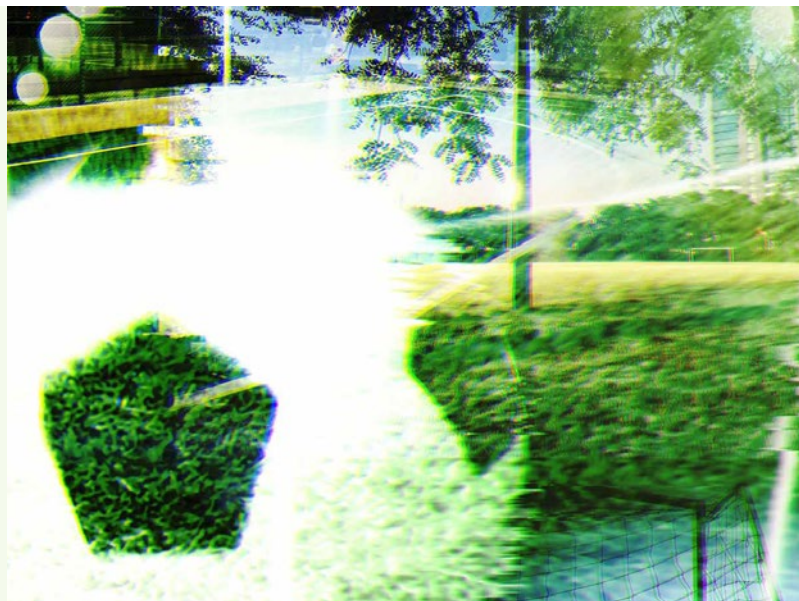


Interfering with play: the disruption of football



It's easy to see why people are sceptical when football clubs plead poverty. After all, theirs is a business which routinely pays top players millions every year. It can call on gate receipts and sponsorship, merchandising and prize money, stadium naming rights and corporate hospitality — the list goes on.

Then there's also recent headlines like Real Madrid becoming the first club to record €1 billion in revenue over a single season, or the many plans afoot for gleaming new stadia, from Aberdeen to Athens, Venice to Valencia. That's hardly the stuff of a sport in financial crisis is it?

But appearances can be deceptive.

The cold reality of football today is one of an industry in which revenue streams are changing. This may not be visible, or indeed widely understood yet, but the financial foundations of the beautiful game are slowly eroding — and the canary in the coalmine is the plateauing of TV revenues and their reduced importance as the primary source of funds for many clubs. How clubs grow and engage a large fan base — locally, nationally and further afield — is now fast-becoming their top financial priority.

Changing channels

For years, club owners and directors drew solace from the knowledge that lucrative TV deals could always be relied on. No longer.



The traditional model of linear pay for TV is finished... Football hasn't adapted to co-exist effectively with new platforms such as Netflix and Disney+."

LAURENT PRUD'HOMME
DIRECTOR GENERAL, OLYMPIQUE LYONNAIS

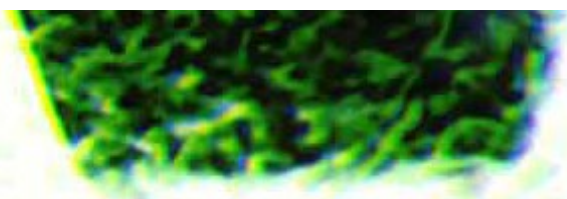
Unlike recent seasons, it is now clear that the domestic football product can no longer command the same price as before. "The primary challenge is that inflation in TV rights money has come to an end, except for the rights related to UEFA competitions," says Joseph Oughourlian, owner of RC Lens. "This will be a top line revenue problem for many clubs." Axel Hellmann, CEO of Eintracht Frankfurt, agrees. "It is a fragile media market," he says. "How to keep your revenue streams as stable as possible for the future is a big challenge."

Football now exists in a broader audio-visual ecosystem and can no longer view itself as a standalone product — a point we made in our recent article, [Moving the Goalposts: The new rules for football club CEOs](#), where we suggested that who is watching and how they're consuming 'product football' is changing.

Competition now extends beyond the pitch to demands for people's time and discretionary spending. But rather than simply competing head on with Netflix and others, football leaders should also focus on cooperation — they need to be able to collaborate with these platforms and offer them compelling, branded football content that will ultimately lead to fans/consumers/viewers spending more time and money with and at the football club.

For Laurent Prud'homme, director general of Olympique Lyonnais, this new reality is rooted in the sheer cost of different subscriptions — consumers have hit their limit, particularly when there is a multitude of other entertainment options available. "The traditional model of linear pay for TV is finished," he said. "Households are not prepared to pay 50–60 euros every month for a football bundle that doesn't include the series and programmes that other members of the family want to watch. Football hasn't adapted to co-exist effectively with new platforms such as Netflix and Disney+."

What are the underlying factors that have led to this new reality?



Consuming football differently

Noel Mooney, CEO of the Welsh Football Association, is not one for the comfort of the status quo. “I am still surprised that futsal never really took off; we talked about it a lot when I was head of strategy at UEFA,” he says. “I was convinced that NBA-style, or Cricket The Hundred-style football, would have been more successful. Ultimately football needs to be more consumer-driven and I wonder what other ideas the sport has in its locker...”

This is a key issue for the younger generation, according to Axel Hellmann. “Of course, they still love football, they love the event, but they also love highlights and short clips, and we have to react to that,” he says. “If we just assume that for the next 50 years’ we will have a concept of a 90-minute match with everybody sitting in front of a TV to watch it, then we will fail. We need to have different layers and approaches to give different generations what they want to consume.”

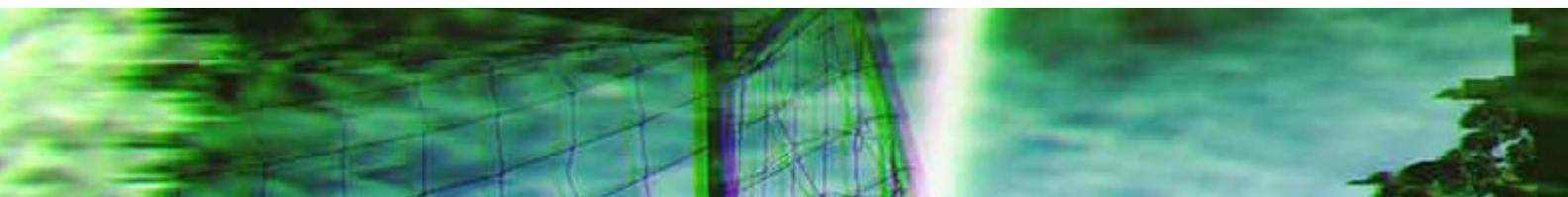


Football is one of the few areas in life where people are comfortable with businesses storing their data and even welcome regular communications from the club they support.”

MARK BULLINGHAM
CEO, ENGLAND'S FOOTBALL ASSOCIATION

Clubs and leagues must ensure that football becomes something that more people want to watch and engage with. Having a large and connected community is a pre-requisite to improved financial stability and performance.

The good news is that there are plenty of ways to achieve this, and many clubs across Europe are already innovating and introducing new ideas to turn this ambition into reality.



Innovation tactics

Charlton Athletic's Charlie Methven has completely bought into the viewpoint that resting on one's laurels is a sure-fire way to cede ground to competitors, both on and off the pitch. "When it comes to opportunities for growth, there is no one simple answer," he says. "But my ethos tends to be trying to run the club like a startup. You have ideas, you iterate on them, you try and scale the good ones that get some traction and kill quickly the ones that don't resonate. These are very old, well-established businesses, but they also desperately need energy and innovation."

Much like Charlton, Palermo Football Club enjoys strong links with its local community, but its CEO, Giovanni Gardini, is also taking an innovative approach to building and engaging a broader supporter base. "I am constantly trying to put the club on the map," he says. "We launched our new home strip in New York, then the away strip was unveiled

in Manchester, and only the third strip was announced in the city of Palermo itself."

Jacob Lauesen, CEO of FC Copenhagen, is another leader who is not shy of innovating across the club. He is seeking to maximise his club's revenue by moving away from season tickets and opting for subscriptions instead. "We are the first club in the world to create a subscription model instead of a season ticket," he says. "If you're not turning up to take your seat, we'll just take it back and sell it again at full price to someone else on our waiting list."

A season ticket is essentially a form of discounting and taking it back and selling it at full price allows FC Copenhagen to increase revenue. But this challenges traditional ways of thinking about football supporters, their relationship with the club and how clubs bring revenue in. The rest of the world has moved to cancel-at-any-time subscriptions, and there is no reason why football clubs should not move with the times.

Adopting this approach, though, requires a shift in mindset, and that's something which Axel Hellmann, CEO of Eintracht Frankfurt, has fully embraced. "We are not a football club anymore," he says. "We are a tech company with professional footballers. Data and artificial intelligence are a huge opportunity for revenue growth. If you already have the love and passion of your fans, the big question is how you use media and technology to create and optimise reach and engagement. This can then be monetised, leading to more funds to invest in the squad, meaning that everyone is happy."



We are the first club in the world to create a subscription model instead of a season ticket. If you're not turning up to take your seat, we'll just take it back and sell it again at full price to someone else on our waiting list."

JACOB LAESEN
CEO, FC COPENHAGEN

So, what do football leaders need to do now?

These initial examples demonstrate that real change is possible within the footballing fraternity. But what actions should CEOs and other senior leaders take to ensure that more clubs change their mindset, and embrace innovation more broadly?

Develop a deeper understanding of younger consumers.

Leaders in football must not assume that deep-rooted traditions will resonate with the next generation. Instead, they must find out what they like and seek to exceed their expectations — which is exactly what Charlie Methven sought to do when it came to upgrading his club’s corporate hospitality options. “At Charlton, we have tried to break the old hospitality product apart,” he says. “Young business owners in their 30s and 40s don’t necessarily want boxes and the same amount of space every week. They want to see and be seen, and to scale up and down the numbers of their guests as required. So rather than locking them into a paradigm they don’t want, we have to be more flexible.”

Champion digital, technology and data. The CEO of England’s Football Association, Mark Bullingham, points out that football is well placed to make digital progress. “Football is one of the few areas in life where people are comfortable with businesses storing their data and even welcome regular communications from the club they support,” he says. FC Copenhagen’s fans, for example, will provide insightful information about their personal choices and this can be hugely helpful in helping the club develop deeper relationships with its current and potential sponsors. “We have 7,000 people on what we call a ‘fan panel’ and we ask them about everything,” says Jacob Lauesen. “And we have full data set on 250,000 people. It becomes powerful when you connect the dots between what people actually do and all the answers to those different questionnaires.”

Improve governance and management. While ownership models vary, what is key for any successful transformation is the *relationship* between the executives overseeing the day-to-day running of the club and the financial equity holders, as well as the presence of new executives who have experience of disruption in other industries. As a director of Wrexham, and as someone who frequently interacts with the club’s film star owners, Shaun Harvey is well versed in this area, a topic we will explore in greater depth in the next article in this series. “The most important thing is the motivation of the owner, clarity around their objectives, and how aligned they are with the interests of the community from which the club takes its name,” he says.

A key underlying point is that it is good people and good ideas, rather than a specific ownership model, that makes the difference. Players not systems win games — now that’s one thing that has *not* been disrupted.



We are not a football club anymore. We are a tech company with professional footballers.”

AXEL HELLMANN
CEO, EINTRACHT FRANKFURT





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Authors

Aidan O'Brien (Paris)

