



Real Madrid Case Study

Oct 2022

Team Members - 3B

Nishant Parate

Dandan Zhou

Sem Leontev

Urvi Vaidya

Soo Lee

INDEX

Sr. No	Particular	Page No.
1	Introduction	3
2	Marketing Strategy	6
3	Revenue & Cost Analysis	8
4	Situation Analysis	9
5	Diagnosis of Marketing Strategy	9
6	Alternative & Evaluation	10
7	Implementation Plan	12

Introduction

Real Madrid Profile and Brand Identity

Real Madrid is now one the world's top sport club that has more than 450 million fans¹ and has won more than 100 million euros throughout its Champions League 2021/22 campaign², a total revenue amount of 231.5 million euros in 2013-2014, and 359.6 million euros in 2019-2020³. The amount of revenue the club can get supports and promotes their brand power. Real Madrid's Brand Identity has been featured in their visual and nonvisual exhibition to their broad audiences. Their club's name "Madrid Football Club" was inspired by the City of Madrid in Spain and is used as a symbol of fans' passion and belief. Their Logo in 1902 was an "MFC" monogram and in 1920, the club was granted the Real, 'Royal' in Spanish, title by the then Spanish King. Today the Real Madrid gold logo with a crown on top is globally recognized as their symbol of pride. The confident "Real Madrid" Brand pronounced with its glorious appearance attracted millions of fans to purchase and collect "MFC" merchandise. Fans shout out the club's name with a powerful and confident vocal strength in games while the crown, the monogram, royal titles, and the best football players are driving the club to maintain its top brand position over the past 120 years.



Source: KPMG Football Benchmark Club Finance & Commercial Deals Tool

Real Madrid was awarded “THE BEST CLUB OF THE 20TH CENTURY FIFA TROPHY”⁴. Real Madrid has competitively kept its first-tier profile with \$921.25 million total market value⁵. The club currently consists of one 23 people Man-football team, one 22 people Woman-Football team and one 31 people Man-Basketball team. The club decided to enter the basketball market in 2011 while Football Team has been the core of their business until now. The club now has the right to host games but no right on live TV broadcast, and no ownership of the training ground.

Real Madrid Major Events 1902-2022

Real Madrid soccer club was founded in 1902, over the years it has faced many tough challenges. The club had a major turning point when Bernabeu was elected as president in 1943 and he build Santiago Bernabeu, the largest stadium, which is rated best by the international press in Europe. The next major change that the catalyzed the growth of the club was election of Florentino Perez as club president in 2000. He brought remarkable change in the how the club functioned, he changed the management by giving them a vision to become the best club in the world.

After becoming the president Perez started with the basics which was acquiring the best talent in the world. In July 2000, Real Madrid paid a €59.8 million transfer fee to FC Barcelona for Luis Figo. They continued acquiring talents by adding the most successful players to their club, they paid €75.5 million to Juventus in Italy for Zidane. After acquiring players for few years they build Real Madrid as a brand which attracted star players for their career growth. Brand value helped them to acquire David Beckham in July 2003, one of the most famous players of that time, Beckham was a good deal not only for his play but his existing fan base, which was added to Real Madrid as a club, thus increasing the club's brand value. Perez early understood that Top players can bring to the club not only the top-quality game but their own brand value. This acquisition was so big that this transition event had the world’s second-largest live TV audience ever, after Princess Diana’s funeral. The club steadily rose through the ranks and was ranked 4th in the professional soccer club in 2003. To continue its growth the club went public in early 2004 which helped them to gain financial freedom, they raised millions of dollars for the club. The club identified the fan base as one of the major factors to grow their brand value and be recognized internationally. The Fan base, super talented players joining the club and building multiple streams of income helped Real Madrid to emerge as a brand that is recognized internationally.⁶

Timeline of Major Events

1902	• A group of soccer fans formed the Madrid Football Club
1943	• Bernabeu was appointed as its president and a year into his tenure he started building Spain's largest coliseum, in Chamartín. This build was financed with bonds sold to fans
1947	• Santiago Bernabeu Stadium (capacity of 75,000) was opened and rated as the best stadium in Europe by the international press
1999	• Real Madrid launched its own TV station
2000	• Florentino Perez was elected as club president. As part of his new club mission and marketing strategy Real Madrid paid a €59.8 million transfer fee to FC Barcelona for Luis Figo in July 2000.
2000	• Between 1996 and 2000, according to Real Madrid managers, revenues for the major European soccer leagues rose 22% in England and France, 24% in Italy, and 28% in Spain.
2001	• Real Madrid acquired Zidane from Juventus in Italy for €75.5 million
2002	• The club launched six franchise stores across Spain, including one in Barcelona, home of Real Madrid's main Spanish rival. The G14—14 leading European soccer clubs struck a deal to control player wages.
2002	• Italy's Juventus, the second-largest traded club, sold 37% of its share capital for €164 million in a 2001 IPO. Meanwhile, the largest, Manchester United, reached a market capitalization of over €576 million.
2003	• Real Madrid made its biggest acquisition yet in David Beckham in the world's second-largest live TV audience ever. In the same year Real Madrid ranked 4 th in professional soccer clubs
2004	• Real Madrid went public.
2005	• <i>Real, The Movie</i> showcases the worldwide passion for Real Madrid. The 2005–06 season begins with the promise of several new signings: Júlio Baptista (€24 million), Robinho (€30 million), and Sergio Ramos (€27 million)
2006	• Florentino Pérez resigned and Ramón Calderón was elected as club president
2007	• A specially created Mobile Marketing Department was set up, this shows the club's commitment to succeed in exploiting the new mobile technologies.
2009	• Perez is elected president again and Cristiano Ronaldo is Bought from Manchester United in a record breaking €94 million. In the same year Gareth Bale Bought is also bought from Tottenham in a record breaking €100 million
2010	• The club was also named Best European Club of the 20th Century by the IFFHS, however its end of season debt was about €659.9 million
2012	• Real Madrid became the first La Liga-club to collect 100 points during a season
2016-17	• Real Madrid once again wins the La Liga Trophy making it the first club to win consecutive titles in the Champions League era
2019	• Madrid signed Eden Hazard, Luka Jović, Éder Militão, Ferland Mendy, Rodrygo, Reinier and other players for an amount of more than €350 million
2021	• Real Madrid becomes the second highest-earning football club in the world, with an annual revenue of €640.7 million
2022	• The club is estimated to be worth \$5.1 billion making it the world's most valuable football team. This year they also win a record-extending fourteenth European Cup, making it five titles in the last nine seasons

The timeline of the table is from various sources^{7,8}.

Marketing Strategy

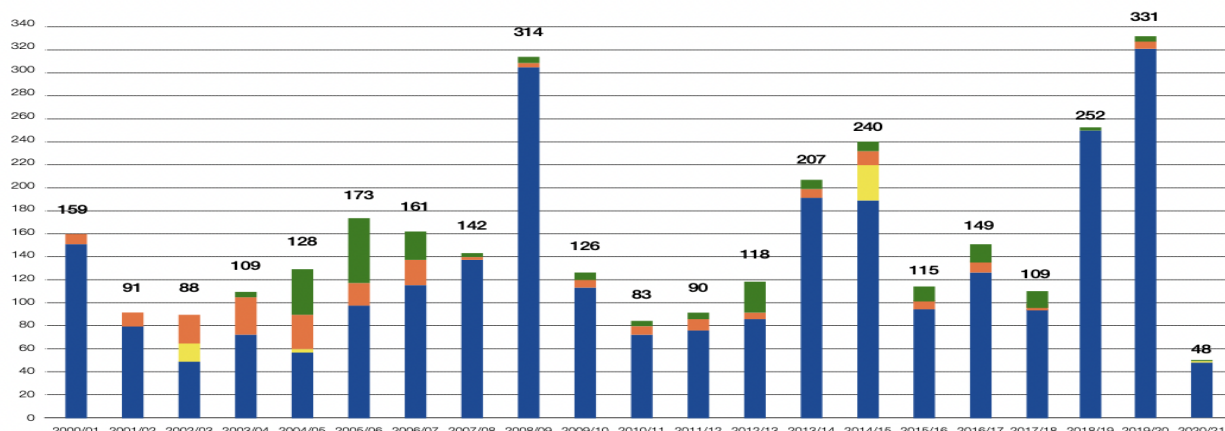
Earlier Marketing Strategy

For Real Madrid to become one of the most successful clubs in the world, it needed finances that could lure top talented players to join the club. The club had multiple streams of income like match day gate receipts, Merchandising, Sponsorship, TV rights, etc. to become financially strong. The club identified their fan base as one of the major factors in growing its brand value and being recognized internationally. To grow their fan base and engage with existing fans they took several steps, they opened merchandise stores internationally, in November 2002 the club launched six franchise stores across Spain, including one in Barcelona, home of Real Madrid's main Spanish rival. The aim was to convert the fans into buyers: tickets, merch, digital subscriptions, etc. The club launched its own TV station and provided 16 hours of daily coverage from the training grounds, including training, soccer and basketball matches, player interviews, and historical highlights. They built a fan club called *Socios abonados*, which let the members of the club receive special discounts, they branded the club as the property of everyone which gave their fans a sense of belonging. To continue to build its fanbase in November 2003, Real Madrid struck a significant four-year deal with Spain's major telecom provider, Telefónica, to deliver Real Madrid content over Internet, broadband, and mobile services. The club did everything to stay connected with the fans and address their needs, they launched a website that had 1.5 million unique visitors each month in 2004. The website had several contents that would help a fan feel that they are part of the club, they sold the T-shirts online and had live interviews with the players, this initiative also helped the club to generate wealth. The highest expense has consistently been on player purchase.⁹

INVESTMENTS

(EXCLUDING THE STADIUM REMODELING PROJECT)

€ MILLION



DISPOSALS: INCOME FROM PLAYER TRANSFERS, €M

Season	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Income	67	11	6	40	24	43	36	33	56	102	20	14	41	102	114	28	54	108	124	139	121

■ Players ■ Stadium ■ Repurchase of Rights ■ Real Madrid Sport City

*Real Madrid Management Report 2020-21 I

Existing Real Madrid Marketing Strategy (4P marketing mix*):

**for service brands we use the 7P mix and not just 4*

- **Product:** Game and Players. Real Madrid is one of the most famous and powerful Football Clubs in the world. It has won 13 champions league titles, more than any other club.
 - **People.** Real Madrid has one of the best players in the world. It's to be the core of the whole business strategy, to hire the best players and the best coaches to put on an excellent show. Everything else depends on a team's performance.
 - **Processes.** Real Madrid is known to be an extremely organized club with strict policies and fair salaries for the employees. Also, they have a detailed methodology for fan sessions, engaging the public in Real Madrid events.
 - **Physical evidence.** Real Madrid's stadium Santiago Bernabeu is in Madrid and a desired place to visit with a capacity of more than 80000 fans.
- **Price.**
 - Tickets and Fan Cards prices for one of the best clubs in the world are not cheap.
 - Real Madrid jerseys sold by its partner Adidas are usually expensive with costs ranging from \$20 to \$200. Signed jerseys (and other retail products) prices highly depend on the player who signs it.
- **Place & Distribution strategy.**
 - Santiago Bernabeu stadium as the home arena for Real Madrid fans
 - Real Madrid website as the ticket sale place
 - Real Madrid Retail shops all over the world have a good supply with the Adidas partnership
- **Promotion.** The biggest promotion of the club is the promo of its games and club events. The promotion has been performed through the:
 - Partner's channels: Adidas, Emirates, Nivea, EA Sports, Audi, etc.
 - Social Media. Real Madrid has an enormous presence in social media as a club. And its players have tons of followers as well, which highly affects the overall Real Madrid popularity as a club
 - Winning championships and trophies give a huge promotion through every single sports media all over the world. So, performance matters.

Revenue Streams

We have investigated Real Madrid's two recent years of the annual report to identify its total revenue and cost drivers. Real Madrid's revenue stream breaks into four core components. Marketing, Broadcasting, Stadium, and Matches with International and Friends.

With the Covid-19 impact, Real Madrid faced a year-on-year revenue decrease instead of an 8% increase in Operating Income revenue as they forecasted the year before. With that in mind, in 2020, the government shutdown restrictions led the club to refund 25% of membership fees and a revenue drop in earnings from Stadium.

To stabilize the operating profit, the club had to release a lot more of their current players to acquire new talented players, and therefore the club successfully generated cashflows and gained profits on non-current assets. On top of that, Real Madrid's players, coaches, and top executives agreed to voluntary pay cuts of 10% and other compensations, as a result, the club managed to cut down on personnel expenses.

Although, the club went through financial and economic hardship during the fiscal year 2019-2020 and 2020-2021 impacted by the global Covid-19. Nonetheless, the club has managed to sequentially increase the amount of EBITDA since the fiscal year of 2016-2017 with the amount of €138M.¹⁰

THOUSAND €	2019-2020		2020-2021	
Operating Income (Revenue Streams)	715,000	100%	653,000	100%
Marketing	333,260	46%	318,658	49%
Broadcasting	148,570	21%	207,709	31%
Stadium	127,491	18%	10,449	2%
Int & Friendly Matches	105,574	15%	116,163	18%
Total Operating Expenses (Cost Drivers)	(664,786)	100%	(595,778)	100%
Supplies	(21,543)	3.5%	(19,024)	3%
Personnel Expenses	(411,043)	62%	(402,957)	67%
Operating Expenses	(215,471)	32%	(173,955)	30%
Provision for Uncollectible Receivables	(16,729)	2.5%	158	0.02%
Gains on Disposals of Non-Current Assets	126,792	100%	122,431	100%
Gains on Disposals of Non-Current Assets	101,223	80%	105,964	87%
Impairment of Non-Current Assets	25,569	20%	16,467	13%
Profit from Operating Activities (EBITDA)	176,901		179,632	

Situation Analysis

<ul style="list-style-type: none"> • Have the most valuable players in the world. The team is known for its Galactico's superstars • Strong Brand Equity and Brand Awareness • Perfect online presence (website, social media) • Solid sponsors list: Adidas, Emirates, Audi etc. • Strong Balance Sheet and Financial Statement • Intellectual Property Rights 	<ul style="list-style-type: none"> • Soccer is becoming more popular in emerging markets: India, USA, China. So, the targeted marketing is growing • High get-in costs make it hard for great new teams to appear • Increase of online shopping and digital content consumption • Access to International Talent in Global Market
<ul style="list-style-type: none"> • The English Premier League is increasing its financial advantage over the rest. As a result, it attracted most star players (ex. Cristiano Ronaldo to MU) • More Investment fund turning to the European Football, makes some teams super-budgeted (ex, PSG backed with Qatar Investments) • Emergence and popularity of the Asian Champions League • Increasing popularity of online games/competitions among the younger generation 	<ul style="list-style-type: none"> • The English Premier League is increasing its financial advantage over the rest. As a result, it attracted most star players (ex. Cristiano Ronaldo to MU) • More Investment fund turning to the European Football, makes some teams super-budgeted (ex, PSG backed with Qatar Investments) • Emergence and popularity of the Asian Champions League • Increasing popularity of online games/competitions among the younger generation

Diagnosis

Main Potential Gains:

- Enhance Real Madrid presence in digital (online FC Real Madrid, cyber-sport team)
- Growth in the international market
- Acquire new talented players from all over the world
- Adding new revenue streams by expanding the merchandising and non-player related content

Main Issues:

- Top players are bought by other clubs, so the brand loses social capital
- Increased competition from other European clubs
- Increased popularity of other leagues and championships

Alternative & Evaluation

Proposal 1

Develop Real Madrid brand independent of player brands.

We suggest that the club focus on building brand value for itself where the fans are loyal to the club because of the Real Madrid Brand and not because of the players. We want the club to be a holistic brand and not just a football club that relies heavily on the player brand. This would require expansion of brand power to other businesses. Emerging competition from other clubs for the most valuable players would be hard for Real Madrid as the club does not have the most funding. In that case the fight for top players hardly can be won. This brings us to the idea of diversifying the Real Madrid business presence on other industries. A well-known established brand must be used to gain recognition and trust among new market audiences. The new potential markets to enter must allow the Real Madrid brand to use its core characteristics: premium, quality, luxury. The most promising markets are lifestyle, banking, insurance, transportation services. We would need to allocate all our resources on this strategy and not focus too heavily on the players.

Pros:

- Diversify the revenue streams
- Reduce dependence on the top players
- Reduce dependence on football successes

Cons:

- Brand value and brand identity can be affected as the new target audience would not associate Real Madrid with the Top Football Club. So, problems with any of these businesses would affect the core brand.

Proposal 2

Acquire and develop top players from emerging markets.

Although this is a strategy most teams do implement, they do that with their leftover funds and don't allocate heavy resources for that. In our proposal we suggest that they focus majority of their resources towards this strategy and buy mid-tier players who have potential to be best players or are at the top of their smaller market.

The same reason (high competition for top players) necessitates Real Madrid to find new talents to acquire. The most promising markets to do so are: South America, US, China. Acquiring the most promising players from these markets would keep the quality of football games and allow Real Madrid to gain popularity in the emerging markets, attracting fans of every new player they

acquire. In that case Real Madrid can position itself as the best club to develop a top-level career, with the best coaches and training processes.

Pros:

- Can acquire talents with less spendings
- Can keep showing the top-quality game
- Can gain popularity in the new countries (players origin)

Cons:

- Players need time to gain popularity and personal brand value
- Can be bought by other clubs when become popular (firm contract can potentially solve this)

Proposal 3

(R&D). Royal Madrid becomes a cyber sport club

This solution is a strategic long-term strategy and needs to be tested a lot before implementation. Real Madrid has become a virtual Football team with virtual players. These new players would have the real bio, social accounts, photo sessions. Every virtual player has its own fan base. The best analogy is with movie or game heroes. Most of the competitions are held online. When it comes to offline games the real players would only play the role of virtual heroes, thus players of digital team member can be presented with different actors.

Pros:

- Player will never change the team
- Performance of the real player can be easily adjusted within another actor player
- Real Madrid can be the leader to dominate on Digital metaverse
- Real Madrid can become extremely popular in Asian market (where the digital sports are growing in popularity)
- new ways of getting revenue (NFT, digital assets, etc.)

Cons:

- Hard to calculate consequences
- Loss of existing target audience
- Brand identity and brand values must be reconsidered
- Too risky to implement

Optimum Alternative Solution

The best solution is considered to be:

Develop Real Madrid brand independent of player brands

The solution was chosen for several reasons:

1. The Real Madrid has an extremely high brand value (\$1.2 B), which can be utilized on other markets.
2. The Player's loss is already happening and in a short period of time Real Madrid could lose most of its valuable players.
3. Target audience is moving to other clubs, which means noticeable loss in brand value. With the new businesses Real Madrid can expand its awareness across different segments, thus supporting the whole brand across ecosystem.
4. Core brand attributes: premium, quality, luxury are in high demand on market.
5. The new strategy would help to reduce investments in the most popular players on the market.

Implementation Plan

1. Discover perspective markets by researching the current market to get into
 - a. Banking -
 - b. Insurance
 - c. Lifestyle services
 - d. Transportation etc.
2. Design the business plan for the new companies which will help customer relate to Real Madrid brand for its high performance.
3. Develop and foster relationships with companies that exist in our target industry and negotiate deals with them that will enable us to enter these new markets with relative ease and will in turn give our partner company access to our extensive fan base and existing customers.
4. State royal brand position on the 100 years history for target customers as in the banking, insurance, lifestyle services, and transportation industries as we mentioned above. Maintain a stable and consistent brand image to new potential customers.
5. Track the KPI's which will help Real Madrid track their progress. KPI's can be
 - % Decrease in fan base after a transfer of a player

- Revenue Growth from new streams
- Brand recognition in new market

As the proposed solution has cumulative effect there would not be a global change in the core metrics in 2023. The main switch is going to be in Player's investments, which go to business.

THOUSAND €	2020-2021		2024-2025	
Operating Income (Revenue Streams)	653,000	100%	1,025,612	100%
Marketing	318,658	49%	450,000	43.8%
Broadcasting	207,709	31%	200,000	19.5%
Stadium	10,449	2%	80,449	7.8%
Int & Friendly Matches	116,163	18%	95,163	9.3%
Other streams of income	-	-	200,000	19.5%
Total Operating Expenses (Cost Drivers)	(595,778)	100%	(720,424)	100%
Supplies	(19,024)	3%	(21,024)	2.9%
Personnel Expenses	(402,957)	67%	(500,000)	69%
Operating Expenses	(173,955)	30%	(200,000)	27%
Provision for Uncollectible Receivables	158	0.02%	200	0.02%
Gains on Disposals of Non-Current Assets	122,431	100%	110,000	100%
-Gains on Disposals of Non-Current Assets	105,964	87%	95,000	86%
-Impairment of Non-Current Assets	16,467	13%	15,000	14%
Profit from Operating Activities (EBITDA)	179,632		305,188	

From the forecasted chart above we can see that the revenue for Real Madrid will be more diversified, they will start new revenue streams that are not from their football club, which will help them reduce dependency on players' brand value. This will help Real Madrid to grow as a brand in a more sustainable way and increase revenue in the upcoming years.

References

1. "Honours: The Football Team's Triumphs and Trophies: Real Madrid C.F." *Real Madrid C.F. - Web Oficial*, www.realmadrid.com/en/about-real-madrid/honours/football.
2. Agarwal, Divyam. "The Jaw-Dropping Amount of Money Real Madrid Earned by Winning the 2021/22 Champions League." *The Real Champs*, FanSided, 29 May 2022, therealchamps.com/2022/05/29/money-real-madrid-win-champions-league/.
3. Published by Statista Research Department, and Mar 11. "Real Madrid Revenue Streams 2009-2020." *Statista*, 11 Mar. 2022, www.statista.com/statistics/380911/revenue-of-real-madrid-by-stream/#:~:text=In%202019%2F2020%2C%20the%20football,from%20domestic%20and%20international%20competitions.
4. "Real Madrid - Club Profile." *Transfermarkt*, www.transfermarkt.us/real-madrid/startseite/verein/418/saison_id/2022.
5. "Honours: The Football Team's Triumphs and Trophies: Real Madrid C.F." *Real Madrid C.F. - Web Oficial*, www.realmadrid.com/en/about-real-madrid/honours/football.
6. Team, MBA Skool. "Real Madrid Marketing Strategy & Marketing Mix (4PS)." *MBA Skool*, MBA Skool, 2 Feb. 2019, www.mbaskool.com/marketing-mix/services/17748-real-madrid.html.
7. "Real Madrid CF." *Real Madrid - History and Facts of the Football Club*, www.footballhistory.org/club/real-madrid.html.
8. "History: Club's Origins and Football Legends: Real Madrid C.F." *Real Madrid C.F. - Web Oficial*, www.realmadrid.com/en/about-real-madrid/history.
https://www.realmadrid.com/StaticFiles/RealMadrid/img/pdf/Annual_Report_RealMadrid_2020-21.pdf
9. Real Madrid Club de Futbol Case Study, Harvard Business Publishing (9-504-063)
10. Real Madrid Management Report 2019-20 & Real Madrid Management Report 2020-21, <https://www.realmadrid.com/en/members/member-card/annual-reports>