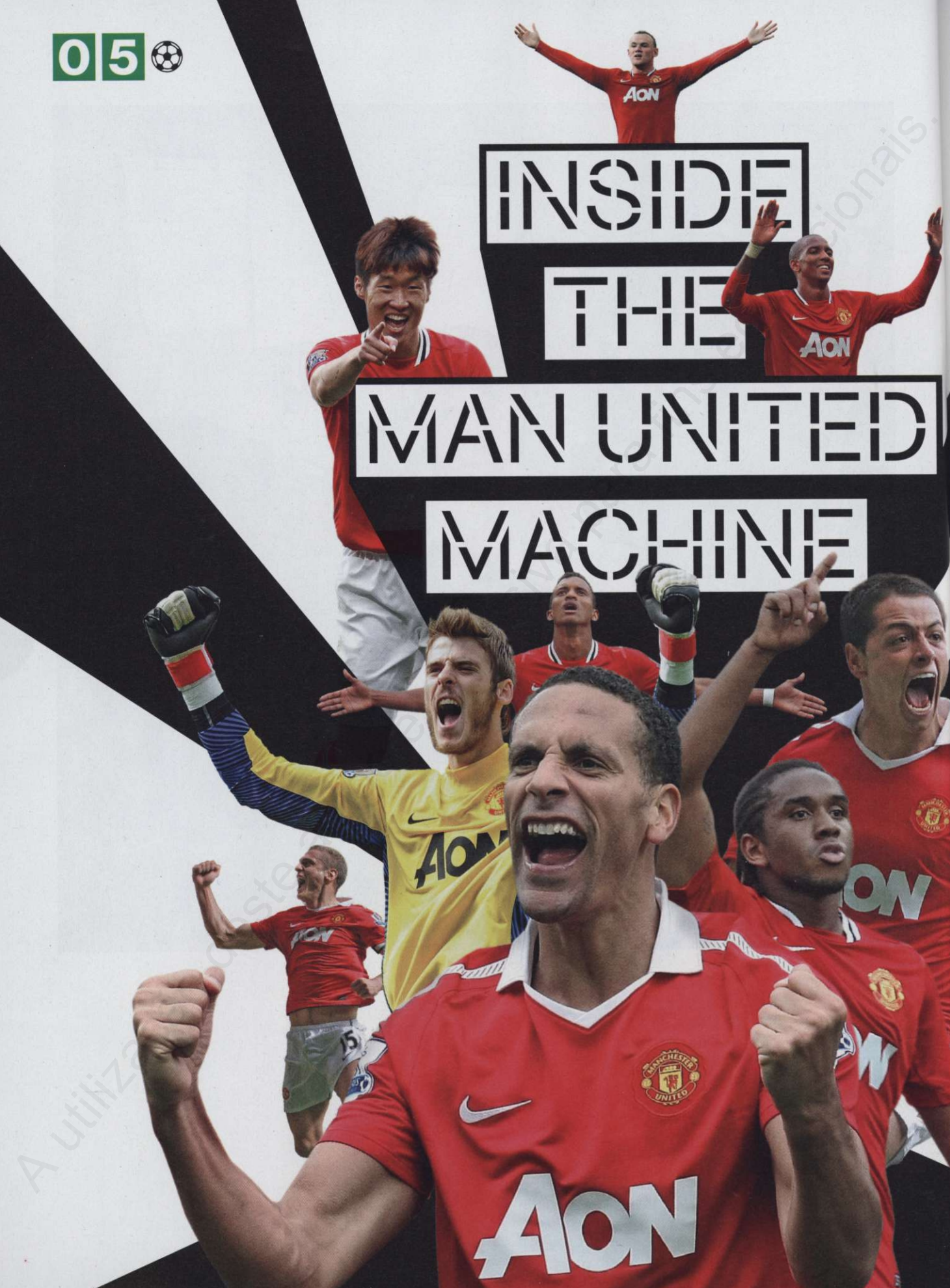
INSIDE THE MAN UNITED MACHINE



The storied English football club has turned itself into the most valuable brand in sports. Here's how

By Tariq Panja

In December of 2009 an unexpected package arrived at the headquarters of Concha y Toro, the 127-year-old winemaker in Santiago, Chile. Inside was an ornate box lined with black silk and holding a leather football. The Concha y Toro insígnia was stenciled on the bali, next to that of the sender's: Manchester United. Accompanying the gift was a book explaining the financial benefits of a partnership between the football club and the winemaker. Within 36 hours, United executives were on the phone with their counterparts at Concha y Toro, working on the outlines of a deal that was signed on May 17, 2010. An official ceremony was held four months later at Old Trafford, Man U's stadium, where the club introduced the Chilean company as its first global wine partner. Under the arrangement, luxury boxes and lounges in Old Trafford serve only Concha y Toro's Casillero dei Diablo wines and the company^ ads appear on the digital "billboards" seen on broadcasts of United home games.

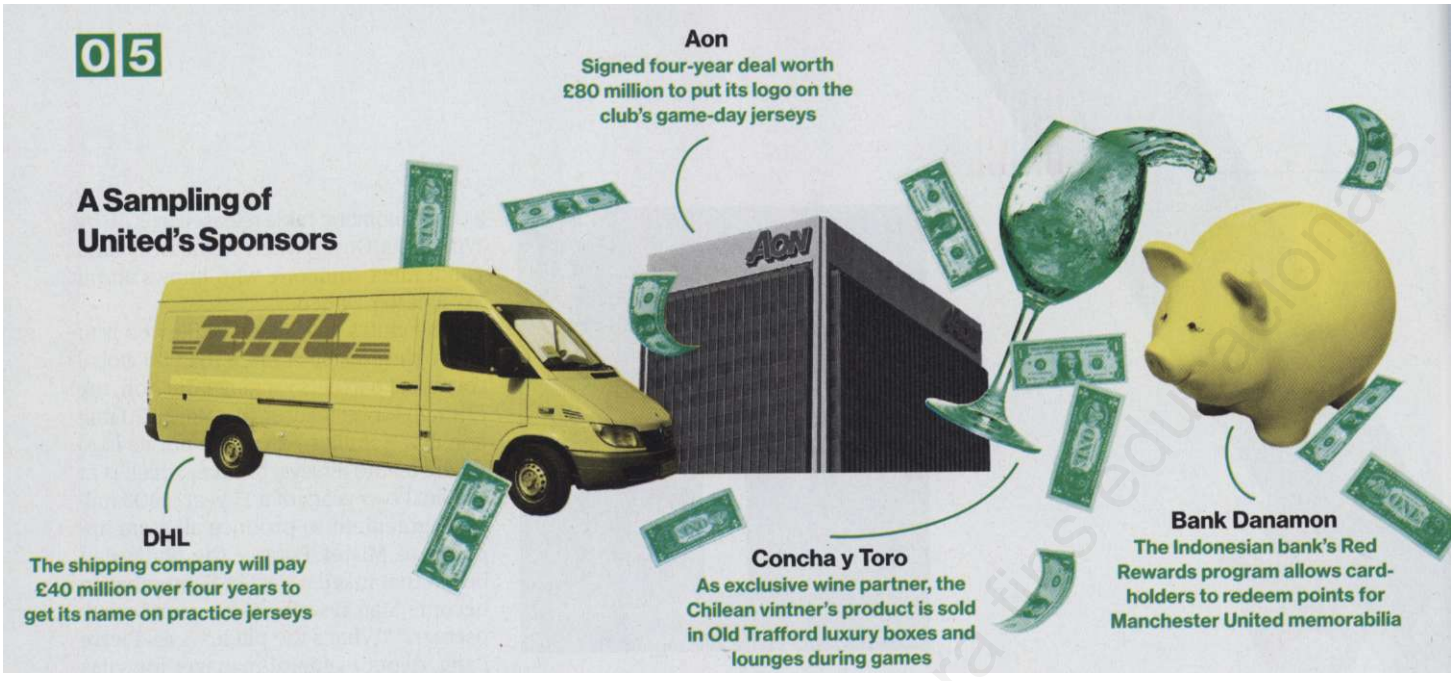
The courting of Concha y Toro epitomizes the acumen and aggressiveness that have made Manchester United among the most valuable brands in sports. A 2007 survey conducted by TNS Sport found that the team has 333 million supporters around the world. Last season, when United won its fourth English Premier League title in five years and made it to the finais of the European Cup, a cumulative audience of 4.2 billion watched its matches on television-the equivalent of a Super Bowl every week, according to Futures Sport & Entertainment. So lucrative is the United brand that Than Shwe, until March the head of Myanmar's military government, once considered making a $1 billion bid to buy the club, according to a U.S. diplomatic cable released in 2010 by WikiLeaks. Go anywhere in the world and you'll meet someone who knows about Manchester United.

The club's visibility has allowed it to assemble a roster of more than 30 global corporate partners ranging from Aon, the Chicago-based insurer that pays £20 million ($31.5 million) a year to put its logo on the team's jerseys; to Nike, which is in the final two years of a 13-year, £303 million agreement to produce ali team apparel; to Mister Potato, the Malaysian brand that inked a deal in September to become Man U's official "savoury snack partner." "What's the pitch?" asks Pierre Pang, deputy general manager for sales and marketing at Mamee-Double Decker, which owns Mister Potato. "Three hundred and thirty-three million fans globally, with close to two-thirds coming from Asia. That's basically along the lines of where our strategy is: The vision of being Asian No. 1 for the potato snack segment."

Last June, Manchester United announced revenue of £331.4 million for the 2010-11 season, a club record and by far the most among English football clubs-though about £95 million less than Spain's Real Madrid, which is soccer's biggest moneymaker. Unlike U.S. sports, where salary caps and revenue-sharing agreements constrain the ability of rich teams to dominate, in soccer cash is still king. Chelsea, Manchester City, and others have catapulted themselves into the European elite thanks to billionaire owners willing to spend any amount to win (Russian oligarch Roman Abramovich at Chelsea; Sheikh Mansour bin Zayed Al Nahayan of Abu Dhabi at Manchester City).

The influence of money has prompted calls for reform. European soccer's governing body says beginning in 2014 it will consider banning teams that spend significantly more than they make from the Champions League tournament. That would strengthen the position of those clubs with the most revenue-such as Manchester United, Real Madrid, and Barcelona-which could use it to buy the best talent. The league's proposed fix could end up locking in the status quo for years.

The people charged with selling the United brand work out of an office 200 miles south of Manchester in the London district of Mayfair, also known as Hedge Fund Alley. Appropriately, the decor at Man U's London office is



more investment bank than soccer club, with oak-paneled conference rooms and an open-plan work space, where staffers dressed like bankers are bent over computers and working the phones. Rent for the London sales office costs the club £1 million a year, and similar digs are set to open later this year in Hong Kong.

"Our approach has evolved beyond a traditional sports club's, to being far more like that of a conventional blue-chip company," says Manchester United Commercial Director Richard Arnold, 40. We met for coffee inside a conference room named for Sir Alex Ferguson, United's revered manager. "To arrive at this position we have spoken to companies with reputations as the world's leading marketing organizations to see how they approach promotion and sales."

Manchester United hasn't always been such a juggernaut. Football legends George Best and Bobby Charlton helped lead United to a European championship in 1968, but the club went another two decades without a league title and even suffered relegation to the second division in 1974. The turn in Man U's on-field fortunes coincided with the creation of the Premier League in 1992, which transformed English football into an enterprise with global reach. Premiership matches are broadcast live in 211 territories and income from global television rights now exceeds £1.4 billion. That's in addition to the £1.78 billion the league earns from its domestíc television contract.

United has been the biggest beneficiary of the Premier League's growth, winning the inaugural season title and 11 more over the next 20 years. "Manchester United's timing was great," says Dan Jones, a partner with the accounting firm Deloitte, which has produced an annual review of soccer finance for the past 20 years. "They started to have huge success on the pitch at the time that ali the other developments around media and so on gave them a place to take that."

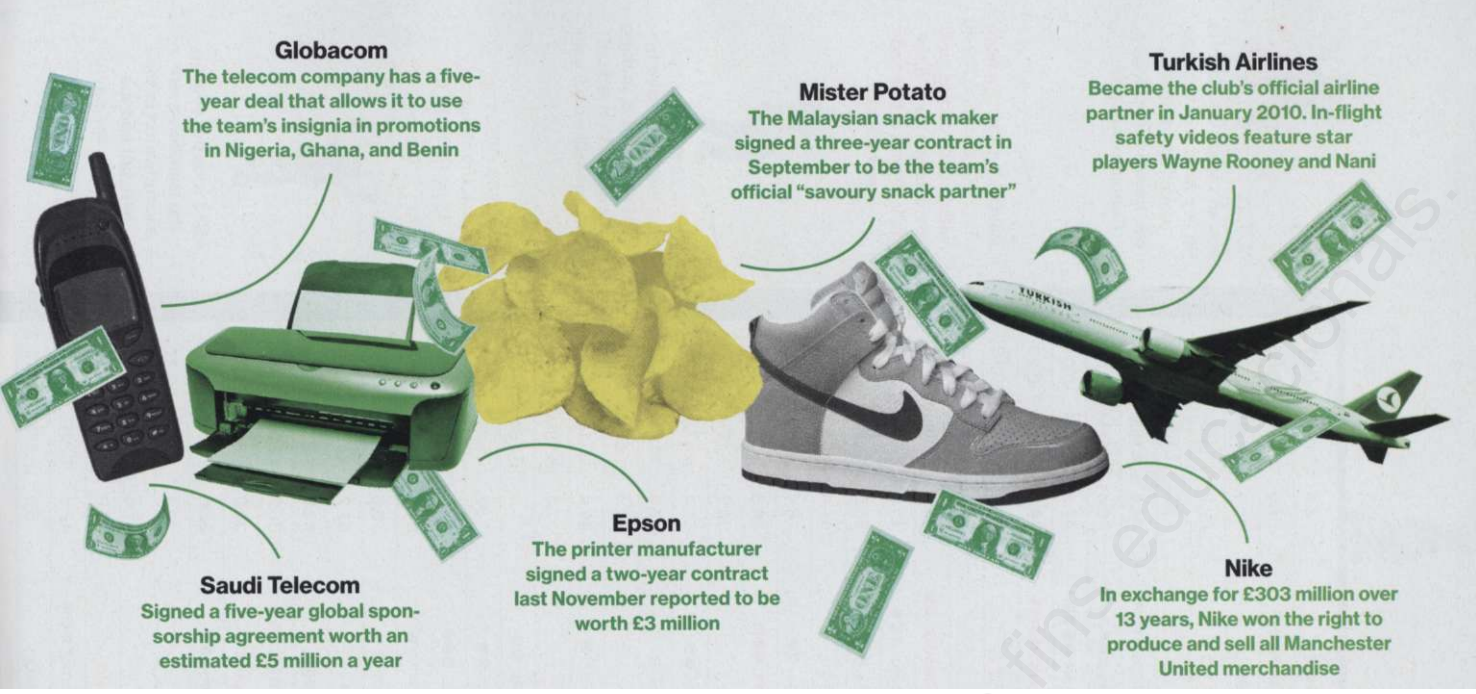
In 2005 the American magnate Malcolm Glazer, owner of the Tampa Bay Buccaneers, completed a £790 million leveraged buyout of the team. Glazer and his family have spent £40 million on the team's marketing strategy, including creating a salesforce almost from scratch-previously two people worked on selling the Manchester United brand. "You don't set off on a journey without an understanding of where you are trying to go," Arnold says. The club's management looks at the world "like a Risk board," he says, meaning the goal is world domination. "The early months of what we did was spent in very high-depth strategy discussions [with] multiple, multiple iterations. Even now, two days a month is spent iterating ali those strategies."

By investing in research like the TNS Sport study, Manchester United has been able to get a better understanding of the brand's value and reach, says Arnold. The result is a strategy that sells access to its stadium infrastructure to major sponsors, while offering limited territorial association rights to telecom and credit card companies, allowing them to sell United-branded products and content. Many of the deals also include revenue sharing between United and its partners.

In the past year commercial revenue has grown 27 percent, to more than £100 million, while the value of the team's corporate partnerships has risen tenfold since 2008. The club has done it by creating new forms of advertising inventory, beyond the industry standard. The team's global sponsors, including Turkish Airlines and Thai beer brand Singha, get physical advertising space at Old Trafford and digital ads during broadcasts of Man U's home games. (United woos new advertisers in a luxury box at Old Trafford reserved for prospective clients.) Since 2008 the club has also signed agreements with a slew of regional partners, which are given exclusive rights to promote their companies alongside Manchester United within specific geographic areas, though they have little or no visibility in Manchester or on the team's website.

Arnold says one reason United is able to secure such deals is the time it spends learning about potential partners. "We found there was a CEO of one of the companies we dealt with who didn't like tea or coffee, he liked Diet Coke," Arnold says. "When the meeting starts he gets a Diet Coke, not tea or coffee. Everything we do has to express the premium offering that Manchester United is, and you have to be able to do that transcending industry, culture, country."

Perhaps more than any other deal, the club's recent tie-up with shipping company DHL reflects its commercial power. Arnold's team sent branded iPads loaded with company-specific presentations to DHL, in an effort to persuade the company to sponsor the jerseys United players wear-during practice. It worked: In August, DHL signed a four-year contract for £40 million-more than what ali but four other Premier League teams get from their biggest sponsors.



It's also an example of how the team is able to thinly slice its rights. In 2009, Standard Chartered, the financial services company, went neck-and-neck with Aon in the race to sponsor United's game-day jerseys. When Standard Chartered lost out, it signed on with Liverpool, but insisted on being the exclusive corporate name on ali Liverpool apparel. "The training kit thing is a very interesting angle because it's essentially saying the media coverage that Manchester United get when they're training equates to smaller teams' coverage when they're actually playing," says Andy Korman, a partner at the U.K. law firm Couchmans, which specializes in sports sponsorship. "So more people are interested in seeing Manchester United down on the training ground than they are in seeing most other teams live."

Manchester United's sales operation dwarfs that of any of its rivais. Chelsea, United's chief Premier League competitor in recent seasons, has "a handftil" of sponsorship sales staffers, one club executive told *Bloomberg Businessweek.* Liverpool, the team that comes closest to United in worldwide appeal, hired its first London-based employee earlier this year and didn't have a commercial director until 2007. "Any team should look at them and learn," says Ivan Gazidis, chief executive officer of Arsenal, whose commercial revenue is about one-third the size of United^. "But not every club is in the position Manchester United is in. So the solutions for any individual club could be different."

Not ali, however, is well in the Man U kingdom. For ali their success at bringing in additiõnal revenue, the Glazers have invited resentment from United fans who believe the family is using the team's income to cover the costs of buying it, rather than investing in talent. United, which had been listed on the London Stock Exchange since 1991, was debt-free before Glazer took it private; the club now has net debt of more than £300 million. The Glazers have hired Credit Suisse to help them float up to 30 percent of the club for $1 billion. Many analysts believe that valuation is unrealistic because it would mean the club is worth more than $3 billion, far higher than a *Forbes* ratíng of $1.8 billion. Some of the proceeds from the listing would likely be used to pay off a £500 million bond the team issued in January 2010.

Financial details released in that bond prospectus revealed how much the Glazers' ownership had cost, fueling a protest campaign. Andrew Green, a financial adviser to Manchester United Supporters Trust, a group opposed to the Glazers, calls the team's commercial revenue "a drop in the bucket compared to the £495 million of interest, banking, and other costs" the family's ownership has cost United. At the height of the backlash last year, fans brandished gold and green scarves, representing the club's founding colors, and held up signs at home games with messages such as "Love United, Hate Glazer." The protest colors have been less visible this season after United spent £50 million beefing up its already potent roster. Arnold declined to address the fans' low opinion of team management. "I don't want to spend too long talking about that period of time," he said, casting a glance at the two public relations officials present during our interview.

Arnold is looking ahead to the next deal. He says the club has explored ways to monetize a customer database with detailed information about 11 million fans. It's expanding its relationships with credit-card companies; Indonesia-based Bank Danamon, Korea's Shinhan Bank, and Malaysia's Public Bank already have credit cards bearing the United logo. The team is also renegotiating its contract with Nike, which currently gives Nike control over the productíon of ali United merchandise, whether its logo appears on it or not. Club insiders and industry experts say United may take back some of the merchandising operation and find its own manufacturers, leaving Nike or another sportswear firm to concentrate on the uniform. They also say manufacturers will be asked for a fee to have their logo on the team's jersey and other products, something that isn't in the Nike deal.

"Manchester United have grown... and that will reflect the price," says sponsorship expert Korman, whose firm's clients include Nike. "The greater the prestige of the brand, the greater their marketing team is able to go to the manufacturers and say, 'Look, this is what we believe the deal to be worth.'" Rest assured: It will be a lot. © — *With Tonyjordan, Siddharth Philip, and Sanat Vallikappen*

Fonte: Bloomberg Businessweek, New York, p. 96-99, 24 a 30 Oct 2011.