The winning ways of the Champions League

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Is it possible for an established business to increase its income 17-fold over the space of less than 20 years? The experience of the UEFA Champions League suggests that it is.

The colossal economic and sporting success of the UEFA Champions League contrasts sharply

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with the ruinous financial state of many soccer clubs. This success is due in large part to the economic and sporting strategies adopted since 1991, when it ceased to be called the European Cup.

As well as changing the name of the competition, UEFA introduced new measures for creating value. These measures ranged from centralizing the commerical management and the contracts with sponsors and television channels, to the creation of a single brand, as well as increasing the number of participating countries and clubs.

As a result, the competition has become one of the most important global sporting events and has greatly increased its income, to the benefit of clubs, television channels, sponsors and spectators.

A study by IESE Prof. Sandalio Gómez and researchers Magdalena Opazo and Macarena Barios explores the reasons behind UEFA's remarkable success.

Key strategies

Given their spectacular results, it is worth taking a closer look at the measures taken by Europe's main soccer body 20 years ago.

A Single Brand Image. The name "European Cup" was replaced by "UEFA Champions League." The brand was given a logo made up of eight stars in the form of a soccer ball, and an anthem adapted from a piece by Händel.

Centralized Marketing. After UEFA's Extraordinary Congress in 1991, the organization decided to centralize its marketing activities. The aim was to increase income and to ensure that the funds generated were used for the good of the game.

Instead of forgoing the profits generated by the competition, clubs began to receive fixed payments for classifying for the group stage, a sum for each game won and another for reaching the final.

Few but Exclusive Sponsors. The contracts with sponsors were centralized in exchange for offering exclusivity.

Furthermore, it was established that there would be a maximum of eight sponsors, who are offered a package that includes advertising hoardings in the stadiums, as well as tickets and passes for the interview, press and VIP zones.

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At the same time, clubs are required to remove their own sponsors' advertising during UEFA Champions League matches.

Television Rights. UEFA began to negotiate television rights for the competition directly with national television channels.

Economic success

The television and sponsorship contracts have been the main source of the spectacular increase in the money generated by the UEFA Champions League.

The competition's income has gone up from 46 million euros in the 1992-93 season to 822 million euros in 2008-09 — a 17-fold increase over two decades.

Furthermore, the competition accounts for more than 90 percent of UEFA's total resources, while 20 years ago it was less than 70 percent.

The contracts awarded to the sponsors of the UEFA Champions League played a key role in this evolution, and in 10 years have increased from 7 percent to 23 percent of the income generated by the competition.

European soccer's governing body redistributes the money to fund activities that promote soccer and the competition itself. In the 2008-09 season, the participating clubs received 626 million euros and the national soccer leagues affiliated to UEFA received 88 million euros.

Fighting fit

In sporting terms, the UEFA Champions League has undergone significant change over the years, as UEFA sought the optimum format — a format it appears to have now found, as very few changes have been made in recent years.

The number of participating clubs rose from 8 to 16 in the 1994-95 season, to 24 in the 1997-98 season and 32 in 1999-2000 — a number that has been maintained since then.

Clubs from the five big European leagues — Spain, England, Italy, Germany and France — went from representing a quarter of total clubs to more than half. Over the past 10 years, the dominance of the big leagues has remained fairly stable.

Regarding the number of matches and phases of competition, most of the changes were implemented during the 1990s and were progressively amended. The current format of eight

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phases and 125 games has been in place since the 2003-04 season.

Analytical tool

To track the achievements of the UEFA Champions League, the authors used a matrix, with the financial results on the vertical axis and sporting results on the horizontal.

This yields a graphic representation of the progress of the competition, above all at the monetary level, while the social and historic capital has been progressively adding to the financial.

Though the current situation is excellent, the authors believe there is still room for improvement, which could make the competition even more attractive and would allow UEFA to negotiate better contracts with television channels.

The matrix pioneered in this study can be used to analyze any sporting body, say the authors.

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