THE POWER OF BRANDS

Manchester United rule Europe's club brand league // PA Photos

In an exclusive for Soccerex Business, the ranking and value of football's top club brands are revealed in the 'Most Valuable European Football Brands 2009' report compiled by Brand Finance®, the leading independent brand valuation consultancy

THE RESULTS OF the Brand Finance report into the 'Most Valuable European Football Brands 2009' shows Manchester United, Real Madrid and Barcelona dominating the league's top spots. The trio have a combined brand value of almost £900 million - a figure achieved through a mixture of on-pitch success and increasingly off-pitch marketing expertise.

All three clubs have dedicated teams working on managing, building, extending and protecting the club's brand. From pre-season tours to far-flung destinations, to websites in multiple languages and limited edition watches, all are intent on attracting fans and developing a relationship to bring about greater commercial returns through strategic alignment of the club to the fan.

This is no easy task. Note, for example, that Italian clubs have been unable to break into the top five, primarily due to the inability of clubs to fill their aging grounds, combined with the lack of success in exporting Serie A outside of its home nation. Italy's clubs need to concentrate on building their local markets, ensuring full (and safe) stadiums and more lucrative commercial deals to better balance their revenue streams away from reliance on individually negotiated broadcast deals.

Lower down the table a different picture emerges. The brand league is heavily populated with Premier league clubs, which is generally a factor of the magnitude of revenues the clubs generate relative to other leagues. The efficiently organised and licensed Bundesliga could be seen as hindering the brand opportunities and subsequent value of its members' clubs. However, the efficiency does result in more profitable and stable operations that could quickly attract additional commercial and media interest should the UK football bubble burst.

Across the board, the 2009 results show an overall 17 per cent increase in Brand Value, which has been driven largely by the continued impressive revenue growth of Europe's top football clubs in the 2007/08 season. This growth implies that the game may weather the credit crunch largely due to the contractual nature of the majority of revenues: broadcasting, season tickets and sponsors. However, as these contracts expire, sports clubs will increasingly need to justify their value and turn to savvy marketing and branding to weather the storm.

Why is understanding the brand value so important in valuing today's football clubs? Takeover activity in UK top tier football clubs has proven that wealthy investors are willing to pay premium prices for these trophy assets. Whilst business valuation is always a mixture of science and art, the unique business model of football clubs (lack of profitability) makes this a tougher task. For football clubs the fixed assets within the business can be valued (e.g. cost to recreate - stadia & equipment) as well as players (the transfer market deals) but it is increasingly the hidden Undisclosed Intangible assets that savvy investors are keen to tap into.

At the core of this Undisclosed Intangible asset base is a club's brand; the brand being trademark and associated intellectual property. With over half of Premier League clubs now in foreign hands, it is brand that is commonly mooted as a key driver in the buying decision.

THE MOST VALUABLE EUROPEAN FOOTBALL CLUB BRANDS 2009

Rank 2009	Rank 2008	Brand	Brand Value 2009 (£m)	Brand Finance Brand Rating	Brand Value 2008 (£m)
1	2	Manchester United	329	AAA	264
2	1	Real Madrid	300	AAA	271
3	3	Barcelona	266	AAA	215
4	7	Bayern Munich	247	AA	147
5	4	Arsenal	201	AA	201
6	5	Chelsea	180	AA-	184
7	8	AC Milan	154	AA	134
8	6	Liverpool	136	AA	165
9	10	Inter Milan	100	AA	84
10	9	Juventus	93	BBB+	95
11	12	AS Roma	84	A	59
12	15	Olympique Lyonnais	80	A	48
13	15	Schalke 04	78	A	48
14	14	Hamburg SV	68	BBB+	52
15	11	Tottenham Hotspur	66	BBB-	81
16	20	Olympique de Marseille	62	A	44
17	13	Newcastle United	51	BBB	55
18	n/a	Vfb Stuttgart	50	BBB-	44
19	18	Manchester City	44	BB+	33
20	n/a	Fenerbache	44	BBB	31

Source: Brand Finance 2009 // All brand values in the report are for the end of the year, December 31, 2008.

BRAND RATINGS/DEFINITIONS:

Brand Rating	Strength
AAA	Extremely strong
AA	Very strong
A	Strong
BBB-B	Average
CCC-C	Weak
DDD-D	Failing

Note: The AAA to A ratings can be altered by including a plus (+) or minus (-) sign to show their more detailed positioning.

BRAND VALUE [BV]:
The value of the clubs "Trademarks and associated intellectual Property"

BRAND RATINGS:
These are calculated using Brand Finance's ßrandßeta® analysis, which benchmarks a brand relative to its competitors on a scale ranging from AAA to D. It is conceptually similar to a credit rating. Sector specific metrics are used to score the brand strength including brand awareness, revenue split, club heritage, European honours, UEFA ranking and average attendances among others.

HOW WE DID IT:

Brand Finance has used the 'royalty relief' approach to perform the brand valuation. This is an intuitively simple approach that assumes a company does not own its own brand and calculates how much it would need to pay to license it from a third party. The present value of that stream of (hypothetical) royalty payments represents the value of the brand. We have scored each clubs brand strength through a range of metrics to calculate the royalty each individual club could expect to command. We used the 'royalty relief' methodology for two reasons. Firstly, it is the valuation methodology that is favoured by accounting and tax authorities and the courts because it calculates brand values by reference to documented, third-party transactions. Secondly, it can be performed on the basis of publicly available financial information.
We have used a number of data inputs to complete this project. We have used an €:£ exchange rate as at the end of June 2008 (€1 - £0.79)

MANCHESTER UNITED

Topping another table, Manchester United continues to bring a new dimension of marketing to the traditional football world. From consistent sell-outs at the "Theatre of Dreams", to "tiers" of platinum sponsors placing the Manchester United crest on everything from bedspreads to mobile phones, the brand is truly a global powerhouse. In order to further fuel its global appeal the team is once again visiting its large Asian fan-base this summer, which it sees as crucial in cementing the bond between the club and the international fan.

With AIG one of the main casualties of the credit crunch in the US, the Red Devils are in search of a new shirt sponsor contract. This provides a challenging situation for United: do they choose to simply chase the highest value deal (Sahara and Saudi Telecom have been muted) or look beyond the sponsorship revenue alone and align the brand to an organisation that will help to develop the clubs relationship with the fan?

Despite the economic downturn, United's continued on-pitch success is still drawing in new and renewed partnership deals. Its recently extended deal with Budweiser for exclusive "pouring rights" around the stadium allows Budweiser pitch-side advertising in two languages (English and Mandarin) and access to Manchester Untied trademarks and images. Combining the Manchester United brand with the scale and marketing budget of Budweiser proves lucrative returns for both sides.

REAL MADRID

Still a commercial revenue heavyweight propelled by its La Liga success, Real Madrid now needs to concentrate on rebuilding their global appeal which has been left dented by Galactico departures and recent lack of Champions League progress. The club's Bernabau Stadium has been tweaked to tap into the higher hospitality yields, helping Madrid to be recognised in UEFA's "Elite Stadium" classification and become host of the prestigious 2010 Champions League final.

Away from the stands, Real Madrid is positing itself as a leader in the sports media market, and is at the forefront of utilising technology to connect with new and existing fans. Alongside RealMadrid.TV, the club has numerous mobile licences that allow it to communicate with its distant fans and offer brand-specific mobile games. The emphasis of this strategy is to enable Real Madrid to grow its brand with fans in new environments.

BARCELONA

Barcelona's "More Than a Club" motto provides an alternative marketing brief that is most visually demonstrated on the team shirt, where it advertises the charity UNICEF and forgoes this lucrative revenue opportunity. However, this could be viewed as savvy marketing in that it adds to the FCB's philanthropic endeavours, which propels greater brand equity opportunities elsewhere. The clubs brand values of "leadership" "passion" and "sportsmanship" are very appealing to consumers and brands alike.

Good intentions aside, Barca is now intent of taking its brand worldwide. Last year, the club initiated plans to enter into a pioneering partnership and move into the immature American market through a "Miami FCB" franchise, clearly demonstrating the club's decision to push the brand and its value into new territories. Although these MLS plans have been put on hold for the time-being due to the financial climate, the club will push ahead with the strategic agreement it has in place with the MLS to promote the Barca brand in the USA along with the exhibition matches this entails.

Real Madrid's Sergio Ramos // PA Photos

BAYERN MUNICH

On its home soil, Bayern is very much a marketing machine and buoyed by the strong euro, it has seen its brand value increase by £100m. The club's transaction to acquire full ownership of the Allianz Arena has provided a jump in match-day revenues, however it's the commercial stream that continues to flood Munich's coffers.

Bayern has an impressive annual €20m shirt sponsorship deal with Deutsche Telecom, combined with over 25 other partners. The involvement of minority shareholder Adidas proves Bayern's allure for brands eager to be affiliated with Germany's biggest club. The club continues to fill its 69,000 seats on matchdays, but now needs success on the wider European stage to challenge for the top three spots.

ARSENAL

Playing to full houses in the state-of-the-art Emirates Stadium has pushed the club forward, however the lack of recent on-pitch success and back office rumours is limiting the brand's growth. Confusion remains regarding a potential takeover of the club, which is mirrored by the lack of commercial clarity in the current brand strategy. As a consequence, its brand value has stagnated. Certain analysts have also questioned if the club "undersold" its rights to the stadium and sponsorship to Emirates relative to other deals being struck in the market at that time. The club has, however, made in-roads to build its global appeal, and with over 200,000 paid up members has no shortage of willing fans. What's needed now is a return to winning ways on the pitch and an equally tactical drive off the pitch, a responsibility which rests on the newly-appointed American CEO Ivan Gazidis.

CHELSEA

Drawing on a wealthy fanbase and central London location, Chelsea continue to yield exceptional revenues from the limited 42,000 capacity Stamford Bridge. The club still benefits from the "soft loans" provided by its wealthy owner Ambramovich, but is still heavily burned by its All Star squad and continues to operate as a loss-making business. On the pitch, the club continues its expensive quest to find the right man to manage the team. The confusion on the touchline and questions about Ambramovich's patience have weighed down on its brand value. Under the experienced Peter Kenyon, the club's marketing aim is to challenge the top three of the brand league. However, he has adopted a copy cat strategy, rather than pioneering new avenues to date.

That said, the club has made interesting marketing investments to better understand its fanbase and to facilitate more tailored future campaigns and service offerings. Its recent sponsorship extension with Samsung highlights the club's intention to build longer partnership agreements. The use of Chelsea players in Samsung's advertising provides solid brand awareness for the Chelsea brand.

Barcelona's Samuel Eto'o // PA Photos

Chelsea's Frank Lampard // PA Photos

AC MILAN

The introduction of Brand Beckham to the mix could provide the required commercial impetus at AC Milan to move the club away from its current reliance on individually negotiated broadcasting deals to a more balanced revenue basis. Beckham has a track record in driving up merchandise sales and is an attraction for brands and fans alike.

The club is still hugely popular in its home country, but Serie A is still struggling to cement a global attraction. Milan's recent lack of success on the pitch is restricting important revenues from all three segments of the football pie (matchday/media/commercial).

Ticket prices are lower in Italy than other top tier leagues, and the quality of facilities require a radical update to achieve greater yields and corporate hospitality options.

From a commercial point of view the club has an attractive array of sponsors. To actively manage and satisfy this client base, the club hosts an annual "Milan Business Forum" which is intent on deepening the commercial relationships to create even stronger and more profitable partners. Likewise ,the club holds exclusive events for its dedicated sponsors. Brand owners are increasingly demanding investments like these as they seek to justify their budgets and leverage greater returns.

Milan has recently lengthened its sponsorship pact with Adidas through to 2017. In return for this commitment, Adidas will now design, produce, distribute and promote a wide range of non-sports related AC Milan merchandise. It will be interesting to see how the AC Milan brand fairs in this brand stretch activity.

Inter's Javier Zanetti tussles with Claudio Marchisio of Juventus // PA Photos

LIVERPOOL

As the Hicks & Gillett debacle continues, this has weighed heavily on the outlook for the club and resulted in 18 per cent drop in brand value last year. The club's heavy debt burden combined with the credit crunch has delayed its new stadium proposals and keeps the capacity and increased corporate hospitality revenues untapped for the time being.

Ownership confusion aside, the club has developed an expanding commercial arm. New deals have been brokered with both new and existing sponsors. It could be said that brands are keen to establish their allegiance to the club in the hope that change could be on the horizon. However on the flipside, Carlsberg who have been involved with Liverpool for 16 years actively criticised the delays in the clubs attempt to build a new stadium.

The club is to undertake another jaunt to Asia this summer, to connect with its fans in the region and parade its household names. The clubs heritage, awareness, loyalty and recent renowned European success, is not currently captured in its brand value and leaves an alluring asset open to potential investors with a long-term interest in the club.

INTER MILAN

The appointment of Jose Mourinho to the management fray - and his £7m annual salary - show the club aims to build on recent Serie A dominance and concentrate on even more lucrative European success. Inter's owner and benefactor, Italian business tycoon Massimo Moratti, is desperate to win the UEFA Champions League (something Inter last achieved in 1965) to match the recent achievements of their Milan rivals, and invigorate the Inter brand. Similar to AC Milan, the club generates over 60 per cent of its revenues from its Mediaset TV deal, but relative to its brand league peers, its level of matchday and commercial streams are flagging.

JUVENTUS

Still rebuilding after the match rigging scandal, the club has set a clear new mission to be the leading club in Europe and a successful and professional listed company. The club is aiming to build from the bottom up and has invested in a renewed scouting sector to develop the youth into new talents for the first team.

Juventus have adopted a unique new strategy within its commercial offering through a "less is more" objective. Here the club aim to build a limited and select group of national and international partners to enhance the Juventus brand. It is hoped that this will deliver to the club greater average returns through being able to offer higher visibility and value for its brand partners.

The club's plan for a new stadium is in process and will allow the club to bring a new dimension of modernity, much-needed in Italian football stadia. The club looks to have laid good foundations to its new drive and we expect the brand to grow in value with this.

The Emirates Stadium - a fixed asset with IP rights attached // PA Photos

SPLITTING THE ASSETS: TANGIBLE AND INTANGIBLE

The economic downturn has seen a raft of football club owners nailing up the 'For Sale' signs over recent months. Meanwhile, a temporary freeze in takeover activity appears to have blocked their exit routes. It will be interesting to see if any of these owners can re-coup their investments when the freeze thaws.

In attempting to do so, clubs must look to fully demonstrate the full value of all of the club's assets, both tangible and intangible. Sellers need to fully understand all the assets on the block; and preying investors will need to focus on the future value potential of the business to correctly price the deal.

To provide insight into this debate and demonstrate the building blocks making up a club's overall value, Brand Finance have provided a snapshot of the tangible and intangible assets driving Arsenal FC's overall enterprise value (market capitalisation + debt), which was set at around £800m per the end of January 2009. As the table shows the brand makes up 26 per cent of Arsenal's overall value and hence should be managed, maintained and evaluated in line with the clubs other tangible and intangible assets. Where clubs have dedicated teams who look after servicing, upgrading and maximising the use of the club's fixed assets (stadium) and keeping its declared intangible assets (players) in marketable health - you would expect comparable investments to be made in tuning a club's brand asset. Some clubs are a step ahead in this game and have made the necessary initial investments to bolster their marketing and commercial expertise. Much of this has focused on recruiting marketing experts from various industries inside and outside sport, with the intention of installing best practices from more mature industries to drive greater brand returns for the immature football business.

As the global economic downturn bites, reliance on matchday income hikes and increasing broadcasting deals alone will prove risky. A shift in focus of a club's marketing activities into the commercial sector could soften the effects of the downturn and build on a key club resources - the fan.

Likewise, where match-day and media revenues streams are largely capped by capacity and fixtures, it is the commercial revenue streams that can deliver clubs uncapped year-round returns and a subsequent competitive edge over rivals.

As this study has highlighted, football clubs are blessed with incredibly strong and valuable brands. Now more than ever, they need to manage more effectively this valuable asset to drive off-the-pitch growth to create a virtuous cycle of success.

For a full copy of the 2009 report by Brand Finance please visit: www.brandfinance.com