

The changing football landscape: a Middle Eastern perspective



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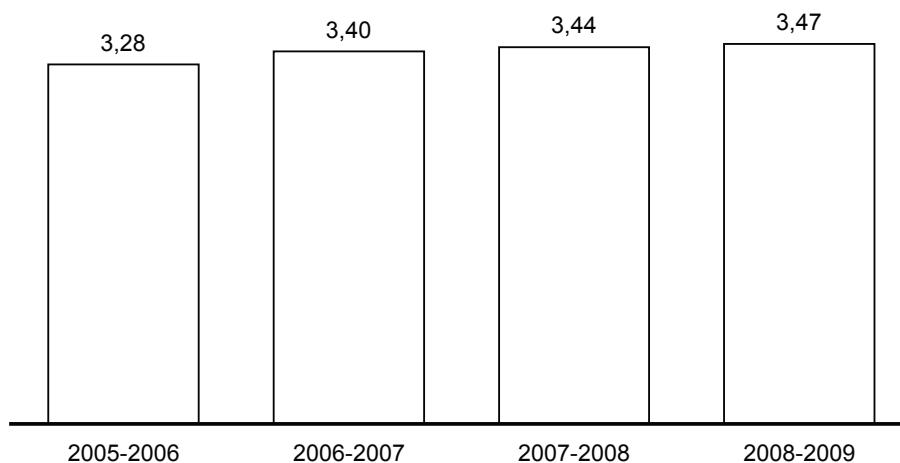
On the occasion of the first annual Globe Soccer meeting, which took place at the beginning of January 2010 as part of the Dubai International Sports Conference, Value Partners was commissioned to conduct research on the state of the football industry. We were asked to examine the sport at both global and regional levels, with a focus on the changing dynamics of the football transfer market. During the course of this research, we interviewed key stakeholders in the football industry, from international and regional club representatives to players' agents, to get a view on the changing dynamics of a global industry. Among the most notable outcomes of this work was the

detection of the beginnings of a shift in the power balance away from Western Europe, in favour of emerging football nations across Eastern Europe, Asia Pacific, and – this article's focus – the Middle East.

Despite the global downturn, the last few years have seen continued growth in the football transfer market, with emerging football nations growing in importance

2009 has been a tough year for economies across the world, with shrinking global finances and falling media/advertising revenues in all regions, from developed markets such as Europe to emerging markets in the MENA region. It is more difficult to identify, however, any conspicuous belt-tightening within the global football industry. Player mobility has continued to rise year-on-year, leading to an increase in the volume of total transactions.

Average number of club changes in footballers' professional careers, Europe, projected over a 10-year period, annual



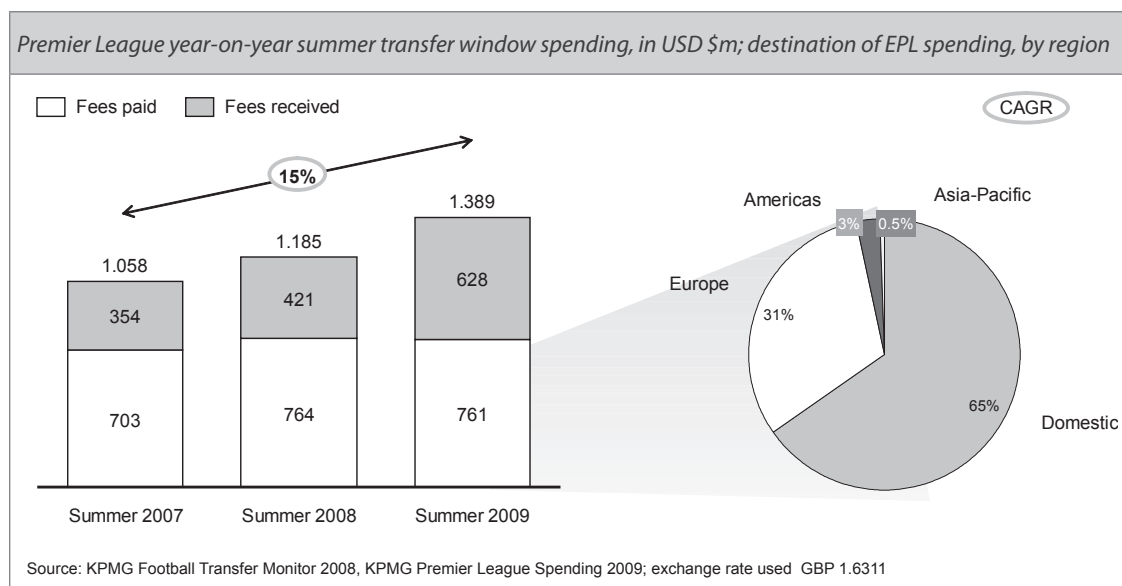
Source: Professional Football Players' Observatory, Annual Review of the European football players' labour market, 2009

Some of our interviewees commented on a decrease in the average value of transactions, as well as on the phenomenon of a few big spenders being replaced by the activity of a greater number of clubs of smaller size. Yet overall activity has continued to increase, even in the midst of a global recession:

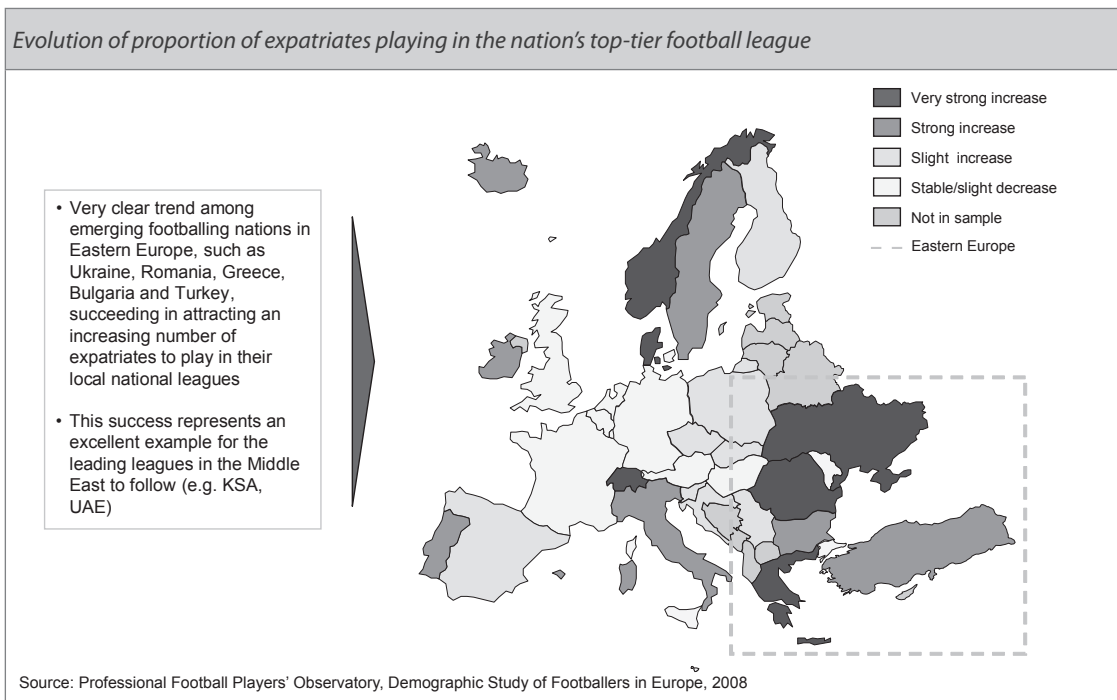
- EPL's 2009 record domestic live TV rights deal: The English Premier League deal agreed with BSkyB and Setanta represented a 4% increase on the previous deal – from \$919m to \$960m. In the context of a protracted recession in the UK, this is a good illustration of top football leagues' value as high quality, compelling and relevant media content, apparently bulletproof to dropping consumer spend.
- Record summer spending by Real Madrid in 2009: Following the agreement of USD \$200m+ bank loans with Spanish banks Caja and Santander, returning Real Madrid president Florentino Perez spent an estimated USD \$375m during the summer transfer window on some of the biggest names in the game, including record transfers Cristiano Ronaldo and Kaka for USD \$130m and USD \$92m, respectively.

Indeed, the overall value of the global transfer market continues to increase, with no sign of abating. The total transfer fees paid and received in the English Premier League, for example, has increased from USD \$1,058m in summer 2007 to USD \$1,389m in the summer of 2009, representing a yearly increase of 15%.

The international transfer market has not yet realised its true global potential, however. To take the example, once again, of the English Premier League, the vast majority of transfer spending is domestic and European; a truly international transfer market (including significant activity from emerging football regions) is still very underdeveloped. Indeed, according to one former manager of a major European club, it has only been in the last decade and a half – since the landmark 1995 'Bosman' ruling concerning freedom of movement of workers – that European clubs have begun to search for players from emerging football nations beyond Europe.



But mobility dynamics are changing, with emerging footballing nations becoming increasingly attractive destinations. A good example of this is within the European transfer market: there is a very clear trend among emerging footballing nations in Eastern Europe – such as Ukraine, Romania, Greece, Bulgaria and Turkey – of success in attracting an increasing number of expatriates to play in their local national leagues.



This success represents an excellent example for the leading leagues in the Middle East to follow (e.g. KSA, UAE).

The Middle East is a good example of an emerging footballing region that offers significant untapped potential

Insiders believe that, already, "a lot of efforts are being put in place to develop the sport on a local level": new academies and partnerships are being set up by some of the most renowned international clubs. "Better local communication infrastructure", "more transparent policy", "better education" and the increasing professionalism of football in the region have all been cited by footballing professionals as reasons for an increasing interest in the region's football. Nonetheless, there remains great potential for the industry to continue to mature going forward.

The Arab region has been significantly affected by the economic downturn, particularly in media, with ad spend being one of the most affected in the world in 2009. However the region has continued to invest in the global football industry:

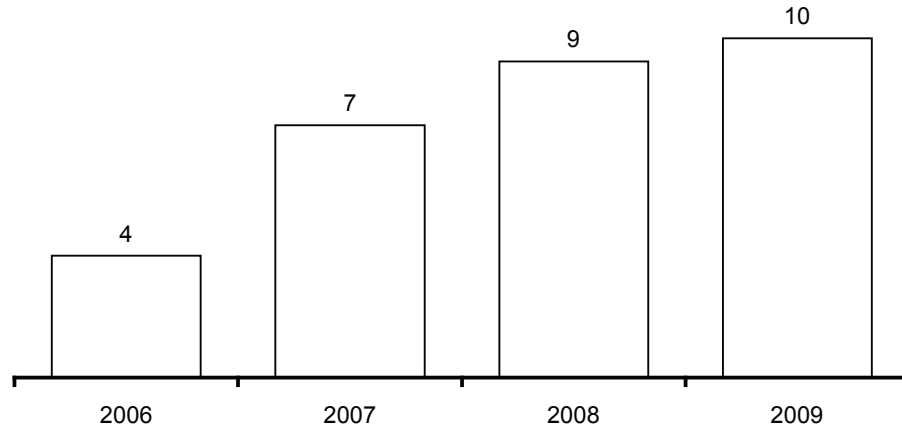
- Marketing/sponsorship deals: EPL clubs Manchester City and Manchester United have reached sponsorship and marketing deals with Etihad Airways and Saudi Telecom, respectively, over the last 18 months
- Club ownership: EPL clubs Manchester City and Portsmouth have each been the subject of takeovers from Middle Eastern investors in the last 18 months, while George Gillett, co-owner of fellow Premier League club Liverpool, is reportedly in talks with Prince Faisal bin Fahd bin Abdullah over selling shares in the club

The Middle East region should also consider opportunities for "home" investment. Football leagues in Saudi Arabia, the UAE and Qatar have all been recognized as top-10 leagues in the Asia-Pacific region by the region's highest footballing body, the Asian Football Confederation (AFC).

Increasing professionalism, driven by the AFC, mandates an adherence to strict criteria across the board, from league organisation to club governance and transparency. This offers an increasingly firm ground for investment. The opportunity to maximize income from diverse revenue streams such as match day tickets, broadcasting, sponsorship and merchandising, represents additional earnings potential.

Already, there have been signs of growing transfer activity in the region, an indicator of increasing investment. In the UAE football league, for example, the annual number of average transactions per club in the league's top flight has increased by more than two-fold between 2006 and 2009.

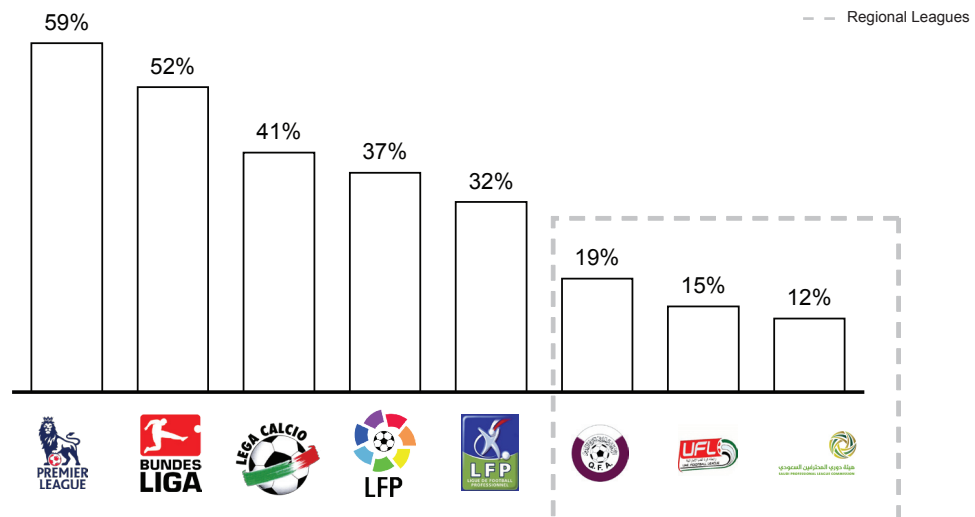
Total number of transfer transactions...



Source: goalzz website, VP analysis

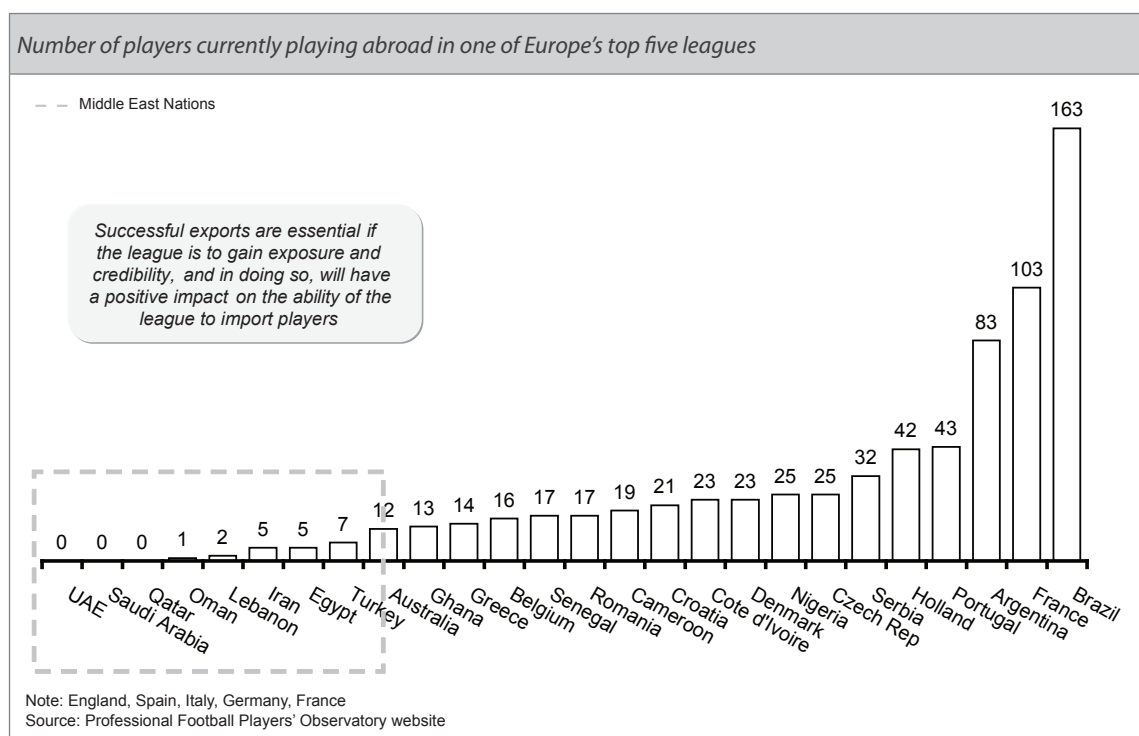
Leagues in the UAE, Qatar and, to a lesser extent, Saudi Arabia, have all been successful in attracting some headline foreign stars, including experienced pros like Romario and Marcel Desailly, as well as a few examples of younger talent such as Jorge Valdivia and Rafael Sobis. In general, however, the composition of leagues in the region remains overwhelmingly local. The ubiquity of foreign coaches is an exception to the norm on the pitch.

% of expatriates, by league



Source: Professional Football Players' Observatory, Demographic Study of Footballers in Europe, 2008; goalzz website; league, club websites; press reports; VP analysis

Further, there remain very few successful exports to the world's big five European leagues. Successful exports are essential if the league is to gain exposure and credibility. This will, in turn, have a positive impact on the ability of the league to import players.



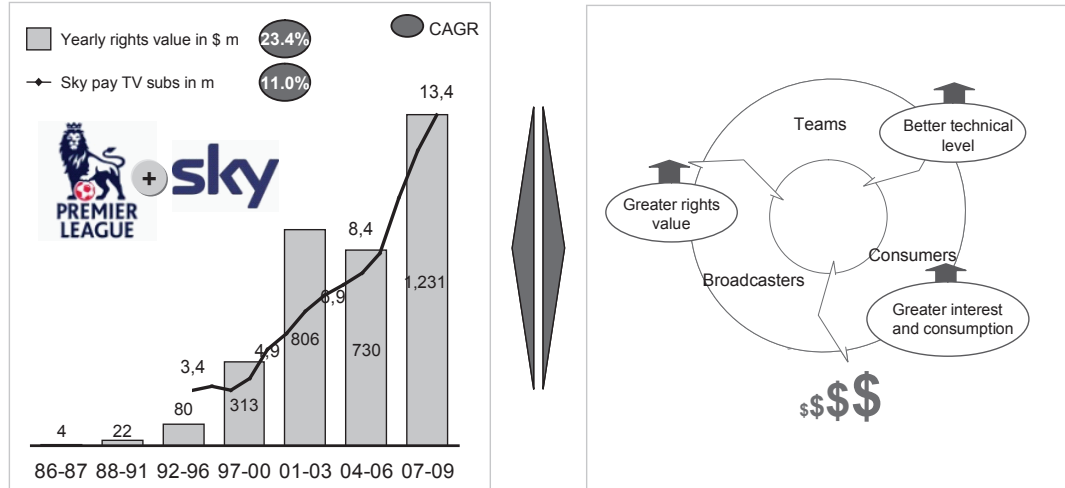
Going forward, there remain a number of things that could be done to increase the attractiveness of both local leagues for international players and local players for international clubs: maximising media exposure and fostering local talent.

Current domestic broadcasting deals in place for Saudi Arabia, the UAE and Qatar allow for live coverage of a large number of league matches, but international coverage is limited. Already there have been a number of significant domestic TV rights deals agreed, however:

- Pan-regional Middle East broadcaster ART acquired the rights to the Saudi domestic league in a three-year deal from 2006-07 to 2008-09, paying \$26m a year for 264 league matches each season
- The UFL sold TV broadcast rights for all 132 season league games to Dubai TV and Abu Dhabi TV for \$95m for a period of 5 years (\$19m yearly) in January 2009

Further, there is no reason why the region cannot emulate the success that has been enjoyed in this regard in Europe. The challenge for the regional leagues and media outlets is to create this symbiotic relationship between football and TV broadcast, generating a virtuous circle as evidenced by the growth in television rights value in the Premier League since the early 90s, funded by pay TV sub growth.

English Premier League TV rights case study; a virtuous circle



- Fostering local talent: The “setting up of new academies [and] partnerships” with leading clubs, as mentioned by one industry expert, will be crucial in fostering the young local talent that exists in the region: it should not only increase the quality of the league’s young players, but encourage them to move abroad. Manchester City and Inter Milan are both committed to building training campuses in the UAE to foster this talent, while Liverpool has reached a similar agreement to do so in Saudi Arabia.

With the right media exposure and youth academies in place, along with the current focus on professionalism, Middle Eastern football looks well placed to grow significantly in the future. Events such as Globe Soccer and the Dubai International Sports Conference further serve this purpose, providing a global forum from which constructive lessons can be learnt that will aid the development of the industry on solid foundations into the future. Representatives from international clubs, leagues, international and regional media companies, football agents and individual investors attending will be compelled to take note of the opportunity presented by this ongoing development in the Middle Eastern football industry.

About Value Partners

Value Partners assists leading media organisations and telecoms operators worldwide in Europe, Asia, Middle East and Latin America, as well as number of smaller and start up operations in our markets. Over the last 15 years, we have delivered real benefits for our clients, building on our deep industry insights into the key issues for the sector.

Founded in 1993, Value Partners is a global management consulting firm that works with multinational corporations and high-potential entrepreneurial businesses to identify and pursue value enhancement initiatives across innovation, international expansion, and operational effectiveness. It comprises two sister companies: Value Partners Management Consulting and Value Team IT Consulting & Solutions.

With 14 offices across Europe, Asia, South America and MENA, Value Partners expertise spans corporate strategy and financial business planning, cost transformation and organizational development, commercial planning, technology decisions, and change management.

Its 3,100 professionals, from 25 nations, combine a methodological approach and analytical framework with a hands-on attitude and practical industry experience developed in an executive capacity within their sectors of focus: media, telecoms and IT, luxury goods, financial services, energy, manufacturing and hi-tech.

Value Partners has a long and successful history in sports consulting. Our Media practice has worked with all of the top European leagues and many of the leading European clubs in the past on a number of issues, from media rights to commercial strategy and sponsorship. Most recently, we have been selected as the strategic consultant for the Brazilian Sports Ministry and Federal Government for the 2014 FIFA World Cup in Brazil. Value Partners will help in the organization and management of the 2014 FIFA World Cup, working specifically on the event organization structure, project procurement, sponsorship strategy, marketing and budget planning.

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