The Battle for Badges

The Football CollectiveNovember 1, 2016Business Management, Economics and

Finance, EuropeEdit"The Battle for Badges"

By Alex Bond, Dan Parnell and Paul Widdop

Football and competition are synonymous. Scan the terrain and conflict is everywhere, from Mourinho v Conte, Messi v Ronaldo, Germany v England, Everton v Liverpool, fans in the pub, fellas in their Sunday league teams or a random group of kids in the park with an hour to spare and ball to share – we – the football mass love competition – it's an embedded part of game. However, the (radical) commercial actors embedded in the game are also infatuated with competition, creating aggressive commercial competitiveness between players, clubs and leagues on a local and global scale.

Buying leadership

Chelsea FC recently became the second best commercial performer in the Premier League with a new £900m deal with Nike, representing an income of

£60m a year for the blues and a £30m a year increase on their previous deal with Adidas. Add this to their £57m a year shirt sponsor deal with Yokohama Rubber and you can see why Chelsea will be challenging for a top 4 place in commercial revenue across Europe. Therefore, it is understandable why Chelsea FC want lucrative commercial contracts, however it is not so clear why Nike (and Adidas) are willing to commit multiple millions (and in some cases billions) to secure kit manufacturing rights.

Looking back to look forward

The current domestic TV rights deal for the English Premier League, in the region of £5billion, has heightened scrutiny and discontent of fans and commentators alike. Among other factors inflating broadcast revenue, one main contributing factor is the competition between BskyB and BT to secure the domestic rights.

This fierce competition is mirrored in the present battle between Adidas and Nike to secure the kit manufacturing rights for football clubs. The competition between the two giant sportswear manufactures has caused similar radically inflated price tags.

Demand conflates the market

The most obvious rationale for this shirt battle is sales. Whilst it is relatively straightforward to measure shirts sales. When trying to calculate the overall quantitative elements of a return on investments are problematic, given the way sport brands report their sales accounts and their global reach through similar sponsorships.

However, last season Chelsea sold 1.65 million shirts, selling for around £50 and depending on their split they could profit £10-£15 million on replica shirts alone. Adding sales of other fashion garments this figure is likely to escalate rapidly – as football clubs look to capitalise on emerging markets, notably the global south.

Brand recognition

A more quantifiable motive is competitive advantage – until Nike secured Chelsea’s kit deal, Adidas had six of the top jersey selling clubs, with Nike only having three. Therefore, this is a strategic move to ensure they are not left behind its main competitor.

Similarly, Chelsea – behind Manchester United – are the only other English Premier League club with real global exposure and distribution possibilities (based on global shirt sales). For example, 76.9% of the Chelsea squad is made up of non-UK players, all bar one plays for the representative national team – not to mention names that are celebrity brands in themselves, namely Hazard, Costa, Courtios, Luiz and Oscar, who also akin to pop-stars and carry their own fan bases.

This paints a idealised world for the sports brand looking to invest, until sports brands, such as Adidas, lift their head up and consider the uncertain BREXIT implications on visas and finances for players such as Hazard, Costa, Fabregas – although this is a discussion for another day.

Brand loyalty

One of the most unique features of sport, which provides commercial organisations the biggest rationale for investing money, is the favourability fans express towards those brands who invest in their team.

The idea generally revolves around the fact fans 'love' their club, we have an emotional and psychological connection to them at least – this love and connectedness is transferred to the sponsoring brands. Whist this isn't always the case – take for example Newcastle United and Wonga– generally research shows fans have a more favourable attitude and likeliness to purchase sponsoring brands of our favourite team or athlete. This can be observed in the dizzy height of the Premier League, but also in other leagues in over the decades – for example, T-Mobile experienced increased profits when associated with Bryan Robsons West Brom of the 2004-05 season 'Great Escape' from relegation.

Beyond the team: looking within

This idea extends to all areas of commercialisation of football essentially. This concept has propelled the explosion of footballers being marketing instruments for corporations to create a brand image and hopefully shift more products. Not only for sport products such as Nike and Adidas, but literally any company in any industry.

Joe Hart and Head and Shoulders for example, or Gillette affinity with sport using top professional sports people – Lionel Messi amongst them. Indeed, this has led to sportsman becoming brands themselves, David Beckham *exemplum* – arguably bigger than some of the brands themselves – Forbes have him earning $50.6m a year in endorsements still at the age of 37 and effectively retired from sport. Not to mention Christiano Ronaldo and Lionel Messi earning $32m and $28m respectively.

The future of football

Given the money involved in the game, one would expect the so-called golden days of Gazza scoring for England and running to celebrate in a choreographed position in close proximity to an UMBRO or Carlsberg hoarding sign to be drifting away. But forget it. As global competitiveness and exposure for football continues to grow, expect brands to continue to ramp up the investments and to intensify competition. We will see this more frequently on and off the pitch, as brands become more heavily embedded in the economic and commercial game of capitalising on players and football clubs.

@AlBondSportBiz @parnell_daniel @fire_and_skill