

Real Madrid Football Club: A New Model of Business Organization for Sports Clubs in Spain

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World soccer clubs, constrained by their inability to increase their income from their traditional businesses, have begun to adopt strategies to transform themselves into modern sports and media companies. Under the recent presidency of Florentino Pérez, the Spanish football club Real Madrid presents a good example of the application of this expanded vision. One of the fundamental pillars of this model has involved designing and implementing a new marketing strategy aimed at strengthening the value of the club's brand. The adoption of this model has resulted in a significant increase in income from marketing. Undeniably, in this area, Real Madrid has become the leader in world soccer.
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Real Madrid F.C. is a sports club with more than 100 years of history. During the 2000-2001 season, FIFA (*Fédération Internationale de Football Association*) named it the “best soccer team of the 20th century.” This distinction converts this Spanish club into a reference point in world soccer, and in sport generally. However, in recent years, attention to this entity has not been limited to the sporting domain. Its new management model, as well as the strategy it has deployed in economic aspects, has caught the attention of other teams, the economic press, and researchers in business management.

With regards to this aspect, perhaps the most noteworthy point has been the club's implementation of a management model that has transformed a traditional soccer club into a modern sports and media company. This model derives from the sports entertainment market developed in North

America. The key aspect of this conception resides in the idea that sports clubs can behave as brands, and the essential principle is to exploit the sponsorship plan and sale of products, together with the commercialization and sale of audio-visual and television rights of sporting events. In soccer, Manchester United in the United Kingdom was the pioneer in commercially exploiting its brand on an international level, and this strategy was highly successful in the 1990s. During the early years of the 21st century, however, Real Madrid has gained the position of “commercial leadership” within the world soccer market.

Thus, during the 1990s, the soccer industry has been transformed into a new business reality that has transformed the sport, converting it into one of the most profitable entertainment and leisure businesses around the world. Szymanski, an economist specialized in the football industry, estimated that globally the soccer industry generates \$170 billion per year. Indeed, this industry is growing in importance for the economies of developed European countries. For example, the total impact of the professional soccer sector on the Spanish economy exceeds \$9.6 billion, which represents approximately 1.7 percent of general GDP and 2.5 percent of the GDP of the services sector, according to the Spanish Professional Soccer League.

The adoption of a new business model in soccer clubs is linked to the existence of an evident crisis in the generation and growth of income. The soccer industry has traditionally been based on the exploitation of the sporting event. Currently, the generation of income from this source is very

restricted, since on the one hand, the stadium capacities are limited in terms of the number of spectators and the VIP boxes, and on the other, the market for audio-visual and TV rights is in decline internationally. Given this situation, sports clubs have been forced to think up new ways to exploit this business. Real Madrid, along with other sports clubs, has responded by acting at two levels. First, the club has tried to rationalize and improve the exploitation of its traditional businesses; and second, it has attempted to increase the value of its brand in order to generate new income from its exploitation.

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In the case of Real Madrid, the strategic transformation of the club is linked to the arrival of Florentino Pérez at the presidency in the year 2000. His main aim was to make the club the “top sports firm in Europe,” giving it economic stability, and turning it into a debt-free, profitable institution. The club’s new management strategy has been defined on the basis of the following pillars:

- *Restructure of the club’s internal organization.* Doing this has meant implementing a professionalized management structured into three broad areas: sporting, marketing, and corporate-economic. The club has also created an Office of the Presidency, with an Executive Director in charge.
- *Promotion of the “Real Madrid” brand image.* To do this, the club has tried to provide the brand with a worldwide renown, allowing it to be positioned in strategic markets.
- *Recovery of assets.* The club has recovered the management of a large number of assets that had

earlier been sold to other firms, resulting in a more coherent, planned, and rational management and exploitation. This has increased the value of these resources in recent seasons.

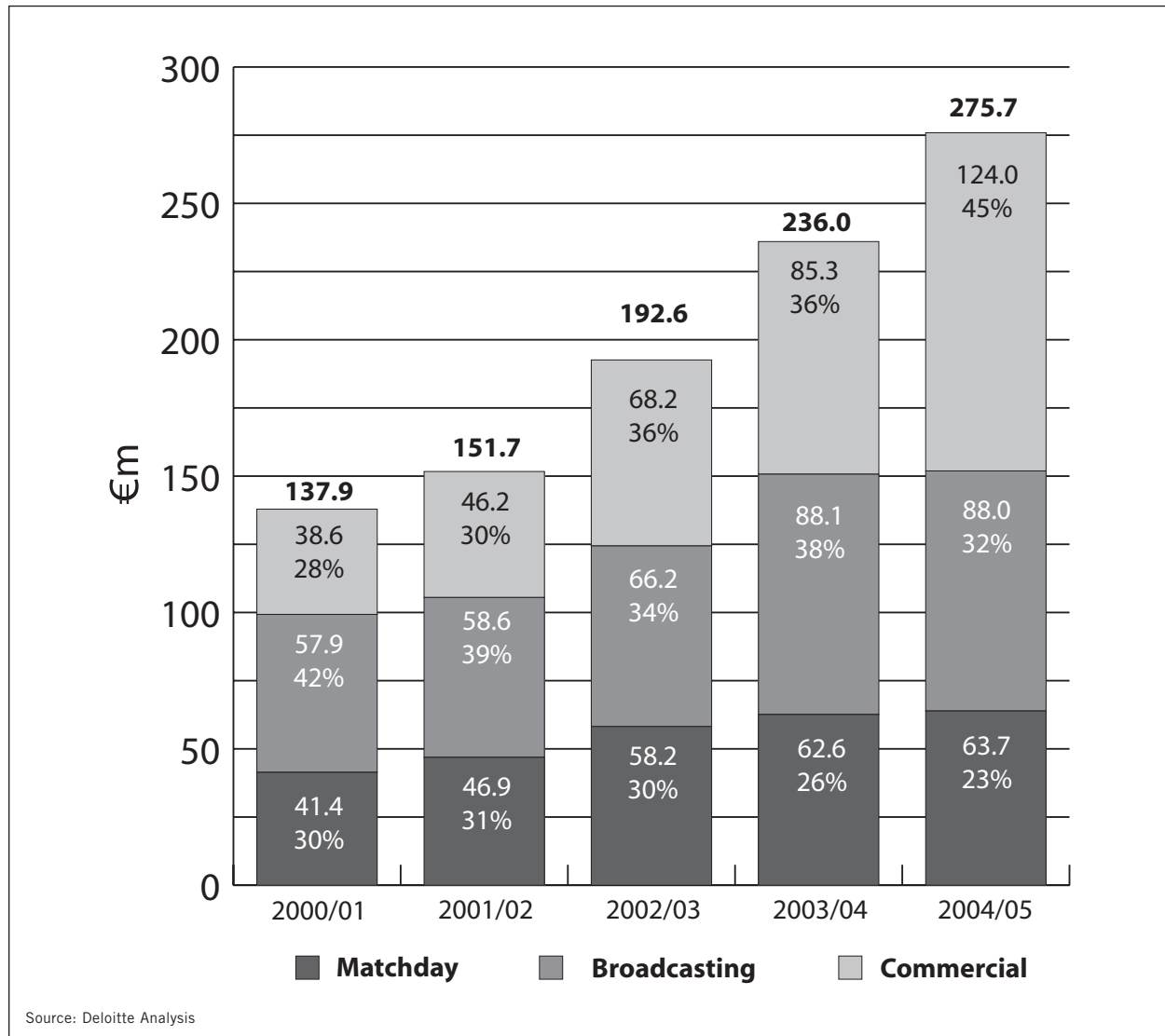
- *Development of new lines of business,* allowing the club to diversify its sources of income.
- *Transformation of followers and supporters into effective customers,* who because of their sentimental attachment to the club, increasingly and constantly demand products that associate and identify them with “their team.” For this reason, the club has launched a number of products with the “Real Madrid” brand onto the market. These have proved much more successful than was first expected. For sports brands, the customer’s link with the brand is not purely commercial; it goes beyond that, so that the level of identification and loyalty produced is much stronger than for other types of commercial product.

After implementing this strategy, Real Madrid has seen its income rise from \$165.48 million in the 2000-2001 season, to \$331 million in the 2004-2005 season (see **Exhibit 1**).¹

Transformation of the Club from 2000-2006 under the Presidency of Florentino Pérez

Real Madrid is a professional football club owned and run by its members. A sports club is a non-profit organization oriented to sport competition.² Members have the opportunity to vote in, and stand for, elections to determine the club president. Florentino Pérez became President of Real Madrid in the year 2000, after winning the election celebrated in July of that year. After becoming president of the club, he declared, “I want to make Real Madrid a perfect machine, not only for winning competitions, but also in the organizational sphere.” In spite of the sporting triumphs of the previous presidency (UEFA Champions League Cups in 1998 and 2000), various obscure issues had appeared in the management of the club. On the one hand, the debt was ballooning spectacularly (Florentino Pérez candidly

Exhibit 1. Evolution of Real Madrid Revenues



put the debt at around \$288.5 million), and on the other, instability reigned in the Board of Directors. The sports/corporate project was consequently undefined, gravely threatening the club's future.

In September 2000, Florentino Pérez presented his project for the club's future. It was founded on the following pillars: the formulation of a feasibility plan to wipe out the club's debt, in conjunction with

a proposal to sell land from the club's sports complex (the so-called "Sport City"), and the restructuring and professionalization of the organization in the three management areas—sporting, marketing, and corporate-economic-financial. After a full term of office in charge of the club (2000-2004), Florentino Pérez has fulfilled two of the fundamental objectives he set himself when becoming president of Real Madrid. First, he has managed to clear

the historic debt that had been weighing so heavily on the club's accounts. Second, the club's expansive marketing policy has managed to diversify the income, giving increasing weight to revenues coming from the marketing area. The club's specific commercial revenue totaled \$149 million during the 2004-2005 season, representing 45 percent of total revenue. The club's aim is for the income from marketing to continue to grow and to reach around 50 percent of the club's total income.

Description of the Club's Strategy

Real Madrid's strategy is founded fundamentally on three broad pillars (see **Exhibit 2**): the sporting, marketing, and social strategy. In any case, the club's entire strategic vision is focused on the basis of a two-fold objective: economic success and sporting success. However, within this model, the club considers it impossible to achieve sporting success without obtaining a good economic performance.

The club's entire strategic vision is focused on the basis of a two-fold objective: economic success and sporting success.

Firstly, it is important to note that the club's sporting strategy subordinated to the club's global strategic decisions. The sporting strategy is founded on two main courses of action: signing up soccer players with a significant media impact, and promoting the club's "nursery," that is, its young-players program. In signing up the world's best soccer players, apart from sporting quality the club obtains an important media impact, which can be exploited in the advertising market, enhancing their trade mark value. At the same time, Real Madrid aims to promote access to its "first team" for players coming up from its youth teams—players who conserve the club's values and identity.

With regard to Real Madrid's social strategy, this consists of three aspects: managing the club's members; the public image policy, articulated through its foundation; and promoting a model of peaceful behavior among its spectators, eliminating all violence.³ First, the club has a policy of information transparency with respect to its members, and of careful respect and protection of their rights. The members have responded by giving the institution an excellent evaluation. (The club reported that from a base of 82,000 members, 97 percent feel that they are well treated by their club.) Second, Real Madrid tries to transmit a friendly public image of solidarity and commitment to society fundamentally through its foundation. Currently, the club is UNICEF ambassador, and it programs and carries out activities of social integration and of an educational nature, and cooperates in a great variety of programs all around the world to raise funds to help alleviate natural disasters and other such tragedies. Finally, its conception of confrontation in soccer entertainment is limited purely to the field of play. This has led the club to establish a program of re-education and relocation of spectators that has dramatically reduced the number of violent acts occurring within the stadium.

Finally, with regard to the club's marketing strategy, Real Madrid's priority is to promote the exploitation of its brand, transforming its supporters into customers of its products and services. The club considers that the brand is "its best asset, and so it has become [the club's] best guarantee for the future." Exploitation of the brand is carried out as part of a commercial strategy that has been carefully designed and developed, in which the following aspects stand out:

- *Signing of strategic alliances* to collaborate with leading firms in different sectors. This allows value and synergies to be transferred between the associated brands.
- *Exploitation of the brand in emerging soccer markets.* The main emerging soccer markets are

Exhibit 2. Real Madrid's Strategic Pillars and Objectives



regarded as south-east Asia (China, Japan, and South Korea), the Arab world, and India. These markets are still practically unexplored, so capturing supporters in these areas will conceivably translate into high loyalty levels. In order to get this objective, Real Madrid has developed preseason International Tours, particularly in Asia.

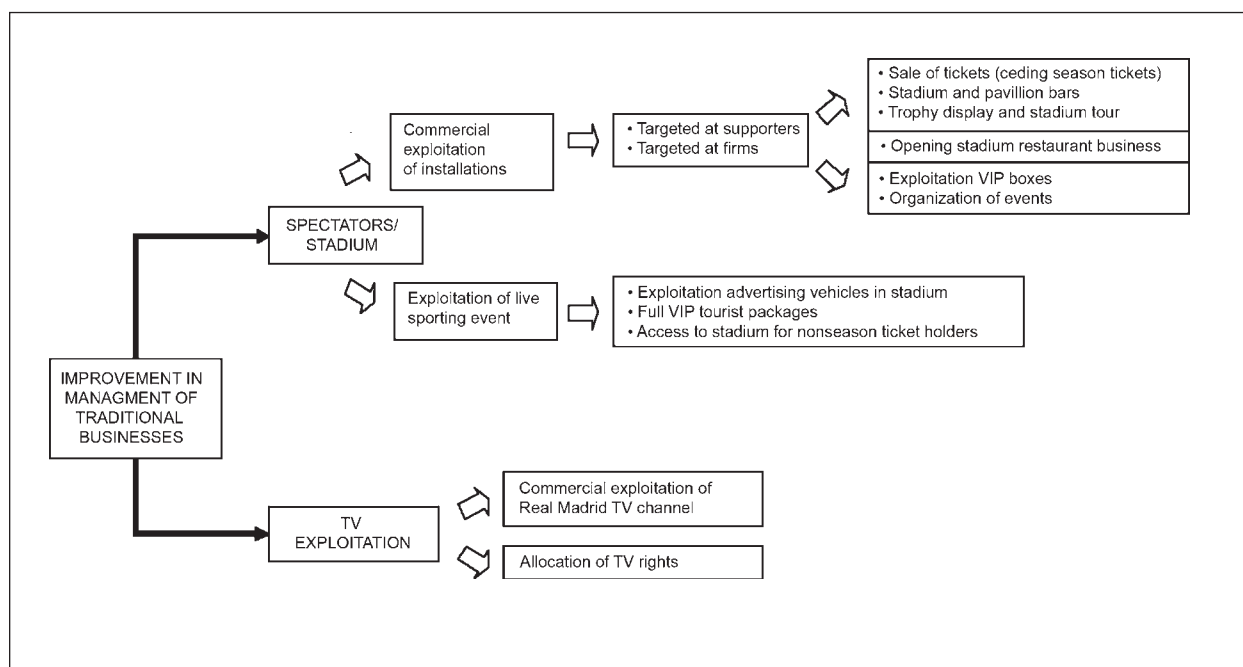
- *Use of a multichannel strategy to exploit the brand.* Real Madrid uses various channels, and it employs new technologies to help it carry out the exploitation of its brand.
- *Exploitation of soccer players' image rights in the advertising market.* This trend is expected to strengthen in coming seasons.
- *Loyalty scheme through the "Real Madrid Fan Card" (Carnet Madridista).* The club sees this medium as a means to maintain contact with its supporters, both nationally and internationally.

- *Licensing and franchising program* to sell products with the "Real Madrid" brand.

Evolution of the Club's Businesses

As we mentioned earlier, in soccer there is a clear distinction between two broad business lines: traditional businesses and brand-related businesses. Traditional businesses refers to the exploitation of the live sporting event, fundamentally managing the attendance at the stadium—spectators and VIP boxes—as well as the negotiation and sale of the television rights to the matches. On the other hand, a second group of businesses is associated with the exploitation of the brand, and largely involves an attempt to generate new sources of income by the institution. It is in this second aspect that Real Madrid has introduced new ways of operating that have increased and diversified the club's revenue sources.

Exhibit 3. Real Madrid's Traditional Businesses



Improving Management of Traditional Businesses

In the exploitation of the traditional business—that is, the sporting competitions in which the team participates—we can distinguish between two broad categories (see Exhibit 3): the exploitation of the installations where the matches take place, and the transmission of these matches via television.

In the year 2000, the club agreed to a plan to fully exploit the stadium. This plan has allowed it to noticeably increase its income from this source: revenues have risen from \$51 million in the 2000-2001 season to a forecast \$79.5 million for 2004-2005. This increasing income has not been funded by raising membership fees, but fundamentally from increases in revenues due to improved management of VIP areas. Naturally, exploitation of the stadium installations includes its use when sporting competitions are taking place. But the club also aims to extend commercial exploitation of the installations all year round, regardless of whether a competition is

taking place or not. Income is generated during live sporting events by the sale of tickets through various channels, services inside the stadium—bars, sale and hire of cushions, and of other consumable products—as well as the management of the commercialization and sale of the advertising mediums within the stadium—advertising hoardings, advertising on the video scoreboards, seats or press conference/interview displays. In this respect, Real Madrid's policy has been to buy back these assets, whose management had previously been sold to other companies, and to put a specialized and professionalized management in place for all of them. Moreover, the club has created all-inclusive tourist packages for VIP spectators that include, apart from the ticket to the match, other additional services (luxury accommodation, limousine service, and catering). Finally, Real Madrid tries to enable supporters without season tickets to attend matches, so it has limited the number of season tickets to 60,000, allowing approximately 20,000 occa-

sional visitors to attend each match. The reasoning behind this is that these spectators spend more on products and services carrying the “Real Madrid” brand.

With regard to the commercial exploitation of the installations outside of live sporting events, we can classify the club’s businesses as a function of the type of customer targeted. Thus, we can distinguish between businesses targeted at supporters, at firms, and at the public in general. In the businesses targeted at fans, the club organizes two types of tourist visits to its installations: the visit to the trophy room and the controlled tour of the stadium. During the 2002-2003 season, more than 400,000 people visited the trophy room at the stadium and more than 25,000 toured the stadium. An innovative service directed at season-ticket holders is to allow them to relinquish their “ticket” if they cannot attend a particular match. The club can then sell the season-ticket holder’s tickets in the ticket office, and the season-ticket holder benefits with a discount of 35 percent of the sum earned from the tickets sold when renewing his or her season ticket for the following season. The total profit from this service has amounted to more than \$180,000.

With regard to the services directed at firms, Real Madrid hires out its VIP boxes on match days and on any other day of the year, to facilitate all types of meeting and company events. With this objective, the club bought back the exploitation of the VIP boxes in the stadium, foreseeing that it would be able to raise the income from this source to levels seen in other large European soccer clubs. (The club estimated that net profits from exploiting these VIP boxes from the 2001-2002 season to the year 2009 could reach \$86.5 million.) As for those services targeting the general public, the club started building two restaurants inside the stadium during the 2002-2003 season, one of them thematic and the other a high-class restaurant targeted essentially at businesspeople.

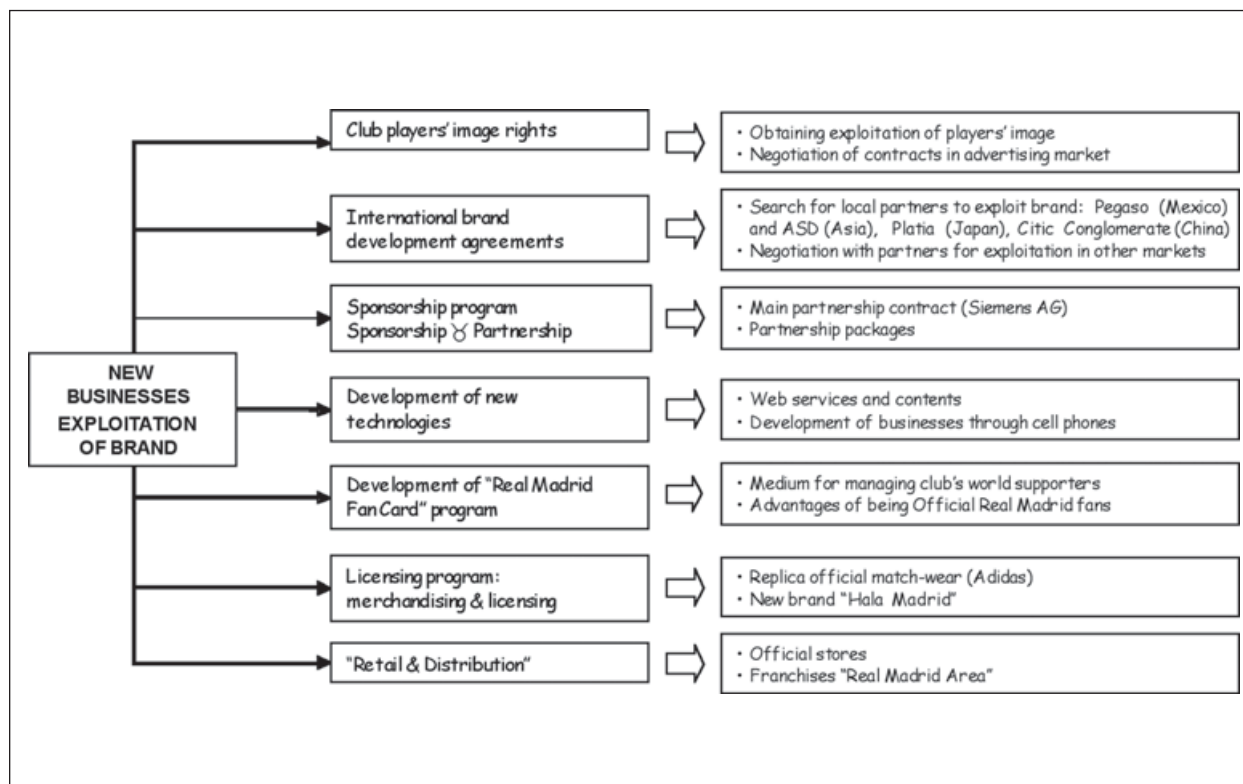
Apart from the diverse revenues from spectators attending the stadium to watch live matches, the transmission of matches on television means that competitions can reach a greater number of spectators, allowing the club to earn a return on the TV rights. Spanish soccer clubs sold the television rights of competitions to communications media companies; Real Madrid’s current deal with Sogecable is worth a reported \$65 million per season. Going further in this area, Real Madrid has launched a thematic television channel—“Real Madrid TV”—to exploit sporting contents. This channel is regarded as a strategic tool for content management within the club’s business model. In this respect, Real Madrid regained complete control of this channel in June 2003, and intends to make it the central platform for producing, packaging, and distributing content in the future, both nationally and internationally, as well as an important source of income generation. (Real Madrid estimated income from this source in 2004 was \$7.2 million, including subscriptions, advertising, international agreements and one-off sale of contents.)

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New Brand-exploitation-related Businesses

The businesses related to the exploitation of the brand have involved the exploitation of the merchandising rights, the rights to the image of the club and its players, and the rights to distribute content through the Internet and cell phones, both nationally and internationally. This strategy has allowed the club to increase its marketing income four-fold between 2000 and 2004, and the club made earnings of \$149 million in the 2004-2005 season. It has been Real Madrid’s ability to generate revenue from

Exhibit 4. Brand-exploitation Businesses



commercial sources that set it apart from its competitor's club. Real Madrid has designed new businesses that have become new sources of income, as we can see in Exhibit 4.

First, as we mentioned above, the club's sports strategy involves signing up major soccer stars with a huge media impact. Real Madrid has been a pioneer in exploiting the advertising dimension of the image of its most emblematic players, by negotiating advertising contracts with commercial firms.⁴ The club receives a stipulated percentage of the total amount of these agreements, allowing it to finance the purchase and transfer of these players. (According to specialized press, Real Madrid could recover David Beckham's transfer fee of \$42 million in just two or three years, and this only from the income of exploiting his image.)

Exploitation of the "Real Madrid" brand is not limited to Spain, where everyone is familiar with it: the club also aims to give the brand an international dimension. The club has an internal international business development team solely responsible for building international partnerships. With this objective, the club has designed a system of brand development agreements, through which the club negotiates exclusive contracts with local partners for a particular country or geographical area. The brand development agreement includes the signal for the Real Madrid TV channel, the local version of the Web page, Real Madrid's stores, and the exclusive sale of products licensed by the club. During the presidency of Pérez, Real Madrid signed agreements with Pegaso (2002) to exploit the brand in Mexico for \$7.2 million, with Asia Sport Development (ASD) (2003) for its exploitation in Asia with a value

of \$26–\$48 million, with Platia (2004) to exploit the brand in Japan for \$24 million, and with Citic Conglomerate (2005) for its exploitation in China.

With regard to the sponsorship agreements, Real Madrid has evolved from the concept of sponsorship—partners that act as sponsors—to a system based on partnership—partners that add complementary values to the brand by generating synergies between the institutions that allow them both to conquer strategic markets. In this line, Real Madrid has signed sponsorship agreements with firms that are leaders in their markets at the national and international level. The team's main sponsor is the German company Siemens IC Mobile. This agreement involves the sponsorship of the soccer team, which carries the firm's advertising on the kit the players wear during matches, plus the development of joint businesses together, with Siemens providing the technological know-how and Real Madrid the contents. The Siemens shirt sponsorship is worth an estimated \$17 million. Real Madrid has recently negotiated an improved shirt sponsorship deal with telecommunications company BenQ, worth a reported \$24–\$30 million a season for four seasons from 2006–2007 onward. Apart from this main sponsorship agreement, Real Madrid has designed secondary packages consisting of sets of rights involving all the club's advertising vehicles. These provide huge exposure to brands associated with Real Madrid. (During the 2000–2001 season, Real Madrid signed contracts with other firms, such as Mahou, Sanitas, Pepsico, and Altadis. In 2002–2003, Audi became the club's official sponsor for three years. The club's estimate of its revenues from the whole sponsorship program is \$11 million.) The current operation of these sponsorship agreements represents an important source of income for the club, which is estimated to be approximately \$24 million per year.

Using new technologies is an important way of exploiting the brand. Real Madrid aims to design a model allowing it to relate to its supporters with-

out any type of barrier or limitation. For this purpose, it will use a multichannel strategy to exploit its brand. The club is putting particular emphasis on the use of the new Internet-based technologies, for which it aims to promote its Web page as a channel to provide information and encourage the online sale of products. (The Real Madrid Web page was the sector leader, both in terms of page views [250 million] and number of unique visitors [18 million], during the 2003–2004 season. The gross sales from the club's online store reached \$720,000 during the 2002–2003 season). On the other hand, transmitting content to cell phones is the other key aspect with regard to the new technologies. To achieve this objective, Real Madrid has signed an agreement with the telecom firm Telefónica, which provides the technology, communications, know-how, and resources to package content through various channels that can then be transmitted to the fans.

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Real Madrid has designed a mechanism to strengthen fans' loyalty: the "Real Madrid Fan Card." The aim of this card, launched in September 2001, is to be a medium for managing the club's supporters in Spain and around the world. The club estimates that it has 15 million supporters in Spain, and around the world the figure is approximately 70 million, thereby creating value from their feeling of being Real Madrid fans. Cardholders enjoy the position of being "official Real Madrid fans," with a free subscription to the magazine *Hala Madrid* (roughly, "Come on Madrid!"), discounts in stores, and club products, as well as priority when acquiring match tickets. According to club sources, the card currently generates income of approximately

\$7.2 million. The club has carried out studies that estimate the number of potential cardholders at 1 million individuals, which would generate market revenues of around \$36 million. During the 2003-2004 season, the club attained 300,000 signed-up cardholders.

One of the businesses that has been most heavily promoted within the new marketing area has been the direct sales of products, as well as a product-licensing program. First, sales of the soccer team's shirts—copies of the one used by the first team during matches—have grown exponentially during recent seasons. The sales figure from the official Real Madrid store during 2000-2001 rose by 35 percent. The club sold 500,000 shirts with the names of Figo, Raúl, and Roberto Carlos alone, for an estimated figure, according to the specialized press, of \$39.7 million. On the day when Beckham was officially presented as a Real Madrid player, the club sold 8,000 shirts, earning it \$750,000. This privileged situation has allowed Real Madrid to renegotiate and increase the value of its contracts with sports brands. Second, with regard to the product licensing program, the club follows a strategy of customer segmentation. It has developed the separate brand *Hala Madrid*, to reach other markets apart from those of the official match-wear, with three fundamental differences: price, quality, and alternative distribution channels. Finally, the club has established a licensing program at the national and international level for licensed products. The club earns a minimum guaranteed amount plus royalties in function of sales. Real Madrid has more than 75 official licensees manufacturing more than 700 products of all types under the "Real Madrid" brand.

The distribution and commercialization of Real Madrid products is the final category of new businesses concerns. The club uses two types of establishment to sell its products: official club stores and franchises. At present, Real Madrid has three

official stores selling its products within the Region of Madrid. Likewise, the club has designed a project to operate franchises, which began in 2002 with the setting up of a master franchise in Madrid. This project has two phases. In the first, the focus is on expanding at the national level, and in the second, the club hopes to take the business to countries all around the world. The club has received more than 1,500 requests to open stores, both in Spain and abroad. We should mention that the commercialization strategy is multichannel, trying to push sales through various distribution channels—mail-order, telesales, Internet. This new strategy has helped Real Madrid's income from distribution, merchandise, and licenses of the brand to increase from \$27 million on the balance sheet of the 2000-2001 season, to a projected \$77 million for 2004-2005.

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As a result of this strategy, Commercial revenues have increased by \$102.5 million between 2000-2001 and 2004-2005, a compound annual growth rate of 34 percent. In the 2004-2005 season, merchandising and licensing contributed the largest proportion (44 percent) of the club's commercial revenues at \$65 million. The remainder is derived from sponsorship and advertising (\$55 million), stadium tours and conferencing (\$8.6 million), and other marketing sources (\$20 million).

Conclusions: Managerial Implications of the Real Madrid Experience

There has been an important crisis in recent years in the soccer industry, leading many clubs to transform themselves into companies dedicated to

sports entertainment. The ensuing adjustments required economic and sporting success to be compatible. In this sense, eight of the nine richest clubs in Europe played against each other in the quarterfinals of the UEFA Champions League in the 2003-2004 seasons. Real Madrid is becoming a clear reference point for this new business model. The club has shown that there are several ways to establish a relation between both types of success, and the brand has become a key element for this. Indeed, the club's entire strategy is subordinated to achieving the objective of creating a debt-free, profitable firm. Even the sporting strategy of the team could conceivably take second place to this basic objective.

The Real Madrid F.C. case is a good example of an organization that has been successful in developing a valuable resource, its brand. This resource has been the key for developing a new strategy that has been able to promote and exploit it. The trade name of the club is the result of the whole compilation of the club's resources: past and current players, corporate culture, and the tradition of success that Real Madrid has developed throughout its history. Real Madrid's brand was valuable in the past, but Florentino Pérez's main contributions in 2000-2006 have been both to confirm the Real Madrid brand value, providing it with increasing value, and to find new and profitable ways to exploit it. This strategy has allowed Real Madrid to attain a competitive advantage over other European clubs, making the growth and diversification of the club possible around the sports event.

Although the results of Real Madrid's last seasons have not been as good as expected, this club has been very successful in the development of its commercial/marketing strategy, enabling it to reach a leading position among the richest clubs in Europe, doubling its income in a four-year period. Real Madrid's incredible capacity for marketing income generation from sponsorship, licensing, and merchandising programs has put it in a differ-

ential position compared with the rest of the European clubs,⁵ giving it an important competitive advantage. Thus, one of the fundamental pillars upon which the club's management is based is its marketing strategy, whose objective is to exploit the "Real Madrid" brand and its strategic sport assets in all possible markets, attempting to generate loyal supporters/customers all around the world. Having identified the brand as a key asset, the club has built the "content" in order to develop a product that people from around the world can identify with and ultimately buy. Real Madrid has set for itself the aim of enhancing its value, so that the brand has real market value, with the objective of converting it into one of the most powerful brands in world sports.⁶

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Players can be considered as a specific sort of resource in a sports club. They must be considered as strategic assets (Amit and Schoemaker, 1993; Barney, 1991). In this category, it is possible to differentiate two kinds of football players: firstly, players like Raul or Casillas (developed in Real Madrid's nursery) that are long-term resources, whereas players such as Beckham, Ronaldo, or Zinedine Zidane (signed up when they were already famous world football players) that are short-term resources. Although both kinds of resources are scarce in the market and fulfill the consumer demand, the former can be considered as specific to the Real, whereas the latter are not specific. The specificity refers to the value of a resource in alternative uses (in this case, sports clubs) and determines the distribution of profits among players and clubs. The wages and incentives are affected by these specific characteristics. Nevertheless, in the last instance, the brand name depends on the value of these strategic sport

resources and their performance. In this respect, sport results determine, in the long run, brand name success.⁷

One of the objectives of this brand exploitation model is to reduce the level of uncertainty, although that may appear paradoxical.

We should not, however, forget that the club's capacity to generate revenues is determined by the team's success on the soccer field. This decisive aspect is associated with the club's capacity to acquire, sign up, and keep the best players on its books, as these players are resources that are the basis for building capabilities. Furthermore, soccer stars are a scarce resource; they are professionals that have all the ingredients to allow them to be considered as strategic assets. Consequently, acquiring these soccer resources—a highly qualified professional staff—can only be done at extremely high costs and relying on the club's healthy finances. To accomplish this objective, it is fundamental for the club to achieve an adequate financial balance, forcing the institution to constantly explore new income sources, something which the club can achieve through diverse and various means, with the enhancement in value of the "Real Madrid" brand proving to be the most effective. Its high market value has enabled the club to generate substantial revenues, allowing it to position itself appropriately in the market, while competing successfully at an international level in the struggle among clubs to sign up the world's best soccer players.

The relation between sports results and economic performance is another aspect that we should mention, due to its high correlation and importance. We must accept that the soccer industry is based on a game, and consequently a substantial random component is inherent to it. A high

degree of uncertainty is clearly present in the activity, as there exists a factor as critical and unmanageable as the result of the match, which can, however, decisively condition the firm's economic performance. The club's executives and managers cannot possibly control the chance factor. However, one of the objectives of this brand exploitation model is to reduce the level of uncertainty, although that may appear paradoxical. José Ángel Sánchez, marketing area director of Real Madrid, explains this with a graphic example: "Ferrari went twenty-one years without winning the World Championship and yet the public continued to regard the Italian company as the world's greatest automobile brand." Thus, Real Madrid's strategy has been to continue consolidating its brand as a symbol of prestige, excellence, and leadership, allowing it to generate a solid source of revenues to finance the team with some independence from the sporting results that the team might obtain.

Nevertheless, recent events in Real Madrid, especially Mr. Pérez's resignation in February 2006, seem to suggest some limits on model validity and the existence of a possible gap between sports entertainment and brand management. Real Madrid's strategy is therefore conditioned by its nonprofit character and members' capacity to elect the president. These members have shown major concern about the last season's sports results, and could deny their support to the club's management if performance is not according to their expectations. This discussion suggests that in this kind of organization, equilibrium between sports and economic results is a key issue that should be carefully managed.

Finally, we believe that this work opens important future research lines in order to analyze organizational excellence comparing Real Madrid with other important European football clubs (Manchester United, Juventus, Bayern Munchen) or sports organizations with brand strategy

(Roland Garros and ATP, and U.S. franchises NBA, MLB, NFL, and NHL). We think that these future development lines could involve interesting discussions for managers and perhaps researchers in management and marketing.⁸

Notes

1. Matchday income is largely derived from gate receipts (including season tickets and memberships). Broadcast income includes revenue from television and radio and from both domestic and international competitions. Commercial income includes sponsorship (mainly derived from brand-name placement on team shirts and around the stadium), conference, catering, and merchandising (Deloitte, 2006).

2. Spanish professional football clubs were transformed into Sporting companies according to Spanish Sport entities law. Nevertheless, considering their specific characteristics, some entities could maintain the former legal status of professional Football clubs like Real Madrid and Futbol Club Barcelona. That situation is quite particular in Spain, because most of European football clubs are profit organizations and some of them, like Manchester United in England and S.S. Lazio in Italy, are quoted.

3. Today, government and nonprofit organizations use the name of social marketing to address several social issues. Social marketing seeks to influence social behaviors, pursuing benefit to the target audience and the general society. Social marketing is based in the same marketing principles used to sell products to consumers, but oriented to “sell” ideas, attitudes, and behaviors.

4. The traditional way of managing soccer players’ image rights was to create a company through which advertising campaigns were negotiated and implemented. After the arrival of Florentino Pérez, Real Madrid, with its huge commercial apparatus, has become responsible for approaching and negotiating with large commercial brands. Real Madrid pioneered this system in Spain, with Figo being the first player to cede his image rights to the club. The soccer players signed subsequently, football stars Zinedine Zidane, Ronaldo, and Beckham, have followed the same process.

5. Most European clubs’ strategy consists of improving their incomes through increases in their incomes from TV

contracts with media companies (Italy and France) and increasing stadium capacity (England).

6. According to the brand consultants Landor Associates, Florentino Pérez has created the most powerful global brand among sports teams. In the words of Manuel Redondo, the Presidency Manager: “...With regards to sports brands, only Nike is more economically valuable than the “Real Madrid” brand. But that brand is more localized in the North American market.”

7. We are grateful to this comment from an anonymous reviewer.

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