

# Overture de 'Sport Management and Global Markets'\*

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## *Abstract*

*Sport has always been a means of development, systematically reducing ethnic, social, and cultural differences among peoples, offering a vision of community and of shared ethical values that preceded economic and market globalisation by many centuries.*

*European sports business models are very different from US models. In general, European sport still operates with partial and limited business models, with horizons nowhere near the opportunities and restrictions offered by globalisation, and with management skills that concentrate mainly on the match.*

*Effective evolution of sport depends mainly on the organisations that manage it, and specifically on the core competences needed to operate in a modern, multi-business sector such as sport in global markets.*

**Keywords:** Sport Management; Sport Economics; Global Markets; European Sports Business Models; US Sports Business Models; Sport Reputation; Sport Marketing

## **1. Overture**

Sport has always been a means of development, systematically reducing ethnic, social, and cultural differences among peoples, offering a vision of community and of shared ethical values that preceded economic and market globalisation by many centuries.

But sport's unrestrained growth in popularity means that many sports (especially those with huge numbers of athletes and fans, and massive sponsorships) have to deal with economic laws and with rules of competitive conduct by implementing specific sport management systems.

□ *The World Football Championships held in Japan and in Korea were watched by 28.8 billion TV viewers in 200 countries.*

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## 2. US and European Sports Business Models

European sports business models are very different from US models, which are based on the following fundamental principles:

- a game is interesting only if its result is uncertain. The greater the uncertainty, the greater the interest;
- in team sports, a game is made more uncertain by distributing economic resources equally among the teams;
- teams are organised in closed leagues: their members determine both the number and the selection of players, so that it is impossible for a high-level team to enter a league without the consent of the other teams;
- equal distribution of economic resources is achieved by limiting the signing of players (restricting the job market) or by re-balancing the distribution of revenues;
- professional sports prevail. Organisers and players have no problem pursuing purely economic goals;
- in the job market, player contracts are negotiated on the basis of collective bargaining agreements between players associations and team owners;
- teams have stipulated collective agreements that limit the extent of economic competition. Sharing of revenues from ticket sales, joint merchandising, and collective sale of broadcasting rights are utilised to control revenues from games.

Instead, European sports business models have the following characteristics:

- first of all, a promotion and downgrading system, which ensures that even the least successful teams play to the end of the season;
- revenue sharing is practically unknown, income from the sale of broadcasting rights is insignificant, and joint merchandising does not exist;
- there are significant differences between top clubs and less important ones;
- team owners and managers are often motivated by goals other than maximising profit.

In general, European sport still operates with partial and limited business models, with horizons nowhere near the opportunities and restrictions offered by globalisation, and with management skills that concentrate mainly on the match (where marketing is relegated to a shrinking box office, finance has a parasitic role limited to real estate, and communication serves as a mere echo for the exploitation of matches).

## 3. Sport and Economics

The refusal of athletes and managers to accept the contribution of economics (particularly management) is based on an extremely myopic view: “money corrupts sport,” a handy alibi for resisting change on the rapidly evolving world leisure scene.

But far from corrupting sport, money actually enhances it, and there are at least ten reasons why:

1. even in the past there were serious scandals (before anyone spoke of economics in sport: for example, from doping in the 1950's, up to illegal betting, etc. (comparison over time);
2. sport is highly international, and many countries (especially Anglo-Saxon) have overcome the taboo of economics in sport, demonstrating that one may work effectively if one has the necessary know-how (comparison in space);
3. there is sometimes cheating even in sports where no money is involved: for example, weight-lifting or amateur tennis matches (comparison among sports);
4. without resources (i.e., human, technological, financial resources, facilities) you cannot win the competition among the various ways to use leisure time, among various sports and, in the context of a particular sport, among various competitors (comparison among competitors);
5. true marketing defends the values of sport, which are the real reasons that people (and therefore businesses and institutions) are interested;
6. when you think of money and sport, you very often think of football, but sport is more than just football;
7. new technologies greatly expand the offer of leisure and sport activities, so that very often the city stadium or gym loses its monopoly to a wider form of competition;
8. most sports fans (especially young ones) tend to feel greater freedom when choosing how to spend their leisure time, becoming progressively less loyal to teams as well. Whereas it was once said that the only thing you never changed was your favourite team, now there are so many temptations that one tends to be "polygamous," with a team in Italy, another in Spain, another in Germany, another in Great Britain, etc., dividing one's time and enthusiasm. The same is true among different sports: once you could only play football in the street; now you have a much wider choice that extends to more demanding sports (including on the economic level): tennis, skiing, basketball, volleyball, swimming, golf, etc. All this generates a need for new segmentations of demand and more careful international development;
9. the problem is not money, but the people who manage it. Sport clearly needs a new class of managers (who may actually be new or simply updated) who have skills in step with the times;
10. as in all services, sport organisations have the task of "teaching" players and fans to behave responsibly. In this case, the investment appears much too small to ensure proper behaviour by participants (both players and fans) in order to have true "pro-sumers" in sport.

The above considerations make it clear that effective evolution of sport depends mainly on the organisations that manage it, and specifically on the core competences needed to operate in a modern, multi-business sector such as sport. In other words, as in many other business sectors, old technical competences (which remain fundamental) must be supplemented and updated with others appropriate for the new situation, in line with management policies capable of balancing specialisation and coordination.

#### **4. Sport and Reputation**

Sound economic management can and must contribute to the clarity and transparency of business activities. This makes it an essential factor for sport, which is based on fair and honest competition and should therefore guarantee management that obeys the rules (essential for real competition). Only on these bases may sport ensure the credibility of matches and the genuine passion of everyone involved, fans and players alike.

It follows that social reputation is of absolute priority for sport operators because it stimulates passion for a sport where competition is fair and (other than in cases of pure luck) the better team wins.

The entire sport movement and the involvement of businesses and institutions is based on this passion: without it, there is a vicious circle in which loss of credibility creates less public interest, leading to less visibility, less attention by operators linked (or better, linkable) to sport, reduced resources, reduced ability to invest, reduced ability to attract public interest, and so on. Who wants to be seen in bad company? It becomes hard to “sell” a sport with a bad reputation! On the other hand, it is easy to attract and win over people, businesses, and institutions to a sport with a good reputation, one that acknowledges its players as well as its managers, fans, financiers, advertisers, etc. In other words, a sport that creates emotions, fun, passion, debate, and overall, memorable and exciting experiences.

Unfortunately, in most cases sport is so self-referential that it almost completely fails to study, measure, or evaluate what people think and then use this information for continuous improvement. Customer satisfaction surveys, social budgets, quality audits, benchmarking, and other forms of evaluation are increasingly opportune for a sport that truly wants to foster the public’s psycho-physical well-being.

#### **5. Sport and Marketing**

In this self-referential state, sport has an extremely problematic relationship with marketing, and identifies it primarily with the search for and sale of sponsorships. In reality, marketing can make a very significant and complex contribution to sport if it is seen not as a transactional sales activity but rather as a wide-ranging function aimed at developing long-term, mutually beneficial relationships in the areas of consumer marketing, business marketing, and public marketing (addressed to the public administration and to institutions), and where the essential reference point is always winning and maintaining the preference of its supportership, whether for a sport or a team or a star player. In this last case, it becomes essential to lay the foundation for a marketing project (by performing external/internal and strategic analyses) before launching sales operations. Effective sport marketing, always aware of innovative concepts in brand management, event management, co-marketing, and supporter relationship management, will be possible only if these three aspects (analytic, strategic, operative) are carefully balanced.