



**“What changes can prominent football clubs implement  
in a business model in order to strengthen their  
competitiveness?”**

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## Executive summary

This paper is written with an aim of decreasing the constantly growing gap between the richest football clubs and the rest. During the past few years, this growing gap has been an ongoing process in the major European football leagues. This has also been the case in the Netherlands, where the clubs Ajax and PSV are completely dominating the league. On an international basis this has become an even bigger problem, as Dutch teams are no longer capable of competing with Spanish, English, German, French and Italian teams. The focus of this paper lies in the question 'What changes can prominent football clubs implement in their business model in order to strengthen the competitiveness? '.

The Football industry is a wide industry, with a vast amount of money involved. Nowadays many football clubs suffer from financial problems and are unable to survive. Indeed, it is very hard to create a healthy football industry. In the Netherlands a healthy football industry can be interpreted as 36 unassisted football clubs generating profit. There are several ways of generating money for a football club. The most important revenue streams are television money, ticket sales, and merchandising and sponsorships.

The most suitable business model, the Business Model Canvas, is chosen to serve as a tool in order to distinguish between revenue streams of different football clubs. The Business Model Canvas consists of nine building blocks that clearly outline the structure of a football club. A select amount of *Eredivisie* (The Dutch national League) clubs have been chosen to be implemented in this model, including two of the biggest teams (Ajax and Feyenoord), two average-sized ones (Ado Den Haag and FC Twente), and two smaller clubs (Excelsior and Willem II).

As for the internal and external analysis, several interviews were held. These interviews were held in order to improve the created business model and to find out to what extent this business model could be of use for a real football club. It turned out that the main revenue streams of the business model (sponsorship, television money and ticket sales + merchandising) should become equal, all about one third of the total. It was also revealed that the business model could become a very useful tool, provided that there is strong management and the money is invested wisely (i.e. into a youth academy). Another result that arose from these interviews was the implementation of the BENELIGA (Dutch and Belgium League combination). As a consequence of this league there would be more competition due to more participants, lower costs, a larger market, and more spots would become available in the Champions League (which would mean more available money). As a result,



differences in the business model would become smaller.

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## Preface

This paper is the final project and the ultimate test needed in order to complete my Bachelor degree in European Studies. My study period at The Hague University started in the year 2012/13 and is most likely to finish on time in July 2015/16. The research conducted for the final thesis was carried out from September to March (2015/16). My assigned supervisor during the thesis has been Mr. Veldman.

My main hobby, football, and the direction I chose, economics in the study program of European Studies, have been combined in this paper in order to conduct research in my field of interest.

During my project I have been supported and assisted by several people whom I would like to thank. Firstly, Mr. Veldman, my supervisor, for guiding me through the project and for all the feedback given when needed. Secondly, I would like to thank Mr. Groenendijk, Mr. Pearson, Mr. Gudde and Mr. Lever for the interviews conducted and the value they added to the final paper.

## 1 Introduction

Football is the most popular, best supported, most played and perhaps even the most powerful sport in the world. The marketing knowledge gained throughout the European Studies program is applied in the football industry. The football industry will be applied in the Business Model Canvas. The Business Model Canvas is a shared language to describe, visualize, research and change business models structured on a basis of nine building blocks. Hereby, differences between football clubs in terms of revenues, league positions and competitiveness are explained. The value of the European football market is around 19.4 billion Euros (The Football Industry, sd).

Revenues in the football industry are generated in many ways; these include merchandising, commercial operations, player transfers, sponsors, supporters and broadcasting money. Although gambling is a major source of income in the football industry too, it will not be part of or researched during my dissertation, as it is not relevant when it comes to the revenues of a single football club. The term “industry”, with regards to the football industry, can be interpreted as a collective term that indicates a group of companies associated in terms of their primary business activities (Terms industry, 2015).

As mentioned, football clubs have several ways of generating revenue. There is a significant difference in the amount of money generated between domestic and international competitions. As a result of this fact, the already existing gap in financial weight between the richest football clubs and the rest is constantly increasing. The football legend Johan Cruyff also attacks the culture of club football in countries such as England, Spain or Italy, where successes in Champions League damage other teams in their domestic competition (Murray, 2009). This can be seen as a form of unfair rivalry. In Europe, this unfair competition is becoming more visible in this 21<sup>st</sup> century, where money is ruling the industry. This happening raised two questions: why does the financial gap tend to grow, and how can this be changed? From where this unfair competition has risen must also be investigated. Business models are indicators of the financial well-being of a company and can serve as the key to solve this problem. Furthermore, main revenue streams and European regulations that are creating inequalities in the football industry are researched and discussed.

## 1.2 Research questions

In this paper the following research question will be explored: 'What changes can prominent football clubs implement in a business model in order to strengthen their competitiveness in their industry?'

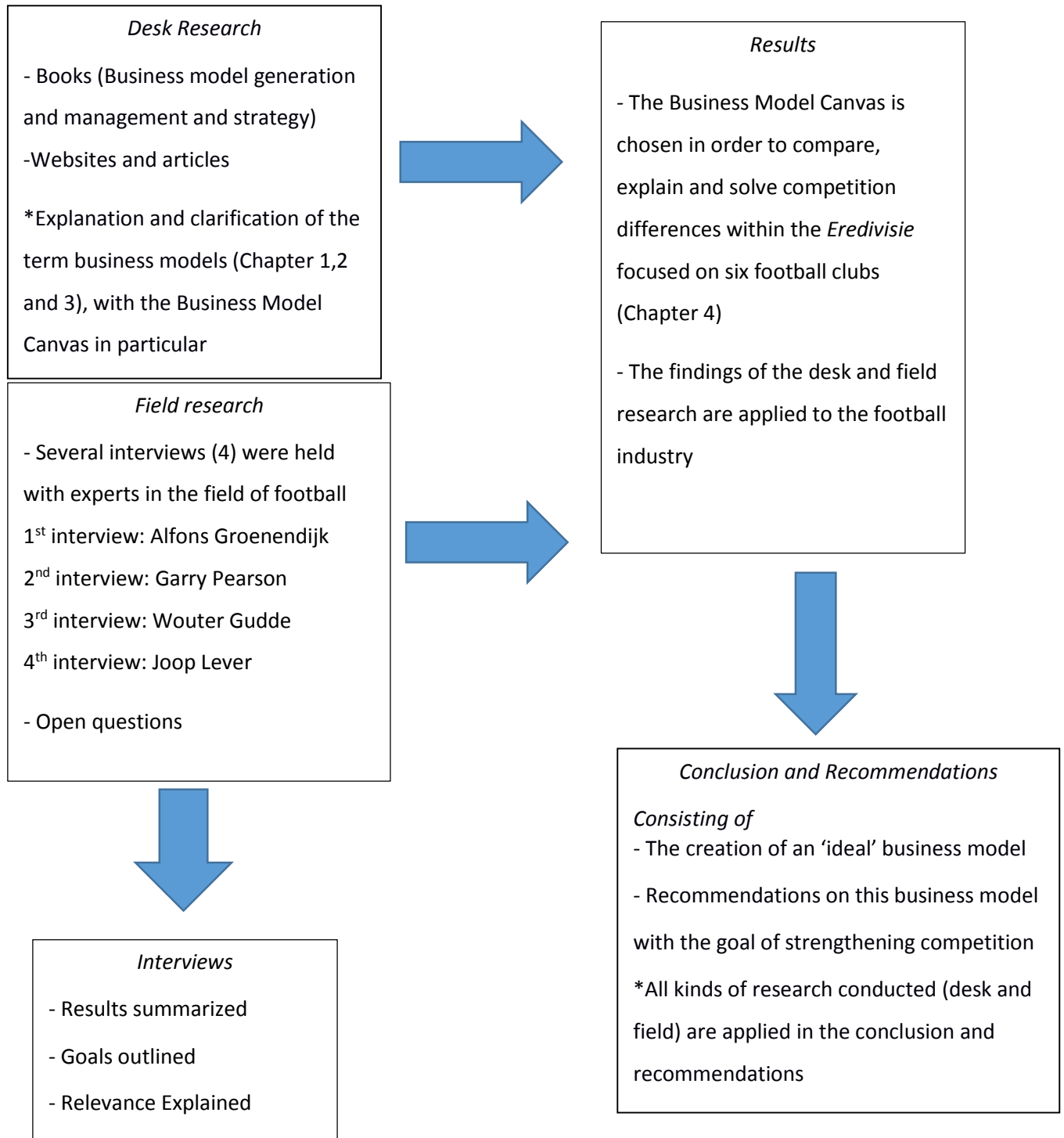
In the first two chapters the theoretical framework is explained. Here different business models and their characteristics are outlined. In the third chapter, the Business Model Canvas is explained. In chapter four, the results are written based on the theoretical framework, starting with the Business Model Canvas being applied in the football industry in order to clarify the differences between football clubs. Chapter five discusses the extent of the influence of laws and regulations per country regarding the financial abilities. Finally, chapter six consists of an analysis and corresponding recommendations on future improvements to be made by football clubs in order to strengthen their competitiveness in their industry.

The corresponding sub-questions are answered as follows.


- What are the characteristics of a business model and how does it work?
- What types of business models are there and how do they differentiate from each other?
- How can the football industry be applied in the Business Model Canvas?
- What are the main revenue streams causing inequalities in financial abilities in Europe?
- How does the Financial Fair Play regulation influence the financial abilities of football clubs?

The aim of this paper is to describe the competitive and positioning differences in the football industry, with the purpose of future improvements, in order to strengthen the competitiveness.

## 2 Methodology







The main research conducted for this paper was literature review. The first two chapters serve as an explanation and clarification of the Business Model Canvas. Books, articles and several websites were used. Then, the model canvas was chosen to be further elaborated and to serve as the business model to explain the financial situation of six Dutch football teams playing in the '*Eredivisie*' (first Dutch league). Afterwards, the 'ideal' business model is created for any football club in order to become and/or stay healthy. Furthermore, there are four interviews held with experts in the field of football. The first two were held at the start of writing the results, and the third and fourth interviews were at the very end in order to see how the business model could be improved.

The first interview was held with Alfons Groenendijk, manager of the football club Excelsior Rotterdam and former manager of the football clubs Ajax (assistant manager) and Willem II. This interview was held in order to gain more insight into several Dutch football clubs.

Another interview was held with Garry Pearson, a financial teacher and an expert in the field of football. The focus in this interview was on the creation of the ideal business model in order to explore competition differences.

The third interview, conducted via e-mail, was held with Wouter Gudde. Mr. Gudde is the financial manager of the football club Excelsior and chairman of the business club. This interview was held in order to see how a real football club would respond on the business model created in this paper.

The fourth interview, also conducted by e-mail, was held with Joop Lever. Mr. Lever has been active in the business since 1978, and he is also the owner of the company Sport and Travel. This interview was held to add more value and/or missing details to the created business model. Mr. Lever has been an active man in the world of football for a long period and I believe he could therefore provide this paper with some insightful knowledge that he has gathered through the years.

### 3. Business models


#### 3.1 What is a business model, how does it work and what are the main characteristics?

Before the late 1990s “business model” was an unusual phrase and was not often used. Since 1990 though, the phrase “business model” has become more popular and its usage has increased significantly. On top of that, the way it has been used and the sort of text where it has been applied has changed remarkably.

Dr. Justyna Robinson (2013), a *“semantic linguist from Sussex University with a background in management”*, examined the adjectives used with the term business model. In the late 1990s, the most common adjectives were “new,” “basic,” and “sound,” however by 2006 this had changed to “viable,” “lucrative,” “efficient” and “workable.” Another significant change researched by Robinson was the ability of a business model. In the 1990s a business model was able to “serve,” “provide” and “adopt,” but by the 2000s it “works,” “proves” and “requires.” It clearly changed from an intangible concept to something more concrete (Codrea-Rado, 2013). Nowadays, business models are a must for most companies and a key factor that will lead to success for start-ups.

What is the actual function of a business model? A business model can basically be described as a blueprint of the strategy. The business model is a model that will tell an enterprise how to achieve the chosen strategy, and the strategy shows where an enterprise wants to go (Asfhar, 2015). Research in the literature has indicated that entrepreneurs used components such as value networking, customer and customer segment, resources, value proposition, competences, differentiation, revenues and price policy, branding and product innovation quite frequently to describe their business models. This list of components illustrates that an entrepreneur needs to make profit by constantly distinguishing itself from their competitors. Who, what and how are the central questions that need to be answered while approaching the strategic choices. This is because by designing a business model three questions will arise consistently: what are the market segments and customers to target, what services and products will be delivered to the customers (the so-called value proposition) and how can these services and products can be delivered to customers (Veldman, 2010).

Business models will help an organization to carry out a business plan and to evaluate a chosen strategy. However, it will also force an organization to disengage from their previously conducted business policy and their current solutions in case these were found to be ineffective. Therefore, in implementing the choices and changes of a business model, several aspects must be discussed. First



of all is the value proposition, which customer needs will be met and what values can be created out in the customer perception. Secondly, the market segment says what kind of customer the value proposition will be made for. Thirdly is the structure of the value chain: which position will be chosen and what kind of activities will be done by the organization itself, and what kind of activities will be outsourced. Furthermore is profit generation and margin, how the revenues will be realized through a sale policy or through a cost structure. Also of concern is the place in the value chain, how competitors distinguish themselves and how they can maintain this distinction for a longer time. Lastly is the competitor's strategy, which is necessary to conduct a sustainable competitor advantage (Veldman, 2010).

### 3.2 What type of business models are there and how do they differentiate?

Every company has its own unique idea of a business model that makes it hard to give a clear definition of what it actually is. There are more than a thousand different types of business models due to their uniqueness. However, despite the variable and heterogeneous aspects of a business model they can still be classified into three categories, namely: the revenue model, the company structure model and the integrated business model. The revenue model has a strategic angle and refers to several strategic ways of how a business model can generate revenue. The company structure model relates to the furnishing issue and refers to the architectonic configuration of a company. The integrated business model emphasizes that a certain model is unique and consists of elements that are primarily focused to create value for their customers and to compete successfully in the market (Veldman, 2010, pp. 13-14). A few of these business models will be discussed during this chapter.

#### 3.2.1 The advertising model

The first business model that will be discussed is the advertising model. An advertising model can essentially be described as a strategic use of a medium, with the aim of reaching as many potential customers as possible. Understanding the target market is the first step to take in this case in order to create a highly effective message and to choose the most appropriate advertising medium. There are several ways of advertising through the media. The most traditional one is print, found in magazines and newspapers. However, magazines and newspapers target very specific audiences. As a result, advertising efforts are more focused on a specific type of audience. Newspaper ads will mainly reach the locals, and have very short life. Magazine ads, on the other hand, will expand the advertising message nationally and even globally. However, they do not guarantee the effectiveness of the placement. Alternatively, the broadcast advertising model is a way of advertising through television and radio. These ways of advertising have to take into account the programs and shows offered in order to reach their target audience. Despite television being the most expensive way of advertising, it also is the most effective. Radio advertising can be seen as a low-cost method, but is not as effective as television due to a lower attention span (Raines). Nowadays, the web advertising model is very common, an extension of the broadcast model. Here the broadcast is in the form of a website, features services (like blogs and email) and content (usually for free) combined with advertising messages such as banner ads.

### 3.2.2 The brokerage model

The second model to be discussed is the brokerage model. Brokers are defined as market makers; their job is to bring sellers and buyers together and to facilitate transactions. Brokers charge a commission or fee for the transactions they enable. The brokerage models include: Marketplace Exchange, Demand Collection System, Buy/Sell Fulfillment, Auction Broker, Transaction Broker, Distributor, Virtual Marketplace and Search Agent (Rappa, 2010).

The Marketplace Exchange provides all kind of services that cover the transaction process. These services vary from negotiation and fulfillment to market assessment. Demand collection service is where a forthcoming buyer can make a final offer for a certain product and or service, and then the broker arranges the fulfillment; it is also known as the “name your price” model. Buy/Sell Fulfillment deals with customer orders to sell or buy a service. An Auction Broker performs auctions for merchants or individuals. Here the broker charges a listening fee and commission to the seller. The amount of this listening fee and commission depends on the value of the transaction.

A Transaction Broker provides for sellers and buyers a third-party payment in order to settle a transaction. A Distributor connects retail buyers with product manufacturers. Virtual Marketplace is a service that charges transaction, listening and setup fees. Lastly, with Search Agent, a software agent is used to figure out prices and availability for a service or product specified by the buyer (Rappa, 2010).

### 3.3 The Business Model Canvas

The fundamental idea of a business model is to describe how an organization creates, delivers and maintains value. According to Alexander Osterwalder and Yves Pigneur (2010), this can be best described on the basis of nine building blocks that illustrate the logic of how a company wants to achieve revenues. The nine building blocks of a business model, known as the canvas model, are the following (Osterwalder, 2010).

#### **Customer Segment**


One of the building blocks of a business model is the customer segment. It tells an organization to what kind of customers and to which customer segment their products will be delivered. Customers are the core of every business model. Without customers companies simply cannot survive. Together with the value proposition, the customer segment is one of the most essential elements of a business model. In order to satisfy their customers in a better way companies can group them into different segments with shared values, behaviors or other attributes. Every business model can define one or more customer segments, of which there are many different type. A few examples are: mass market, niche market, sectioned, diversified and multi-sided platforms (Osterwalder, 2010, pp. 20-21).

#### **Value Proposition**

The value proposition describes the bundle of products and services that create value for a certain customer segment. This is the reason for customers to choose a company above another one. The value proposition can be seen as a collection of advantages a company offers to their customers, and distinguishes an organization from their competitors in different ways. Values can be quantitative or qualitative. A few examples of how value can be created are; newness, performance, customization, design, brand, price, limitation of risks and costs and usefulness (Osterwalder, 2010, pp. 22-25).

#### **Channels**

Channels play an important role in the customer experience, and have five different phases with different functions. The first phase is about increasing customer awareness about their products and services. The second phase is about evaluating. Here customers are being helped to judge the company's value proposition. The third phase deals with the purchase. In this phase it is made possible to purchase certain products and services. The fourth phase is about delivering. How the value proposition can be delivered to the customers is the question that needs to be answered here.



The fifth and last phase is the “after sales”. In this phase customer support is given after the purchase of the product (Osterwalder, 2010, pp. 26-27).

### **Customer Relationships**

The building block ‘customer relationships’ describes the different types of relations a companies has with their customer segments and how these relationships will be maintained. These customer relationships can be driven by three motivations: customer acquisition, customer retention and upselling (a stimulation of sales). Customer relationships can be categorized in personal assistance, accounts management, self-service, automated services, communities and co-creation (Osterwalder, 2010, pp. 28-29).

### **Revenue Streams**

Another very important element in the business model is the revenue stream. The building block ‘revenue streams’ represents the money a company generates out of every customer segment. A business model can include two types of revenue streams: transaction revenues from recurring customer payments, and returning revenues from ongoing payments in order to deliver value proposition to customers and to give customer support after the sale has been conducted. There are different ways to generate revenues, such as property sale, user’s fee, subscription fees, renting, licensing, brokerage fees and advertisement (Osterwalder, 2010, pp. 30-33).


### **Key Resources**

The building block ‘key resources’ describes the most important assets necessary for the functioning of the business model. Key resources have the function of creating value propositions, reaching markets, maintaining relationships with customer segments and earning revenues. Key resources can be categorized as physical, intellectual, human and financial. They can be owned or licensed by the company, or they can be obtained by key partners (Osterwalder, 2010, pp. 34-35).

### **Key Activities**

This building block describes the most important goals a company has to achieve in order to make sure that the business model works. Key activities are the most important activities a company undertakes to successfully operate. They have the same function as the key resources, and can be categorized as production, problem solving and networking (Osterwalder, 2010, pp. 36-37).

### **Key Partners**



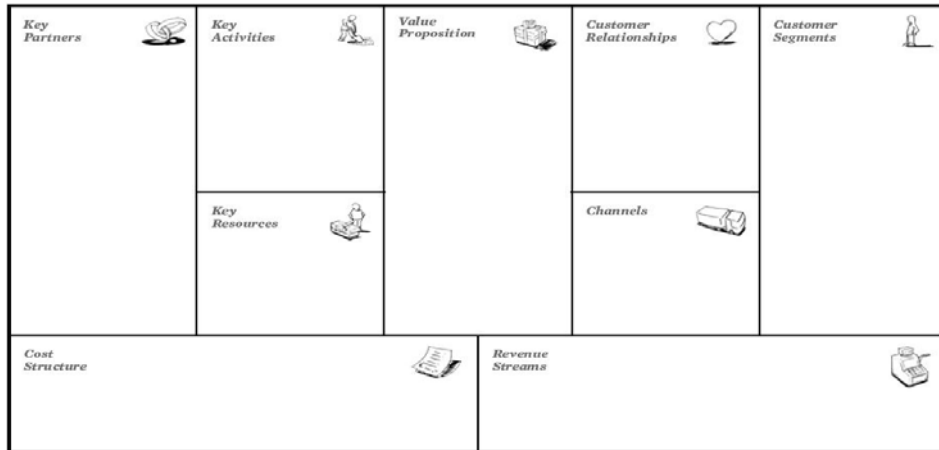
The building block 'key partners' describes the network of suppliers and partners that enable the functionality of the business model. There are many reasons for a company to have key partners. They create these alliances mostly to optimize their business models, to limit risks and to acquire resources. Four types of key partners can be distinguished: strategic alliances between non-competitors; cooptation, a strategic partnership between competitors; joint ventures to develop new businesses; and buyer-supplier relationships to guarantee confidential deliveries (Osterwalder, 2010, pp. 38-39).

### **Cost Structure**

The cost structure describes all of the costs a company makes in order to get the business model working. The creation and delivery of value, maintaining customer relationships and generating profits are all elements that carry costs. The costs can be calculated quite simply after defining the key resources, key activities and key partners. Costs need to be minimized in every business model. However, a low-cost structure can be more important for one company than another. Therefore, it can be useful to distinguish between cost-oriented and value-oriented business models. Cost-oriented business models focus on minimizing costs, and value-oriented business models are focused on the creation of value. The main characteristics of a value-oriented business model are premium value propositions and a high degree of personal services (Osterwalder, 2010, pp. 40-41).

The nine building blocks mentioned above contain the four main principles of an enterprise: customers, demand, infrastructure and financial viability. Defining all of these nine building blocks will give and show an organization its own ability to make a profit. The Business Model Canvas is a visual representation of the nine building blocks. This model can be seen as a shared and practical language used by entrepreneurs to give a clear overview of how their business model is structured. It is a useful tool to describe, collaborate and test a business model. The Business Model Canvas is drawn as shown here:





*\*In the middle of the Business Model Canvas the product and/or service can be found, on the left side the internal organization and on the right the aspects related to the customer. On the bottom the cost structure and revenues are mentioned to describe the financial situation.*

## 4. How are business models applied in the football industry?

### 4.1 The reason to apply the Business Model Canvas and the six Eredivisie clubs

The Business Model Canvas is chosen due to its ability to present all business aspects in a clear and visual manner. The organization, revenue model, customers, relationships and suppliers are described on the basis of nine building blocks. In this way, all essential business units can be identified at once.

During this chapter six football clubs of the Dutch league (de Eredivisie) are applied in the Business Model Canvas in order to illustrate and clarify differences amongst them. The clubs researched are Ajax, Feyenoord, Twente, Ado Den Haag, Excelsior and Heracles Almelo.

**Feyenoord and Ajax** are the football clubs with the biggest football stadium capacity, both with more than 50,000 seats. Furthermore, both of the clubs are always playing to be the champions of the *Eredivisie*, and is Ajax the only listed company in the Dutch league.

**Excelsior** has the smallest stadium capacity in the Dutch league with a total of 3,800 seats. Excelsior is also situated in the same city (Rotterdam) as Feyenoord, and is therefore always in the background. Albert de Jong, the chairman of Excelsior, said in a speech that the club suffered financial problems during the 2014/15 season. However, the future seems to be bright with regards to the financial situation (S.B.V. Excelsior, 2015).

**FC Twente** has the fourth leading stadium with regards to capacity. However, FC Twente is suffering from many financial problems at the moment and is therefore an interesting club to research. By the time this paper is published, it may have already gone bankrupt.

**Ado Den Haag** has an average capacity of 15,000 (Eredivisie 2015-2016 Stadions, 2015). The football club Ado has been taken over by a Chinese investor and can therefore differ on certain aspects in their business model. It is of great interest to see what impact an investor has on such a club.

**Willem II**, situated in Tilburg, one of the major cities, has an average capacity of 15,000 and is seen as a relatively small club. How is it that a club like Willem II is so much smaller than a club like PSV, situated in the same district, despite coming from an even bigger city?

The Business Model Canvas, consisting of nine building blocks, illustrates the differences in generating revenues among the six football clubs. The Canvas model is explained for Ajax in detail in order to understand how the model is structured. After that, the model is completed for all of the six football clubs.

## 4.2 The clubs applied in the Business Model Canvas

### 4.2.1 A.F.C. Ajax

The first point to research, using the Business Model Canvas, is the customer segment. The customer segment for a football club like Ajax are mainly the supporters. Other customers can be found in the sponsors.

Then, the value proposition related to the customers' needs to be outlined. So, what does Ajax offer their customers in order to attract them to their football matches? The value proposition, in this case, is mainly winning their matches and prices.

The next thing to figure out is how to win these games and prices; this is called key activities. To win games and prices they have to train their players and play football, because without playing they cannot win any match.

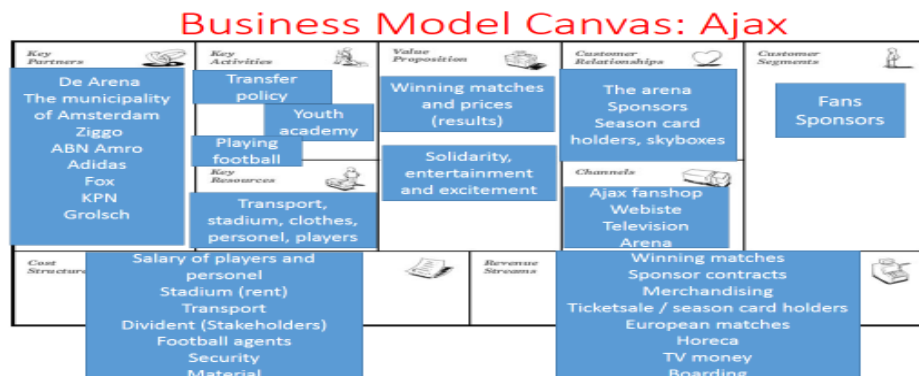
Another key resource is the sales policy. In order to establish these key activities Ajax needs key resources. The key resources are: transport, stadium, clothing, and staff.

Key partners play a huge role too. The key partners of Ajax are: The Arena, the Municipality of Amsterdam, and the main sponsors are Adidas, Fox, Ziggo, ABN Amro, KPN and Grolsch.

Finally, revenue and cost structure can be drawn. The revenue streams of Ajax are generated by sponsor contracts, winning matches, merchandising, skybox and business suites, and by playing European matches.

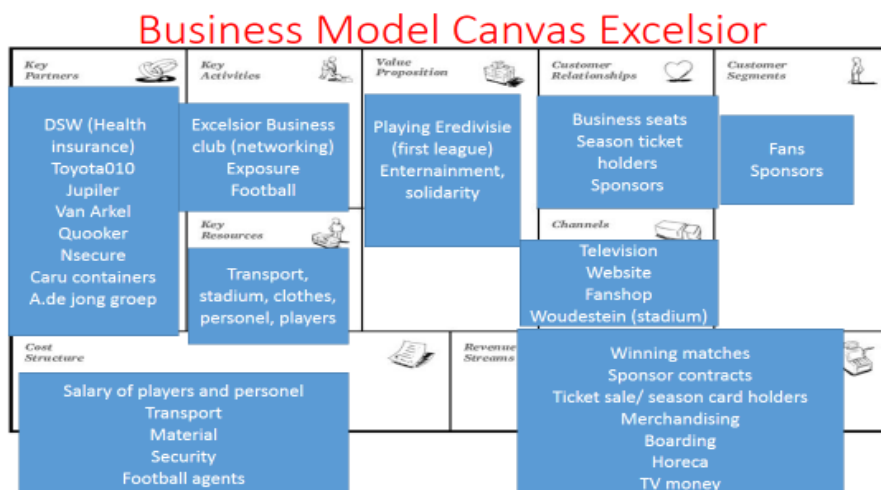
The corresponding cost structure consists of the salary of players and staff, rent of the stadium, stakeholders (dividend), transportation for players and scouting. The salary of the players is the biggest cost by Ajax (Kempen, 2015) (AFC. Ajax, 2015) (Organisatie).

Figure 2.1



#### 4.2.2 S.C. Excelsior

Figure 2.2



\* The Business Model Canvas applied to the football club Excelsior  
(S.B.V. Excelsior, 2015) (Siekmann, 2014)

#### 4.2.3 Feyenoord

Figure 2.3

## Business Model Canvas Feyenoord



\* The Business Model Canvas applied to the football club Feyenoord (Feyenoord Rotterdam, 2015) (Siekmann, 2014)

### 4.2.4 Ado Den Haag

**Figure 2.4**

## Business Model Canvas Ado den Haag

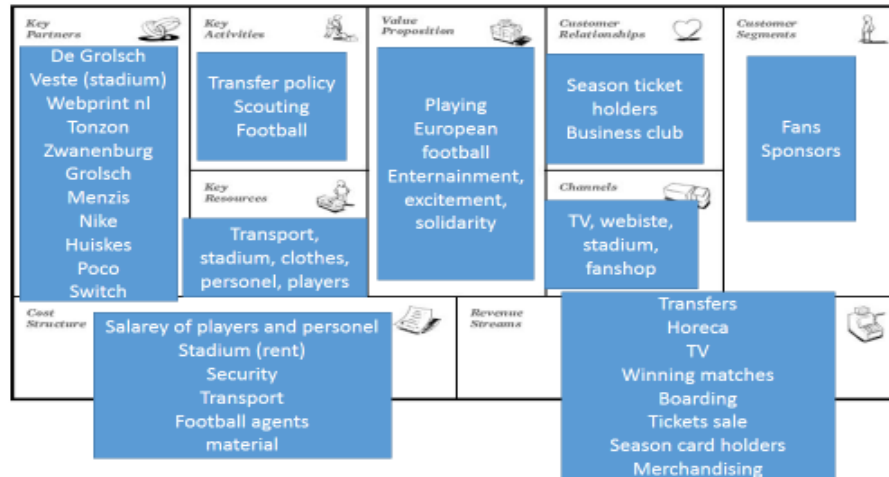


\* The Business Model Canvas applied to the football club Ado Den Haag (Adodenhaag, 2015)

#### 4.2.5 FC Twente

**Figure 2.5**

### Business Model Canvas Twente



\* The Business Model Canvas applied to the football club FC Twente (Business, 2010-2015)

#### 4.2.6 Willem II

**Figure 2.6**

### Business Model Canvas Willem II



\* The Business Model Canvas applied to the football club Willem II (Sport, 2015) (Willem ii, 2015)

## 4.3 Differences explained through the nine building blocks

### **Customer segment**

Fans and sponsors can be seen as the customer segment for every football club. The biggest football clubs (Ajax and Feyenoord) attract their fans through winning prices. The more fans a club has, the more attractive it is to be sponsor. A football club need sponsors for revenue, which are therefore a very important customer segment.

### **Value proposition**

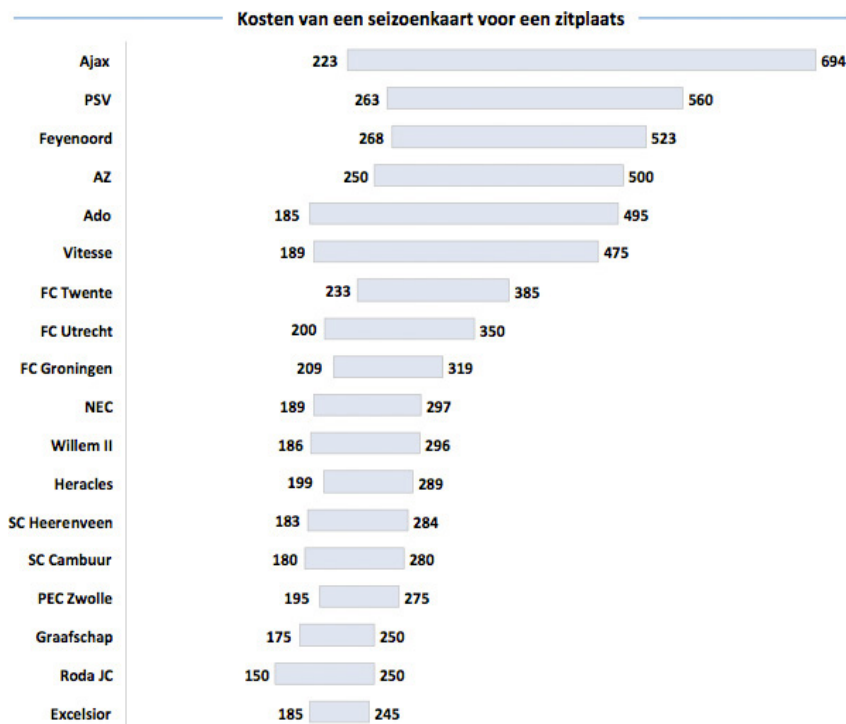
Another building block illustrating a difference is the value proposition. “Remaining in the first league is for a club like Excelsior the same as winning the league for Ajax” (Groenendijk, 2015). Here a significant difference between the top and smaller clubs can be noticed.

### **Channels**

The customers, in this case the fans and sponsors, are reached through the channels. Each football club has their own website and fan shop in order to communicate with their fans on a global level. The main key activity of every football club is playing football, and this is done in a football stadium. Every two weeks football fans come to the stadiums to support their teams. Therefore, a football stadium can be seen as one of the most important channels.

### **Customer relationships**

The customer relationships have the same basic elements in the Business Model Canvas for most of the football clubs (see figures 2.1, 2.2, 2.3, 2.4, 2.5, 2.6). The difference here can be found in the prices paid and amount of season tickets sold. The prices of the season tickets are as follows.



Bron: Consultancy.nl analyse, op basis van data van Voetbal International en FD

\* These are the minimum and maximum prices paid for a season ticket. (Consultancy.nl, 2015)

The figure above illustrates significant differences in prices amongst the football clubs. However, not only do the prices differ, but also the amount of season tickets on offer. The available amount of season tickets is in direct relation with the capacity of the stadium. In June 2015, the amount of season tickets sold were as follows:

Ajax - 34,000

Feyenoord - 30,000

Twente – 20,000

Willem II - 6,047

Ado Den Haag - 4,024

Excelsior - 1,200

(Voetbalprimeur, 2015) (Twente fans, 2015)

### Cost structure

The cost structure differs on a few points for some football clubs. Ajax is the only Dutch club that is a listed company and therefore pays a share to its stakeholders. Thus, a club as Ajax must be very careful during transfer periods with sensitive information, because leaked information can influence



the share price (Groenendijk, 2015). Excelsior has an advantage compared to any other club in the Dutch league by owning their own stadium, which means that they do not have to pay any rent for it.

### **Revenue streams**

Even though the basic elements are similar, the total money a club like Ajax or Feyenoord generates is much higher and not comparable to that of a club like Excelsior. Therefore, the real difference here can be found solely in the earnings. The major incomes are outlined underneath.

*Transfers* - As Alfons Groenendijk indicated, Excelsior was this year for the first time in their history able to buy a player for the amount of 150,000 Euros (Groenendijk, 2015). Here is a significant difference with Ajax, as they have already spend an amount of 15.8 million Euros just for three new players; D. Sinkgraven (7,000,000), N. Gudelj (6,000,000) and A. Milik (2,800,000) in the 2014/15 season (Zwart, 2015).

*TV money* – Since 2012, television rights of the *Eredivisie* have been regulated by FOX Sports. Each club receives money based on their performance over the last ten years (See figure 2.8). The clubs also receive a total of seven million Euros (to be divided amongst all the 18 clubs) for the highlights, which is under the control of NOS.

*Sponsoring* – The most important source of income is sponsors. Logos are found on shirts, on the boarding (along the field) and on tracksuits. Over the 2012/13 season, according to the results of the KNVB (Royal Dutch Football Union), a total of 188 million Euros was generated from sponsoring. This 188 million was generated by all football clubs together. Shirt sponsorship yielded a total of 44 million Euros (See figure 2.9 illustrates the top five shirt sponsorship).

*Merchandising* – According to the German market research company Sport und Markt, a total of 22 million Euros was earned through merchandising by the 18 Dutch football teams (Z24, 2008). The three top clubs in the Netherlands (Feyenoord, Ajax and PSV) generate about 75% of the 22 million. The income generated with merchandising is directly related to the capacity of the stadium. The more visitors a club has, the more shirts, scarves and caps it will sell. The spread of merchandising revenue can be called exceptional' nowhere else in Europe are the top three in comparison with the rest so much more productive as in the Netherlands (Z24, 2008).

*Ticket sale* - The biggest income of the ticket sales are the season tickets sold (see customer relationship). Also, playing European football brings lots of extra money in terms of ticket sales, as has been the case for clubs as Ajax, Feyenoord and Twente.



**Figure 2.8**

\*Amount of money generated through television (de Voogd, 2014)

**Figure 2.9**

\* Amount of money generated through shirt sponsorship (de Voogd, 2014)

### **Key resources**

The key resources are the most important assets for the functioning of a business model. In the case of a football club these assets consist of the football players, personnel, the stadium, transportation and clothes.

### **Key activities**

The main key activity for every football club is playing football. The other key activities differ on certain aspects. Ajax and Feyenoord invest a lot of money and time into their youth academy, which can therefore be seen as one of their most important key activities. FC Twente invests a lot of money in scouting, mainly into players coming from South America. Therefore, the scouting of Twente can be seen as one their most important key activities. According to Alfons Groenendijk, Excelsior and Willem II depend a lot on their business club. Therefore, the relationship with their business club can be seen as one of their most important key activities (Groenendijk, 2015).

### **Key partners**

All of the figures above seem to have the same basic elements. The building block that stands out as the most differentiated is the key partners, which can be seen as a collection of sponsors. The main sponsors of Ajax and Feyenoord, Opel and Ziggo, are economically more powerful than a sponsor like DSW or basic-fit, the main sponsors of Excelsior and Ado Den Haag respectively. For example, the clothing sponsor of Ajax (Adidas) provides a sponsorship of the amount of ten million Euros.

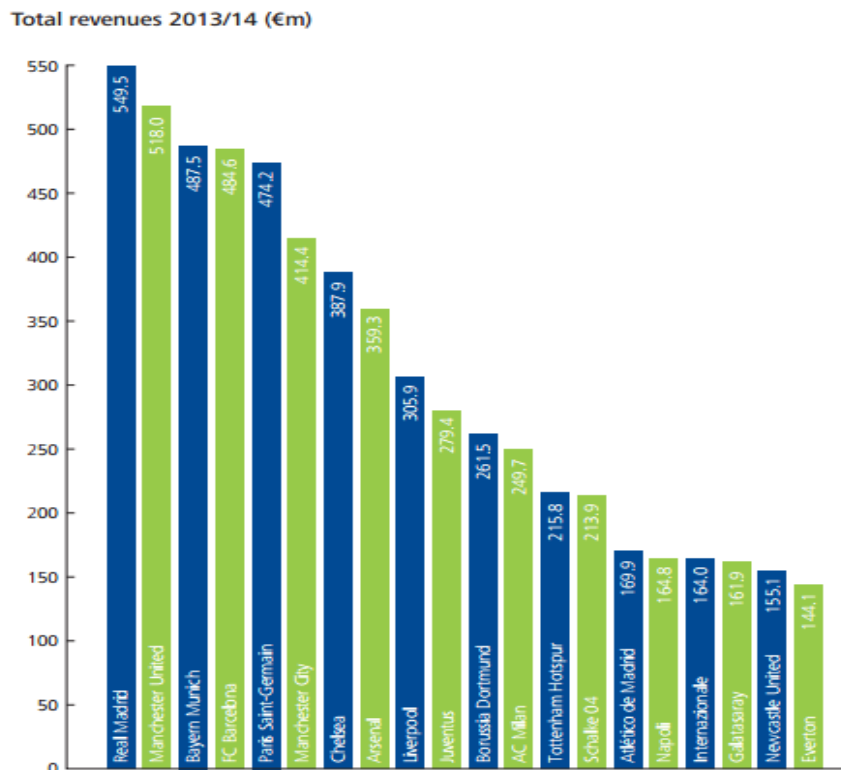
## 5 Main revenue streams of a football club within Europe

### 5.1 What are the main revenue streams causing inequalities in financial abilities within Europe?

The biggest revenue stream of football clubs is, by far, television money. A recent report of the TV Sport Markets (Panja, 2013) showed that for the top five football leagues, the combined income of television rights has increased to a total of five billion Euros (25% increment) due to the fact that new television deals have been made, mainly in England and Germany. The Premier League in England generates every year, domestic and internationally, 2.2 billion Euros of television rights. This is more than twice the amount of Italy's Serie A, second ranked, that earned a total of 975 million Euros (Panja, 2013). Real Madrid is the leading club with 178 million Euros' revenue of television rights, followed by FC Barcelona (175 Million Euros), Juventus (154 million Euros), AC Milan (124 million Euros) and Manchester United (108 million Euros). This indicates a large difference with the Dutch league, where a total of 67 million Euros can be divided among all football clubs. Ajax generates the highest revenues (8.7 million Euros) due to their achievements over the last ten years (SamVR, 2014).

The Deloitte Football Money League (Alex Bosshardt, 2015) profiles the highest-earning football clubs in the world. The Money League is known as the most reliable and contemporary analysis for a club's financial performance. The focus in the Money League lies on the ability to generate revenues from broadcasting rights (including distributions from participation in European club competitions, cups and domestic leagues), match day (including corporate hospitality sales and tickets) and commercial sources (including merchandising and sponsorship). Clubs will be ranked on these bases. The aggregate annual revenue of the 2013/14 season represents an increment of 14% with respect to the previous season, which closed with a total of 6.2 billion Euros. This amount of money is generated by a total of 20 football clubs, which form the Money League Top 20 (see figure 4.1 beneath). Manchester United and Real Madrid can be found at the top of the Money League, earning over 500 million Euros. It is very hard for a football club outside the 'big five' (England, Spain, Germany, France and Italy) to join the Money League, unless they receive incredible broadcast deals in their domestic league. The same situation also applies within the 'big five' where Premier League clubs received significant increases in their broadcast deals (Alex Bosshardt, 2015).

Figure 5.1



\* Total revenues generated by the twenty richest football clubs (Alex Bosshardt, 2015)

In 2004/05 the top 20 of the Money League generated about one third of their income from match days. This amount has now, during 2013/14, fallen to 20%. If this trend continues, as is expected, it will raise interesting questions about the nature of marketing and ticket pricing of the match day experience inside the business models of the world's leading football clubs. The most remarkable change in the Money League is the increment of Premier League clubs. In 2013/14 the number of Premier League clubs in the top 20 increased from six to eight. Even more striking is the increment of Premier League clubs in the top 30 where 14 clubs are represented, an increment of six clubs. Furthermore, all 20 Premier League clubs are in the top 40 of the Money League due to larger broadcast revenues that English clubs now enjoy (Alex Bosshardt, 2015).

## 5.2 How do the different laws and regulations per country influence the financial abilities and restrictions of a football club?

In September 2009, the UEFA (Union of European Football Associations) decided to implement a new concept known as the Financial Fair Play. This idea came from Michel Platini, chairman of the UEFA. The motive for this new regulation was the repeated financial losses of many football clubs. This new regulation implies that clubs are not allowed to spend more than they earn. Starting from the 2011/12 season to the 2014/15 season, clubs should have turned break-even. However, a loss of up to 45 million Euros over these three years has been allowed. During the 2015/16 season the negative balance can only be up to a maximum of 30 million Euros. In 2012 the club Financial Control Body (CBF) was founded to oversee compliance to this new regulation. The penalties imposed by the CBF can vary from warnings, deduction in points, financial penalties, exclusion of European football and even to the withdrawal of a won cup (Slegers, 2015).

Nowadays, the directors of Dutch football clubs have to take into account the Financial Fair Play (FFP) and a national licensing system. Both of these regulations are founded by global efforts to create a healthy football world, with the objective of achieving fairer competition. In reality such systems turned out to be not as righteous as they intended to be (Pijnenburg, 2015). A good example of this can be found by the Spanish team SD Eibar, a relatively small club that was surprisingly promoted last year (2014/15) to the highest league in Spain (Primera Division). The club SD Eibar generates very little revenue, but spends even less - completely in line with the regulations of the FFA at first sight. However, the paradoxical fact was that SD Eibar was too healthy and too small for the Primera Division. The Spanish Football Federation threatened to push the club back into the third division, had they not been able to show an authorized capital of 2.1 million Euros. By that time, SD Eibar had a positive balance of 400,000 Euros, which meant that they should have gathered 1.7 million Euros as soon as possible. Therefore, they should have made debts, something that was not an option. (Fortunately, some old players invested money into the club; therefore, the club has been able to continue to realize their adventure in the Primera Division (Pijnenburg, 2015).)


## 6 The importance and results of the interviews

During this research three interviews were held with experts in the field of football. These interviews were held with the aim to explore competition differences, based on the Business Model Canvas, in order to find a way to strengthen competitiveness.

The first interview held with Alfons Groenendijk gave more insight into the main factors creating differences between Dutch football clubs. Between having been the manager of Ajax and later of Willem II and now as the current manager of S.C. Excelsior, he has experienced profound differences. In this interview the differences in incomes and costs, perspectives and the possibilities that clubs have with respect to each other were outlined. According to Groenendijk, the factors of merchandising and television money play the biggest role. A football club like Ajax has a worldwide merchandising, as their football shirts and items are sold internationally; this is in sharp contrast to Excelsior or Willem II, where merchandising does not get beyond their own city. We can see how Excelsior also has the disadvantage of being situated in the same city as Feyenoord, a much bigger club and therefore a real threat. The other factor, television money, creates a form of unfair competition by distributing the money (63 million Euros in total) based on the performance of the football clubs over the last ten years. As a result, the top three football clubs get a third of the total amount.

The second interview, held with Garry Pearson, was intended to gain a better overview over the differences in Europe and to create an ideal business model. Garry Pearson is an expert in terms of football and marketing, and gave new insights into how to compete with the bigger football countries and on the structure of an ideal business model. According to Mr. Pearson, the Netherlands should increase the scope of their league by combining their league with the Belgium league, the so called 'BENELIGA'. With this, more top clubs would be created and new opportunities would arise to increase their financial budgets. In addition, more available spots in the Champions league as well as in the Europa League would be present.

Another finding of this interview was about the ideal business model based on equal distribution of the three main revenue streams. Television money, merchandising and ticket sales and sponsor agreements comprise a third of the total revenues. This is how the business model is structured in Germany. As a result, a club will become less dependent on one certain source of income and will therefore become secure. Another advantage of this model is the fact that sponsors will become co-



owners, which essentially means that they benefit from the long-term financial well-being, and that they will participate in the long-term performance of the team.

A third interview was held with Wouter Gudde CFO of the football club Excelsior (Gudde, 2015). This interview was held at the very end in order to overcome the tunnel vision risk and to see how much the newly created business model would be appreciated. The main question asked was the same as the research question of this paper: 'how can prominent football clubs implement changes in their business model in order to strengthen the competitiveness'?

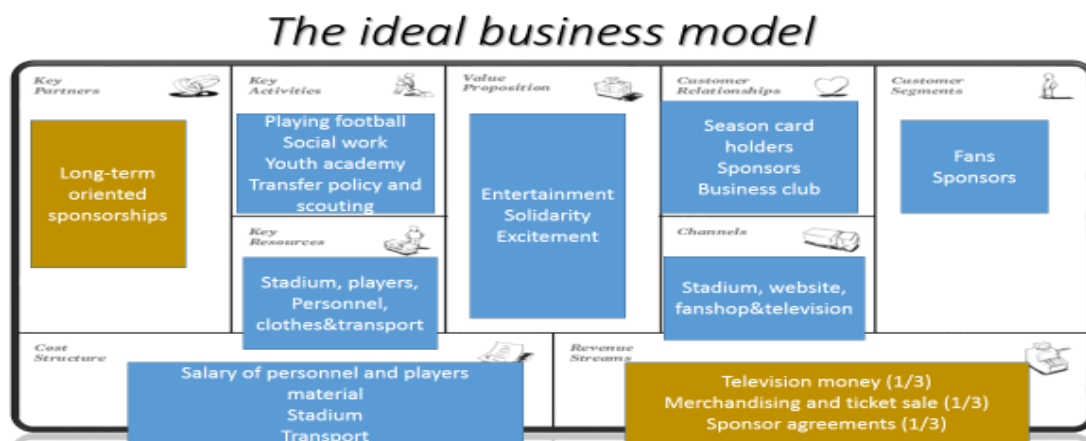
After having written the conclusions, other two interviews were held. The first was with the financial director of the football club Excelsior (Wouter Gudde) and the second with a successful sports- and businessman (Joop Lever). These interviews, which were conducted via e-mail, had the aim of seeing to what extent the 'ideal' created business model would be appreciated in the business of the football world. Another reason to conduct these two additional interviews was to prevent this paper from tunnel vision. This was very successful as they were both extremely pleased with the way the Business Model Canvas was presented. Both also indicated that it could be a success for football clubs.

However, Joop Lever included another element that was never mentioned before: the importance of strong leadership and a clear vision. According to Mr. Lever, if this moral element were to be successfully included in the business model, it would be a useful tool for the football industry (Lever, 2016).




## 7 Conclusion and Recommendations

Creating a “perfect” business model for a football club that strengthens the competitiveness is almost impossible. However, creating a business model to become financially healthy and more stable is certainly feasible. As mentioned, there are three major revenue streams for a football club, which are TV money, ticket sales and merchandising, and sponsor agreements. These three revenues are creating major differences in domestic leagues as well as in the European context. In order to become financially stable it is recommendable to create an equal division of these three revenue streams. This is the case in Germany, where Bayern Munich gives the perfect example of what a business model should look like. In Germany TV money, ticket sales and merchandising, and sponsorships sum up to more or less a third of a club's revenues. The advantage here is that a club becomes less dependent on a certain revenue stream and therefore becomes more stable. Another advantage is that if a sponsor is largely a co-owner, as is now the case, they benefit from the financial well-being in the long term. Consequently, sponsors become more involved and are willing to invest more money.



### ***The nine building blocks outlined***

The nine building blocks presented above give a representation of how a football club should be structured. The most important blocks are the revenue streams and the cost structure, as these determine the profit. Also noticeable is the equal division of the three main revenue streams (TV money, sponsor agreements and ticket sales and merchandising). These revenues have to exceed the cost structure in order for the club to become financially healthy. Key partners should become long-term oriented in order to have certainties over the future years. The most important key activity is the youth academy (especially for Dutch teams). However, some clubs distinguish themselves by



putting their emphasis on scouting and/or transfers. Another important key activity and also key resource is the presence of a powerful management (explained underneath). The main customer segments for every club are fans and sponsors; without them a club is simply not able to survive. The relationship with the fans and sponsors is very important and can be symbolized and realized through the terms of season tickets, sponsor agreements and business clubs. The channels serve as a tool for the fans and sponsors to reach the club. This can be done through the website, fan shops, television and stadium. And lastly is the value proposition, the main reason for fans to support a club, which consists of entertainment, solidarity and excitement.

### ***TV money***


The findings of the research indicate that the biggest differences between football clubs can be found in the revenue streams. The biggest source of income, TV money, creates the major differences and inequalities in the football industry. This happens globally as well as nationally. In the Netherlands 63 million Euros are divided amongst all of the 18 football clubs based on their performance over the last ten years. As a result of that, the top clubs earn a lot more money than the lesser clubs. Therefore, the gap between the richest football clubs and the rest is constantly growing. It is therefore recommendable for television money to be distributed more equally. Prominent football clubs must therefore be willing to return some money. As a consequence, smaller clubs will be able to invest more money and take risks that would unavoidably strengthen the competitiveness. Dutch clubs should also invest this money in their youth academies as well as in improving their preconditions in order to sell more players abroad.

### ***Sponsorships***

Another key step towards strengthening the competition lies within the sponsor agreements. In the Netherlands sponsor agreements are mostly for a period no longer than five or six years. This means that sponsors do not focus on the long-term vision of a football club, and this creates uncertainty and instability. On the contrary, in Germany sponsors are co-owners of football clubs and therefore care about the financial well-being of the club in the long term. This can be interpreted as a win-win situation where the club and sponsor benefit from financial successes.

### ***Ticket sales and merchandising***

The ticket sales and merchandising are creating some inequalities and are a very limited revenue stream in the Netherlands. The three top clubs, Ajax, PSV and Feyenoord, can be seen as the only international brands. However, these are much less compared to the biggest clubs in other countries (i.e. FC Barcelona, Real Madrid and Manchester United). Ticket sales and merchandising mainly depend on the size of the club. As a consequence, clubs like Ajax and/or Feyenoord generate more revenues in this sector than the smaller clubs. The merchandising of football clubs like Ado Den Haag



and Willem II do not get beyond their own country, and in most cases not even beyond their own city. Ajax on the other side does sell football shirts over the entire country and even abroad.

### ***Strong leadership and a clear vision***

Another important element that must be included in the business model is leadership. Powerful leadership and a clear vision are necessary for a club to survive. Strong leadership provides guidance, creates confidence, attracts fans/customers and also pays off under moral terms. When strong leadership is combined with all the other elements mentioned above in the 'ideal' created business model, it is a very useful tool for any club in the football industry.

### ***Strengthening competition worldwide***

In order to become more competitive both internationally and nationally, it is recommendable to create a 'BENELIGA'. The BENELIGA is the creation of 'one league' with Dutch and Belgium clubs. This would lead to several advantages. First of all the product, in this case football, would be sold over a larger area and could therefore generate more revenues and customers. Secondly, the budgets of football clubs would become higher due to the fact that it would become more attractive economically to sponsor a club. Thirdly, more qualification spots would become available for the Champions League and Europa League. Finally, competition would increase due to more participants. As a result, the total costs would become less and differences in business models would decrease.

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## 9 Appendices

### 9.1 Interview Transcript, Alfons Groenendijk

Alfons Groenendijk is currently the football manager of Excelsior Rotterdam and is also a former Dutch footballer and former assistant manager of the football clubs Ajax and Willem II.

Interviewed by Dennis Schouten.

D: You are currently the manager of the football club Excelsior, before that you were also active as assistant manager for Ajax. Ajax is a listed company, the only one in the Dutch league, is it different to work for a listed company?

A: Yes, I do think so, because every transfer, every player bought, may only be known until it is all set and done. The director will announce it, and you even have to take into account that it is a listed company. So you have to be really careful with sensitive information; a listed company will also publish all the financial results at the end of the year, so everyone can check that. You cannot bring this information to the outside world because it can influence the rate of the share. For a football club like Excelsior this is irrelevant.

D: Having said this you already answered another question I had in mind, because Ajax is a listed company and has therefore issued shares. Have you ever had shares of Ajax yourself or was this part of your salary?


A: No, I did not participate in a share of Ajax. We could have bought them at the time, but it was a share that did not change a lot on the stock exchange; it is reasonably stable. But I just did not buy it, even though we had the opportunity to do so. This is probably because I was not active on the stock exchange yet. It had been hyped for a time, but in the end you do not hear a lot about it. But something very remarkable is that all the salaries of the staff are open to public (the salary of the financial manager, general manager and technical manager).

D: So you can basically request all this information from the Chamber of Commerce?

A: Yes, that grabs my attention and once a year they publish it, so it is open and accessible for everyone.

D: Okay. Did the duties you have at Ajax differ from the duties you have at a football club like Excelsior? For instance, in the field of sponsor contracts...

A: For a big football club like Ajax it is of course a lot more. So worldwide they will approach you,



although in the last years this is becoming rarer in The Netherlands. When I played or trained for Ajax, which is of course a famous name worldwide, it was that a lot more like that. There are of course a lot more sponsors nowadays and the revenues and budgets are much bigger. Ajax has a budget of about 100 million, while Excelsior's budget is about five million. But as player or trainer yourself you do not have so many sponsor duties. Of course you have to turn up sometimes at certain events, for every club. Also for Excelsior you have to participate in certain projects towards society. That happens everywhere and also the players will be deployed for that. The only difference for a football club like Ajax is that you can be at a house association or a children's playground or on a football field every day, but it will all be registered. So, players will not be doing this every day. This is not just for Ajax since it is a much bigger than Excelsior, but it also happened for Excelsior, and that is a good thing in my opinion. Most of these projects are done out of goodwill. Nowadays every club participates a lot in projects to help society.

D: What is the duty to wear club clothing, and does it differ at Ajax and Excelsior?

A: We always had a club costume; nowadays the logo of the football club has to be on it, and that has to be dealt with through the tax authorities, otherwise it will be seen as a wage. If I wore a suit without the logo, then the tax authorities could charge me for that, so I had to go official meetings of the football club and I have to wear a club costume. But despite for away matches the training staff always wear a club costume, although players do not have this obligation. For Ajax you have to wear your club costume at every match, which is compulsory. What else did you say about this?

D: This was basically what I wanted to know with regards to club costumes. So far we have mainly focused on the differences between Ajax and Excelsior. However, you also were the manager of the football club Willem II, one of the biggest towns in the Netherlands, bigger than, for example, Eindhoven, but still a much smaller football club. How comes?

A: Yes, that is partly due to history; as you will notice that in one city it lives more than in another city. Eindhoven has PSV which plays in the top of the Dutch league and has indeed more fans than, for example, Willem II. Willem II attracts about 15,000 fans to every match, while PSV can host 35,000. You can say that there is just more living in one city than another; if you take Den Bosch for example, the capital city of Brabant, there is almost no one. They have about 1,500 fans every match. However, in Den Bosch you can do so many other things than just football, while in Eindhoven most of the people are all about football.

D: Is it not mainly because of the fact that PSV has a main sponsor like Philips?




A: That might be an advantage that brings more possibilities, because it is a big club that now for about 35 years has been playing to win the Dutch league. So it is a much bigger club mainly due to the financial possibilities. If you have the resources to participate in transfers then you have many more opportunities to grow as a football club. The bigger your budget, the more possibilities you have. Finally, the fans are coming for successes as well of course. Fans like to see a club that plays for the cup, because they identify themselves with a winning team. This you also see in England where players that no one knows come to play for Chelsea, but if Chelsea wins the cup is everyone is happy. So, it does not matter if they play with other nationalities or without players coming from their own youth academy as long as they win.

D: You also talk about winning prices, which is one of the value propositions Ajax offers to their fans. To what extent does the value proposition differ at a club like Ajax to a club like Excelsior or Willem II?

A: For every club it goes that the more fans they have, the bigger the club is and the higher the expectations. Therein there also is a nuance because for Excelsior to remain in the league it is the same as winning the league for a club like Ajax. Willem II last year was the number ten of the Dutch league, and it was an exceptional result. You always take into account your budget; if you have budget of 100 million like Ajax or a budget of five million like Excelsior then you have a difference of 95 million in the quality of players as well. Of course you can stunt once in a while, like we did against PSV, which is a big happening for everyone. But, if you play the same match ten times over, you can actually never win because the difference in quality is simply too big. The expectations for a top club are a lot higher than for smaller clubs, and that has to do with money as well. The more money a club has, the more they expect and the more they can charge.

D: Football clubs often go on training camps, for example Ajax goes to a country like Turkey. Is that different for a club like Excelsior or Willem II?

A: No, these clubs also go abroad; we will go with Excelsior to Portugal for a week this year. There are many competitors in the market that offer training camps, so there is a lot of competition in this market, which is very favorable because it drives the price down. Competitors will come with all kind of offers that make it negotiable. It is very favorable for the clubs to talk with different parties in order to find out who offers the best deal. I noticed that it is financially absolutely doable. Furthermore, clubs also connect it financially to their business club, so Excelsior offers their business club the possibility to join the training camps. The business club is very pleased with these kind of activities. Excelsior organizes events for their business club such as golf tournaments, visiting



matches and takes part in the same activities as their players. So you understand that they connect it, whereby they ask their business club and sponsors to do something in return. As a result, the money and resources to organize a training camp become available. That is the power of a club like Excelsior, a well-organized business club led by Wouter Gudde (son of Eric Gudde former financial manager of Feyenoord). Wouter Gudde is a smart guy who revived the business club of Excelsior. Consequently, sponsors are attracted and willing to collaborate with Excelsior. I do notice that sponsors really like to be part of this. This all means that a training camp actually costs nothing for the club.

D: Is there a big difference in the bonus structure for the clubs?

A: Yes, the financial premiums for a club like Ajax are much higher than for a club like Excelsior. I have noticed that myself as well. At the time I played for Ajax you could get a bonus of 10,000 gulden for winning a match, which is converted into about 4,500 Euros. Now in Excelsior players will get 1,500 or 1,400 Euros for winning a match. That is a big difference but very logical, because the big clubs pay a lot more in bonuses as well as in salaries. There you have also bonuses in the Champions League that are much higher with each match they play or point they achieve. Nowadays, at Ajax they work with a performance climate. This means that they do not work with match bonuses anymore for winning a match, but they offer premiums for reaching the Champions League or winning the league. However, these premiums are much higher, like 100,000 Euros or even more. So if you achieve something you can earn really well, but if you do not manage to win the league you will get nothing. This can be seen as extra motivation to win the league and other prizes.

D: Ajax generates a lot more revenues than a club like Excelsior. What are the biggest differences in the revenue model between Ajax to Excelsior?

A: First of all is the merchandising. In the Netherlands and also abroad if you only look at the football shirts sold, then you already see a big difference. The merchandising of a football club like Ajax is booming not only in Amsterdam, but also abroad. Excelsior does not have this at all, and they also have to compete in one town with clubs as Sparta and Feyenoord. Sparta and Feyenoord have more fans than Excelsior, so what remains is really small in comparison to a club like Ajax and Feyenoord. Therefore, in this case the market share of Excelsior is negligible. As a consequence, Excelsior needs to find other ways to generate revenues, as they do with their business club and their loyal sponsor, DSW, that has been the sponsor for 12 years now - the longest-serving sponsor in the Dutch league after Philips of PSV. Besides that, we have to hope for player transfers to generate some revenues, which can be a source of income, although this is not comparable at all to an enormous company like


Ajax.

D: What about the transfer policy for a club like Excelsior? Can a club like Excelsior buy a player itself or does it need investors?

A: In fact, Excelsior bought their first player in history this year. They paid a transfer fee of 150,000 Euros. Usually, Excelsior can only go for the football players that are free transfers. For Ajax, examples are known where they can also pay for players. One of the best examples of this is the transfer of Miralem Sulejmani. Ajax paid a transfer fee of about 16,000,000 Euros, which turned out to be a waste of money. There is also a problem now between the technical hearth and Wim Jonk. Ajax paid for instance 6,000,000 Euros for Sinkgraven, while Jonk said they can find a player with the same potential in their own youth academy. This is where Ajax faces some problems, because Wim Jonk will, similarly to Johan Crujff, educate their players themselves, and meanwhile they still buy a lot of players. These players are bought for quite a lot of money. For instance, van der Hoorn (4,000,000 Euros) is a player you can also educate yourself. This is the result of time and pressure, because youth need time to be able to join the first team of Ajax, but in the first team they need the best players now in order to win the league or to win matches in the Champions League. With Excelsior if we want to have a new player, we educate him ourselves. However, we had a partnership for years with Feyenoord, which basically means that our best players have left our youth academy to Feyenoord. So we did not benefit at all from this partnership. Fortunately, this is not the case anymore and if another club wants to have a player now they have to pay a transfer fee if he has a contract or an education fee. However, these amounts of money are too small to compare to a club like Ajax. The key to our transfer policy is to be very creative.

D: What do you think of the fact that a club like Real Madrid can have a debt of 400 million Euros, while at the same time a club in the Netherlands must have everything in order, otherwise they lose their license?

A: Yes, as Twente now might lose their license. That is of course the main reason why the clubs in the Netherlands come behind. It is indeed so that several clubs have gone bankrupt with a relatively small debt such as Haarlem, AGOVV and Veendam. Real Madrid can indeed have a debt of 400 million with a bank, because this debt is covered in the value of the players and of the merchandising. The merchandising generates a high amount of revenue worldwide. So there are debts, but these debts are covered as well, which makes it very complicated. There are no agreements within the EU with regards to debts. As a consequence, the gap between the



Netherlands and the rest of Europe is increasing every year. We can actually never catch up with the leading countries, as the best players here will already leave the Netherlands by the age of 18 or 19. As a result, we cannot be part of the international successes, as that is impossible. Another problem is the fact that a player like Vilhena (Feyenoord) or Bazoer (Ajax), for us two great talents, will not be seen equally good internationally. In Europe they cannot stand out - just take the example of The Netherlands Under 21 team, who lost against Slovakia without any chance. Therefore, if it continues like this, without any EU agreements, then the gap will only be increasing.

Another example is the money that English clubs generate from television. A club in the second league that gets promoted to the first league will already generate between 80-120 million pounds of TV money. Imagine that Dutch teams got the same - we could basically buy any player. But here we have an amount from FOX which gets divided amongst all the teams.

## 9.2 Interview transcript, Garry Pearson

Garry Pearson is a finance teacher at the University of Leiden. He is an expert in the field of football, and also a financial manager of two football players.

D: Do football clubs use business models?


G: Yes, they do work with business models in certain clubs, mostly due to businessmen coming from outside the football world (PSV, Ajax, Twente). You often see that businessmen for a football club, like FC Twente, take more risk with the football club than they do on the business area. So the contract Twente agreed with Doyen (an investment company) would never have been made by Munsterman (the former chairman of FC Twente) from his own enterprise, because it was too risky.

D: How is it possible that FC Twente is almost bankrupt now?

G: This is due to the fact that clubs do use business models, but in the football world these businessmen take more risks than they would in the “normal business” where they come from. They go along with the romanticizing of the football world. They became the champions once and thought this would have gone on to be the case every year.

D: According to you, what are the biggest differences in terms of financial abilities in Europe?

G: For example, if you look at the top clubs in Spain, Real Madrid and Barcelona, they live forth on the revenues generated from television money and sponsor contracts. The same is true for England. However, if you look at Bayern Munich they have a really good division in their revenue streams. The revenue consist of three streams which are equally divided, namely in TV money (1/3), ticket sales and merchandising (1/3) and sponsor agreements (1/3). Therefore, a club as Bayern Munich is less dependent on a certain stream. The best business model is, in my opinion, if you can have these three different sources of income on the same level (all streams between 30-35%). However, if this were the case in the Netherlands where Ajax generates about 8.6 million Euros from TV money, then they could have a budget with a maximum of 25 million. But Ajax has a budget of 100 million, and this means that TV money is only about 8% of their budget (without European TV money). Therefore, it is very difficult to implement the same strategy as Bayern Munich. Ajax should thus focus more on alternatives such as sponsoring (Adidas 10 million). However, there are not so many sponsors available as in Germany, Spain or England due to the size of the country and the Dutch league (relatively small). This is because a sponsor will have less exposure and a sponsor is of course also depending on the economic situation.



It is very hard to implement the same business model as they have abroad in the Netherlands. In Spain they are more dependant on TV money; that is not changing rapidly, so this can be seen as a stable factor for their budget. In Germany they have this magnificent division of 1/3, 1/3, 1/3. However, in the Netherlands you cannot apply this because one year of playing in the Champions League generates more money than three years of playing *Eredivisie*. Therefore, they should focus mainly on sponsors in order to achieve a positive balance, and of course the transfers because you cannot plan a transfer being a success, which makes winning a very difficult thing.

D: How do you experience the differences in financial abilities in terms of transfers within Europe?

G: You see in other countries that transfers are not the main priority for their financial budget. In the Netherlands, Ajax or PSV have to sell a player for about 20 million every year to get everything in order financially. Also, FC Twente must sell its best player Hakim Ziyech in January in order to survive financially. I think if this weren't the case it would mean that you could keep your top players for a longer time and you give them better contracts, and the teams would perform better as well.

D: In the Netherlands a club must financially justify themselves to the Royal Dutch Football Union (KNVB); is there a similar regulation abroad?


G: Yes, every club has the responsibility to pay their players within three months. If this is not the case a player can go the football council to request a free transfer status.

D: According to you, what is the ideal business model for a football club?

G: The business model of Bayern Munich, which is equally divided, as this means that the club is largely owned by their sponsors. This is good because you create a long-term relationship between sponsors and clubs. As a result, you have a stable key partner that has interest in the financial well-being of the football club in the long term. This is missing in the Netherlands, because they mostly have a contract with a sponsor for about five or six years. Also, the sponsor would benefit from a long-term relationship. For instance, Adidas might have been the sponsor of Ajax for five years and when they leave Ajax might be successful in Europe; that was not the case the years before.

D: What kind of measures do you think we can take to strengthen the competitiveness within the Netherlands?

G: I do not think that we can do many things in the Netherlands due to the fact that it is a very small



country. There is simply said no room for another top club. Maybe in the east where FC Twente could have become the top club, like Groningen and Heerenveen also could have. AZ tried to become a top club after they became the champions of the Eredivisie once, but they also lack the supporters.

When you see the division of Ajax, Feyenoord and PSV over the country you can conclude that there might only be some room for another top club in the north east. I believe that if we want to compete with other football countries and also to strengthen the competitiveness within our own league we should go for a “BENELIGA” (The Dutch and Belgium leagues combined). As a consequence, we would create a bigger area to sell our ‘product’, the level of football would increase, and more spots for European football which can result in higher budgets would be present. The gap might become bigger between the top and the lesser clubs, but we would create more top clubs and higher budgets, which would decrease the gap between the top and the rest of Europe.

### 9.3 Interview transcript: Wouter Gudde

Financial manager of the football club Excelsior

D: What changes can prominent football clubs implement in their business models in order to strengthen competitiveness?

W: The Dutch league is the only one that I take into consideration. The biggest problem creating inequalities is television money. Television money has to be equally divided between the 18 football clubs, but also with agreements on how to invest this money. Some of these agreements are that every club needs to invest more money in the education of their players and in the improvements of preconditions in order to sell more players abroad. In my opinion is the Netherlands a precursor in Europe when it comes to sponsorships. English clubs can be interpreted as lazy due to the high amount of money they generate with sponsorships.

D: What is meant by a healthy football industry?

W: An industry where 36 football clubs generate profit unassisted.

D: Do you think that this business model (ideal Business Model Canvas showed) will help football clubs to become financially stable? If yes, in what way?

W: Yes, but the regulation and control of the funds made available have to be very strict to prevent a situation like what happened to FC Twente. As soon as there is investment into sustainable football activities such as youth, preconditions, stadium and club organization, all clubs should be able to turn profit in a healthy way.

D: Do you think that it will be possible to bring this business model into practice?

W: Yes, I am quite sure that it will work out.

D: Are there any other elements, not mentioned in the business model I created, that could strengthen the competitiveness in the Dutch League?

W: No, it is written very well and creatively.



#### 9.4 Interview transcript, Joop Lever

Joop Lever is a businessman and owner of the company Lever Travel Incentives Ltd. He has been active in sport and travel since 1978 and is well known in the business world. Mr. Lever also has a lot of knowledge and experience in the field of football.

D: What changes can prominent football clubs implement in their business models in order to strengthen competitiveness?

J: My father-in-law was a member of the executives in the football club Vitesse and all the members always took their spouses to the matches. However, my mother-in-law did not like football at all, so instead of that my father-in-law always took me with him. Therefore, I have gathered a lot of inside information. By the time Vitesse was last in the 2<sup>nd</sup> league, I was already sitting next to the 100 viewers on the grandstand. Afterwards, the Gelredome (new stadium Vitesse) was opened, and this was the time that Karel Aalbers wrote history with his extendable field. Vitesse became really popular due to the successes made and consequently the fans came along. In the time of Nikos Machlas there were about 23,000 visitors every match and we sang the Sirtaki (a popular Greek song) after every goal.

In line with the first question: Vitesse was a terribly small club in the 2<sup>nd</sup> league and became a fixed value in the 'Eredivisie' by changing their business model. What changes did they make?

The innovative way of thinking of Karel Aalbers, he dared to dream and had the power to realize his dream. Compare van Praag for Ajax, Neelie Smit-Kroes in Europe and the Netherlands who despite their old age keep surprising us with thoughts that fit 40-year-olds. Another example is Jorien van de Herik for Feyenoord who gave highly motivated leadership at the age of 71 years old. He was chairman from 1992 to 2006 and a financial director in the 80's. He stated at one point that 'Feyenoord does not excel in clarity rate, the communication methods are questionable regarding the stadium situation.' He stated in VI (a Dutch football magazine) that the club is slowed down by its own structure. He stated, "I know that in 1991 I could not get everyone on the same page for my comment that I am in favor of an authoritarian democracy." He continued, "a decision has to be made and keep on holding meetings is for those without talent."

Conclusion: Find powerful personalities with a vision, determine a clear direction, dare to dream and therefore you must enhance strong characteristics that are authoritarian in character but have a huge impact on their business model due to their personality. It is important that these people are not surrounded by people that agree on everything, because that is happening in many cases; see Vitesse as an example. It must also be checked to see if the dreams can be numerically substantiated.

In order to expand the business model the focus should lie in the powerful leadership and the visionary executives.

D: Do you think that this business model (ideal Business Model Canvas showed) will help football clubs to become financially stable? If yes, in what way?


J: Of course it can help clubs to become/stay financial stable. However, the happening of this will depend on how question one is fulfilled and the willingness at all levels of the club to follow the chosen course defined in the business model. In order to achieve this there is the need for powerful leadership and for control over its execution.

An additional factor is that visionaries appeal and at a revenue level attract a lot of media attention. As a consequence of that, sponsor and fans are attracted. Fans are mostly followers, because they often disappear in times without successes, and from only the hardcore ones a club cannot survive. Sponsors are highly sensitive for negative attention in the media and social responsibility that must be radiated by the sponsored company/club. Otherwise, they will drop off. Take the scandals of the FIFA and IAAF as an example, and also the enormous impact of overblown players who show inappropriate behavior. Another example is Kazim Richards (Player of Feyenoord) who exhibits asocial behavior and even tries to justify this. I advocate to enrich your model by adding these values that will become more important in the future society. Banks will no longer lose their negative image by operating in an inappropriate manner.

D: Are there any other elements, not mentioned in the business model I created, that would strengthen the competitiveness in the Dutch League?

J: I suggest implementing the elements I mentioned in the previous question. Take for example Philip Cocu (manager of PSV), de Boer (manager of Ajax), Bosz (ex-manager of Vitesse) and not to forget Foppe de Haan (manager of Heerenveen). The last mentioned leads with his heart, is visionary set, a normal human and dares to show emotion in a business world. Once again older than 70 years, what a wonderful man! He is normal, eloquent, decent and loyal to the club and to the Frisians. Why did I mention the previous three managers? Because all three are aware that after a 'super' victory the next week can be lost again. They express themselves decently, let other people in their honor, and are therefore figureheads for football.

Coming back to Foppe, is he the best manager? Maybe not, because for the football world he is too modest. He came back to Heerenveen because he could not bear the poor situation that was going on. As a result they obtained 29 points out of the last 21 matches, a full stadium and a lot of positive media attention. Anytime soon he will get his own statue next to Abe Lenstra because he deserves



that! So the personality of the trainer is very important, even more the authenticity, purity and humanity than the supposed knowledge of the football itself. You will not ask either to a baker if he can still bake bread. The other factors mentioned before determine the success of a manager and club, and can lead to a fantastic model.

Dream your life and live your dreams is my vision; that would complement the football industry very well. Money is not a goal but just a resource that seems to contradict our revenue way of thinking. When the previous points mentioned are well executed then the money will come 'by itself'. Money can never become the main goal because that means that you are running behind a moving target (more and more) and you will eventually die of exhaustion.