FOLLOW THE LEADER

As the European football season prepares for its big kick-off this August, SportBusiness focuses on the media, financial and commercial challenges facing the continent's major leagues in each of the Big Five markets. **Matthew Glendinning** reports.

PREMIER LEAGUE

THE FOREWORD to the 2009 Deloitte Annual Review of Football Finance, the I8th edition of the report, provided a timely reminder of how far English football has travelled. The Premier League, it observed, "was born in 1992 during the last recession in the UK. Between 1992 and 2008, the UK economy experienced an extended bull run, growing at an average rate of 5.4 per cent in nominal terms. By comparison, the growth rates achieved by England's football leagues have been stratospheric."

The biggest of them, the Premier League, grew by a nominal 16.4 per cent per year, according to Deloitte, and the Premier League lion continues to roar in today's downturn with an improved domestic broadcast deal wrapped up between 2010 and 2013 and more still to come from the overseas broadcast rights.

According to Deloitte, the Premier League stretched ahead of the chasing pack of Euro leagues by more than €I billion for the season 2007/08, despite a 15 per cent depreciation in sterling versus the Euro. As Deloitte sênior consultant Alex Byars reflects, "To put that in context, if you took the total combined revenues of any of the three chasing leagues (La Liga, Bundesliga, Serie A), and added the French league revenues you still wouldn't beat the Premier League."

The main revenue driver, of course, has been the broadcast deals. Next season (2009/2010), the Premier League will enter the third year of its current three-year deal, and even the demise of Sky's pay-TV rival Setanta won't slow the gravy train. "The broadcast rights are looking good for the médium term," says Byars. "Even with Setanta's collapse, the league was able to make a deal quickly with ESPN, which shows there is no shortage of buyers out there for premium properties. The Premier League has also started the process of selling overseas rights and we expect a bigger percentage growth from overseas rights than domestic."

Despite its reputation for excessive spending on wages and transfers - and thanks largely to the aforementioned broadcast revenues - the Premier League is also positioned as the most profitable of the big five European leagues, having lost this title temporarily to Germany's Bundesliga in season 2006/07.

In fact, the often repeated charge of excessive spending should perhaps be dropped given the Premier League's ability to spread broadcast revenues equitably which are then invested in players to create a virtuous circle of success. A measure of the league's fairness in terms of revenue distribution is that in 2007/08, the champions Manchester United earned £50*m* from the league's broadcast deals, while the lowest placed club Derby Country still raked in £30m.

As Byars says: "It created big headlines when Premier League wage costs exceeded £ibn for the first time in 2007/08 (at *£I.2* billion or €I.5bn at June 30, 2008 exchange rates), which was over 50 per cent more than any other big five league. On average this gives Premier League clubs an advantage of €25 million more per club compared to the other leagues, yet their wages to revenue ratio (62 per cent) was the second lowest of the 'big five' with only the Bundesliga (50 per cent) reporting a lower figure."

Can anything interrupt the Premier League growth story? Certainly, attendance figures held up well last season - despite the credit crunch - maintaining an impressive trend of stadium utilisation. "For 16 years in a row, the Premier League has had over 90 per cent capacity utilisation," says Byars. "It was down by one per cent last season at 92 per cent, but matchday revenue has generally held up well."

Byars continues, "The Bundesliga has the highest attendance in Europe, but the Premier League clubs generated more than twice as much matchday revenue in 2007/08 as the Bundesliga clubs.

"The challenge now is to maintain season ticket sales and corporate revenues for 2009/10. Arguably, many people made their buying decisions for 2008/09 before the credit crunch hit, but the clubs have responded to the down turn: many clubs have frozen or reduced the price of season tickets or created incentive schemes (for families etc.). Given the financial security provided by the new Premier League TV deal, the clubs are looking at ticket prices and trying to keep their stadia full."

But the Premier League is not immune to the downturn and Byars identifies commercial revenue as the most vulnerable income stream. "Some clubs will be renegotiating sponsorship deals this summer and most businesses are looking closely at their marketing spend and asking whether they are getting value for money. Sponsorship is one of the most under pressure of all income streams - and there is a flight to quality. For Manchester United or Liverpool, for example, we would expect that sponsorship values will hold or increase; whereas lower down the league it's likely to be more difficult."

For all that, according to Byars, the Premier League has yet to maximise the value of its brand potential. Of all the European leagues, he believes it is still the Premier League that has the most room for growth in the short to médium term, primarily from foreign television rights. Meanwhile, the lure of the league to foreign investors remains.

Keith Harris, the advisor on a number of Premier League acquisitions, says the days of buying clubs through debt may be over, but 'investors' will still be attracted to the glamour of the league. "The banks are incapable of lending money on a highly leveraged basis," Harris says. "Instead, we are now looking at institutions, corporations or individuais who have disposable cash. There is a cocktail of potential owners - a Sheikh, an industrialist, a financier, every kind of buyer."

Spending on wages for season 2007/08 (€m)	
Premier League	1.511
Serie A	972
La Liga	900
Bundesliga	725
Ligue 1	703

Source: Deloitte

European broadcast revenues 2007/08 (€m)

Premier League	1176
Serie A	863
La Liga	**579**
Bundesliga	557
Ligue 1	476

Source: Deloitte

LA LIGA

THE EXTRAORDINARY spending of Real Madrid in this summer's transfer window and the success of Barcelona on European fields last season gives Spanish football's La Liga a lustre that it may struggle to maintain. It is, as Deloitte's Alex Byars points out, the 'most financially polarised' league among the big five.

This cannot be a healthy situation: the big two have now won the last five La Liga titles between them and finished in second place four times, the most significant .. domination of the top two positions in the history of the league dating back to 1927.

"In Spain, there are two clubs with a phenomenal financial gap beneath them,"comments Byars. "And if you look at the way broadcast rights are sold, soon La Liga will be the odd one out. When Italy's Serie A sells its rights collectively from 2010/11, Spain will be the last to sell them individually, which has prompted some senior officials in Spanish football to call for a return to collective selling. Individual selling in La Liga could also attract more attention from regulators."

On average, Real Madrid and Barcelona will receive €1551x1 and €145111 respectively per annum from their individual TV deals until 2012/2013. And while the ratio of domestic broadcast earnings between the top and bottom dubs in the Premier League is less than 2:1, in Spain, the ratio is around 15:1.

Clearly, Real Madrid and Barcelona benefit on the field of play from their huge competitive advantage, but whether the former's extreme transfer spending on Ronaldo, Kaka et al will provide a financial return is a matter for conjecture. Says Byars, "My view is that Real Madrid were actually struggling at the back, not up front! That apart, from the transfer spending numbers quoted in the media it is difficult to understand the club's financial model. Moreover, when Real Madrid spend the sort of amounts that have been widely quoted then it may distort the wider transfer market by impacting on the perceived value of other players. If Ronaldo is worth X, then is Ribery worth half X? Or could there be a polarisation where there is one market for the very top players and another market for the middle to bottom players?

"We will monitor, and then report on, this summer's transfer spending with great interest."

Some observers also believe that Spain's influence in the transfer market will grow because of its softer tax regime compared to the UK. "This tax question is raised quite a lot because some believe that all the best Premier League players will transfer to Spain because of the tax system," says Byars.

"From April 2010, when the new 50 per cent tax rate is introduced in the UK it will cost a Premier League club 70 per cent more than a Spanish club to pay a [non-national] player a net salary of *€.3m*. But total wages in the Premier League are more than 50 per cent higher than in La Liga, so a 10 per cent change to the top UK tax rate will not be enough to reverse those wage rankings, so we would not expect a huge net outflow of talent from England to Spain"

Having debunked that myth, however, Byars is less certain about another feature of La Liga that has raised speculation - debt levels. Media attention has tended to focus on the debt levels of Premier league clubs, where leveraged buy-outs have lumped debts on top clubs like Manchester United and Liverpool. More worryingly for La Liga, perhaps, high debt levels appear to be spread amongst a greater number of clubs.

Deloitte are unable to comment on the issue because not all Spanish clubs file publicly available accounts, but according to an independent study by Barcelona University the combined debt of Spanish clubs is put at about €3.4 billion (compared with some £3 billion in the English Premier League) with Spain's professional clubs owing €607m to the tax authorities alone.

So far, Real Madrid and Barcelona have been largely insulated from the financial crisis, but eight of Spain's top 40 teams including Real Societal and Malaga, sought protection from creditors to stave off bankruptcy in the last two seasons and more may follow as the recession takes hold.

Jose Maria Gay, the finance and accountancy professor behind the study, revealed that Valencia's debt in the year through last June was €5O2m, five times its annual income. Construction was halted in February on the club's 73,ooo-seat stadium and it fell behind with payments to players after being refused further credit by a Spanish savings bank. "It's in tremendous financial disorder," Gay said. "It would probably be in the process of being dissolved if it was a normal business." Meanwhile, Atletico Madrid's debt rose to €5IIm, more than six times its income, after a €58.101 loss in the year through June 2008, the study found.

In comparison, before Real Madrid's heroic lurch into the red this summer, the club's debt on income of €366 million rose to €5 63m, while Barcelona's debt is around €438m.

Imbalanced or on the verge of collapse, it remains to be see how the Spanish debt story will play out. Real Madrid will clearly survive. The question is, will its mounting debt levels really allow it to thrive?

BUNDESLIGA

Wages to revenue ratio 2007/08 (%)	
Bundesliga	50
Premier League	62
La Liga	63
Serie A	68
Ligue 1	71

Source: Deloitte

FOR THE LAST DECADE German soccer's Bundesliga has lagged behind the Premier League, Serie A and La Liga in terms of its global brand image.

But it would be a big mistake to assume this is a reflection of the league's profitability or popularity on domestic turf. Financially, the Bundesliga has been in excellent shape during the last few years - with earnings from media rights, sponsorship and matchday revenues up 37 per cent between 2003/04 and 2006/07, according to the Bundesliga's own calculations.

In 2007/08 turnover of the 18 Bundesliga.I clubs rose by seven per cent to €1.57 billion, according the German Football League (DFL), figures that compare well with other big European leagues. Indeed, in Deloitte's Annual Review of Football Finance 2008, the Bundesliga was found to have overtaken Italy's Serie A in terms of revenues and the league has its eyes on the number two spot ahead of La Liga and behind the Premier League.

German club football has been feeling better about itself for some time. While still well behind Premier League revenues, the Bundesliga comes out as number one in terms of financial efficiency, with a much lower wages-to-turnover ratio than any of the other big five European leagues.

Unquestionably, the Bundesliga is also a passionately-supported league. The DFL found that the league had 99 per cent awareness among the German population last year and attendance is on a strong upward curve, increasing for the seventh the year in succession, For the season just finished, average attendance reached 42,600, 7,000 higher than the Premier League, and the best figures since 1963. The Bundesliga is competitive, results are unpredictable and Germany's stadia, upgraded for the 2006 World Cup, are top class.

For all that, matchday revenues are below those in both the Premier League and Spain's La Liga, with the Bundesliga generating less than half the Premier league's matchday revenues in 2007/08 (€338m versus €700m). The DFL, however, would contend that the lower pricing helps make the Bundesliga the family friendly product it is.

Meanwhile, the Bundesliga's revenue from sponsorship is peerless in Europe. While only 23 per cent of Premier League revenue (€565m) is from sponsorship and other commercial activity, 43 per cent of Bundesliga revenue (€624m) comes from this sector. And overall, Bundesliga sponsorship revenues continue to look pretty robust, says Hartmut Zastrow, executive director of the Cologne-based sports research and consultancy firm Sport+Markt.

"The Bundesliga takes around €40om a season from naming rights, shirt sponsorships and other kinds of official partnership. Some of the smaller clubs may struggle during the downturn but overall we expect the level of revenue to stay stable."

The main reason for this, says Zastrow, is that many of the top club deals are not due to be renewed for another season or two. "But we are also seeing examples of price increases. Hamburg has recently secured a 30 per cent increase in its sponsorship renewal with Emirates Airline. Even companies like Commerzbank, which has suffered during the downturn, are reluctant to give up football sponsorship because of the marketing opportunity that presents to rival brands."

Sport+Markt's tenth annual European Jersey report for the season 2007-08 further revealed that Bayern Munich moved ahead of Manchester United in having the single most valuable shirt sponsorship deal. "Due to the weak British pound, Bayern Munich beat Manchester United to the title of the most valuable jersey deal," Zastrow said. "No other league has reached such a consistency of sponsorship deals for all teams."

Adding to the feel good factor, TV rights are finally beginning to reflect the size of Germany's population and economy.

This was demonstrated in November 2008 when the DTH platform Premiere secured live domestic rights from 2009/10 to 2012/13 for around €I.2bn, up 20 percent on the previous deal, meaning that Bundesliga clubs will share €397m per year next season as opposed to €333m in 2008/09 - a figure which is still dwarfed by the Premier League clubs which get €79Im per year from domestic television rights.

But if this looks good for the Bundesliga, German clubs have performed fairly dismally in the Champions League over the last few seasons - failing to feature in the semi-final stages for six successive years from 2003-04.

Some blame this on the league's strict national licensing programme, which requires clubs to submit annual budgets that prove they can meet outgoings for the years, thereby limiting player investment programmes. Then there is 50+1 rule. Currently companies and individuals cannot control Bundesliga clubs because of this rule, which insists that a majority share of a football club's voting rights must be retained by the club's membership association. Although there are some exceptions - VW's ownership of Wolfsburg and billionaire Dietmar Hopp's ownership of Hoffenheim, for example - this means a Roman Abramovich/Chelsea scenario is ruled out. The big question is whether the inability to raise foreign capital will stunt the Bundesliga's competitiveness on the international soccer stage. For now, the DFL is adamant that the rule will not change - restating its position as recently as October 2008. But Deloitte's Alex Byars Concludes, "It's a frustration for German football and the longer the clubs struggle to compete at the very highest level in European club competitions, the more pressure will build to see if there is an alternative solution.

"But the German model will always have its proponents: there's great attendance, the clubs now know their broadcast revenues and the German Licensing System aims to ensure clubs only spend what they can afford."

SERIEA

THE ITALIAN PROBLEM? Fifteen years ago the main challenges facing Italian football were how best to share around the international talent, wealth and admiration heaped on the widely-acknowledged best football league on earth, the all-conquering Serie A.

Today, 'the Italian problem', is not too dissimilar to the 'English problem' of twenty years ago before a combination of the Taylor Report, the Premier League and BSkyB transformed the English club game into the vibrant global brand that it is today.

Serie A is a league running hard to stand still. According to Deloitte, Serie A revenues actually increased by €357m (34 per cent) to €I.4bn in 2007/08, the largest increase any of the big five leagues. But don't let this fool you. The change in mix of clubs in Serie A for the 2007/08 season - Genoa, Juventus (demoted on corruption charges the previous season) and Napoli, replacing minnows Ascoli, Chievo and Messina - contributed around two thirds of the increase in total revenues. The rest was made up from significant uplifts to the broadcast revenues of a number of Serie A clubs.

Take a long-term picture and the league appears to be in decline. In 1998/99, average Serie A attendance was 30,700 compared to 30,600 in the Premier League. Ten years later, the numbers are 24,700 in Serie A and 35,600 in the Premier League.

The relative matchday revenue statistics for 2007/08 makes even more depressing reading for the Italian league: €7oom for the Premier League is almost four times the €I85m for Serie A. Even the Bundesliga, where tickets are considered highly affordable, made more revenue last season in terms of average matchday spend per head than in Serie A, where the cathedrals of football upgraded for Italia 90, are seldom full and tickets are cheap.

There is some forward movement, fuventus is building a replacement to the unloved Delle Alpe and Inter have mooted plans to move out of the stadium share with AC Milan at the San Siro. But league-wide, as Byars explains, there are huge challenges. "Italy faces a lot of changes in terms of the quality of facilities and poor attendance," he says. "In the UK, it was the Taylor Report that brought about change and now live football is seen as a much safer environment. For too long in Italy, there has been a lack of investment in facilities and a lot of the stadia are not owned by the clubs themselves. If there are to be changes, it may need to be a nationwide effort by all Italian football's stakeholders, with Italy's Euro 2016 bid perhaps a much needed catalyst for stadia investment."

At least Italian clubs have recognised they need to take their destiny into their own hands by agreeing to sell their broadcast rights collectively from 2010/11 for the first time since the iggos.

"There appears to be an acceptance from within the game in Italy that there needs to be some sort of change," Byars continues. "By selling their broadcast rights collectively, they can redress some of the current financial imbalances within the league.

"The return to collective selling should provide the opportunity for a welcome boost to the competition and allow some of the smaller clubs, and the league as a whole, to become more successful."

Serie A needs a coinfidence boost. The success of AC Milan in the Champions League in 2007, has not masked the more recent failure of Italian clubs to compete effectively against the English and Spanish giants. The willingness of Italy's top clubs to sanction the 'collective selling' change, however, marks a real opportunity, although some remain sceptical that the spirit of unity will carry through.

Juventus, for example, received a whopping €II5m from its individual broadcast rights in season 2007/08 compared to a mere €Iom for bottom club Empoli.

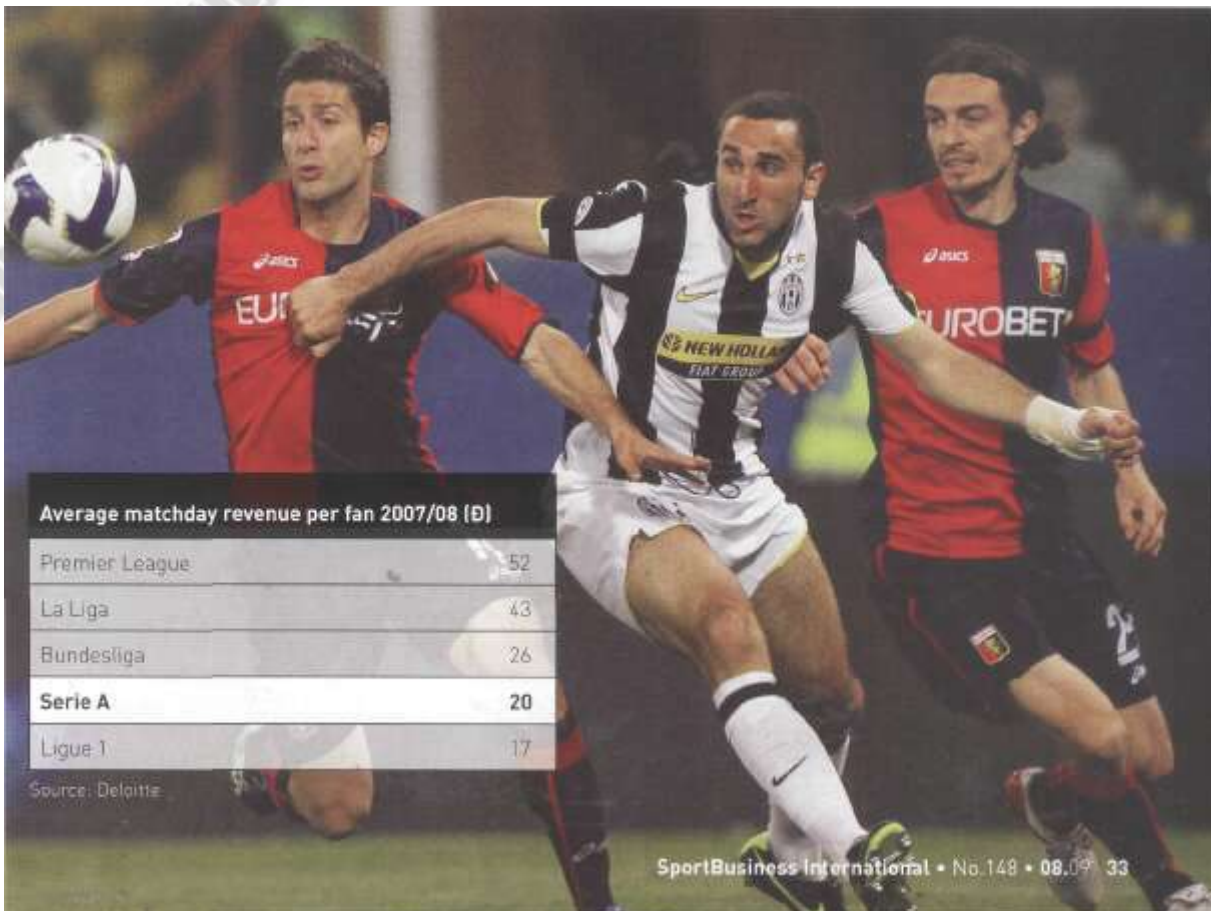
Juve will surely receive less in 2010, although the league has already agreed a six-year deal with the Infront Sports & Media agency, which guarantees it at least €900m per year in domestic and international media rights revenue.

Intrigungly, the first rights to be offered will be the exclusive Serie A domestic rights for just two years: the 2010/2011 and 2011/2012 seasons. Approved by the Italian Anti-trust Authority and the Italian Communication Authority, the tender proposes four pay-TV packages and one free-to-air package with offers scheduled for submission to Infront on July 27.

Analysts believe that the clubs will get more than the €900m guaranteed to them, but should they fail to get what they expect, there is every chance that the bigger clubs will engineer a return to individual sales - a situation which would leave Serie A in stalemate once again.

A tender for non-exclusive domestic rights will be offered in the fourth quarter of this year.

The international tender is scheduled for launch in autumn 2009 together with the rights to Coppa Italia and Super Coppa.



Average matchday revenue per fan 2007/08 (€)

Premier League	52
La Liga	43
Bundesliga	26
Serie A	**20**
Ligue 1	17

Source: Deloitte

LIGUE 1

IN REVENUE TERMS, Ligue I is much the smallest of the 'big five', but significantly bigger than the chasing pack from The Netherlands, Russia and Portugal. Revenues in 2007/08 weighed in at under €I billion, €400m less than the league's German, Italian and Spanish counterparts, which were bunched on around €I.4bn, and not even half the Premier League's total of €2.4bn.

Ligue I is similar to Serie A in that it returned an overall operating loss in 2007/08 due to limited revenue growth and rising wages. In fact, of all the leagues, the French spends proportionately the most keeping up with their continental cousins. Total wage costs of €703m represented 71 per cent of revenue in 2007/08 and there is little scope for turning that around, at least, in the short term.

Ligue I has the smallest supporter base of the big leagues - attendance for 2008/09 averaged 21,000 - and as Deloitte's Alex Byars points out, "Despite a population that is bigger than England's, matchday revenues were €137m in Ligue I, around one fifth of the €700m in the Premier League. Culturally, at club level, football is not as big, or well-supported, in France on a day-to- day level as it is in the other big leagues.

"The back pages of the newspapers, for example, are not filled with football like they are in England. Having said that, France has the potential to bridge that matchday revenue gap somewhat, but it's a long term challenge and the key rests in its clubs' stadia."

Like Italy, many of these stadia are municipally owned and like Italy again, the European Championships could act as a catalyst for change. In February, FFF president Jean-Pierre Escalettes launched France's bid to host Euro 2016, saying that €I00m would be released for stadia improvements. This would add to the c.€I.5bn reportedly committed by 20 French clubs to facility development in the near future in an attempt to increase matchday revenues.

European matchday revenue (Đm)

England	700
Spain	396
Germany	338
Italy	185
France	**137**

Source: Deloitte

If it's a struggle for Ligue I to compete against the rest, it should be noted that many growth lines, are trending upwards. Currently, Ligue I attracts 8.2 million spectators a season. This is less than England's second tier Championship, which is actually Europe's third best supported league (after the Bundesliga and the Premier League), but up by nearly one million from 2002/03.

Ligue I is also a vital part of the French TV landscape, where it's watched primarily via Pay-TV broadcaster Canal+ (though there is now also coverage on multi-platform operator Orange). The league's own research shows that 40 per cent of people subscribe to Canal+ precisely because of Ligue I, which makes it a must-have for Pay-TV broadcasters and explains why the LFP has been able to sustain decent TV rights fees.

In 2008, for example, Canal-t- tried to slash the amount it paid the LFP to €250 million a year (using its recent merger with rival PayTV platform TPS as a way to drive down prices). In the end, however, LFP secured deals with Canal+ and France Telecom-owned Orange worth €668m a year until the contract ends in 2012 (Canal+ paid €45om for nine of the 12 packages on offer). While this doesn't compare with the Premier League's TV revenues, it is still a healthy figure when you consider Canal+'s tough negotiation stance.

But getting to the point where Ligue I brings in more overall revenue than Serie A - the league's stated ambition - seems a tall order. In the 2009 Deloitte Football Money League, for example, Serie A was able to boast four clubs in the top 20 compared to two for Ligue I (Lyon, Marseilles). What's more, Italy's lowest (Juventus) was still €10-15m ahead of France's highest (Lyon - Ligue I champions every season from 2001/02 until 2007/08).

Not only that, but the Italian clubs are streets ahead in terms of international brand image. The closest in terms of proactive marketing is Olympique Lyonnais which has spent much of the last decade forging strong links with Asian partners thanks in no small part to the dynamism of its owner Jean-Michel Aulas.

In contrast, the league itself hasn't made much of a mark internationally. While the English, Italian and Spanish leagues have made strong headway in Asia and North America, Ligue I's main international exposure comes in Africa - a much less attractive opportunity. In 2008, for example, the LFP made just €Iom from international revenues compared to the Premier League's €259m. That's quite a gap.

International expansion aside, there is a football politics story developing which could boost the French agenda.

In a recent statement, the LFP's president Frederic Thiriez fell into line with UEFA's French president Michel Platini when he argued that the Premier League's financial power threatens to undermine justice in the sport, a development he called "financial doping".

He lent his weight to the idea of a European regulator which would ensure financial fairness by imposing national player quotas, restrictions on transfers and tighter regulations on club ownership and financing. It's not clear that UEFA or the LFP will be able to push much of this agenda through - since it runs into restrain of trade issues. But it's another indicator of how the LFP is starting to look at growth beyond its own borders.

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