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The Show that demystifies Economics
Sport Industry – part 2
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It's the end of the football year and that means the transfer season is now open in European football! This is one of the two periods where football clubs can buy and sell players to or from another club. The first transfer window is in the summer and is called the Pre-season window. It usually begins on the 1st of June in France, Germany, Spain and Italy, and on the 9th of June in England, and terminates on August 31st. The second transfer window, called the mid-season window, starts on January 1st and ends on the 31st.

The very first player to have been transferred was the British player Alf Common, who was transferred for 1000 pounds back in 1905. Nowadays, the prices have skyrocketed especially since 2009, while between 2001 and 2009 the most expensive trade was for the French player Zinedine Zidane, who left Juventus Turin Football Club for Real Madrid for 75 million euro. In 2009, Cristiano Ronaldo was transferred for 94 million euro from Manchester United to Real Madrid, and since that date, the prices for trading players have increased. Zidane now stands in 7th place for the most expensive players, and is the only one in the top 10 to have been traded before 2009.

To explain this change, we have to look at the marketing side of the business, and as we saw yesterday, FIFA is selling more and more products, as well as more expensive TV rights, effectively making the football clubs themselves wealthier. It has reached a point where the inflation of the trading prices has become huge. There are, however, no real losers in this situation, as the money is all privately funded, but there is a certain bubble that has formed which someday might burst.

Television rights have also played an enormous role in elevating the price tags on players. For example, the British Premier League is the most watched league in the world, broadcast to over 190 countries. Every year, each club receives money depending on their ranking from the previous year and based on the broadcasting rights of the matches. In the Premier League's case, the television rights have reached a record breaking value of 7 billion euro for 3 years, which means that starting in May 2017, the best team will receive 210 million euro, a colossal sum for any industry!

This, however, causes problems when compared to the other leagues. For example, the bottom team of the Premier league will receive 'only' 136 million euro, whereas the best club in the French League will receive just under 100 million. In the very near future this will cause the market to become vastly uneven between the various leagues.

If the Premier League gets an equal amount of money every time for television rights, this is not the case for "la LIGA", the Spanish league. Here, Real Madrid and Barcelona get all the 'real' money, which leaves only crumbs for the other 18 teams in the league. In 2014, the two Spanish giants each received around 140 million euro, more than the top Premier League club, but the other clubs all received under 50 million each.

A similar transfer window also exists in other sports leagues in the United States for example, such as the NBA (the National Basketball Association), the NFL (National Football League), or MLB (Major League Baseball). Many of these sports are also represented in the biggest and most watched sporting event in the world: The Olympic Games, which will be tomorrow's subject.