

University of California Irvine

Foundations of Marketing (BANA 205)
Case Study Assignment - Real Madrid

Section A Team 8

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Case Context

What:

In this case our group plans to analyze some of the key marketing components of Real Madrid Club de Fútbol. Through this analysis we plan on delivering a comprehensive look at Real Madrid's current marketing situation (context), pertinent issues affecting growth, potential solutions and our evidence based recommendation. The factors that will be touched on throughout this study include Real Madrid's current revenue streams, brand identity, brand equity, primary expenses, distinct competencies and STP strategy (segmentation, targeting and positioning).

While the timing of this business context is set in 2004, many of the key marketing components to be discussed will be set in Real Madrid's current situation. Given many of the unique factors that are relevant in 2021 (sustainability, COVID-19, etc.) we felt that it was vital to include modern day analysis into the case study. Some key developments that have occurred since 2004 include:

- Real Madrid no longer commands a stronger and deeper roster of players than the other clubs compared to 15 years ago.
- Financial reports indicate significant financial losses by Real Madrid TV and Real Madrid's Euro Basketball Team
- A recent stadium redevelopment effort (costing €575 million) has been underway for 2 years and has slowed due to COVID-19. Loan principal is to be repaid in 26 years
- Redevelopment will not boost ticket revenue or capacity but only add a hotel and retail space
- The coach of Real Madrid, Zidane admitted that financial considerations forced the club to sell a promising player, Achraf Hakimi for just 40 million euros.

Deliverables:

- A full case write-up including 8 of 9 steps of The Case Study Methodology
 - Major areas of focus include:
 - Diagnosis
 - Alternative Solutions
 - Evaluation
 - Choice of solution
 - Implementation
- Multiple Models graphically displaying Real Madrid's business context
 - SWOT Analysis

- PESTLE Analysis
- Porter's Five Forces
- Perceptual Map of Industry Competition
- A financial model composed of:
 - Forecasted Annual Reports
 - Projections for proposed solutions
 - Average growth rates
- Models Displaying our alternative solutions and implementation strategies

Why:

While ordinarily many case studies analyze one prevalent issue faced by an organization, Real Madrid's situation is seemingly different. Real Madrid (at face value) seems to be largely successful in their industry and widely regarded as the most valuable and successful franchises in European Soccer. Despite this, a case study focused around Real Madrid still retains a significant amount of value for a variety of reasons. Firstly, despite their success, (like any organization) Real Madrid still faces a variety of challenges that can limit their growth potential. Unique solutions that tackle these challenges are necessary to ensure an organization retains market share, brand equity and positive organic growth. Secondly, Real Madrid acts as a model for many other businesses (both athletic or not) on how to successfully use your operational successes, brand identity, and asset deployment to develop an internationally successful organization. Finally, this case will test our group's ability to effectively analyze an organization's environment, identify emerging and existing issues, and finally to compare potential solutions. Ultimately, Real Madrid's case study gives the opportunity to employ critical marketing principles in a real-life context.

Case Comprehension:

Components of Real Madrid's Brand (Identity, Equity):

- Real Madrid's Identity
 - Offering 119 years of history, impressive team record, influential players and managerial success (Real Madrid/FC Barcelona won $\frac{2}{3}$ of the national championships and 39% of league cup)
 - Regarded as the most successful and prosperous football clubs ever
 - Real Madrid's fans are the owners of the club
 - Due paying members called 'Socios' retain voting rights for many club operations including selection of the president

- According to Perez (club president) Real Madrid has a variety of values including: prestige, effort, majesty and leadership
 - Real Madrid is “transmitted from father to son” and has a “sense of sacrifice”
- Known for attracting some of the best super stars: Raul, Figo, Zidane etc.
- Equity Components
 - Offering multiple streams of “premium content that offers the possibility of recurrent revenues...” (Knoop et. al , 11)
 - Specialized publishing (Fan Cards and “Hala Madrid” Magazines Subscriptions)
 - Audiovisual rights
 - Video games and interactive applications
 - Merchandising and official products (world-wide Real Madrid Stores)
 - Real Madrid Television Station (in 2004 it was the most popular pay-per-view offering in Spain)
 - RealMadrid.com was projected to have 18 million page views per month
 - Real Madrid ‘Card Holders’
 - Yearly subscription service that offers magazine subscriptions, raffle entry, discounts in participating retailers and Real Madrid Stores
 - Real Madrid developed the “Sociedad Mixta ” as a marketing centric entity to support merchandising and licensing, international expansion, and new technology development

Industry Analysis of Soccer:

- The Union of European Football Association’s biggest tournament was the “Champions League”
 - European teams negotiate their own marketing rights where they independently established prices, market games and implement strategies (free market)
- In 2003 80% of Spanish men were fans of soccer compared to 28% of women
 - 60% of soccer fans in Spain followed Real Madrid with 30% of their spectating demographic being women

Real Madrid’s Organization:

- Implemented four key brand value drivers in 2004

- Size of audience, frequency and commitment of the audience's engagement, characteristics of the audience and linking the brand and audience
- Key tactics that ensured team and organizational success
 - Attracting and retaining star players was the primary objective
 - Give Real Madrid the finances to acquire talent and expand its reach
 - Leverage the Real Madrid Brand across a variety of channels
- Real Madrid's Marketing Financials
 - Marketing related revenue was forecasted to increase from €39 million in 2001 to €83 million in 2003 to €142 million in 2005
 - 33% from sponsorship and image rights, 61% from merchandising and 5% from new tech and international development
 - Marketing accounted for 36% of turnover, competitions accounted for 8%, match-day revenues were 27% and TV rights accounted for 55%
 - In 2003 Real Madrid had a budget of €293 million and personnel costs accounted for 75% of the club's budgeted expenses
- Real Madrid's Marketing Strategy/Circumstances
 - U.S Expansion Strategy (set out by Perez):
 - Take advantage of the club's increased global brand equity
 - Capitalize on the club's assets by generating returns in the U.S market
 - Create a cycle in which economic returns strengthen the brand
 - Deploy assets to establish a foundation on a grass-roots level
 - Initiatives to support international expansion:
 - Content development (training videos, cartoon series, and highlight packages)
 - Fan loyalty generation (sponsorships, youth organizations, competition)
 - Development of intangible assets (lectures, soccer academies, etc.)
 - Asset deployment (merchandising, licensing and distribution)
 - Real Madrid's goal is to develop a "one-on-one" relationship with each fan

Contextual Summary:

Real Madrid offers one of the most established and recognized brand images in sports. Backed by a long history of team success, Real Madrid acts as the gold standard for the entirety of European Soccer. Real Madrid combines unique characteristics like fan ownership, a variety of marketing channels, and guiding principles (prestige, effort, majesty, leadership) to establish a consistently positive identity. By profiling their brand image on a variety of established touch

points (owned TV, internet, international retail, promotional memberships and grassroots inspired marketing) Real Madrid is actively achieving their goal of developing a one-on-one relationship with many of their fans.

Despite their successes, Real Madrid continues to have significant growth potential. With over 60% of Spain’s population being fans, Real Madrid hasn’t reached their full potential within the female demographic. To acquire fans both locally and internationally, Real Madrid has employed a variety of tactics to achieve their overall goal of “becoming the best soccer club ever”. These tactics include deploying existing assets while continuing to develop new ones, generate increased fan loyalty and develop enticing content.

Within the Real Madrid organization, many positive steps have been taken to increase efficiency and brand equity. With an impressive mix of revenue streams Real Madrid (both in 2004 and 2021) shows impressive projections for sustainable growth. These revenue streams will be bolstered by Perez’s value driving activities including size of audience, audience engagement, characteristics of the audience and linking the brand and audience.

Situation Analysis

SWOT Analysis

		Usually Positive	Usually Negative
		Strengths	Weaknesses
Internal		<ol style="list-style-type: none"> 1) Significantly strong team 2) Best brand equity in the world of soccer 3) The Santiago Bernabeu stadium which can hold 80000 spectators 4) Sponsors like Adidas, Siemens, bwin.com, Coca Cola 5) One of the richest clubs in term of revenue 6) Extremely loyal fan base 7) Successful track record of both launching new products 8) High margins on merchandise 9) First mover advantage in a number of un-catered markets. 	<ol style="list-style-type: none"> 1) Controversies in soccer matches and off-field player behaviour 2) Despite having a galaxy of stars, they very often don't win the matches they are expected to win 3) The organization culture is dominated by turf wars leading to managers keeping information close to their chests.
		Opportunities	Threats
External		<ol style="list-style-type: none"> 1) Tapping global fan bases like India, China, the US etc. due to reducing cost of market entry 2) Advertising and brand visibility can help build the brand equity 3) Changing technology landscape (AI and Machine Learning) 4) Increase in consumer disposable income 5) Growing market size and evolving preferences of consumers 	<ol style="list-style-type: none"> 1) Other top clubs like PSG and Bayern Munich buying out good players 2) Internal problems between the players and the management 3) Financial debts incurred due to expensive player transfers 4) Culture of sticky prices in the industry 5) Increasing bargaining power of buyers 6) Squeezing middle class in developed and developing countries

Real Madrid Marketing Strategy

From 2009 to 2020, the real average growth rate of marketing revenue was 8% and the adjusted average growth rate was 9% (Adjusted growth rate excluded FY2020 since COVID made a strong impact on profitability in FY2020). In the below graph we can see the revenue generated by Real Madrid from marketing for the last few years and a simple projection on 2021-2023.

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/2019	2019/20	2020-2021	2021-2022	2022-2023(Normal)	2022-2023(Bull)	2022-2023(Bear)
Operating Income												
Membership fees, ticket sales, and other Stadium revenue	146,000	151,000	155,000	172,000	173,000	173,372	126,297	10,000	138,698	155,000	173,372	125,574
YoY Growth Rate	-1%	3%	3%	11%	1%	0%	-27%	-92%	1287%	12%	25%	-9%
international and Friendly Matches	70,000	50,000	85,000	82,000	105,000	113,593	105,547	110,000	119,176	129,118	139,883	110,000
YoY Growth Rate	40%	-29%	70%	-4%	28%	8%	-7%	4%	8%	8%	17%	-8%
Broadcasting	156,861	161,861	162,861	158,861	174,861	172,991	148,570	150,000	152,100	154,229	174,861	165,000
YoY Growth Rate	-2%	3%	1%	-2%	10%	-1%	-14%	1%	1%	1%	15%	8%
Marketing	175,000	213,000	215,000	260,000	296,000	295,172	312,105	298,000	325,626	355,813	374,470	298,000
YoY Growth Rate	9%	22%	1%	21%	14%	0%	6%	-5%	9%	9%	15%	-8%
Work Carried out for assets	1,474	1,474	1,474	1,474	1,474	1,474	1,002	808	1,474	1,474	1,474	1,474
YoY Growth Rate												
Other operating income	473	473	473	473	473	473	21,155	84,000	473	473	473	473
YoY Growth Rate												
Other capital grants	192	192	192	192	192	192	192	192	192	192	192	192
YoY Growth Rate												
Total operating income	550,000	578,000	620,000	675,000	751,000	757,267	714,868	653,000	737,739	796,299	864,725	700,713
YoY Growth Rate	6%	5%	7%	9%	11%	1%	-6%	-9%	13%	8%	17%	-5%

In the graph below, we highlight the major revenue drivers with yellow highlighter and cost drivers with green highlighter.

Income Statement For the Year Ended June 30, 2020					
Thousand (Euro)	2019-2020		2018-2019		% change YoY
Revenue					
Membership fees, ticket sales, and other Stadium revenue	126,297	18.2%	173,372	23.0%	-27.2%
international and Friendly Matches	105,574	15.2%	113,593	15.0%	-7.1%
Broadcasting	148,570	21.5%	172,991	22.9%	-14.1%
Marketing	312,105	45.1%	295,172	39.1%	5.7%
	692,546		755,128		-8.3%
Other Incomes					
Work Carried out for assets	1,002	0.7%	1,474	2.7%	-32.0%
Other operating income	21,155	14.2%	473	0.9%	4372.5%
Other capital grants	192	0.1%	192	0.4%	0.0%
Impairment, gains on disposal of non-current assets and other gains	126,792	85.0%	52,170	96.1%	143.0%
Operating Income	149,141		54,309		174.6%
Finance Income	4,072		795		
Finance expenses	(2,619)		(1,599)		
Net Finance income	1,453		(804)		280.7%
Total Income	843,140		808,633		
Expenses					
Supplies	(21,543)	2.6%	(24,305)	3.2%	-11.4%
Player and other personnel expenses	(411,043)	48.8%	(394,221)	51.2%	4.3%
Other operating expenses	(232,200)	27.6%	(214,564)	27.9%	8.2%
Depreciation and amortization	(176,503)	20.9%	(122,061)	15.8%	44.6%
Income tax	(1,538)	0.2%	(15,088)	2.0%	-89.8%
Total Expenses	(842,827)		(770,239)		9.4%
Profit	313		38,394		-99.2%
EBITA	175,735		173,944		1.0%

Marketing Mix Framework (7 Ps):

Product Strategy

Real Madrid has always prided itself on buying the very best players in the world. They usually spend very highly in the transfer market and buy marquee players regularly to show off their buying power. Some of the players they have bought include Cristiano Ronaldo, David Beckham, Gareth Bale among others. Real Madrid's managers are also extremely famous in the world of soccer with such famous names as Jose Mourinho, Rafa Benitez, Carlo Ancelotti etc. having managed the club in the past. The home stadium of Real Madrid is one of the most famous stadiums in the world.

Price/Pricing Strategy

Real Madrid's jersey partner is Adidas and its jerseys are extremely expensive and cost between \$20 and \$200. The jersey of a starting 11 player can cost \$500 or even more. Real Madrid has one of the highest ticket prices in the world. The costliest tickets sell for around £1500 and the cheapest tickets cost around £30 pounds. It also has huge membership fees for its members and follows a premium pricing model overall.

Place & Distribution Strategy

Real Madrid is based in Madrid, the capital city of Spain. Its stadium is the famous Santiago Bernabeu. It also has fans all over the world. Real Madrid's matches are broadcasted in more than 50 countries. Its website and social presence is also quite prominent and it is one of the most followed clubs on social media.

Promotion & Advertising Strategy

Real Madrid mainly promotes itself through global broadcasts of all its matches and club events. Its promotion is mainly through its several club sponsors and partners which include Adidas, Fly Emirates among others. Real Madrid also has a very strong social media presence. Another way Real Madrid promotes itself is through the social media accounts of its players.

People

The main stakeholders involved in the club are the players, the coaches, the staff, the manager, the fans and the higher management. Real Madrid has always had an extremely good compensation structure with the best benefit policies. Their highest earner, Eden Hazard earns in excess of \$500,000 per week. The manager, coaches and the staff also are the best in the business and are paid highly too.

Process

Real Madrid is well known for its organisation. They follow a methodological approach to practice sessions and fitness. They also try to make their fan engagement process very simple.

Physical Evidence

The biggest and most prominent physical evidence of the club is the Santiago Bernabeu stadium which has a capacity of more than 80,000 people. It is one of the best furnished stadiums in the world. The club owned stores and offices are also premiumly designed.

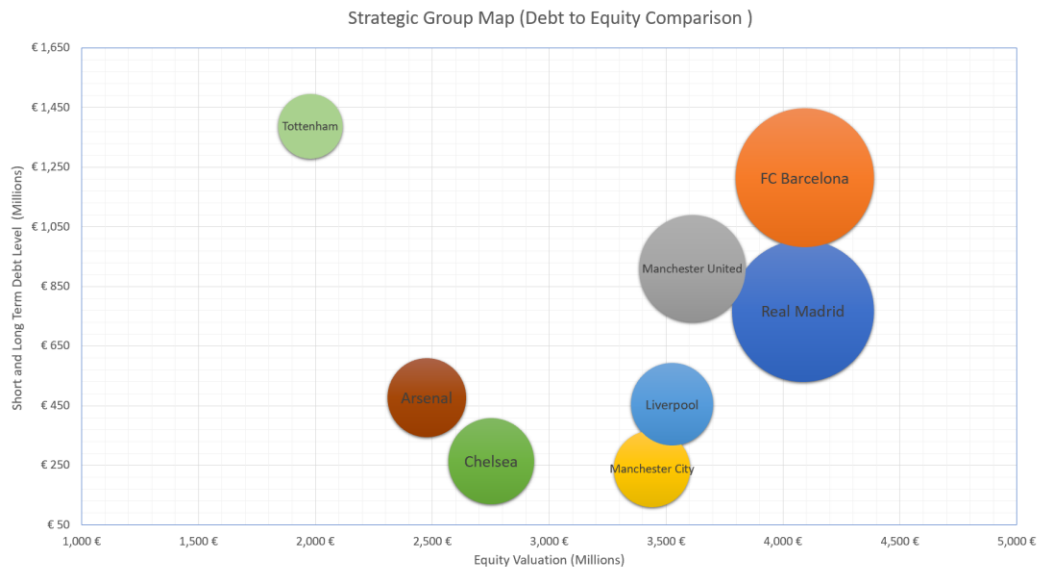
Porter's 5 Forces Model:

<u>Force</u>	<u>Analysis</u>
Threat of New Entrants (Low)	<ul style="list-style-type: none">- Potential entrants face high barriers to entry through Financial, Managerial, and Regulatory hurdles- Loyal Fan Bases of existing clubs provide poor entrant outlook
Bargaining Power of Buyers (Medium)	<ul style="list-style-type: none">- Local fans provide consistent revenue (Merchandise, Ticket Sales)- Demand of Merchandise is susceptible to comparative prices- Illegal streaming remains an alternative to high prices streaming
Threat of Substitute Products (Low)	<ul style="list-style-type: none">- While other entertainment options exist (NFL, NBA, Esports etc.) no evidence suggests decreased interest in European Soccer
Bargaining Power of Suppliers (High)	<ul style="list-style-type: none">- Suppliers of European Soccer include Financial Institutions, sports agents and even other clubs- Real Madrid relies on team success and brand image to ensure loan opportunities and a selection of high-quality players- Agents and mid-level teams are increasingly willing to supply high quality players to a variety of teams instead of a select few.
Rivalry Among Existing Competitors (High)	<ul style="list-style-type: none">- Strong rivalry among existing clubs to acquire better players, investors, sponsorship and licensing opportunities- Financially emerging teams like Chelsea, PSG and Manchester City pose unique threats by attracting high quality players

PESTEL Model:

Element	Factor
Political	<ul style="list-style-type: none"> - Legislation by the Spanish Government <ul style="list-style-type: none"> - Tax Laws and regulations - Post-COVID reopening speed (stadium attendance levels) - Unrest in Catalonia - FIFA Regulations - Lack of immediate liquidity due to fan ownership <ul style="list-style-type: none"> - Potential law that may leave Perez (club president) liable for financial losses
Economic	<ul style="list-style-type: none"> - Overall Health of The Spanish Economy <ul style="list-style-type: none"> - Levels of Expendable Income - Employment - Interest Rates for prospective loans - Consumer Confidence (willingness to spend income on Real Madrid) - Stock market turbulence - Opportunity Cost associated with selling young players at a discount (due to an undervaluation from the current economic downturn)
Sociological	<ul style="list-style-type: none"> - Levels of Public support for Real Madrid's: <ul style="list-style-type: none"> - Players - Coaches - Front Office - Level of Soccer Viewership - Sports Reporting on Real Madrid (Press) - Willingness to travel (nationally and internationally) to watch matches - Demographic status - Public perception (players off-field behavior, fan engagement)
Technological	<ul style="list-style-type: none"> - Evolving Broadcasting Mediums <ul style="list-style-type: none"> - Cord Cutting - Move to streaming services - Improvement in assessing player performance - Changes in efficiency of services offered in the stadium - Advent of social media and ecommerce channels
Legal	<ul style="list-style-type: none"> - Wide Scale changes in player's contracts <ul style="list-style-type: none"> - Employment Requirements - Salary negotiations - Trading regulations - Changes in tax rates for soccer clubs/corporations - Consumer protection law (merchandise-related)
Environmental	<ul style="list-style-type: none"> - Negative impact of climate change on essential business functions <ul style="list-style-type: none"> - Cancellation of Games - Delays in Stadium Renovations - Need to retrofit to support sustainability initiatives - Negative impact of the Coronavirus Pandemic

STRATEGIC GROUP MAP:

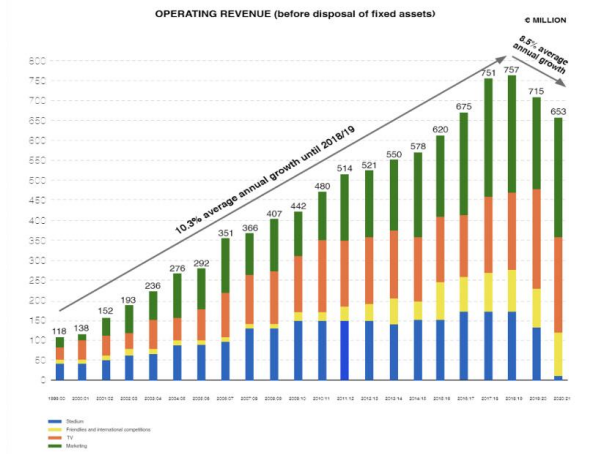
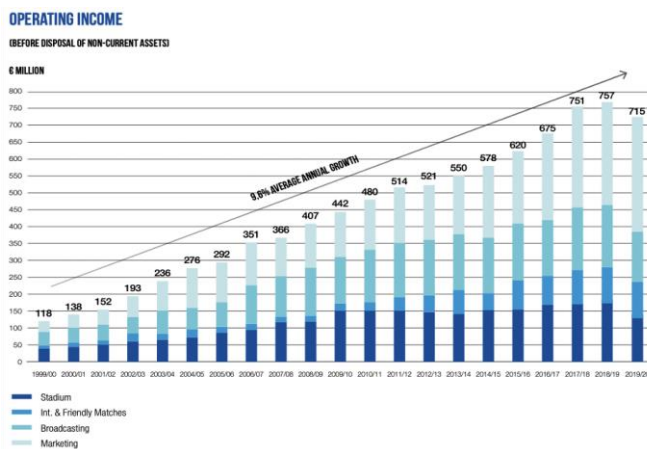


This strategic group map highlights the competitive landscape of European Soccer. This graphic helps display the debt to equity ratio (in millions €) of many of the major clubs in Europe. As an additional point of comparison, the size of the bubbles represent estimations for the “fanbase” of the clubs. Based on the data gathered and the visual representation, Real Madrid has the largest fan base, moderately high debt (4th most), and nearly the highest equity (2nd most closely behind FC Barcelona).

Teams	Equity Valuation (millions)	Short + Long Term Debt (millions)	Fan Base (millions)
Real Madrid	4,085	768	237
FC Barcelona	4,093	1,215	227.3
Manchester United	3,612	910	133.7
Manchester City	3,440	238	68.5
Liverpool	3,526	455	79.7
Chelsea	2,752	264	87.2
Tottenham	1,978	1,388	49
Arsenal	2,476	477	72.5

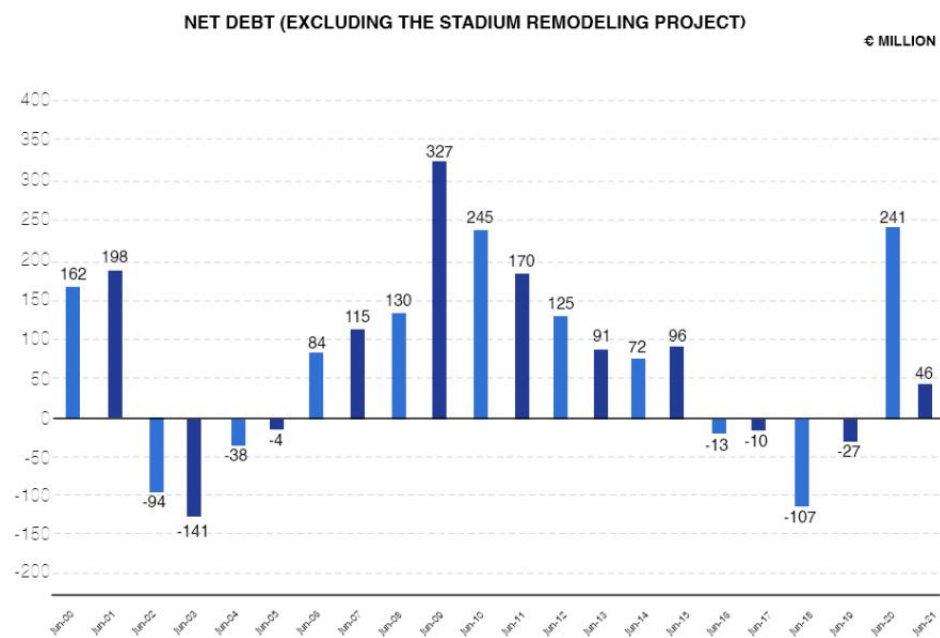
Identification and selection of major issue

Real Madrid suffered from negative operating revenue growth since 2018 when the operating revenue reached its peak level at €757 millions. The YoY growth rate of 2019/20 and 2020/21 was -6% and -9% respectively (Real Madrid Official Website), and the negative growth was influenced by the the significantly lower profitability on two of its major revenue streams - "Membership fees, ticket sales, and other stadium revenue" and "Broadcasting". As per Real Madrid Management Report, in FY2020 - Real Madrid's "Membership fees, ticket sales, and other stadium revenue" had declined to €126,297 (by ~27% from FY2019's €173,372), and the "Broadcasting" revenue declined to €148,570 (by ~14% from FY2019's €172,991).



The decline of Real Madrid's stadium revenue is due to the hits of the 2020 pandemic which stopped people from going to the stadium, resulting in Real Madrid having to refund 25% of the annual amount of season ticket fees. The decline of Real Madrid's YoY stadium revenue growth rate has further increased to -92% in FY2021 due to the impact of the pandemic. In the meantime, Real Madrid has minor growth in the rest of its major revenue streams, marketing as the most important revenue stream (account for ~43.7% of operating income in FY2020, ~39% in FY2019) had a YoY growth of 6% in FY2020, but fall back to FY2019's level in FY2021 which further damaged Real Madrid's overall profitability. On May 8, 2019, Real Madrid started a remodeling project on its stadium with total funding of €575millions for a 30 years term and fixed rate of 2.5% which will bring an annual debt of €29.5millions starting in 2023. On the other hand, Real Madrid is taking an operating loss of €25,539,000 on its basketball team in FY2020, with the hits of pandemic, the loss will only increase. Meanwhile, in FY2020 Real Madrid invested €184m in player acquisition/transfer, this number was €125millions in FY2019, average investment in player acquisition/transfer in 2000-2020 period is €75millions. Real Madrid's profitability is in line with its ability to attract talented

players, so we can assume investment in player acquisition/transfer will increase. As a result, Real Madrid is operating with net debt of €241m in FY2020 and €46m in FY2021.



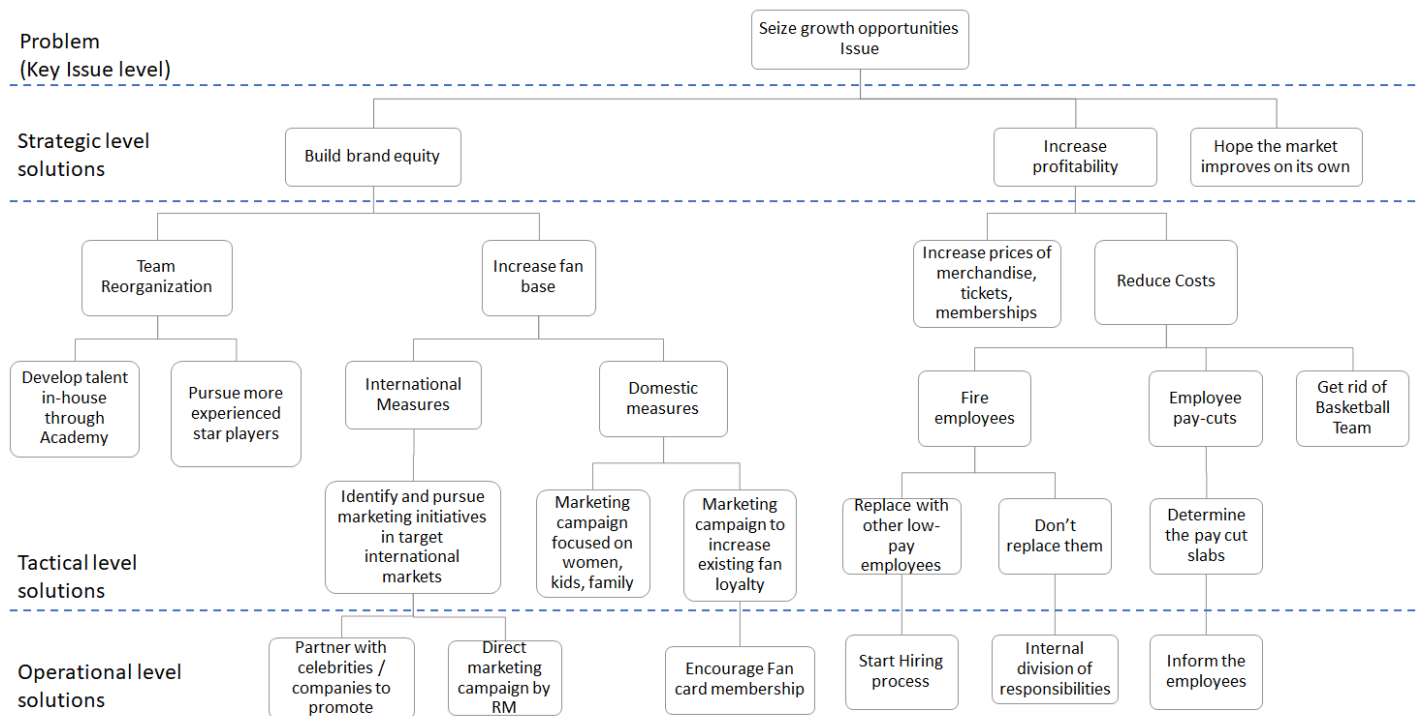
Net debt : Bank borrowings + Payables/Receivables on acquisition/transfer of assets – Cash.
A negative sign means a net liquidity position. Debt also includes the balance of non-current advances.

Based on our projection for FY2023, if no action were taken, the worst case scenario will be people getting used to watching games on streaming platforms, broadcasting revenue could potentially benefit from 10% growth; however, stadium revenue will grow at its average growth rate (2009-2020) which is -9%. With incoming annual debt and more loss from the basketball team, Real Madrid will operate under a shortage of cash; lack of cash will lead to limited ability to attract talented players, which is the key to marketing revenue growth. All in all, Real Madrid needs to seize growth opportunities in order to keep itself competitive.

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/2019	2019/20	2020-2021	2021-2022	2022-2023(Normal)	2022-2023(Bull)	2022-2023(Bear)
Operating Income														
Stadium revenue	150,000	148,000	146,000	151,000	155,000	172,000	173,000	173,372	126,297	10,000	138,698	155,000	173,372	125,574
YoY Growth Rate	0%	-1%	-1%	3%	3%	11%	1%	0%	-27%	-92%	1287%	12%	25%	-9%
International and Friendly Matches	40,000	50,000	70,000	50,000	85,000	82,000	105,000	113,593	105,547	110,000	119,176	129,118	139,883	110,000
YoY Growth Rate	43%	25%	40%	-29%	70%	-4%	28%	8%	-7%	4%	8%	8%	17%	-8%
Broadcasting	157,861	159,861	156,861	161,861	162,861	158,861	174,861	172,991	148,570	150,000	152,100	154,229	174,861	165,000
YoY Growth Rate	2%	1%	-2%	3%	1%	-2%	10%	-1%	-14%	1%	1%	1%	15%	8%
Marketing	164,000	161,000	175,000	213,000	215,000	260,000	296,000	295,172	312,105	298,000	325,626	355,813	374,470	298,000
YoY Growth Rate	13%	-2%	9%	22%	1%	21%	14%	0%	6%	-5%	9%	9%	15%	-8%
Work Carried out for assets	1,474	1,474	1,474	1,474	1,474	1,474	1,474	1,474	1,002	808	1,474	1,474	1,474	1,474
YoY Growth Rate														
Other operating income	473	473	473	473	473	473	473	473	21,155	84,000	473	473	473	473
YoY Growth Rate														
Other capital grants	192	192	192	192	192	192	192	192	192	192	192	192	192	192
YoY Growth Rate														
Total operating income	514,000	521,000	550,000	578,000	620,000	675,000	751,000	757,267	714,868	653,000	737,739	796,299	864,725	700,713
YoY Growth Rate	7%	1%	6%	5%	7%	9%	11%	1%	-6%	-9%	13%	8%	17%	-5%

Alternative strategies

Real Madrid boasts of a large brand name that it must continue to leverage. As seen from the case study - they established three interrelated goals in the past to boost their growth. Similarly in today's times, Real Madrid must seize the growth opportunities to be able to better capitalize its position in the market.



One strategy would be to increase its profitability - for which, Real Madrid has two potential options of either increasing the revenues from their various revenue streams such as sales of merchandise, memberships - core socio card and Fan card, and stadium tickets; or reducing its expenses. Cost reduction could be attained through alternatives such as firing the employees, imposing a pay-cut on the employees, or completely dissolving the basketball team which can help cut-down the expenses to the tune of €26millions and result in incremental savings. Another strategy that Real Madrid could deploy is the “Do-Nothing” approach where they maintain the current status quo and let the market run its course.

The third major strategic plan that Real Madrid could look into is improving its brand equity which can result in perpetual revenues. For this strategy, the management could focus on a tactical plan of team reorganization where it could attempt to rebuild the Galacticos level talent in the team

by buying more experienced star players. Although it requires a large investment, the potential returns through sales of merchandise, ticket, and memberships, and brand elevation could help justify the expense. Another method could be to leverage the Real Madrid Academy to develop the talent in-house and build the player's future within the Real Madrid team. The second tactical solution within the strategy of building brand equity could be to Increase the fan base by deploying resources to either international markets or local markets. These are alternatives since there is a financial constraint with respect to the demands of accomplishing these activities, limiting the management's ability to opt for both simultaneously. Fan base is the key to develop new revenue streams, build brand and grow the business.

Focusing to expand internationally, requires the management to identify the target markets where it can get a better turnaround and pursue marketing initiatives in those select regions. At an operational level, this could be accomplished through influencer marketing - where Real Madrid employs brand ambassadors or partners with synergic companies to promote Real Madrid in the new markets. Herein, sponsorships could help establish and market the brand among potential new fans. A direct marketing approach by Real Madrid to directly reach out in the new market could be a probable solution.

Alternatively, to increase the fan base - Real Madrid may focus only on the Domestic market. To improve its current brand loyalty, a marketing initiative targeting existing fans could be executed, with one of the methods involving encouraging fan card membership. Despite a large fan following of 200+ million, the current active member base is slightly more than 1million. As such, there is a huge scope to uplift the numbers - which can be accomplished through building awareness, offering limited time discounts on memberships, or referral benefits, etc.

Considering that the current base predominantly comprises young men, Real Madrid can segment its customers to target women, kids and family; to promote a new image of the team as a team that values relations and games which can be enjoyed with family and friends - making memories to be cherished. This can encourage a greater demographic involvement and elevate the diversity in the fan following of Real Madrid.

Evaluation and choice of best strategy

ASSUMPTIONS:

Alternative Strategies	Cost Of Investment (€ in thousands)	Assumed Growth Rate (v/s FY2020)	ROI (€ in thousands)	ROI(%)	(€ in thousands)	2020	2019
Increase Price of merchandise/subscriptions/ticket	6,314.85	8%	10,104	60%	Total Operating Expenses	2,29,333	2,14,041
Increase Fan Base	17,913	10%	43,840.20	145%	Advertising	5,971	5,699
Get Rid of Basketball Team	13,768	NA	25,539	86%		2.6%	2.7%

- Increase Price of merchandise/subscriptions/ticket
 - Assumption of Cost: Increasing price of merchandise/subscriptions/ticket by 10%, might cause 5% decrease in total sales (assumptions are made based on FY2020 income statement). This 5% can be considered as the cost of investment which is €6,314,850.
 - ROI: Since the price of merchandise/subscriptions/ticket increased by 10%, we assume total stadium revenue will increase by 8% since stadium revenue mostly comprises merchandise/subscriptions/ticket - which gives us a ROI of €10,104,000 or 60%.
- Increase Fan Base
 - Assumption of Cost: Based on the above chart, we can see advertising expenses are €5,971,000. Since our goal is to boost the fan base, more expenses on advertising is necessary, which we assume Real Madrid spends 3 times more on advertising compared to FY2020. Estimated cost will be €17,913,000.
 - ROI: Since we assume Real Madrid spent significantly more on advertising, it should be able to boost its fan base by a good amount, we assume will generate a 10% increase on both stadium and marketing revenue. Which gives Real Madrid a ROI of €43,840,200 or 145%.
- Get Rid of Basketball team
 - Assumption of Cost: Real Madrid spent €34,419,000 in FY2020 and €35,711,000 in FY2019 for professional services. By getting rid of the basketball team, Real Madrid will have to pay a decent amount of money for auditors, lawyers, and players etc. We assume getting rid of the basketball team will cost Real Madrid €13,768,000 or 40% more than FY2020 in professional services.
 - ROI: Since Real Madrid is taking a loss of €26,368,000 from operating the basketball team, by getting rid of the basketball team will directly reflect an increase of €26,368,000 in revenue - which gives Real Madrid an ROI of €25,539,000 or 86%.

				Increase prices of merchandise/membership/ticket	Domestic marketing measures - increase fan base	Get rid of Basketball Team
Evaluation Area	Key Evaluation criteria	Stakeholder Perspective	Importance (vs. other eval. criteria)	Alternative 1 (KPI Score)	Alternative 2 (KPI Score)	Alternative 3 (KPI Score)
Strategic	Competitive advantage fit	Company - Top management	Very High	Fair match	Good match	Mismatch
		Score	25%	3	5	1
		Weighed Score		0.75	1.25	0.25
Financial	ROI	Company - Top management	Very High	€ 10 mn	€ 43 mn	€ 26 mn
		Score	25%	1	5	3
		Weighed Score		0.25	1.25	0.75
Market	Market share change	Company - Sales & marketing dept.	Medium	-2%	8%	-3%
		Score	15%	3	5	1
		Weighed Score		0.45	0.75	0.15
Process	Timeline	Company - Top management	Low	Short	Longer	Longest
		Score	10%	5	3	1
		Weighed Score		0.5	0.3	0.1
Skills & Cap.	N/A	N/A				
		Score				
		Weighed Score				
Risk level	Likelihood of failure (negative ROI)	Company - Shareholders	Very High	High risk of failure (50%)	Minimal risk (10%)	Medium risk (30%)
		Score	25%	1	5	3
		Weighed Score		0.25	1.25	0.75
Total Weighted Scores			100%	2.20	4.80	2.00
Ranking of Alternatives				2	1	3

Choice of Solution


Throughout the preparation phase of this case study, our group generated several possible solutions to help Real Madrid capitalize on growth potential. These solutions ranged from expansion of their existing promotions (Madridista Fan Cards), to an extensive overhaul of their existing marketing process. Despite this, three solutions stood out as being plausible, comprehensive and relevant to the issue at hand. Firstly, a 5% to 10% price increase on several merchandise offerings, ticket sales and subscription services (Madridista Fan Card). This would generate a significant increase in revenue generation for many of Real Madrid's marketing channels. But, this does raise risks of alienating more price sensitive consumers. Another alternative solution to increase growth is to capture a larger portion of Spain's potential fans through a compelling direct marketing campaign. Lastly, The Real Madrid organization could increase growth potential by completely liquidating their Euro Basketball Team. Given their consistent financial losses, Real Madrid Basketball takes away from more worthwhile expansion initiatives.

Based on the weighted scores calculated in the evaluation matrix, alternative solution 2 seems to be the most appropriate choice for Real Madrid to seize potential growth opportunities. Alternative 2 involves a domestic marketing strategy to capture potential Spanish consumers who haven't been targeted in previous campaigns. Based on the case study, Real Madrid's fan demographics are made up of 30% women (modern estimates are lower than 30%). This insight indicates major room for growth, giving Real Madrid an opportunity for increased reach and brand

equity. Compared to Alternative solution 1 and 3, Alternative 2 offers impressive gains in market share, ROI, and competitive advantage. With a relatively low level of Risk for failure. More specifics on Alternative 2 are included in the following section.

Implementation plan

Solution Methods	Key Activities	Task Owner	Timeframe	Resources		Deliverables (Estimated)	Status
				Time	Cost(in millions)		
Target Female and Family Fan Base	<p>-In general, the characters on all the existing commercial advertisements related to soccer are mostly male. In order to create a women and family fan base, Real Madrid can invite female and even young celebrities to participate in their commercial advertisements.</p> <p>- Real Madrid can organize school activities such as stadium tours and soccer experiments for young children regularly, which help children develop interests in both soccer and the Real Madrid.</p>	Marketing Team	2021-2026+	> 5 years Long-term Issue	€1.2	-Approximately 10% increase in female and young fans	Not Started
Fan Card Membership	<p>-In order to promote sales for membership during the pandemic and even post pandemic, there can be 5%-10% discounts offered for membership fee; and there can be other promotional events offered specifically for members:</p> <p>1. Discounted game tickets during weekdays;</p> <p>2.A free small souvenir such as a whistle, a hat, a drink or a mask, which cost little to produce.</p>	Sales & Marketing Team	2021-2023	< 2 years	€13.1	-At least 10% increase in revenue streams for ticket sales	Not Started

Market the Basketball Team	<ul style="list-style-type: none"> -Increase the exposure of the Real Madrid basketball team on social media by posting its information on Instagram or Facebook. -Provide paid live streams of the team's daily training routines for fans who are interested. -The basketball team can participate in less intensive commercial competition for reputation and money. 	Marketing Team	2021-2023	< 2 years	€0.2	-Can probably balance with the negative revenue stream that this basketball team generates per year	Not Started
Choose A Different Platform to Leverage	<ul style="list-style-type: none"> -Take use of social media platforms to leverage: <ol style="list-style-type: none"> 1.Real Madrid can open business accounts on a few social media platforms to earn money as an influencer. 2.Real Madrid can probably increase sales of souvenirs by selling the products on diverse platforms. 	Top Managements & Marketing Team	2021-2026+	> 5 years Long-term Issue	€0.2	-Increase at least 5% revenue by selling products on other platforms	Not Started
Get More Sponsorships	<ul style="list-style-type: none"> -Choose sponsors that have values more aligned to Real Madrid's to reach a "win-win" solution. -Offer discounts for old customers. -Offer discounts for new clients if they are willing to sign a long-term contract. 	Sales & Marketing Team	2021-2026+	> 5 years Long-term Issue	€0.5	-Receive around €700 million if Real Madrid gets 10 more sponsorships	Not Started
Retain Star Players	<ul style="list-style-type: none"> -Increase star players' salaries or offer bonuses. -offer additional holidays. 	Top Management	2021-2026+	> 5 years Long-term Issue	€11.25	-Save at least €17.5 million training fee and future players' salaries	In Progress 

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