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The Role of Marketing in the Football Business Rola marketingu w piłce nożnej

Abstrakt: Celem niniejszej pracy jest zbadanie znaczenia marketingu w biznesie piłkarskim. Aby zrealizować założony cel przeprowadzono badania satysfakcji klientów i ich lojalności wobec swoich klubów w długim okresie. Praca dotyczy też cyklu życia produktu piłki nożnej i roli marketingu w jego przedłużeniu. Dane wtórne zostały zebrane i krytycznie analizowane, aby przekonać się, czy pomiary teoretyczne mają możliwość prawidłowego wykorzystania w praktycznym świecie biznesu piłkarskiego.

Słowa kluczowe: marketing, zarządzanie, sport, kryzys kredytowy

Abstract: The aim of this study is to investigate the importance of marketing in the football business. In order to accomplish the task the study mainly concentrated its research efforts on customers (fans), to find out whether or not customers are satisfied, and whether they would therefore stay loyal to their clubs for a long time. Additionally, the paper is concerned with the product life cycle of football and the role of marketing in its extension. Secondary data has been collected and critically analysed in order to see whether or not theoretical measurements lack the ability to be implemented correctly in the practical world of the football business.

Keywords: marketing, management, sport, credit crunch

The history of early football

The signs of early football can be found in every corner of the world. The game that civilizations played throughout history can be considered an ancestor of modern football which was established late in the nineteenth century in England. There is some evidence that ancient nations played football as early as 2500 BC. However, the purposes of playing were different; some of them linked football to religious ceremonies or others saw characteristics which could help them to improve war practices¹.

Before the 1980's, football was not fully involved in commercial activities and was distant from business, making it mainly loss-making. The first football clubs were formed by friends and workmates, and were simply a way to enjoy playing the game and competing. At that time, football was only for entertainment and players were playing without any commercial interest².

Inevitably, the popularity of the professional game attracted entrepreneurs who were interested in the game as a commercial profit-making exercise, and many

¹ <http://www.footballnetwork.org.>, 2010

² D. Conn, *The Football Business: Fair Game in the '90s?*, Edinburgh: Mainstream publishing 1999, pp. 41.

clubs were formed in this manner. In the beginning of the 1990's, the words "football business" arose due to commercial activities within the industry.

Without a doubt, football has gained new shape and is no longer only a sport but is now big business. New opportunities are opening up, therefore intelligent actions are required. As in every business, the role of marketing is crucial in the development of the football business.

This paper will attempt to analyze the importance of adapting the correct business and marketing strategies by football entities. Hence the objectives of this study are:

- To find out whether or not customers (fans) are content with their clubs;
- To detect how they feel about the globalization process in the football industry;
- To reveal what they think about highly televised football;
- To identify what criteria are used to measure the consumption of the football product;
- To provide recommendations for further development of the football business in terms of marketing.

Football and the emergence of a new type of business

Football originated in England. Its rules were developed in the public schools of the nineteenth century. It was played for pleasure, and encouraged by the "game ethics" generation of headmasters who saw in it the social and moral benefits of "sportsmanship" alongside its obvious provision of organised physical exercise³.

Step towards business

It has been claimed that the transformation of football from being a game into becoming a business is connected to Silvio Berlusconi and AC Milan. As the owner of the club, Berlusconi introduced television, which he also owned, into football. This step was quite successful as football became very popular in Italy as well as being a sport that was in high demand⁴.

Another theory suggests that the first step towards business was made by Alan Sugar and his club. Tottenham Hotspur became the first club to float on the stock market in 1983. It wasn't until the mid-90's that the rest of football's chairmen saw this as a new way to make money. These were the first tentative steps towards turning football from a sport into a business and an industry within the entertainment sector. Supporters were no longer seen as fans but a 'captive market' whose support was 'inflexible' as the more a club charged for tickets, the more fans would pay. For the bigger clubs with national and international fan bases, such conversions into business became successful. In 1997, Manchester United had 3.29 million supporters, Liverpool had 2.18 million and Newcastle United 1.42 million⁵. This following would happily buy into a club's various as-

³ D. Conn, *The Football Business: Fair Game in the '90s?*, Edinburgh: Mainstream publishing 1999, pp. 43.

⁴ T. Khoshtaria, *The Role of Globalization in Football Business Development*, Rustavi: Irida 2005, pp. 21.

⁵ <http://www.Deloitte.com>, 2009.

pects of merchandising, and being 'brand loyal' meant clubs such as Manchester United could more or less get away with releasing three replica versions of their kit within one season.

Until the early 1980's, football clubs were mainly loss-making. They carried a primarily social character and opposed commercial institutions. Ownership was locally based ... [and] motivated by a desire for prestige in a local community ... By contrast, in 1999 the industry was increasingly being incorporated into the conventional commercial "leisure" sector (with stock market quoted firms listed under 'leisure entertainment and hotels').

The large clubs have been transformed into highly profitable suppliers of the full gamut of leisure-related product lines, attracting a large number of consumers from a range of different income groups.

Hamil, et. al., (1999) suggests that two key factors have driven football transformation: the opening up of this previously closed sector to market forces and effective governmental regulatory intervention⁶.

Television and the supply of football

It is understandable that a sport which has relied on attendance as its primary income source should have been nervous about television⁷. The relationship that exists between television coverage and tickets (gate receipts) has been the subject of argument. It has been claimed by football regulatory authorities, that too much television (in particular live broadcasts of matches) represented a threat to football attendance⁸.

In today's BSkyB world of televised football, negative comments can be found in the press and elsewhere about the detrimental effect of too much televised football. Cameron (1997) describes it as "killing the goose that lays the golden egg," the suggestion being that too much involvement of television will spoil the market⁹.

Taking into account these criticisms, this theory should be rejected, because a study about the influence of television on attendance at FA premier League matches in the 1993/1994 season found that, whilst the live transmission of Monday evening matches resulted in a significant drop in attendance, live satellite transmission on Sundays failed to reduce attendance at matches. However, they concluded that despite the reduction in attendance at Monday's matches, the financial terms of the television deals ensured that clubs were in fact better off overall¹⁰.

⁶ S. Hamil, Michie, J. & Outghton, C., *The Business of Football: A Game of Two Halves*, Edinburgh: Mainstream publishing 1999, pp. 43.

⁷ D. Rowe, *The Global Love Match: Sport and Television*, Media, Culture and Society 1996, Vol. 18, pp. 565-582.

⁸ S. Marrow, *The New Business of Football: Accountability and Finance in Football*, London: Macmillan Business 1999, p.4,8-11,14,30- 34,62.

⁹ S. Cameron, *Regulation of the Broadcasting of Sporting Events*, Economic Affairs 1997, Vol. 10 No. 3, pp.37-41.

¹⁰ M. Baimbridge, Cameron S. & Daxson P., *Satellite Television and the Demand for Football: A Whole New Ball Game*. Scottish Journal of Political Economy 1996, Vol. 43 No. 3, pp. 317-333.

Football clubs currently rely on TV revenue as their main source of income, and expect successive deals to be larger and bring greater wealth. This was the case in 2001 when the last round of TV deals was made. £1.6 billion was paid by BSkyB and ITV for Premier League matches and highlights respectively. The Football League had also managed to secure a lucrative contract of £315 million from ITV Digital – the digital terrestrial platform backed by media giants Granada and Carlton. These deals were done at the time of the ‘dot com bubble,’ where media companies believed large payments for such events would come good in the end¹¹.

Television clearly plays an increasingly important role in football as a source of finance. It provides a means of allowing supporters to identify with the football market. The nature of the product is significant from a television point of view. Much of the attractiveness of football on television is the atmosphere created by the supporters. Without supporters, football on television would be a less attractive product both as a television spectacle and consequently as a source of revenue for clubs.

Globalization and the football industry

Football is not only the world’s most popular sport, but also probably its most globalized industry. Without a doubt football players move from one country to another easier than other people of different professions. Indeed, the clearest example of this is London’s Arsenal football club which is composed entirely of foreigners including a French coach. Even the captain’s role is no longer reserved for domestic players.

According to this, football thus provides a glimpse of how the true globalization of labour would work. In football, as in other occupations, restrictions on labour mobility came entirely from the demand aspect. No limits were ever imposed on players’ movements, except by Communist countries. But the demand side was heavily regulated, owing to a rule that clubs could field no more than two foreign players in any single game. (Milanovic, 2006) However, nowadays the situation is totally different.

Undoubtedly, there are positive and negative sides to globalization in the football industry:

- First, free movement has meant that good players from small leagues improve much more than they would have if they had stayed at home. A good Ukrainian or Bulgarian player improves much faster if he joins Real Madrid or Chelsea¹².
- The free movement of skilled labour could be accompanied by binding international requirements that migrants from poor countries spend, say, one year in five working in their countries of origin.

They would bring home skills, technology, and connections that are as valuable as the skills that Eto’o, Essien, or Messi bring back to Cameroon,

¹¹ S. Dobson & J. Goddard, *The Economics of Football*, Cambridge University Press 2008, pp. 53-56, 227.

¹² M. Milanovic (2006), *Learning Globalization from Football*. Available from: [<http://www.project-syndicate.org/commentary/milanovic3>,

Ghana, or Argentina. Job placement would remain a problem, but the principle is sound: the world should learn from its most popular sport.

Critics have pointed out that the main issue related to football globalization is the loss of identity. From a certain standpoint, globalization may be said to be the enemy of the distinct styles of play that have traditionally made the sport a theatre for the display of national character. Major European football clubs have recently emphasized a new policy of importing foreign talents to build their rosters rather than fostering the identities of home-grown players. As a result, the distinctively Spanish style of play, for example, is becoming diluted¹³.

Since the 1970's, the global football field has undergone rapid commercial transformation. It became common to hear the game described as the "football industry". With the remarkable growth and scale of its commercial revenues in 2000, football related business was estimated at a record €205 billion¹⁴. Football's top events, mostly world cup finals, are claimed by some to provide a huge economic boost for the host nations.

The emergence of the need for marketing in the football industry

Marketing is the term given to those activities which occur at the interface between organizations and their customers. It is derived from the original concept of a marketplace, where we see the presence of sellers and buyers, in order to conduct transactions (or exchanges) for their mutual and maximum benefit. For that purpose, the aim of marketing as a discipline is to ensure that customers conduct these transactions with the marketer's organization rather than with others¹⁵.

Most widely accepted definitions explain marketing as follows:

Marketing is the management process which identifies, anticipates, and supplies customer requirements efficiently and profitably¹⁶.

Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy individual and organizational objectives¹⁷.

As football started its transformation from a sport into a business, it became apparent to many football clubs' managers that the only route to prosperity and development was well-prepared marketing strategies in order to cope with competitors and the external environment. Since the 1980's when football clubs changed their status from football clubs (FCs) to public limited companies (PLCs) and start floating on stock markets, the need for sophisticated marketing ap-

¹³ A. Santamaria (2005), *Why Globalization Hurts Football*. Available From: <http://yaleglobal.yale.edu/display.article?id=6613>,

¹⁴ J. Walvin, *The People's Game: The History of Football Revisited*, Edinburg : Mainstream Publishing 2001, p. 73.

¹⁵ J. Blythe, *Essentials of Marketing*, Edinburgh: Pearson Education Limited 2008, p. 2.

¹⁶ UK chartered Institute of Marketing, 2005, Available From: <http://www.cim.co.uk/searchResults.aspx?Type=site&subType=Full&Searchvalue=marketing%20definition>,

¹⁷ American Marketing Association, 2004, Available From: <http://www.marketingpower.com/Pages/default.aspx>.

proaches emerged to help clubs keep their customers (or bring others) in order to generate income and therefore to survive. The second influential factor is that various types of products were identified in the football business which could be sold to customers. Therefore, it also highlights the need for marketing tools within the industry.

The product in football

One factor which differentiates football from many other forms of entertainment is the fact that every match (or product) is unique and its outcome is unpredictable¹⁸. Depending on this theory, Khoshtaria (2005) derives the definition of the core product in football, saying, “The product in the football business is a service, the performance of football players during the match, which satisfies supporters’ (customers) demand on the sporting show.”

As with all types of sport, football deals with both the core product (the football match) and product extensions (club’s T-shirts, shorts, etc.). This type of product is also in high demand and presents the bulk of a club’s revenue. Moreover, the third type of product which can be identified in the football business is the subject of trade between clubs, using transfer markets. This type of product is characterized by unusually high prices (see the cases of Zinedine Zidane, Cristiano Ronaldo, etc.). The players constitute the main material in producing the core product¹⁹.

On account of the fact that the product in football (sport) is distinguished from other businesses’ product, the process of this third kind of production (Zinedine Zidane, Cristiano Ronaldo, etc) is also different.

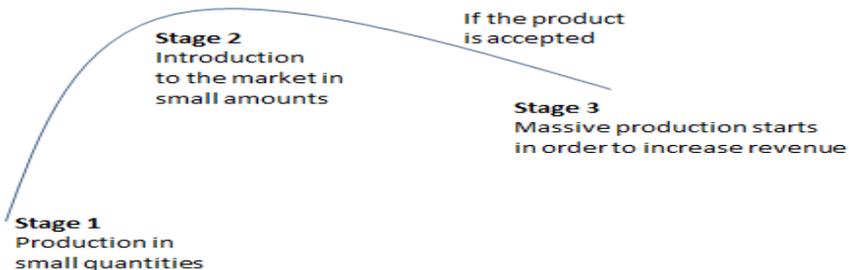


Figure 1. The production process in traditional business

Source: Khoshtaria, *The Role of Globalization in the Football Business Development*, Rustavi: Irida 2005.

¹⁸ D. Peel & D. Thomas, *Attendance Demand: An investigation of repeat fixture*, Applied Economics Letters 1996, Vol. 3, pp.391-394.

¹⁹ T. Khoshtaria, *The Role of Globalization in Football Business Development*, Rustavi: Irida 2005, pp. 30.

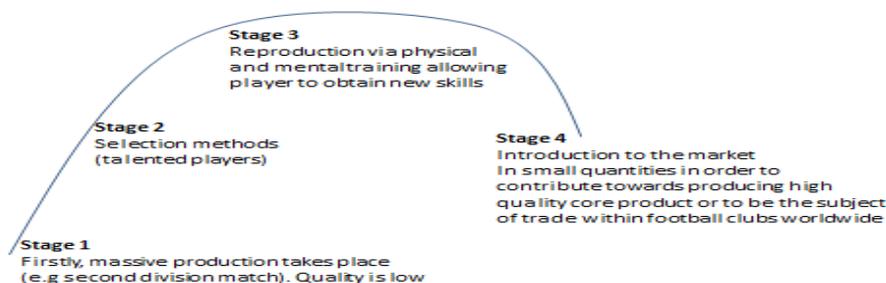


Figure 2. The production process in the football business

Source: Khoshtaria, *The Role of Globalization in the Football Business Development*, Rustavi: Irida 2005.

The diagrams shown above illustrate how the third type of product in the football business is produced in comparison with other businesses.

The first drawing shows how ordinary businesses develop and sell their goods, starting with small quantities and increasing the amount of production and selling, if it is adopted by the market. In the second diagram, we can clearly see that in the football business everything is managed in a different way, beginning from mass production to the particular player, who is offered to the market. Therefore the price is colossal.

PLC of football (Football as a product)

The football business has reached the maturity phase of the lifecycle in the traditional market of Occidental Europe and North America. The gradual growth in TV rights, sponsoring investments and players' salaries over the past few years has proved that the market is heading towards saturation or stability. It has been claimed that it will be a long time before a football club agrees to pay more than the 47.2 million pounds Real Madrid spent on Zinedine Zidane (Chadwick & Desbordes, 2006). An accurate examination of the fact that the same Spanish Royal Club, Real Madrid, recently purchased Gareth Bale at a record price of £86 million will provide a clear picture of this view.

In order to manage the maturity stage of the product in the football business, there are three main strategies:

- The first is a marketing-modification strategy (prizes, promotions, etc.), but this does not appear to be well-adapted to sport.
- The second is a product modification strategy (new attributes, new rules, new competitions, etc.), although it would be difficult to implement in the short term. However, it is an option.
- The third strategy is market modification, which is appropriate in this case²⁰.

²⁰ S. Chadwick & M. Desbordes, *Marketing and Football: An International Perspective*. A. Butterworth-Heinemann Title 2006, pp. 4-9.

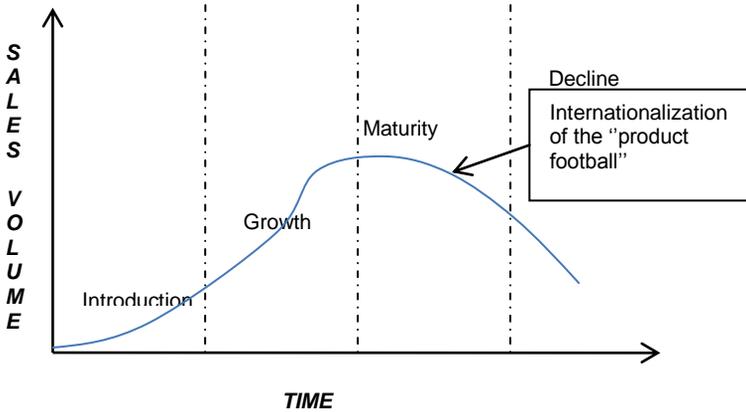


Figure 3. The product life cycle of football

Source: Desbordes *Marketing and Football: International Perspective*, Burlington: Elsevier 2006.

As European and American markets are becoming increasingly saturated and the economic system more and more global, the football business has to win new markets, particularly in Asian countries, to prolong its development.. The efficiency and profitability of the Asian market for the football business can be determined by the following factors:

1. Emergent, with a very high potential for commercial development
2. Highly populated (for instance, there are more than 1.3 billion inhabitants in China alone)
3. Solvent, with increasing levels of purchasing power
4. Passionate about sport, especially football
5. Super-consumer of merchandising and media

Taking into account all these factors, FIFA held the 17th football World Cup in South Korea and Japan in 2002. The two countries were chosen as hosts by FIFA in May 1996 and it was the first tournament in history to be hosted by two countries. It was also the first World Cup held in Asia. Moreover, in 2001, Hidetoshi Nakata, the Japanese midfielder, arrived in Europe after his recruitment by the Italian club Roma. After a short time, Nakata was bought by Parma AC for 30 million Euros at record price for an Asian sportsman. He became the best paid player on the team, even though he rarely played a whole game. However, Nakata has become the most popular player in Japan with significant media-marketing potential, especially in terms of merchandising (T-shirts, etc.) and Asian TV channels. It is easy to understand the reason behind that move which was to penetrate the Asian market and extend the borders of the football market²¹.

Marketing strategies on the basis of customers

The basic idea of football marketing is to achieve and develop both tangible and intangible resources, as well as to maximize economic and competitive

²¹ <http://news.bbc.co>, 2009

recognition²². On the one hand, the core objective of marketing is to reinforce mass customers (a generic class of supporters). Moreover, it comprises regular attempts to enlarge the base of such customers. However, on the other hand, its objective is to increase their degree of involvement, the opportunities for them to interact with their club and its economic value. Igor Ansoff proposed four strategies for growth which can be neatly summarized in the matrix below:

Table 1. Ansoff's Matrix

	Existing products	New products
Existing markets	1. <i>Market Penetration</i>	2. <i>Product Development</i>
New markets	3. <i>Market Development</i>	4. <i>Diversification</i>

Source: <http://www.quickmba.com>, 2009.

Ansoff's matrix provides a very simple but very effective focus for considering different options for growth and provokes debate about whether to find new customers for existing products [3], offer more products to the existing customer base [2], or stay with existing products and gain a greater share of the current market [1]. Diversification [4], which is often the instinct of ambitious organisations, is the most risky growth strategy, because as the matrix shows so clearly, it means leaving the safety zone of both existing customers and existing products into a region of two unknowns²³.

The marketing strategies of professional football clubs can be seen from the point of view of Ansoff's matrix, which clearly shows the major practicable possibilities used to optimize the relationship between clubs and mass customers.

Table 2. Ansoff's Matrix adopted by football

	Existing products	New products
Existing markets	Market Penetration (e.g. CRM, loyalty programmes, season tickets, etc.)	Product Development (e.g. focus on children's or women's segment, internationalization)
New markets	Market Development (e.g. themed TV channels, merchandising, etc.)	Diversification (e.g. conversion of a stadium into a multipurpose leisure centre)

Source: *Marketing and Football: International Perspective*, Burlington: Elsevier 2006.

Marketing penetration consists of attempts to increase customer loyalty as well as the frequency of consumption of the goods and services already provided by clubs. For example, Customer Relationship Management (CRM) adopts different tactics (fan club coordination and other campaigns) in order to promote seasonal tickets. Ferred and Pages (1999) have discovered that a team's image

²² P.J. Graham, *Sport Business - Operational and Theoretical Aspects*, Brown and Benchmark 1994, p. 98.

²³ <http://www.quickmba.com>, 2009.

can give a push to supporters to buy seasonal tickets rather than occasional ones for single competitions²⁴.

Product development strategies are mainly concerned with brand extension policies, such as licensing and marketing of merchandising. This can also force various interactions with mass customers, mainly by creating the club's own magazine, themed TV channels and websites. Brand extension optimization can benefit sport clubs in terms of marketing new goods and services²⁵.

Market Development refers to selling existing products to new customer segments. In our case regarding sport clubs, in particular football clubs, Desbordes (2006) explains that this typical strategy can be fulfilled by focusing clubs' efforts on an international level (as is explained in 2.3.5 **PLC of football**) or alternatively on children's or women's segments who are less sport / football active than men. The major point of *diversification* is to offer a new product to new types of prospective customers. In terms of diversification, clubs' effort should mainly be focused on reshaping the stadiums as multiple leisure centres. According to Davis (1994), stadiums and more generally, other structures used by sport clubs represent a significant resource that can be employed in order to expand and improve their offers to customers²⁶.

Summary

It is clearly obvious from the paper that football has brought a large number of people together, worldwide. It comprises all aspects of business, therefore it is considered as a highly profitable and increasingly demandable exercise. Football clubs are characterised with the production of the same products (core products, product extensions etc.). However, the quality makes a difference which itself is reflected in revenues. Furthermore, they have similar consumers in terms of consuming the core product as well as the product extensions, although these customers differ from the customers of other businesses. Taking into account these facts it becomes easier to draw recommendations towards the football business.

Overall the place where the football core product is produced and consumed provides a great opportunity to develop various types of businesses which can be beneficial for football clubs.

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²⁴ A. Ferred and M. Pages, *Image Management in Sport Organizations: The Creation of Value*. European Journal of Marketing 1999, 33(3/4), pp. 387-401.

²⁵ M. Desbordes, *Marketing and Football: International Perspective*, Burlington: Elsevier 2007, pp. 3, 136-139.

²⁶ A. Davis, *Sport Management: Successful Private Sector Business Strategies*, Brown and Benchmark 1994, pp. 161-165.

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