bull Air Race, it sponsors lifestyle athletes like surfers, skateboarders or mountain climbers and owns several sports teams in Ice Hockey, football and racing. In all these activities, Red Bull always strives to be the best and create or be part of something extraordinary. Like the sponsoring of Felix Baumgartner's world record stratosphere jump in 2012. The founding of Red Bull's Media House company in 2007 centralised the content creation across all marketing activities with the mission to *inspired with beyond the ordinary stories* (Red Bull, 2020a). Red Bull Media House is producing print content, live broadcasting of their events around the globe and especially video content. Shorter video formats for the social media platforms and longer videos documenting the inspiring extraordinary sportive achievements of their athletes. The iconic Red Bull logo is always visible in this content; however, you merely see athletes consume the beverage, rather than specifically promote the potential effect of the energy drink (Red Bull, 2020a). Red Bull leverages on the concept of subconscious value transfer, that customers desire to achieve exceptional performance, physically and mentally, by consuming Red Bull (Red Bull, 2020a).

The unique marketing concept is success proven, having sold 7.5bn cans worldwide in 2019, resulting in a revenue of €6.1bn. The marketing concept is effective cross border and culture, letting Red Bull achieve above 25% growth in sales in the emerging markets in India (37%), Brazil (30%) and Africa (25%) (Red Bull, 2020b).

[redacted] The Project Rasen Ballsport Leipzig e.V.

Whereas the self-initiated sport events and sponsoring of extreme sport athletes was only targeting a fairly narrow group, Red Bull stepped into a far broader targeted type of sport, football. The energy drink firm acquired the SV Austria Salzburg in 2005. It was renamed to Red Bull Salzburg. No compromises were made to create a new, successful legacy of the club. Fans were grateful about Red Bull's engagement in the beginning, due to the club's prior financial difficulties. However, when Red Bull stated, that it would not only replace the management but also the club's kit colours from purple to Red Bull's iconic yellow and blue, most fans abandoned the club. A club, that had a rich tradition. However, the new financial opportunities let RB Salzburg quickly become the dominating team with six consecutive domestic league titles lately (Hasselberg, 2020).

In 2006, Red Bull acquired another football club in New York, USA. RB New York to date never became domestic league's champions, despite signing world class players like former world champion Thierry Henry. However, the acquisition has created a greater brand awareness across the US, which was a challenging market to enter, according to CEO Mateschitz (Engel, 2010).

After the strategic partnership with the FC Liefering, which became RB Salzburg's farm team, giving talents sufficient match time on senior level, Red Bull founded the Rasen Ballsport Leipzig e.V. in Germany in 2009. After acquiring teams in Austria and the USA, this meant entering the by UEFA standards top three most competitive football market in Europe (Rieke, 2017).

Red Bull bought the starting license of 5th league's club SSV Markranstädt, only to rebrand it into Rasen Ballsport Leipzig, short RB Leipzig. Since naming sponsors in club's official name is forbidden by German league's regulation, this is a clever naming, which clearly discreetly links to Red Bull. The club's new logo with two red bulls and the striking kit sponsoring speaks for itself too (Wolf, 2019).

Leipzig is an economically flourishing city in eastern Germany. The region has never had a football club, that could compete with the top teams in Germany's united first division. However, the fan bases' enthusiasm and passion for clubs in lower leagues in eastern Germany is state of the art. This implies the great fan potential in the 2.4m inhabitant rich metropole region, if there was a club moving up to the first league (Metropolregion Mitteldeutschland, 2020).

In line with Red Bull's firm wide culture, a high-performance level and striving for the extraordinary, the aims of the newly founded club were clear; move up to Germany's first league as quickly as possible and become competitive in the UEFA Champions League (Wolf, 2019).

It took RB seven seasons, to get promoted from the fifth, to Germany's first league. The club's performance in the league since being promote has been marked with impressive results. Prior to their first season in the Bundesliga in 2016/2017, they invested almost €80m into new players, leading them to become second and qualify for the UEFA CL, having the youngest squad of all teams with an average player's market value of €2.1m, ranking 12th in this category (Transfermarkt, 2020i). Despite further investing over €60m into the team prior to the 2017/2018 season, the team finished only 6th in the league and dropped out of the CL in the group stage. However, the entire squad's market value increased in one year from about €70m to €201m, increasing average player's market value to over €7m (Transfermarkt, 2018). The drop in the performance was associated with playing in three competitions for the first time, where the team was lacking experience and sufficient squad depth. The 2018/2019 season ended with qualifying for the CL again, by becoming third in the league. Additionally, the club attended the domestic cup final for the first time and became runners-up (Transfermarkt, 2020d). Before the start of the 2019//2020 season, Leipzig signed one of the most wanted and youngest coaches of the international market, Julian Nagelsmann. He is known for a sophisticated and flexible on pitch strategy and is compared to Pep Guardiola, with regards to his focus on detail. His signing has been successful so far, RB becoming mid-season champion and promoting to the round of 16 in the UEFA CL (Knoth, 2019).

At an average age of 23 years and an average market value of over €20m, the squad's total value is currently €594m. Over the course of four years the squad's value has increased by more than eight times (Transfermarkt, 2020c). This steady increase is associated with Mr. Red Bull's, Ralf Rangnick, transfer strategy. He was sporting director and coach in Salzburg, Leipzig and is now responsible for the clubs in the USA and Brazil. He has been known for making strategic transfers. He usually only signs players aged between 17-23, that are flexible regarding their position and are very talented and show potential to further develop market value and skills. Moreover, he introduced a salary cap of €3m for Leipzig players and always considers players for the entire international Red Bull football conglomerate. If an interesting player is not skilful enough to play in Leipzig yet, he might buy him and put him on loan to Salzburg or Liefering for a season, in order to give them sufficient match minutes (Kroemer, 2016).

One intention of Red Bull's international football conglomerate is to develop talented players in Brazil, the US and Austria, with them aim to integrate them into Leipzig's squad, without paying big transfer fees in the highly inflated international transfer market. In order to smoothen the integration process of players form other Red Bull clubs in Leipzig, all coaches of RB clubs come together once a year, in order to put themselves on the same page regarding the styled to be played on the pitch. By establishing a conglomerate wide applicable on pitch play style, integrating into a new team is easier. The highly attractive offensive football played by RB Leipzig with unique pressing mechanisms is only possible due to players' fully understanding their role in the system, which most have been taught since their youth academy years (Norval, 2018).

Since the beginning of the project RB Leipzig, 18 players have moved from other Red Bull owned clubs, majorly RB Salzburg, to RB Leipzig. This demonstrates the strong collaborative work among the international conglomerate. (Transfermarkt, 2020h) In summer 2019, Red Bull moreover set up a new cooperation with an at that time second division club. SC Bragantino became RB Bragantino and has now moved up to the first Brazilian division. The management in Leipzig strongly hopes to create further top talented Brazilian players and create a smooth transition, when they move to Leipzig (RB Leipzig, 2020).

[redacted] Handling the Criticism of German Football Traditionalists

Football in Germany is brand marked with traditional values of the fan bases. Creating an authentic club image is important for the fans, which is historically grown often based on the values of the lower social class. Club's usually have a legal form, that allows participatory democracy of fans in the club's steering. This has led to a very smooth relationship between most clubs' management and the fans (Merkel, 2012).

However, especially the investor-based clubs TSG Hoffenheim and RB Leipzig have been facing strong antipathy of other clubs' fan bases. Going as far as death threats towards specific persons such as Dietmar Hopp, private investor of TSG Hoffenheim. A recent study states, that 80% of German fans refuse the option of influential investors like in the **EPL** and about 60% believe, that the growing commercialisation of football harms the fan culture.

However, 30% of the fans also consider investor to be valuable for the league, by increased competitiveness (Kurscheidt & Kristoff, 2019).

Red Bull and RB Leipzig have to date not commented on the harsh criticism. The former CEO of RB Leipzig D. Beiersdorfer however has stated, that the entire project is not to be compared to Paris SG or Manchester City. "Everybody who knows the philosophy of the club knows, that it is based on sustainable management values, aiming to create a club culture that smells and feels like football." (Herkel, 2015).

RB Leipzig has invested a lot of money compared to other clubs that promoted from the second League, however there is a clear and sustainable strategy behind the investments. Comparing it to a start up in the business world, this also needs investors to gain momentum in the moments of growth in the dynamics of the world's economy. Red Bull has wisely invested money into creating an international conglomerate of clubs, which are attractive to young talents and provide modern state of the art training facilities and youth academies. Undoubtly, Leipzig's stated liabilities of €134m towards Red Bull, the second highest liabilities in the Bundesliga, only topped by Schalke 04. This reflects the necessary investment into the squad and infrastructure, however Leipzig's revenue has also risen to €217.8m, letting the club achieve a profit of €1.4m. Additional revenue is associated by increased match day revenue and especially performance based revenues form broadcasting in league and UEFA cup competitions (Deutsche Fußball Liga, 2019).

The act of non-acting on the criticism from other clubs senses a believe in the club, that the loud criticism regarding Red Bull's invests will fade out in the upcoming years, like it has majorly with the TSG Hoffenheim.

[redacted] The Success of the Project RB Leipzig for Red Bull

Red Bull has used an equity-based investment with the purchase of the league’s license of the SSV Markranstädt. Red Bull owns 99% of the licensing section of the club and holds 49% of the voting rights, in order to not violate the 50+1 regulation of the German Football league.

Red Bull spends an estimate of over €100m per year on RB Leipzig, via sponsoring payments and credits, however the club is not obliged to open books. Therefore, no monetized return on the investment can be calculated. However, the project’s success can be evaluated on the sporting success, increased squad market value in relation to net transfer spending and the brand recall of Red Bull (Rieke, 2017).

With only three international seasons to date, RB Leipzig is currently placed 34th in the UEFA club coefficient ranking, reflecting international cup performance. If only the last 3 years were considered, RB would be the 22. best European club (UEFA, 2020b).

Since RB’s founding in 2009, the club’s net transfer earnings are - €188.3m, however the squads market value has risen by about €590m. This difference emphasises the strategic transfer investments into young talents and developing them into internationally recognised players. Naby Keita was the first player the club transferred to an international top club, Liverpool FC, for an estimated €70m (Transfermarkt, 2020i).

A recent report focusing on sponsoring in Germany’s first and second division has shown, that 98% of the participants know the brand Red Bull. This puts the beverage company in the recall comparison even ahead of Bayern’s telecommunications kit sponsor Deutsche Telekom and Schalke’s beer brewery sponsor Veltins. However, 52% of the participants show antipathy for Red Bull, likely linked to the artificially performance push, the club has received through Red Bull’s financial backing. Nevertheless, 21% state, that the sponsoring of Red Bull for RB Leipzig has made it more likely, to purchase a Red Bull product, rather than a competitor’s product. This is highly valuable, since only brand recognition does not consequently influence customers purchase intention (Facit Research Group, 2016).

4 Exhibits

2018/19 Revenue (€m)

1	↑	1	FC Barcelona	840.8
2	↓	(1)	Real Madrid	757.3
3	↔	0	Manchester United	711.5
4	↔	0	Bayern Munich	660.1
5	↑	1	Paris Saint-Germain	635.9
6	↓	(1)	Manchester City	610.6
7	↔	0	Liverpool	604.7
8	↑	2	Tottenham Hotspur	521.1
9	↓	(1)	Chelsea	513.1
10	↑	1	Juventus	459.7
11	↓	(2)	Arsenal	445.6
12	↔	0	Borussia Dortmund	377.1
13	↔	0	Atlético de Madrid	367.6
14	↔	0	FC Internazionale Milano	364.6
15	↑	1	Schalke 04	324.8
16	↓	(1)	AS Roma	231.0
17	n/a	new	Olympique Lyonnais	220.8
18	↑	2	West Ham United	216.4
19	↓	(2)	Everton	213.0
20	n/a	new	SSC Napoli	207.4

2017/18 Revenue (€m)

1	↑	1	Real Madrid	750.9
2	↑	1	FC Barcelona	690.4
3	↓	(2)	Manchester United	665.8
4	↔	0	Bayern Munich	629.2
5	↔	0	Manchester City	568.4
6	↑	1	Paris Saint-Germain	541.7
7	↑	2	Liverpool	513.7
8	↔	0	Chelsea	505.7
9	↓	(3)	Arsenal	439.2
10	↑	1	Tottenham Hotspur	428.3
11	↓	(1)	Juventus	394.5
12	↔	0	Borussia Dortmund	317.2
13	↔	0	Atlético de Madrid	304.4
14	↑	1	FC Internazionale Milano	280.8
15	n/a	new	AS Roma	250.0
16	↔	0	Schalke 04	243.8
17	↑	3	Everton	212.9
18	n/a	new	AC Milan	207.7
19	n/a	new	Newcastle United	201.5
20	↓	(3)	West Ham United	197.9

Figure 9 -The 20 Revenue Strongest Football Clubs in Europe

Source: Ajadi et al. (2020)

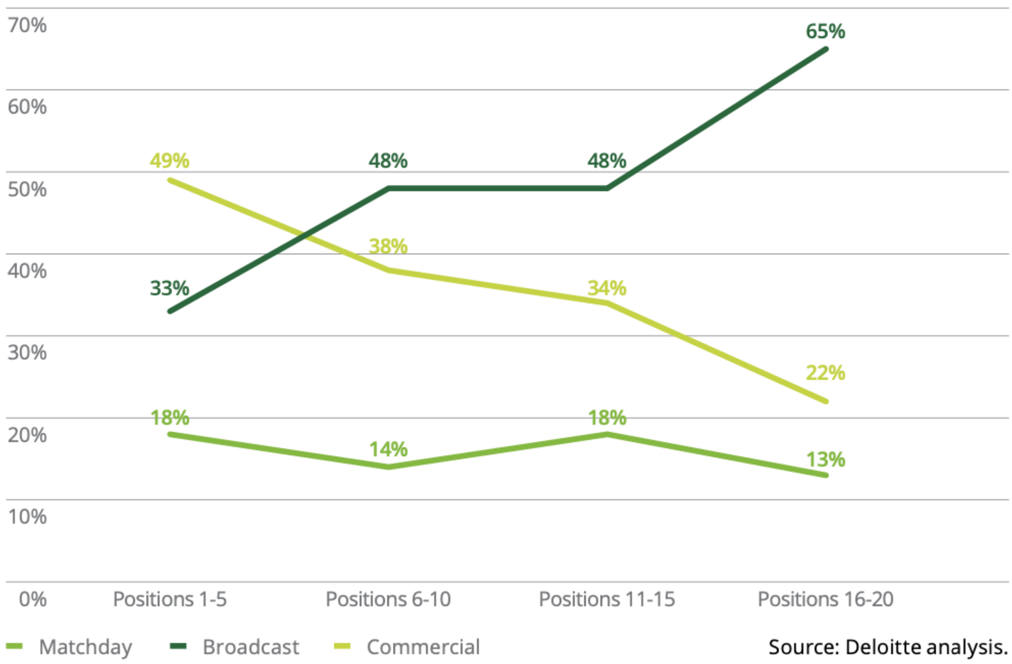

Figure 10 -Average Matchday, Broadcast and Commercial Revenue Split by Deloitte Football Money League Positions (%)

Source: Ajadi et al. (2020)

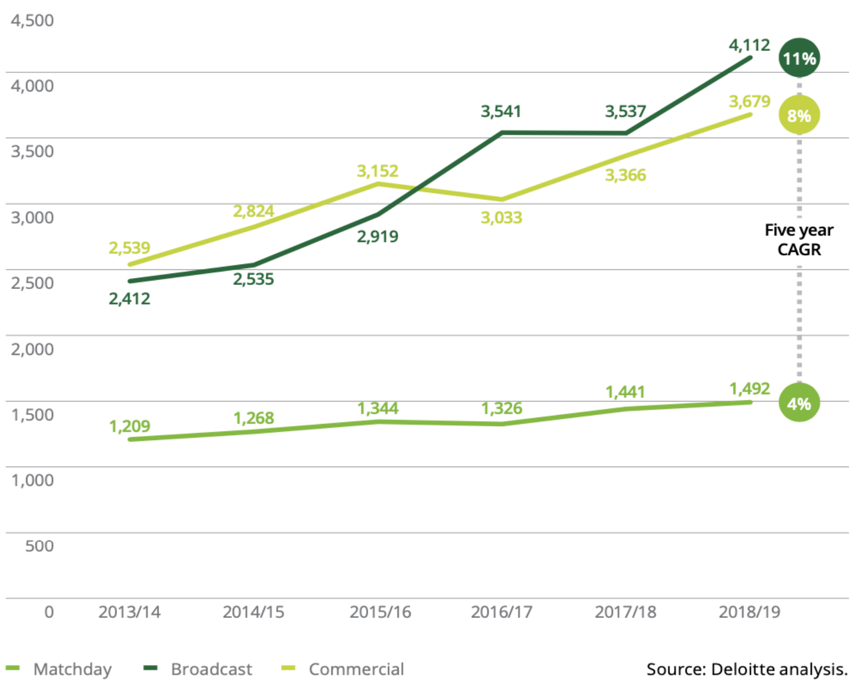

Figure 11 - Revenue Growth of Top 20 Clubs 2013/2014 – 2018/2019 in €m

Source: Ajadi et al. (2020)

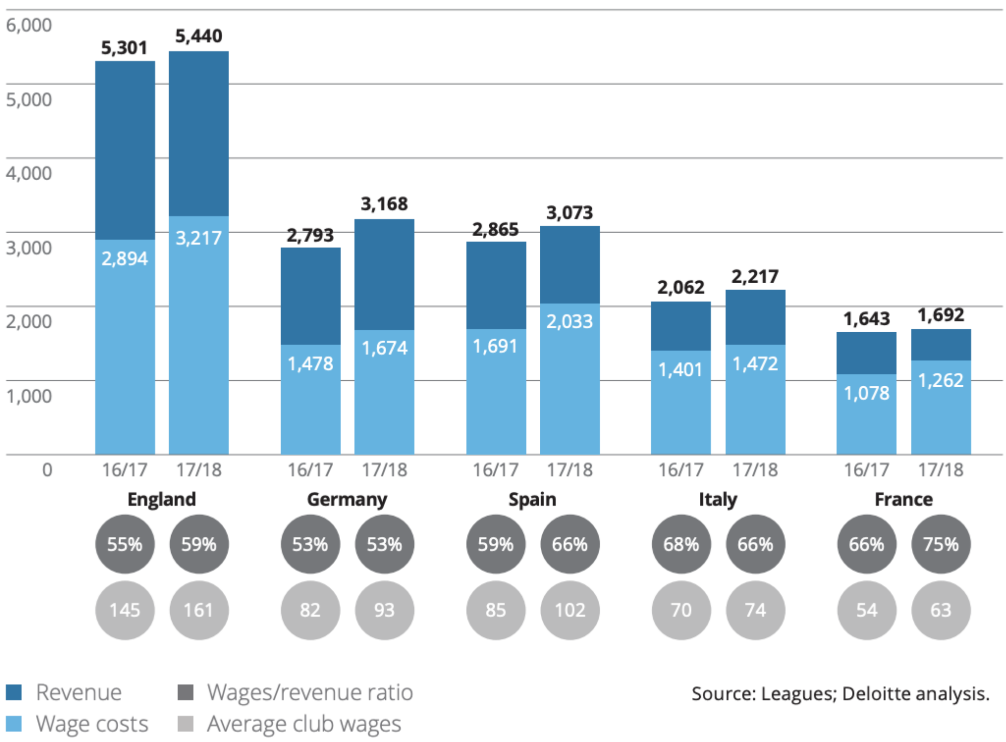

Figure 12 - Big five' European League Clubs' Revenue and Wage Costs – 2016/17 and 2017/18 (€m)

Source: Barnard et al. (2019)

Pos	Country	15/16	16/17	17/18	18/19	19/20	Pts	Clubs
1 =	Spain	23.928	20.142	19.714	19.571	15.642	98.997	6/7
2 =	England	14.250	14.928	20.071	22.642	15.857	87.748	6/7
3 =	Germany	16.428	14.571	9.857	15.214	14.857	70.927	6/7
4 =	Italy	11.500	14.250	17.333	12.642	12.214	67.939	5/7
5 =	France	11.083	14.416	11.500	10.583	8.833	56.415	2/6

Table 2 - UEFA 5-year Performance Ranking by League, the Determinant for Starting Place in the UEFA Champions League and Europa League

Source: UEFA (2020c)

Pos	Club	Country	15/16	16/17	17/18	18/19	19/20	Pts
1 =	Real Madrid CF	ESP	33.000	33.000	32.000	19.000	17.000	**134.000**
2 =	FC Barcelona	ESP	26.000	23.000	25.000	30.000	20.000	**124.000**
3 =	FC Bayern München	GER	29.000	22.000	29.000	20.000	23.000	**123.000**
4 =	Club Atlético de Madrid	ESP	28.000	29.000	28.000	20.000	18.000	**123.000**
5 =	Juventus	ITA	18.000	33.000	23.000	21.000	20.000	**115.000**
6 =	Manchester City FC	ENG	26.000	18.000	22.000	25.000	21.000	**112.000**
7 =	Paris Saint-Germain	FRA	24.000	20.000	19.000	19.000	20.000	**102.000**
8 =	Liverpool FC	ENG	22.000	-	30.000	29.000	18.000	**99.000**
9 =	Arsenal FC	ENG	15.000	19.000	21.000	26.000	10.000	**91.000**
10 =	Manchester United FC	ENG	13.000	26.000	20.000	19.000	12.000	**90.000**

Table 3 - UEFA 5-year Club Coefficient Ranking, Stating International Performance

Source: UEFA (2020b)

5 Teaching Notes

[redacted]Synopsis

The teaching case aims at educating about the strong commercialisation of European club football, the industry's business model and the interlinkages to the business world with reference to the example of Rasen Ballsport Leipzig. The club is relatively young, founded in 2009 by the energy drink producer Red Bull. The firm has demonstrated ways to play with the boundaries of Germany's league investor regulation, establishing a club in the top of the first league, only seven years after the takeover in the fifth division. According to the UEFA coefficient, the Bundesliga is the third strongest league in Europe. The case allows the reader to understand critical factors for a competitive advantage in football and the value proposition of football clubs. Leveraging on this, it becomes obvious, that it is not only the club's measures but the entire league's composition that contributes towards club's financial competitiveness.

The first chapter of the case introduces the European football landscape. It exemplifies outstanding statistics of the current market, developments in the field and on which revenue streams a professional football club relies on. Moreover, it outlines the two examples of Paris SG and FC Barcelona with their value proposition and perceived competitive advantages.

The second chapter outlines the football landscape in Germany. Describing the current sporting situation and exemplifying Bayern Munich's market leader position and that of its only persistent competitor Borussia Dortmund. The chapter is concluded by giving the reader insights into the German fan scene, which has been demonstrating its strong influence on league's decisions.

The following part introduces the firm Red Bull. The company's marketing concept is described in order to let the reader understand how the Austrian company has become the third most prominent beverage firm in the world, behind Coca-Cola and Pepsi and second most popular beverage brand. Additionally, financial KPIs are being provided.

The fourth chapter in detail elaborates on Red Bull's most recent prime project, the founding of the football club Rasen Ballsport Leipzig e.V.. RB's project still causes protests from the opposition's fans almost every match day, as the refuse to let commercialised projects push traditional clubs, which do not have the financial backing of an international group, out of the league. Additionally, the steady rise of the club and its success factors are outlined, in order to let the reader understand the extraordinary strategic approach of the international football conglomerate project.

As Red Bull's project is so diversely discussed, the next chapter elaborates on how RB deals with the criticism. Additionally, comparisons are drawn to 1899 Hoffenheim, also an investor based German football projects, which has been heavily criticised too. This is crucial in order to understand how RB deals with the acts of competing fan bases, which ultimately might influence their own fan base or fans to be, which are ultimately their potential customers.

To sum up the case, the current success of the project RB Leipzig is elaborated. As RB is not obliged to open their financial books, the success evaluation is based on the club's sporting success, its increased squad market value in relation to net transfer spending and the brand recall of Red Bull. This is vital, as on the one hand, Red Bull is aiming for sporting success, however the overarching aim is to transfer the values of Red Bull onto the club, in order to influence spectators' purchase intention for energy drinks.

[redacted] Teaching Objectives

This teaching case has been written to be introduced to under- and post graduate students. It can be used in the field of strategic management, in particular in classes dealing with competitive advantage and value proposition. Moreover, the case has interesting insights of the importance of a common culture and identity of international companies. Major emphasis is put on the approach of a firm entering a totally new industry, in order to become highly competitive on short notice. Comparisons to start-ups can be drawn, however to date there is hardly literature investigating start-ups in the sporting industry.

The case aims at educating students about the complex process of entering an industry. It illustrates, how the international football industry has become strongly commercialised, where fans stand as a synonym for customers. The case elaborates, the difficulty of achieving a distinctive competitive advantage in the dynamic and result driven industry. In comparison to business firms, results are evaluated by a broad range of spectators ever three days.

The case can moreover be used to evaluate advantages and disadvantages of equity and non-equity related internationalisation strategies for different industries. However, the focus is one the football industry, one of Europe's strongest growing industries.

[redacted] Intended Contribution

This case is set up for one teaching lesson. It emphasizes that carefully analysing an industry with seemingly very high entry barriers can unveil opportunities to enter it anyway.

It demonstrates how a company can expand its target group through making strategic investments in foreign industries and create equity gain for the mother company, by increasing sales of their core product through strong branding of the newly founded subsidiary. By defining RB Leipzig's value proposition, the students should realize, that the local fans are important, however digitisation and especially globalisation are providing opportunities to reach much greater audiences. Those will potentially be of even greater value. Moreover, the students will realise, that the potentially increased competitiveness in the Bundesliga, aside all criticism from the traditional value driven fan bases in Germany, will be beneficial for all clubs in the league. As competitiveness rises, the interest of foreign market's media broadcasters rises too, which will ultimately increase incomes for all clubs in the league.

At last, students should learn from the case how important a sustainable and clear culture and strategy is even in an international company, as demonstrated by Red Bull's international football conglomerate.

[redacted] Pedagogical Overview

In order to efficiently leverage on the teaching case's potential, students need to have studied the respective theoretical backgrounds dealt with in the case, in order to transfer the theoretical knowledge into practice.

Firstly, students and lecturer should be able to demonstrate a general understanding of the dynamics of the football industry. This is necessary in order to grasp the various dimensions necessary to effectively work on the case. Additionally, it is necessary to apply Porter's five forces analysis for the football industry. Building on this, it is also essential to understand Porter's concept of *competitive advantage*, which is one of the most recommended concepts in the fields of competitiveness. Moreover, Porter's idea of the importance of a unique value proposition should be familiarized with. In order to be able to answer all the case's questions, students should also be aware of the marketing measure of sports sponsoring and why it might be more applicable for certain brands than others.

After students read through the case and answered the questions individually, they should discuss the results with their neighbour for about 10 minutes, before the results are being shared with the class. This helps to share knowledge and different ideas regarding answering the case's questions. Additionally, students have the opportunity to contribute to the class during the open discussion with the topics proposed below.

[redacted] Assignment Questions

5.5.1 How does the common football business model differ from that of a commercial enterprise?

Students need to consider, what is the product football clubs need to monetize, which are the customers and how can the club's product be monetized in order to diversify the revenue stream. By carefully reading the case, students should be able to name three different revenue streams.

Firstly, despite the strong commercialization of European club football, clubs overarching goal is achieving outstanding on pitch performance. Therefore, compared to firms in the business environment, clubs do not seek for profit maximisation but achieving on pitch success. Since there is a positive correlation between investments into new players and on pitch performance, incomes are usually reinvested into players and the club's assets e.g. stadium, training ground and youth academies.

The customer base of football club's is twofold, considering that profits from player's sales are not part of the business model. There are clubs like Porto FC, Benfica Lisbon and Borussia Dortmund, which have made profits from their transfers over recent years, but clubs' overall aim for sporting competitiveness excludes this potential revenue source.

Students should define, that the clubs' fans ultimately are potential customers. Additionally, any company that is willing to sponsor the club is a potential customer. Sponsoring companies pay depending on the club's size, their international reputation and domestic and international performance, millions of Euros in order to be placed with their logo on the club's shirt or other public club displays.

The revenues of football clubs can be categorized into three major silos; matchday-, broadcasting- and commercial revenue. Matchday revenue include all incomes from home games, such as ticket sales and corporate hospitality sales. However, those are limited to the stadium's capacity, as football fans do not tend to be very price sensitive, nevertheless the poor stadium utilization in Italy and Spain demonstrates the difficulty of good pricing. Broadcasting revenue includes all incomes from domestic and international media firms, that display the matches as well as the bonuses clubs receive for e.g. advancing to the knock-out stage in the UEFA CL. Since the media right sales are majorly done centralized for all leagues in Europe, the share is on the one hand up to the league's attractiveness for national and international spectators. On the other hand, the club's sporting performance is important, as each club gets a share of the pie according to their final league ranking and advancements in the national and international cup competitions. Despite it being the most important revenue source for most clubs in Europe, it is of little influence. The third revenue pillar is the commercial revenue. It includes all incomes from sponsorship, merchandising, stadium tours and other commercial operations. Here it has to be considered, the greater the potential audience the club is viewed by, the greater the potential income and monetization potentials. This is reflected in Deloitte's 2020 Money League report, which shows that the 5 revenue strongest club rely most on commercial revenue. They have established the club's logo as strong brands due to outstanding sporting performance. This makes it so appealing to other brands to sponsor the teams, in order to transfer the highly competitive image of the club, to their brand.

Business forms in comparison are driven towards profit maximization. In most industries, the supply for goods is fairly good, whereas in football, the supply side with highly skilled players and coaches is scarce. Nevertheless, business firms and clubs need to promote their product in order to achieve their respective goal. If a football club does not have any supporters and play in a little appealing league, it will be difficult to achieve outstanding international success. If a business firm does not dynamically adapt its product and processes to current market trends, it will also fail. However, where big shareholder companies aim for achieving a satisfying dividend for the shareholders, football club need the sporting success in order to stay competitive on the long haul. Even just one season of poor performance can mean getting into a downward spiral. This can be prevented by a sustainable, long term strategy, that is adapted to market trends. This applies for businesses and football clubs.

5.5.2 What intention did Red Bull have, when acquiring the Leipzig's football club? Why was the country and location wisely chosen?

Red Bull has been having extraordinary marketing measures since its founding. Due to the personal interest of its CEO D. Mateschitz, the club started to create extreme sport events and sponsored athletes in same field, such a mountain climber, surfers or the stratosphere jump of Felix Baumgartner. The firm's slogan *Red Bull gives you wings* stands for the lived values within the company and their sponsored athletes; achieve the extraordinary. This has made the energy drink company from Austria world's third most successful beverage company, behind Coca-Cola and Pepsi. However, despite breaching countries and cultures by this extraordinary marketing concept, extreme sports are still a niche market. Therefore, Red Bull started to purchase sports club, e.g. in Ice-Hockey and Formula 1, in order to target the mass market. However, the world's most popular sport is football. Therefore, the firm bought a club in their home country Austria, from where they developed an international football conglomerate with clubs in the US, Brazil and lastly Germany. The country is known for its amazing fan base, however since Germany's reunification, there hasn't been a club from eastern Germany competing with the top clubs in Germany. Overall, the region just slowly gaining momentum economically. Nevertheless, the people were seeking a big sports club in the region, as the sold-out game of the national team against Lichtenstein demonstrated in early 2009. As Germany has a fairly competitive league of international interest with highly involved fans, that was a good target country for Red Bull, to place a team competing with the best in Europe shortly. Due to regulations, the club had to move up from the 5th league to the first. Looking at the average attendances per league game, Leipzig welcomes more than 40,000 spectators these days in the first league. Moreover, the club has established itself as one of the top three clubs in the Bundesliga, having qualified for the UEFA CL in two of three years, Europe's most important cup competition. Additionally, increased competition in the Bundesliga will also benefit the entire league ceteris paribus, by increased international broadcasting interest resulting in increasing broadcasting revenues.

Red Bull's interest in the invest is therefore twofold. On the one hand, the club is seeking international competitiveness in the UEFA CL. However, in order to stay true to their brand image of achieving the non-ordinary and the true winner mentality, RB will need to proceed further than the group stage in the CL, to stay authentic. On the other hand, RB leverages on the increased brand awareness among spectators nationally and internationally and therefore further promotes its core product, the can of energy drink.

5.5.3 What do you consider a competitive advantage in football and the respective value proposition?

Looking at the football industry, we have to consider the on-pitch performance as the product. Therefore, achieving a competitive advantage, means superior on pitch performance, that leads to winning titles in the respective attended competitions.

Necessary for being competitive is a squad of highly skilled players, which need to be paid a fairly high wage and usually also a transfer fee towards the players prior club. This implies, that it is necessary for clubs to have the financial strength, which draws a correlation between sporting success and financial power of the club.

The competitive advantage in football is with reference to Porter's concept, usually achieved by a differentiation strategy. Whereas e.g. FC Barcelona strongly build on its youth academy La Masia over the past two decades and became nationally and internationally highly competitive, other clubs like Paris SG have found ways in the boundaries of UEFA's Financial Fair Play to be financially backed by an external investor. However, Manchester City's example, which got excluded from the UEFA CL due to not complying with the Financial Fair Play shows, that this might not be a sustainable competitive advantage, unless clubs become independent from their investors. Similar to RB Leipzig, the club also owns an international conglomerate of football clubs, however, does not leverage on the potential of developing young players but much rather buys foreign players year after year. Bayern Munich in comparison has achieved a competitive advantage of differentiation, by establishing a world-wide well-known brand and following a clear strategy. The club has been profitable for years and works with strong commercials partners and uses its money to strengthen the squad, however, never spends more than its own generated cash flow would allow. This has led to a strong organic growth, making it Europe's 4th revenue strongest football club. The club can afford to pay transfer fees of up to €80m like for Hernandez from Atletico Madrid, however, spends its money with great care and also doesn't pay the high wages, paid in England and Spain. This is highlighted in the wage to revenue figure of the leagues.

The unique value proposition of a football club very much depends on the individual club. Fans usually support a club, as it is a sign of being rooted to the area where you have grown up. Football clubs create a community of supporters, which want to be entertained. Whereas fans of clubs like Real Madrid are majorly seeking the experience and emotions of champion chips and signing the potentially best players in the world. Smaller clubs such as Germany's SC

Freiburg, which has very limited financial opportunities, support their club even when they relegate to the second league. As stated in literature review, it is the emotions that bind fans to the club, no matter whether they are positive or negative. Clubs need to be authentic to their roots, values and traditions. That is when fans will be loyal and bridge from a fan to a customer of the club, as they are seeking to experience the club in the stadium and spends money on merchandising, as he shows pride of belonging and wants to be recognized as part of the cohort.

5.5.4 What factors do you consider most relevant for RB Leipzig's success on the pitch?

The football project of Red Bull is fairly unique. Whereas most teams in the world only have an U23 squad or partnership with other clubs to loan and grow young football talents, Red Bull has established a strong international conglomerate.

Red Bull's idea is to grow young talents in the US with RB New York, in Brazil with RB Bragantino and in Austria with RB Salzburg and their respective farm team FC Liefering. Only to transfer them to RB Leipzig, once considered ready for the Bundesliga and UEFA CL. It is surprising no other club has established such network yet, however it needs to be considered, that running each individual club can be costly, if it is not financially independent. Nevertheless, Leipzig has the second purpose of having these clubs, creating greater brand awareness of Red Bull. However, monetizing the return of this investment is harsh.

The strong flow of 16 players from Salzburg to Leipzig since the founding of the German club in 2009 emphasizes the strong relationship. Additionally, the club has gained a reputation to be a club, that provides an excellent environment for young players to develop, which is why also internationally wanted talents such as Dani Olmo and Timo Werner could be signed. This let RB Leipzig become one of the youngest teams to compete in der Bundesliga and CL. With the signing of Julian Nagelsmann, the club has gotten an internationally wanted coach, that brings sophisticated and flexible football to the pitch. Additionally, since many of the players have been long with RB Leipzig or have come from other conglomerate clubs, they all have gone through the same tactical and physical training, which makes it is easy for them to fit in. Ralf Rangnick, now sporting director for RB New York and RB Bragantino, has set up, that all coaches from the RB clubs meet once a year, in order to be on the same page for the playing style, practiced in the clubs.

Additionally, to this clear culture among the clubs, RB Leipzig has a clear transfer strategy it follows. Players must be disciplined, aged between 17 and 23, flexible regarding the position they can play and not cost a fortune. RB's current most expensive player purchase is Naby Keïta, signed for €30m from RB Salzburg, who has already been resold to Liverpool FC for €70m.

5.5.5 Why is Red Bull's investment potentially highly valuable for the entire Bundesliga?

The project from Red Bull has been harshly criticised by a lot of fan bases in Germany. Simply due to the fact, that they fear of their traditional based clubs to vanish into the second league, if there are more of those investor-based clubs. However, it needs to be considered, that RB is not investing hundreds of millions each year like PSG and Manchester City, in order to become competitive.

The underlying strategy of the club is sustainable, the international football conglomerate a to date international success story and the players transferred to the club, closely scouted to fit the club. RB Leipzig has played three whole seasons in the Bundesliga, finishing two times qualifying for the UEFA CL and once for the UEFA Europa League. The club has become half series champion this season, strongly increasing overall competitiveness in the Bundesliga. Last decade's championship was majorly dominated by Bayern Munich and Borussia Dortmund, lacking excitement in comparison to the English Premier League. This is stated as one of the major reasons, why the Bundesliga has fallen behind so drastically in the value of the broadcasting deal, compared to the Premier League. Therefore, if the club will sustainably increase the competitiveness in the Bundesliga, which is Red Bulls self-perception, it will result in a higher valued revenue deal for domestic and international broadcasting. This would be beneficial for all clubs, as media rights are sold centrally. A consequence would be higher revenues, which could be reinvested into players and the clubs' infrastructure.

The second major potential advantage is, that RB Leipzig is also having ambitious goals in the UEFA CL. In recent years, the Bundesliga has fallen behind in international competitiveness, being threatened to potentially loose a starting place in the lucrative CL. Decisive for the starting spots is UEFA's five-year ranking of the domestic leagues, which is based on international performance of the clubs in the UEFA cup competitions. To emphasize the financial importance, Manchester City's two-year absence in the CL is rumoured to cost the club €200m in revenues. Red Bull is known for its ambitious goal setting, having won the Championship with its teams in the Formula 1 and Germany's first Ice Hockey league. Therefore, it is likely, that the firm will continue to support the club financially via sponsoring payments and debts, so respective measures can be taken to win titles.

[redacted] Discussion

In order to give students the opportunity to demonstrate a transfer of knowledge, the following topics can be used for an open class discussion after the case questions were answered in class.

Shall Red Bull consider an investment in an English football club, to enter the currently most attractive football market?

Pros:

- Club would play in the worldwide most widely displayed domestic league
- High competitiveness in the league could lead to higher potential to win international competitions
- Small market entry barriers with the respective financial backing, as there is no owner regulation in the English Premier League
- No culture of anti-commercialisation, as it is a fair established ownership way. For example Chelsea FC, Manchester City, Manchester United

Cons:

- High monetary direct investment necessary, as Red Bull only aims for 100% takeovers
- Comparably high wages
- Hard to establish a team in the top of the league, due to high competitiveness of big six clubs, which all have a strong financial backing (Manchester United, Liverpool FC, Manchester City, Arsenal FC, Tottenham Hotspurs, Chelsea FC)
- Risk of competing with other Red Bull owned clubs in the UEFA cup competitions, which is not allowed by UEFA regulation
- Problematic integration into the performance-based development pyramid of RB's international football conglomerate

6 Conclusion

Porter's concept of a sustainable competitive advantage and a unique value proposition have gained great attention over recent years, due to the everchanging environment. The swap from a pull to push market has made it necessary for firms of any industry to find a distinctive position in the market. Porter proposes companies to either achieve a sole cost advantage or pursue a differentiation strategy. Red Bull has clearly achieved a differentiation strategy by its unique marketing concept. Companies sponsor big sports clubs and sporting events in order to improve brand recall and customers' purchase intention through value transfer. Red Bull, an energy drink firm from Austria, has founded its own extreme sport events around the globe and bought sports club in ice-hockey, Formula 1 and football. Those all follow of firm's culture of achieving something beyond the ordinary.

The example of Red Bull was chosen, as it clearly exemplifies, how you can enter a market with seemingly very high entry barriers, if you have a differentiating strategic approach and a unique value proposition.

The Red Bull case clearly outlines, how important it is for international firms to have a strong differentiating strategy, that is being followed by all international subsidiaries. It demonstrates, how sport has the power to reach and connect people across continents and cultures with a simple product.

This case study outlines the competitive landscape of the European and German football landscape, in order to understand the complexity of the industry. It demonstrates, that creating revenue is highly linked to on pitch performance. Creating competitive on pitch performance from scratch does require an outstanding strategic concept, if you want to comply with the UEFA Financial Fair Play regulations. Red Bull has demonstrated to achieve the out of the ordinary with its international football conglomerate. By a clear squad management strategy, of only signing players between 17-23, which are flexible on the pitch, willing to learn and disciplined characters, Rasen Ballsport Leipzig has made it to the CL in two out of three years in the Bundesliga. The club still heavily relies on its mother company Red Bull, due to the kit's sponsoring money and the debt provided. However, the project is currently the most successful of such young club around the globe. And the engagement in the mass market of football has two positive aspects for Red Bull. On the one hand site, the sporting success will eventually let RB Leipzig pay back the debt and most likely operate on a good black zero in the annual report.

On the other hand, it will bring the iconic brand's logo to millions of tv screens around the globe, increasing the brand awareness largely.

This thesis provides additional knowledge in the field of strategic management, especially with a focus on the sports industry. It moreover outlines information about the investor regulations in Germany's first league and postulates valuable insights about factors for competitiveness in the sports industry. Additionally, the case exemplifies, how thinking outside the box and taking risks, can pay off.

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