

McKinsey
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The Bundesliga – an economic powerhouse

The significance of professional football for the German economy



Contents

Introduction	5
The Bundesliga Report in brief: steady growth and economic stability in turbulent times	7
Growth and stability trends in Germany's professional football system	11
Methodological considerations	11
Key indicators of economic importance	14
Key aspects of growth dynamics	19
Outlook: team value management for long-term success on and off the pitch	23
Team financial value as a key performance indicator	24
Team value management in the Bundesliga	26
Bundesliga team values benchmarked against clubs in other countries	30

Introduction

“A day without football is a day wasted,” celebrated football trainer Ernst Happel conceded back in 1983. Since the Bundesliga’s premiere 1963/64 season, football fans in Germany have only ever had to abstain from their national sport over the regular summer and winter breaks. On 1,925 match days of the Bundesliga and Bundesliga 2 (Germany’s second football division), the ball has rolled in Germany’s stadiums on schedule week after week, with the exception of the occasional postponement of individual matches. This remarkable series came to an end on March 13, 2020 with the outbreak of the COVID-19 pandemic in Germany.

Since then, COVID-19 has left its mark on Germany’s professional football. According to an internal survey of the DFL, first reported in April 2020, 13 of the 36 clubs in the two top German leagues would have been at risk of insolvency had the season ended prematurely.¹

Granted, the continuation of competitive matches on May 16, 2020 has helped mitigate devastating financial consequences. Unlike businesses in other sectors, there were only few instances of Bundesliga and

Bundesliga 2 clubs having to resort to state aid and loans. Nevertheless, despite recent sales records, the financial difficulties experienced by many clubs as a result of COVID-19 have raised questions about the economic sustainability of professional football’s business model and have stirred up a debate about the sustainable use of funds. It was largely thanks to the DFL’s endeavors with media partners, along with the resumption of matches on May 15, 2020 (albeit to empty stadiums), that ensured no serious consequences resulted from the increased exposure to financial risk for a number of clubs that had pledged media revenue as collateral. Partly as a result of these considerations, the DFL announced in May 2020 that it was launching a future professional football task force (“Taskforce Zukunft Profifußball”).

Against this dynamic backdrop, McKinsey presents its third study on the significance of professional football for the German economy titled “Bundesliga – an economic powerhouse” – this time focusing on developments since 2015.² As in 2010 and 2015, McKinsey conducted the study independently, while the DFL

provided access to central data sets and source material, and served as a sparring partner for McKinsey.

The present study examines the same macroeconomic parameters as the 2010 and 2015 studies – value creation, employment, net government revenue – permitting direct comparisons with prior results. Thanks to an unchanged methodology and an almost identical analytical scope, our analysis allows robust statements to be made about the growth and stability of the professional football system in Germany, including a comparison of the growth dynamics over two longer time horizons and a retrospective analysis of the past decade. Among other insights, it is possible to examine the extent to which the dynamics identified (for the first time) in 2015 have persisted in a volatile environment.

Consistent with our five-year observation intervals, we conducted our analyses and validation on the basis of the 2018/19 season.³ Consequently, the repercussions of COVID-19 for German professional football are not reflected in the figures, comparisons, and forecasts presented in this study.



The Bundesliga Report in brief: steady growth and economic stability in turbulent times

Still growing: professional football in Germany continues to grow (namely in all dimensions – added value, employment, net government revenue), driven primarily by rising media and sponsorship income.

The broader professional football “system” has again made a significant contribution to the increase in value creation in Germany over the past five years. With a total added value of EUR 11.0 billion in the 2018/19 season, professional football in Germany meanwhile contributes as much to value creation as the entire manufacturing sectors of smaller federal states such as Saarland, Bremen, or Mecklenburg-Western Pomerania,⁴ and is thus steadily evolving from a leisure activity of special public interest into an established German industry.

Compared with the 2013/14 season, this added value constitutes a nominal increase of about 40 percent and thus again a significantly higher growth rate compared with the German economy as a whole (which grew 18 percent between 2014 and 2019).⁵ The renewed strong growth translates into the creation of 17,000 new jobs, which means that professional football secured employment for 127,000 full-time equivalents in 2018/19. The business endows federal coffers an estimated EUR 3.7 billion in tax revenue and contributions annually after deducting costs – a further increase of about 50 percent compared with the previous period under review.

EUR 11 billion

total added value
season 2018/19

Economically stable despite transformation: growth rates are still high, although they are losing momentum slightly (consistent with the growth outlook anticipated in the 2015 study).

The transition from a growth sector to an established German industry is also reflected in the slowing pace of growth (nominal growth of about 40 percent versus 50 percent in 2015), a development that had already been anticipated in the 2015 study's outlook. In contrast to the 2015 study, the growth dynamics of professional football in Germany over the past five years (2014 to 2019) have primarily been driven by the core business of football linked to the DFL as well as the clubs in the Bundesliga and Bundesliga 2, which account for around 40 percent of the increase in value of the professional football system since 2013/14. In addition to a significant increase in media revenue, owing to the new television contract signed in 2016, this development is primarily due to stronger self-marketing and high income earned by the clubs from player transfers. Clubs were able to generate additional revenue in particular through the progressive internationalization of club marketing and new revenue streams such as sleeve sponsorship.

It is not just the professional football clubs themselves that benefit from their stronger economic development, but also the entire system built around professional football, which adds a further EUR 1.77 to every euro in added value generated by the clubs. While the relative importance of clubs in the professional football system's overall economic contribution has increased since 2013/14, system participants outside the core business of football remain substantial contributors to professional football's economic importance.

Two trends should be highlighted: as in 2013/14, the main value drivers were the media and sponsorship sector. However, both of these sectors have undergone major changes in recent years. Online streaming content providers, e.g., DAZN, and a more vibrant online business across all industries mean new competition for established players. New forms of advertising, such as social media marketing, additionally enable players and clubs to participate even more directly in economic growth and to create revenue streams beyond the scope of the conventional advertising and marketing industry, through their own exposure, advertising contracts, and brands.

Focused on sustainability: slowing structural growth and economic volatility caused by the COVID-19 pandemic are highlighting the importance of sustainable business operations. In addition to building up reserves, this primarily concerns the sustainable use of funds in football activities.

In recent years, professional football in Germany has achieved impressive growth rates. One of the main drivers of this growth, in addition to steadily increasing sponsorship income, is the record revenue from DFL's centralized marketing of television rights. However, the DFL's most recent domestic rights tender in June 2020 resulted in lower revenue from the marketing of rights compared with the previous period: only the third decrease since the marketing of rights began (after 2002 and 2009). Although this decrease in income may also have been attributable to uncertainty surrounding COVID-19, national sponsorship and television deals, including the Premier League's most recent deal, suggest that this is a trend that predates the outbreak of COVID-19.⁶ Commenting on the major European leagues, Christian Seifert had already pointed out in early 2019 that "[the value of domestic screening rights deals] ... gets a little bit closer to the ceiling."⁷ Aside from the lower growth rates observed

for key revenue drivers, the loss of match-day revenue as a result of the COVID-19 pandemic and the uncertainty surrounding the 2020/21 season pose new challenges to clubs' business planning. The focus will need to be on the sustainable use of funds and a build-up of reserves instead of overstretched budgets that speculate on higher revenue in the following year.

The sustainable use of funds plays a particularly important role in management decisions related to team value – especially since individual player transfers (transfer fees and wages) can sometimes account for a double-digit percentage share of total annual revenue. Our analyses of team value management in recent years show that for most clubs, management decisions related to team value play a more prominent role in sporting and business terms than the management of conventional commercial activities. This is partly because clubs can exert a greater direct influence over their team value than, say, revenue from television contracts, which primarily hinges on their sporting success. Moreover, for most Bundesliga clubs, management decisions related to team value also have a greater monetary impact in absolute terms than, e.g., sponsorship or match-day receipts. A look at the development

of team values in the Bundesliga over the past five seasons reveals an increase from EUR 2.0 billion (start of the 2014/15 season) to around EUR 4.5 billion (start of the 2019/20 season).⁸ This is equivalent to an increase of 125 percent, or annual growth of 18 percent.

In principle, management decisions aimed at increasing team value can pursue two avenues. The first is organic growth leading to value creation, i.e., the development of players under contract, player trading excellence, or integration of youth players, which we refer to as team value management for the purposes of this study. The second avenue is net investment in the squad by buying new players. Our analysis of 15 Bundesliga clubs shows that a far greater share of the increase in total team value (over 90 percent) is attributable to team value management. In this respect, it appears that the primary determinant of increased market value is not so much the amount of money invested in new players, but rather how the team is managed to generate additional value. Such decisions are set to become even more important in times of slowing growth and revenue exposed to (greater) risk.

In the following, we derive and explain in detail the results outlined above.

18% annual growth
of team value



Growth and stability trends in Germany's professional football system

Methodological considerations

In order to assess the overall economic significance of the professional football system in (and for) Germany, the first study in 2010 had to answer three questions. Those questions are still relevant today and, as in the 2015 study, form the basis of this report.

Which indicators are most suitable for assessing the economic importance of professional football?

Its economic importance can be assessed by reference to the following three indicators:

- **Added value.** A measure of the contribution made by German professional football to Germany's

gross domestic product (GDP), added value is the sum of the gross income from salaries and wages, amortization and depreciation, taxes and contributions, and corporate profits generated by the professional football system, and thus represents only part of the revenue generated by the companies involved.

- **Employment.** An analysis of the impact that professional football in Germany has on employment.
- **Net government revenue.** An evaluation of levies paid to the federal government by professional football in the form of taxes and social insurance contributions at the federal, state, and local levels.

How can the economic aspects of professional football be defined and which competitions should be included in a consideration of its economic relevance?

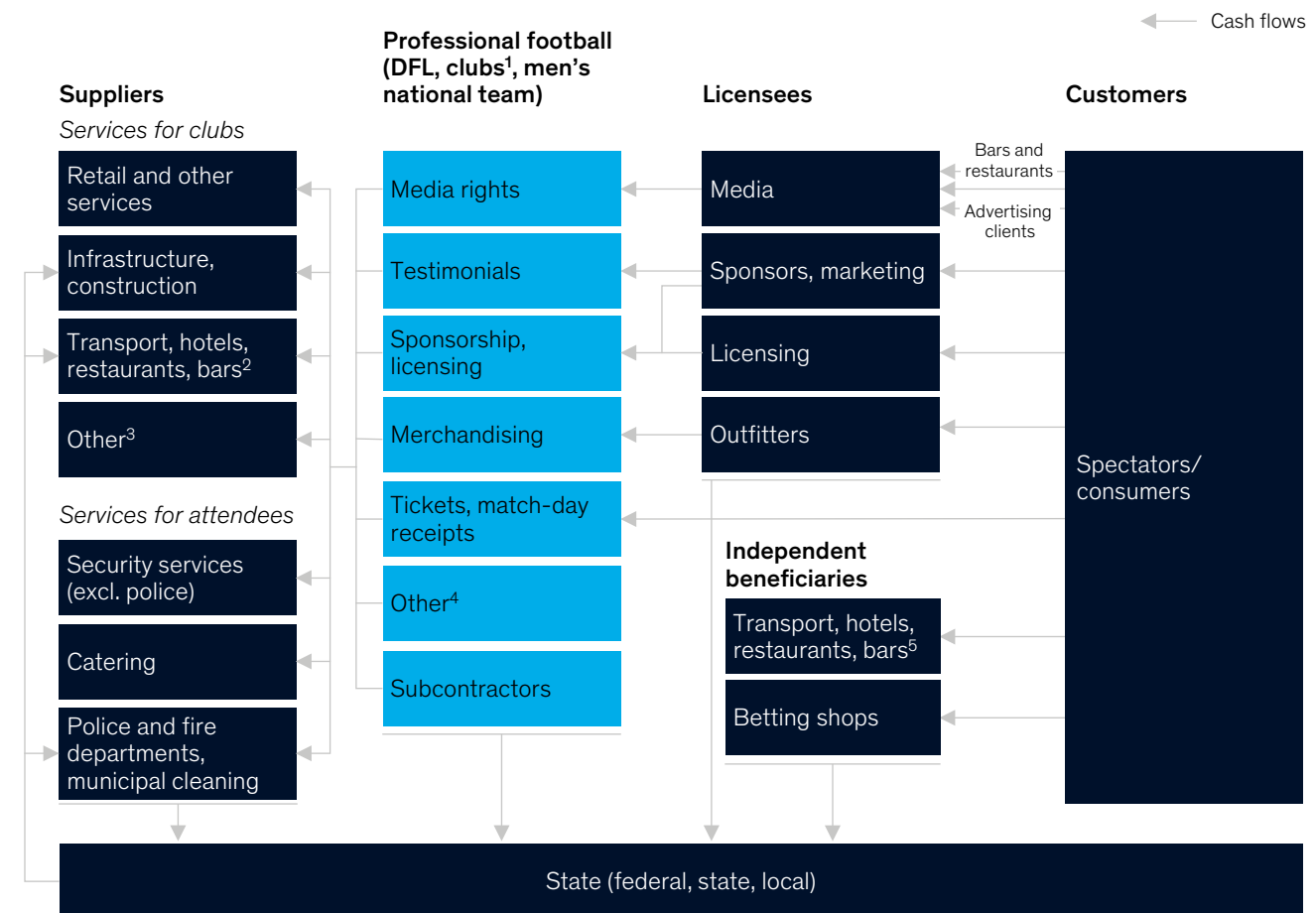
The study analyzed club competitions, i.e., the Bundesliga, the Bundesliga 2, the DFB Cup, and the domestic effects of the participation of Bundesliga clubs in European competitions. The scope also included the men's national team, as most of its players are trained and ceded by Bundesliga clubs. Not included in the study's scope were the third division,⁹ amateur football, women's football, and for the most part, e-sports.¹⁰

Just how broadly do we need to measure economic importance to adequately capture the macroeconomic contribution of the professional football system?

Match operations for the competitions mentioned above give rise to economic relationships, cash flows, and employment effects that reach many areas of the German economy. The exhibit below illustrates the groups of stakeholders that have economic links with, and profit from, professional football (Exhibit 1).

Exhibit 1

Stakeholder groups and cash flows in professional football



1. Bundesliga, Bundesliga 2, incl. DFB Cup; without 3. Liga (third division) for comparability with earlier studies
 2. Demand from DFL, clubs, and men's national team
 3. Payments for referees, association membership fees, etc.
 4. E.g., player transfers, membership fees
 5. Demand from fans

Football's influence on these groups varies. Accordingly, the present report differentiates between direct, indirect, and induced impact.

- **Direct impact.** Revenue, added value, and jobs generated directly by professional football (clubs, DFL, etc.).
- **Indirect impact.** Revenue, added value, and jobs generated in connection with professional football – namely by licensees, suppliers, and independent beneficiaries.
- **Induced impact.** Revenue, added value, and jobs generated as a result of consumer spending by those employed in professional football (e.g., car purchase or restaurant visit by a club employee).

Within this context, this study follows the approach adopted in the previous two editions in terms of data collection and assessment methods, thus ensuring consistent and comparable results. Data on revenue, employment, and taxes of the organizations involved were initially obtained from publicly available sources (e.g., annual reports). This information was validated in numerous interviews with experts from the organizations involved (clubs, suppliers, licensees, etc.) using internal company data. The results of the numerous interviews conducted in connection with the first two publications were also incorporated.

For example, as in 2010 and 2015, quantitative and qualitative data were collected in the interviews concerning the influence of professional football on revenue from print and online media, including sales and advertising revenue as well as income from subscription customers, the online offering of publishing houses, and from the distribution of content processed

by editorial offices. At the same time, the growth rates of the digital advertising sector were analyzed and compared across the board, and the general shift from offline to online was considered. On the basis of this net revenue, we then calculated the total added value created.

Last published in February 2020, the DFL's "Bundesliga Report" also contains figures on employment, taxes, and social insurance contributions in licensed football drawing on club-internal data. As in 2010 and 2015, these data were used in the present study. Yet, as in the previous editions, the present study also goes beyond the analyses in the "Bundesliga Report." It calculates and assesses the indirect and induced effects in order to evaluate the macroeconomic relevance of the professional football system, while quantifying and factoring in the drivers of historical and future growth.

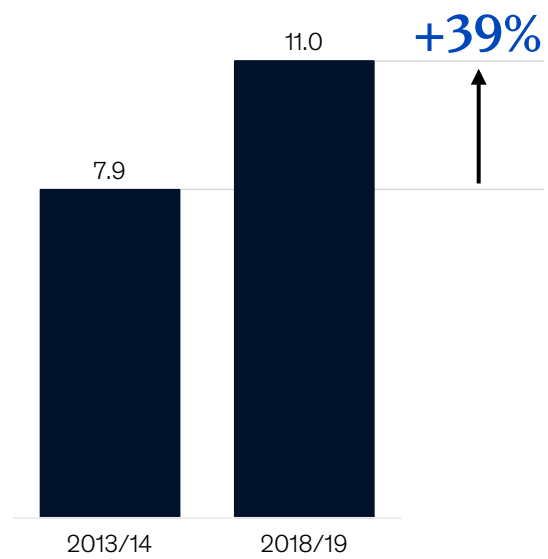
Key indicators of economic importance

The German professional football system has grown significantly as measured by the three core macroeconomic metrics – added value, employment, and net government revenue – although its growth in real terms has slowed slightly compared with the previous reporting period (Exhibit 2).

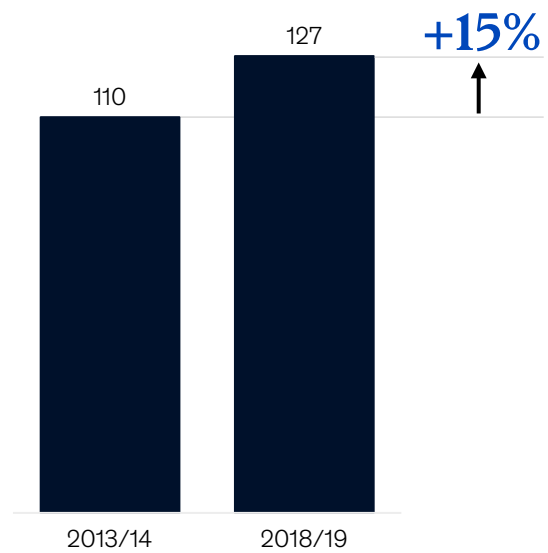
Exhibit 2

Economic contribution of the professional football system

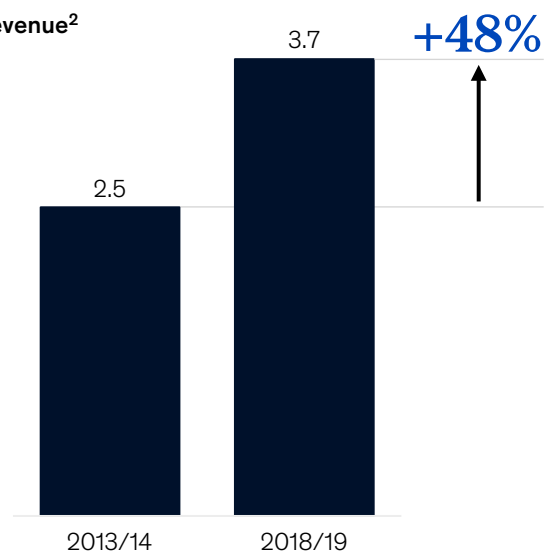
Added value
EUR billions¹



Employment
FTE thousands



Net government revenue²
EUR billions¹



1. In respectively prevailing prices
2. Incl. sports-betting tax

Added value in professional football.

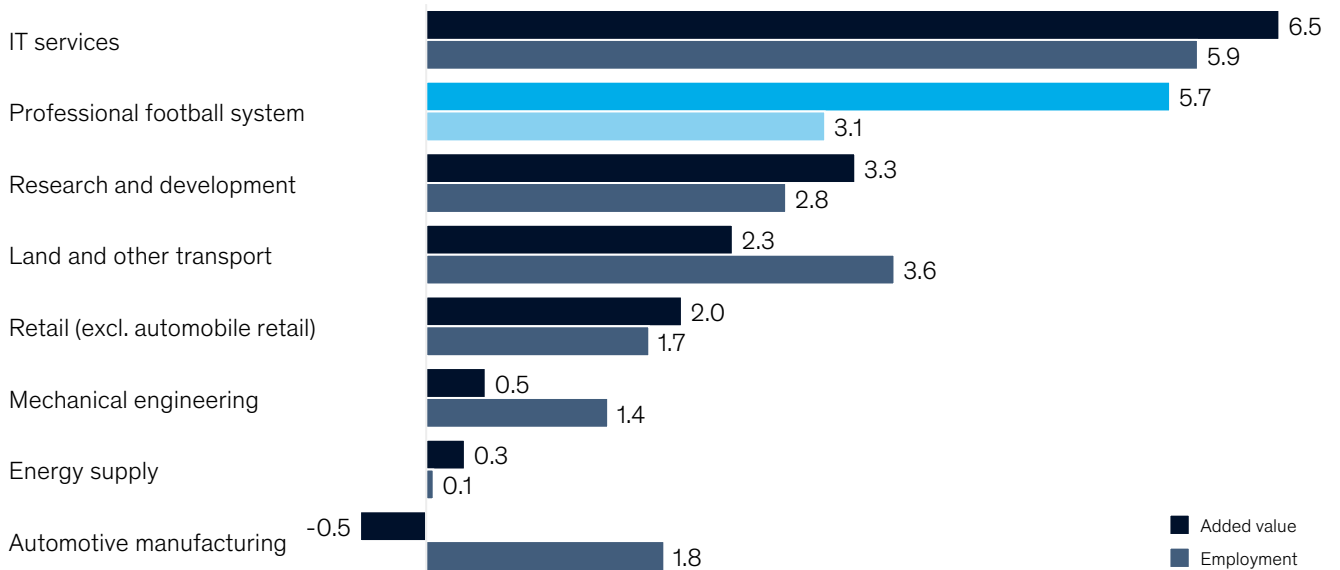
In the 2018/19 reporting period, professional football in Germany generated annual added value of EUR 11 billion,¹¹ compared with EUR 7.9 billion in the 2013/14 season and EUR 5.1 billion in the 2007/08 season – an increase of around 40 percent since the last reporting period. German professional football thus contributed almost every 310th euro of Germany’s GDP in 2019 (close to 0.3 percent). It is true that total added value still lags far behind

traditional German industries, such as the automotive and mechanical engineering sectors, but it already accounts for around one-third of the total added value of established industries, such as agriculture and forestry (0.9 percent of GDP). Although real growth has slowed slightly from 6.1 percent (annual growth from 2007/08 to 2013/14) to 5.7 percent (2013/14 to 2018/19),¹² the professional football system remains in the leading group compared with other sectors (Exhibit 3).

Exhibit 3

Development of real added value and employment in Germany

Annual growth, 2014-19, percent



Source: German Federal Employment Agency; IHS Global Insight

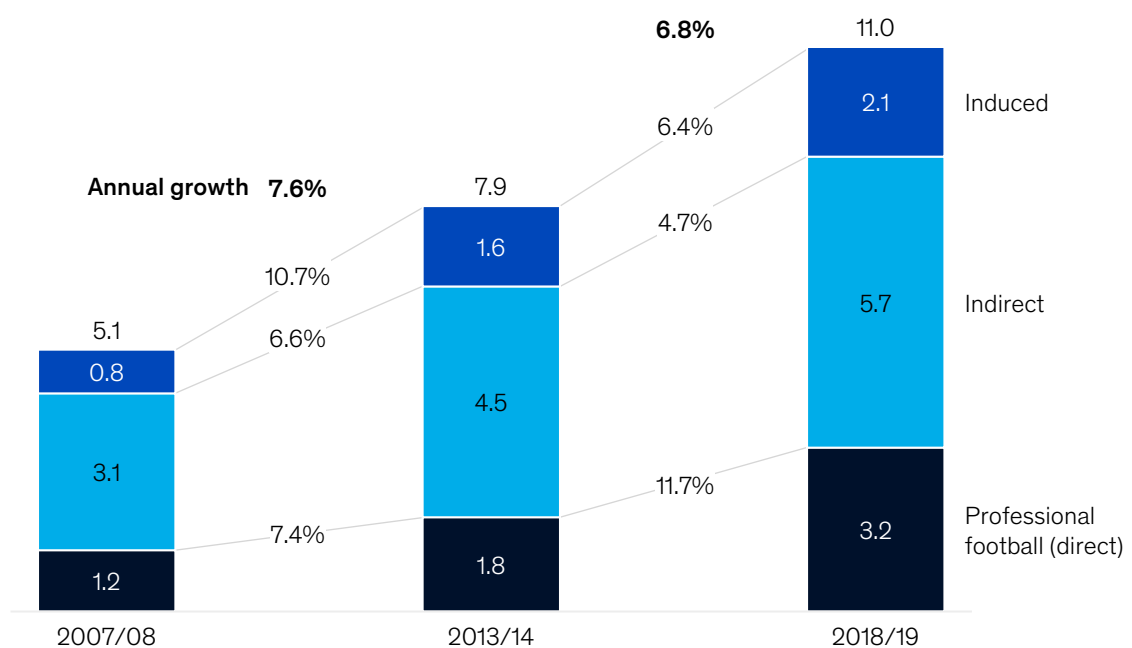
Compared with 2013/14, a larger share of the added value, currently EUR 3.2 billion, is accounted for by the direct added value of the clubs and the DFL as the core element of the professional football system (Exhibit 4). However, the majority of the total added value of EUR 5.7 billion is still driven by

indirect effects, suppliers, marketers, licensees, and other companies benefiting from football. Induced effects, i.e., consumer spending by those directly and indirectly employed in the professional football system, generate an additional EUR 2.1 billion in added value.

Exhibit 4

Added value

EUR billions



As in the two previous editions of the study series, all data and calculations in the present study are based on rather conservative assumptions. For example, the calculation of added value does not take into account the fact that the advertising expenses of sponsors in professional football are matched or exceeded by revenue. As a rule, the calculated results thus constitute the lower limit – actual effects may be greater. Also not factored into the analysis are the economic effects attributable to the sports-betting market but generated abroad as a result of the current legal situation. Only high-street betting shops and the state-run offering as well as sports-betting tax levied by the state were included in the study.

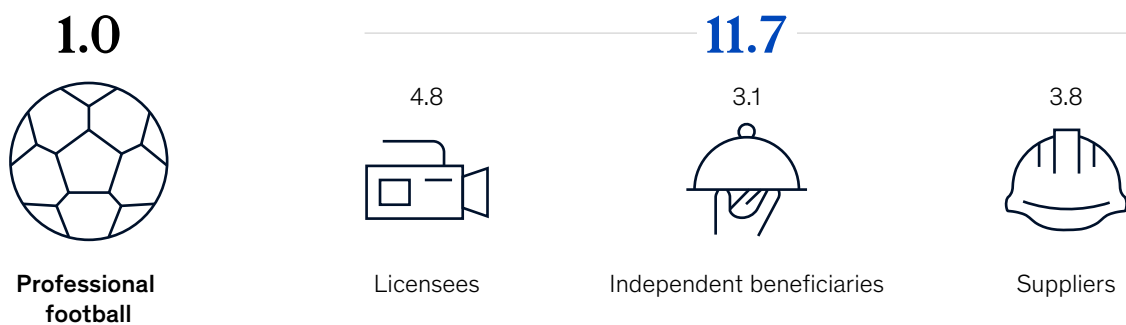
Professional football as an employer. The professional football system has created an additional 17,000 full-time jobs in Germany since 2013/14. Football thus provided a total of around 185,000 jobs in Germany in the 2018/19 season, or employment for approximately 127,000 full-time equivalents. Some 21,000 (11 percent) of these are within professional football itself, i.e., in the clubs of the Bundesliga and its second division or in the DFL. That means that licensed football has a strong multiplier effect as a result of the concentration of indirect and induced revenue in largely labor-intensive service industries. This effect is amplified by the large number of part-time jobs that are created to cover the highly seasonal nature of professional football (e.g., employment linked to match days).

If the induced effects are disregarded, each direct job in professional football indirectly creates close to 12 jobs in other sectors (Exhibit 5). Professional football thus not only contributes significantly to employment in Germany, but also provides a large number of part-time jobs, an aspect of relevance for society.

Exhibit 5

Full-time employment in other sectors attributable to professional football relative to 1 full-time employee in professional football¹

FTE



1. Excl. induced-employment effects

If we compare real growth in added value (+32 percent) with the growth in jobs created in the professional football system (+16 percent), we can see a striking decrease in labor intensity. This is due to a fundamental increase in productivity across all areas coupled with a shift in value creation toward less labor-intensive sectors (e.g., the clubs and the DFL itself).

Professional football as a taxpayer.

Like added value, net government revenue from the professional football system is increasing continuously. For example, the public sector currently obtains around EUR 3.9 billion per annum (including sports-betting tax) from all employees and participants in the industry – compared with EUR 2.7 billion (including sports-betting tax) five years ago.

In contrast to the calculations in 2010 and 2015, the amendment of the German Race Betting and Lotteries Act, which came into force on July 1, 2012, has been taken into account in this edition of the study, acknowledging that sports-betting tax now makes a more significant contribution (around EUR 400 million in 2019) to tax revenue and the topic of football betting has reached greater prominence in society. This development is also evident in the numerous partnerships between betting houses and clubs, individual players, and the DFL.

The increase in government revenue is offset by roughly the same amount of public spending on professional football as in 2015, i.e., around EUR 200 million, and inter alia includes expenditure related to the safety and

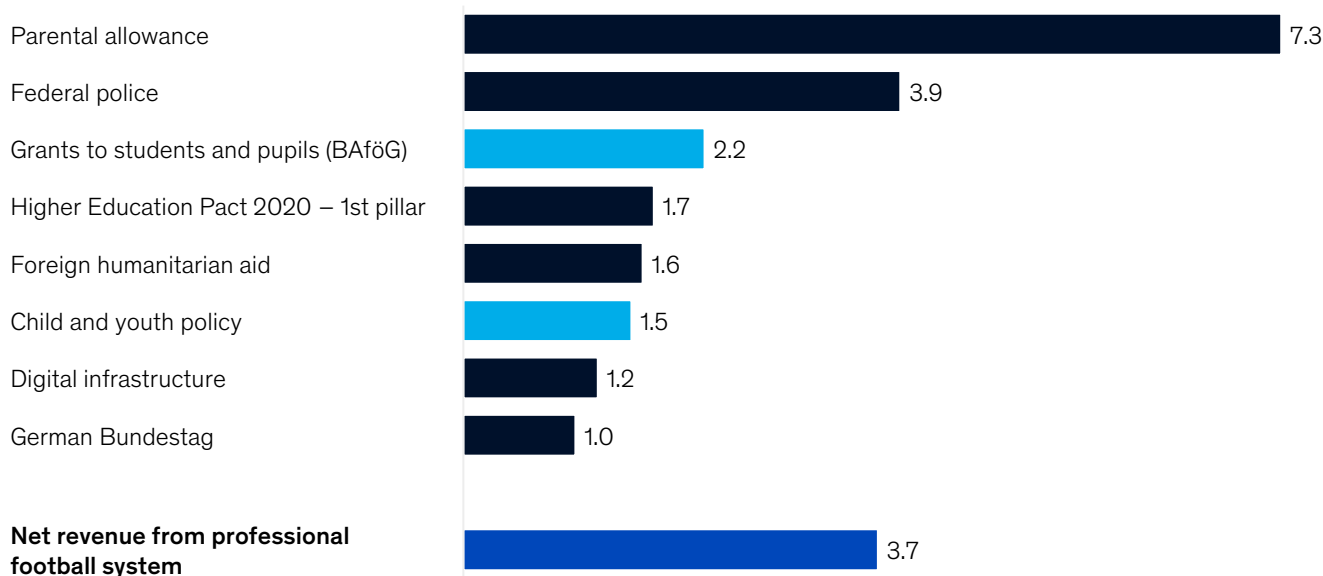
security of stadium goers, investment in the expansion and maintenance of stadiums, and financial support for local public transport.

The professional football system thus affords the state a net revenue of approximately EUR 3.7 billion annually, or enough to fully cover the combined public expenditure on, e.g., the student grant scheme and child and youth policy (Exhibit 6). Around 40 percent of these taxes and contributions are paid by the providers of professional football themselves, with a further 20 percent or so paid by the marketers and licensees (e.g., media companies, sponsors, or equipment suppliers), suppliers, and beneficiaries. As one might expect, the most important types of tax are income tax and value-added tax.

Exhibit 6

Federal government expenditure, 2019

EUR billions, budgeted



Source: Federal budget

Key aspects of growth dynamics

Our analyses show that the professional football system continues to grow, albeit at a slightly slower pace. It is also evident that in contrast to the 2007/08 to 2013/14 reporting period, when it was primarily the system of suppliers and participants around professional football that contributed to the growth dynamics, growth in added value has increasingly

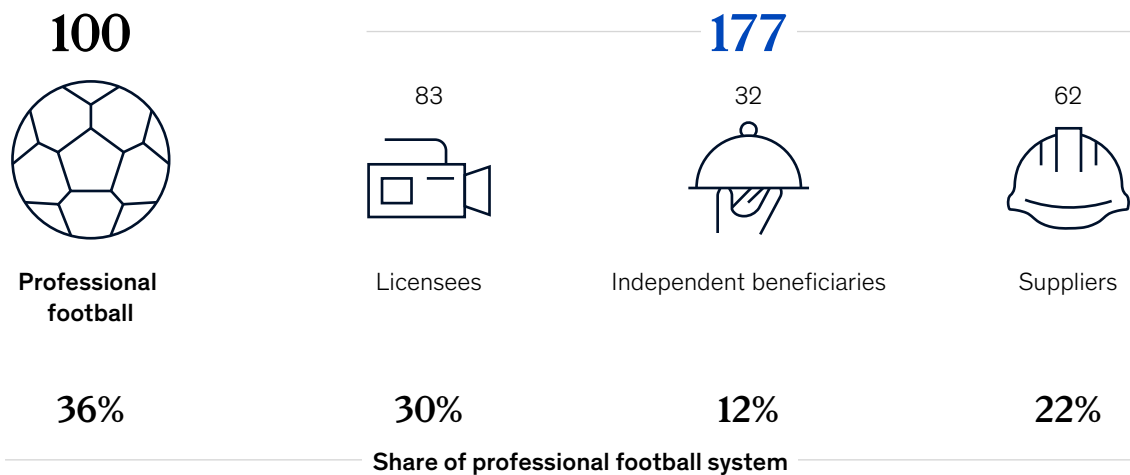
concentrated in the core business. Although the majority of added value continues to be generated by actors indirectly involved in the core business, their importance relative to the core business itself is declining.

The system is benefiting. Growth stems from the clubs: every euro of added value produced by the clubs generates a further added value of EUR 1.77 elsewhere (Exhibit 7).

Exhibit 7

Added value in other sectors attributable to professional football relative to EUR 100 in professional football¹

EUR



1. Excl. induced effects

That means that almost two-thirds of the added value is still generated outside the bounds of professional football. This highlights the need to view the system as a whole in order to properly assess the economic importance of professional football in Germany.

While all three effects – direct, indirect, and induced – have increased significantly in absolute terms (Exhibit 4), it is striking that the direct effect has increased at a faster rate in the current reporting period. Consequently, the industry’s ripple effect has decreased to EUR 1.77 compared with the previous reporting period (EUR 2.60 in the 2013/14 season). It is important to note in this context that this development does not in any way indicate a decrease in indirect and induced effects, but rather underlines the extraordinarily large increase in direct effects in the professional football system, i.e., the contribution by clubs, in recent years.

Concentration in the core business.

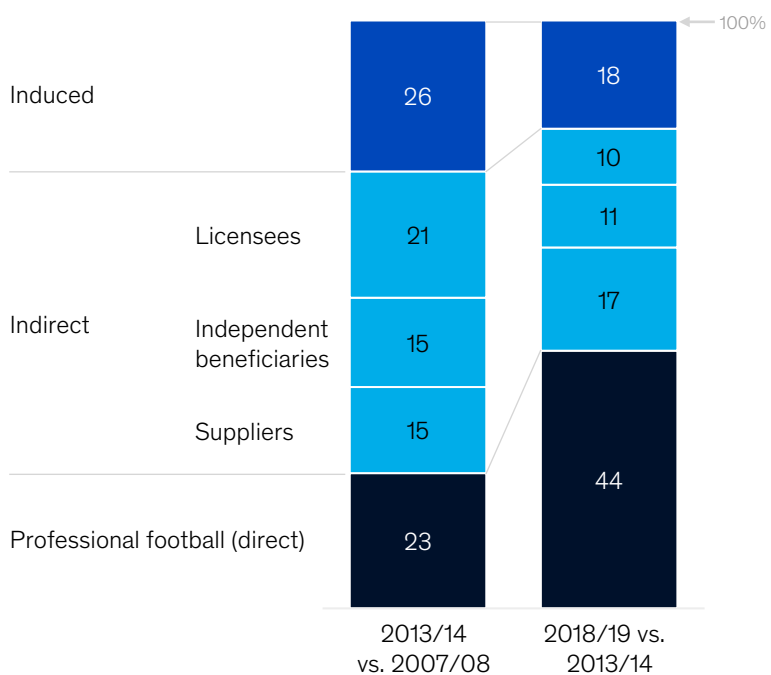
However, the slower growth in employment relative to added value also reflects a fundamental reshuffling of the segments of the professional football system contributing to growth (Exhibit 8).

While all areas participated in growth more or less equally in the previous period under review (2007/08 to 2013/14), we see relatively stronger growth in direct value creation in the current period, i.e., in the clubs and the DFL itself. The sources of growth are increasingly concentrated in the core product of professional football. As such, the clubs and the DFL bear a greater responsibility for the entire professional football system in Germany and its future growth.

Exhibit 8

Growth of added value

Percent



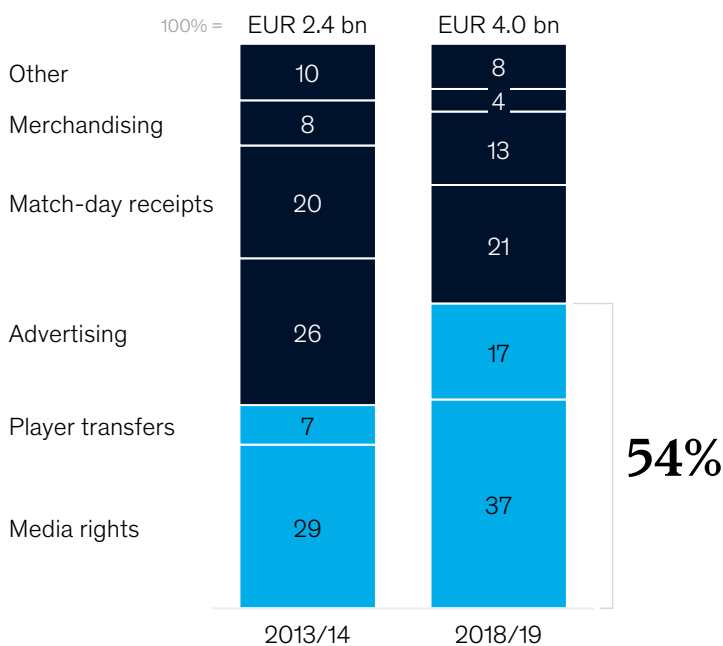
This finding primarily reflects the increased media and marketing revenue earned by the clubs and the DFL. A look at the revenue of Bundesliga clubs underscores this trend: while the marketing of media rights and player transfers only made up around one-third of revenue in the 2013/14 season, their share has since grown steadily, accounting for more than half of the revenue in the 2018/19 season (Exhibit 9). Meanwhile, beneficiaries, suppliers, and licensees have seen their revenue growth lose momentum as they approach the limits of scalability in some cases (e.g., in terms of number of viewers or merchandising revenue).

The decline in marketing revenue from the central distribution of media rights recorded in June 2020, however, raises the question of the extent to which the trend toward increasing revenue in the areas of media exploitation and transfers can continue to act as an engine of growth in future. In addition, the COVID-19 crisis has shown that some clubs can find themselves in financial stress relatively quickly if substantial budgeted revenue, such as media revenue, fails to materialize.

Exhibit 9

Relative distribution of revenue in the Bundesliga

Percent



This is partly because the significant increase in revenue obtained in the prior reporting period was channeled into players' salaries and transfer costs – i.e., expenditure items that were difficult to reduce, at least in the short term, in response to the COVID-19 pandemic. In the 2013/14 season, player salaries and transfer expenses accounted for slightly more than half (i.e., 51 percent) of the clubs' total expenditure; in the 2018/19 season, it was already 58 percent. As the proportion of capital tied up in the medium term

is also increasing as a result of the rising proportion of expenditure on players' salaries and transfers, it is becoming increasingly important for clubs to address the need for a more sustainable use of funds. The effects of the COVID-19 pandemic and the restraints on expenditure expected in the future (which are already affecting the current transfer window) may encourage clubs to implement more sustainable operations and strategic, long-term management of team value.



Outlook: team value management for long-term success on and off the pitch

Thanks to the steady growth of recent years, the Bundesliga has not only established itself as an important sector for the German economy but also as a solid financial bedrock for its clubs. Indeed, all current Bundesliga clubs have been able to increase their revenue significantly in the last five years. Having said that, the cost structure (especially with regard to personnel costs and transfer expenses) has been rising steadily. This was part of the reason why some clubs found themselves at risk of insolvency within a few weeks of the outbreak of the COVID-19 crisis and the corresponding loss of revenue. Accordingly, the development of a stable economic and promising sporting basis is premised on the interplay of both elements: increased revenue coupled with the targeted and prudent use of funds, especially in sporting operations.

One thing is for sure: the ultimate goal in professional football is still to be as successful as possible on the pitch. Regardless of the increasing debate on capital injections and economic returns in the international football business, what clubs, players, and fans want first and foremost is the best possible result for their team. This is not only good news for incurable football romantics – the evidence suggests that it also makes sense from a purely economic vantage point. In view of the considerable performance-based income of clubs from media revenue, which has significantly outgrown other revenue streams in absolute terms (in particular sponsorship, match-day revenue, and merchandising) in the football business for some time now, the common wisdom evidently holds true: “money buys goals and goals make money.”

Team financial value as a key performance indicator

A key driver of a club's sporting success is the quality of the available squad, which can be quantified in terms of the team's market value.¹³ Given the dependence of sporting success on team value, raising the team's market value should be at the core of any club's strategy.

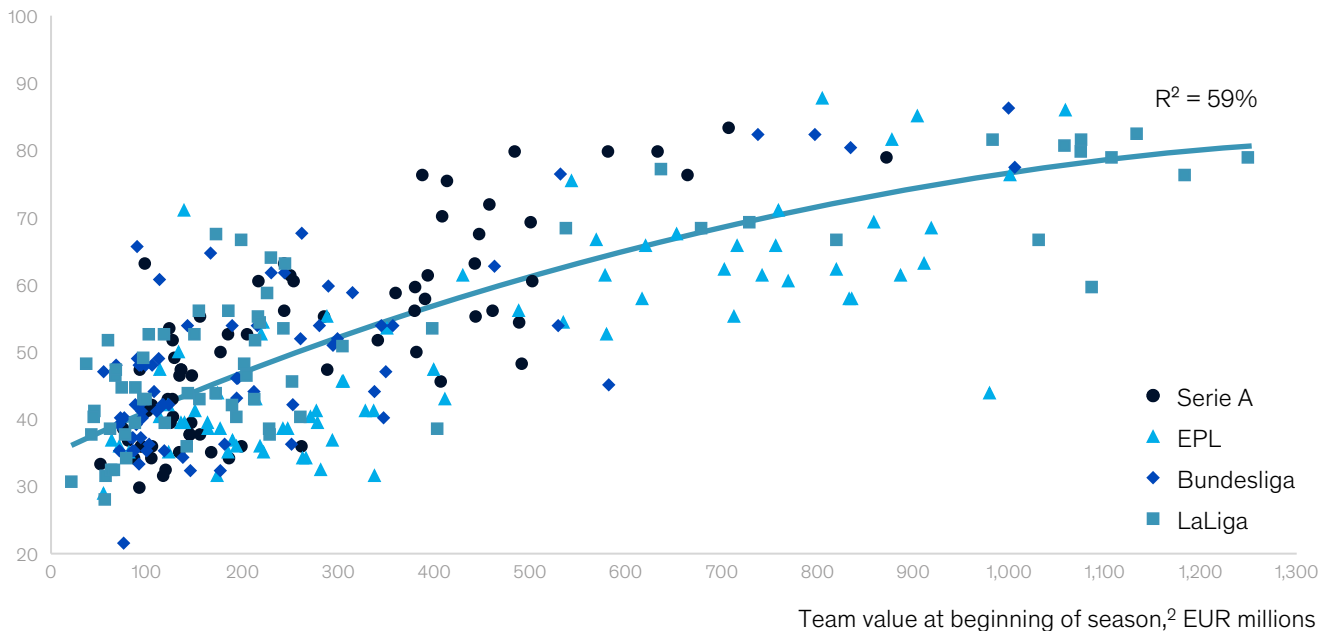
Team market value can therefore be used as a key metric for evaluating the management of professional clubs. The empirical evidence shows that the team value correlates very closely with a team's sporting success. A look at the results of the Bundesliga and the other top European leagues in the 2014/15 to 2018/19 seasons, e.g., makes it clear that a higher team value leads, on average, to a better standing in the respective league (Exhibit 10).^{14,15}

Exhibit 10

Team value correlates very strongly with sporting success in the top European leagues

Relationship between points at the end of a season and team value at the beginning of the next season, 2014/15-2018/19¹

Share of possible points reached at the end of the season, percent



1. For an overview of the teams included, see the appendix of the McKinsey report "The value pitch: the importance of team value management" (September 2020); <https://mckinsey.com/industries/consumer-packaged-goods/our-insights/The-value-pitch-The-importance-of-team-value-management>

2. Team values were adjusted for inflation by setting the management value for the 2018/19 season as the baseline

Source: McKinsey analysis based on Transfermarkt data

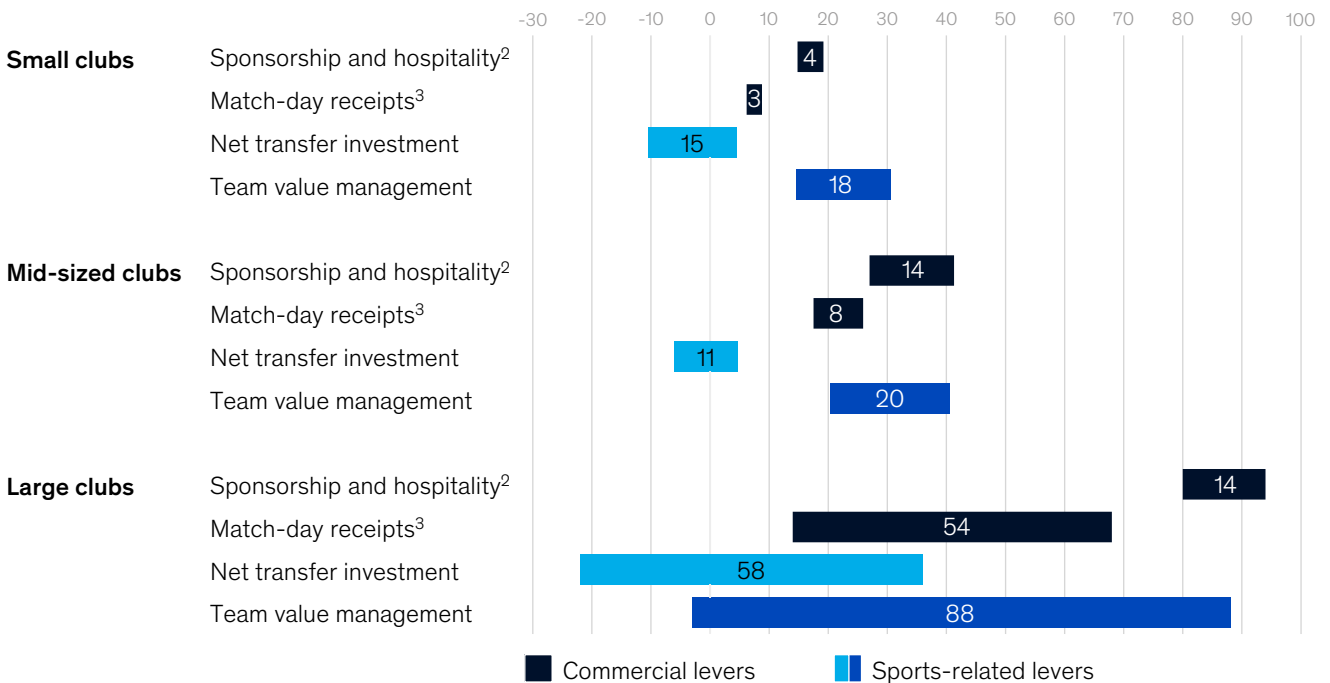
At the same time, the general increase in revenue in the industry has led to an increase in the value of players on a broad front. This is because the additional revenue does not lead to more players being bought, but – due to the competition of the clubs on the transfer market – to higher valuations of the individual players. Although all the clubs could therefore expect an average increase in the value of their squad, the amount of the increase in value varies greatly between clubs – with some teams actually seeing a decrease in value. This constellation is due to the fact that clubs appear to have a considerable ability to influence their value generation, which makes the strategic management of the team value a critical determinant of both sporting and business success.

In conventional commercial activities, management decisions at the club level based on team value arguably play a more important role in the Bundesliga in terms of both sporting and business performance (Exhibit 11). One reason for this is that clubs can exert greater direct influence over the team value than, say, on revenue from television contracts. Moreover, for most Bundesliga clubs, the outcome of team value management also has a greater monetary impact in absolute terms than, e.g., sponsorship or match-day receipts.

Exhibit 11

Sports-related management levers have wider financial outcome ranges than traditional commercial levers

Range of revenue/team value increase for selected Bundesliga clubs,¹ EUR millions p.a.



1. Small clubs: SC Freiburg, FC Augsburg, 1 FSV Mainz 05; mid-sized clubs: Eintracht Frankfurt, Werder Bremen, Hertha BSC Berlin, Borussia Mönchengladbach; large clubs: Borussia Dortmund, FC Schalke 04, RB Leipzig
 2. Sponsorship revenue includes income from jersey, sleeve, and stadium sponsorship as well as outfitter and hospitality revenue for 2017/18
 3. Match-day receipts include ticketing and catering receipts for 2017/18

Source: McKinsey analysis based on SPONSORS and Transfermarkt data

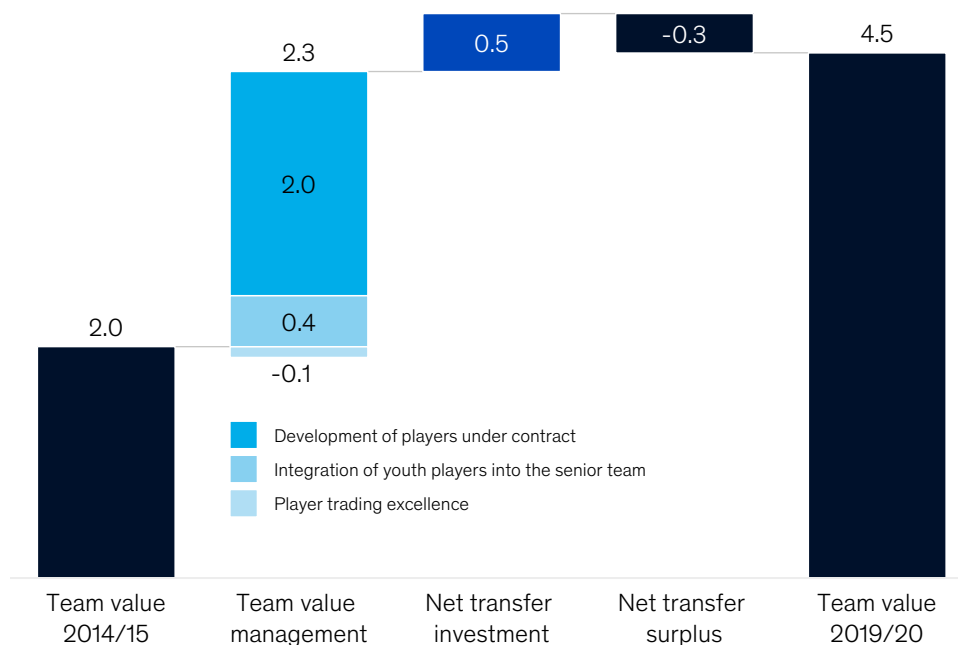
Team value management in the Bundesliga

In essence, clubs can take two alternative approaches to manage their team's market value: team value management – i.e., the development of players under contract, player trading excellence, or the integration of youth players – and net investment in the squad. As a recent McKinsey study on management decisions related to team value at leading European clubs shows, two-thirds of the value increase results from team value management, while the remaining third approximately is attributable to net investment.¹⁶ In the Bundesliga clubs under review, the effect of value management on the results is even more pronounced (Exhibit 12).

Exhibit 12

Total team value and drivers in the Bundesliga, 2014-19

EUR billions



Indeed, our analysis of the development of the team values of 15 Bundesliga clubs over the past five seasons has shown two things: first, since the start of the 2014/15 season, team values have risen by EUR 2.5 billion to around EUR 4.5 billion at the start of the 2019/20 season, which corresponds to an increase of 125 percent, or an annual growth rate of more than 18 percent. Second, by far the largest share of the increase in total team value over this period is attributable to team value management (over 90 percent, or EUR 2.3 billion) and less than 10 percent (EUR 160 million) to net investment. In this respect, it appears that the primary determinant of increased market value is not so

much the amount of money invested in the team, but rather how successfully the team is managed to generate additional value.

Indeed, the results of our larger-scope analysis (for details on the methodology see Text Box 1) show that each of the three levers for value generation through team value management – i.e., (1) development of players under contract, (2) player trading excellence, and (3) integration of youth players into the senior team – can afford a significant financial edge in order to close the gap to financially stronger clubs and widen any existing gap to weaker clubs. This finding holds true at both domestic and international levels.

Text Box 1: Definitions and methodology

We define team market value as the sum of the market value of all players under contract with a club at the end of the season's summer transfer window. This aggregate figure does not include players on loan from other clubs but does include players on loan to other clubs.

The analysis scope and sources used are as follows:

- **Time horizon.** Our analysis tracks the development of market values over a five-year period.
- **Number of clubs and selection criteria.** Our analysis covers the 69 clubs that competed in the 2019/20 season in the Bundesliga, the English Premier League, the Spanish LaLiga, or the Italian Serie A and that were either among the 50 clubs with the highest team market value at the end of the 2019 summer transfer window or that missed at most one season in their respective top-tier domestic league since the 2014/15 season.
- **Data source.** The data stems from the platform transfermarkt.de, which is also used by the scientific community for other research purposes and is based on estimates of the platform's community and experts for the respective clubs.¹⁷

For further details on the methodology, see Appendix of the McKinsey report "The value pitch: the importance of team value management" (September 2020); <https://mckinsey.com/industries/consumer-packaged-goods/our-insights/The-value-pitch-The-importance-of-team-value-management>.

1. Development of players¹⁸ under contract has generated a value of EUR 86 million per year or around EUR 430 million over five years for the Bundesliga club with the best results pulling this lever (Table 1). Success pulling this lever hinges, at a structural level, on a team's age profile and the overall size of the team, but also on the distribution of minutes played among the individual

players. Many clubs that excel in the development of players under contract focus on integrating young and talented players who are then widely courted by clubs abroad. By offering players clear prospects for development, these clubs have above-average success in acquiring players with high potential for increasing market value. Clubs with large and better-quality squads

often rely on rotation and sending young players on loan to other clubs to ensure their development. Since the quality of these players' coaching (and ultimately, their sporting success) plays an important role in this respect, the choice of the head coach is probably the most important business decision a club can make and one that should fit its strategy for managing team value.

Table 1	Value generated EUR millions p.a.	Gap to best-practice Bundesliga club EUR millions p.a.
Best-practice Bundesliga club	86	0
Bundesliga average	26	+60
Best-practice club across top 4 leagues	127	-41
Overall average for top 4 leagues	32	+54

2. Player trading excellence exploits market inconsistencies that allow clubs to buy players below market value and sell players above market value. For instance, an added value of EUR 10 million can be obtained before costs by signing for EUR 10 million a player with a market value of EUR 20 million. That said, the generation of value through player transfers requires not only excellent scouting but also long-term

contract management to prevent players with high market value from leaving the club on a free transfer. By buying players below market price and selling players above market price, the best-practice club in this discipline in the Bundesliga was able to generate a value of just under EUR 26 million per year, or some EUR 130 million over five years with this lever (Table 2).¹⁹

Table 2	Value generated EUR millions p.a.	Gap to best-practice Bundesliga club EUR millions p.a.
Best-practice Bundesliga club	26	0
Bundesliga average	-1	+27
Best-practice club across top 4 leagues	27	-1
Overall average for top 4 leagues	-6	+32

3. Integration of youth players into the senior team refers to the generation of value by systematically developing own talent and integrating homegrown players in the professional squad as well as any subsequent development and increase in the market value of the players. The Bundesliga club that outperformed all of its peers in this discipline was able to generate more than EUR 20 million in value per season (around EUR 105 million over five years) in the reporting period, compared with the average value generated by the Bundesliga with this lever of EUR 6 million (EUR 30 million over five years) (Table 3). In order to attract top-

class players who can still play on the youth teams, it is critical for a club to build a reputation as a springboard for promising young talent. This requires a clear value proposition for the best young players (e.g., excellent coaches at youth level, clear opportunities for development beyond the youth teams to join the professional squad, strategic lending of players when they are old enough to play professionally). Ideally, the value proposition would be backed by the club's demonstrated track record of successful former youth players.

Although the absolute value contribution that the best-practice Bundesliga club obtains with this

lever is the lowest compared with the highest value contributions that can be generated using the other two levers, this discipline does allow some clubs to gain a significant competitive advantage. The successful integration of young talent into the first team is also the bedrock of value creation in the Bundesliga. After all, regular league appearances are the basic prerequisite for rising market values of young players and opportunities for transferring to bigger clubs. In this respect, the Bundesliga clubs would do well to continue investing in young talent and – also in the interest of the Bundesliga as a whole – to retain talent in Germany in the long term.

Table 3	Value generated EUR millions p.a.	Gap to best-practice Bundesliga club EUR millions p.a.
Best-practice Bundesliga club	21	0
Bundesliga average	6	+15
Best-practice club across top 4 leagues	58	-37
Overall average for top 4 leagues	11	+10

Bundesliga team values benchmarked against clubs in other countries

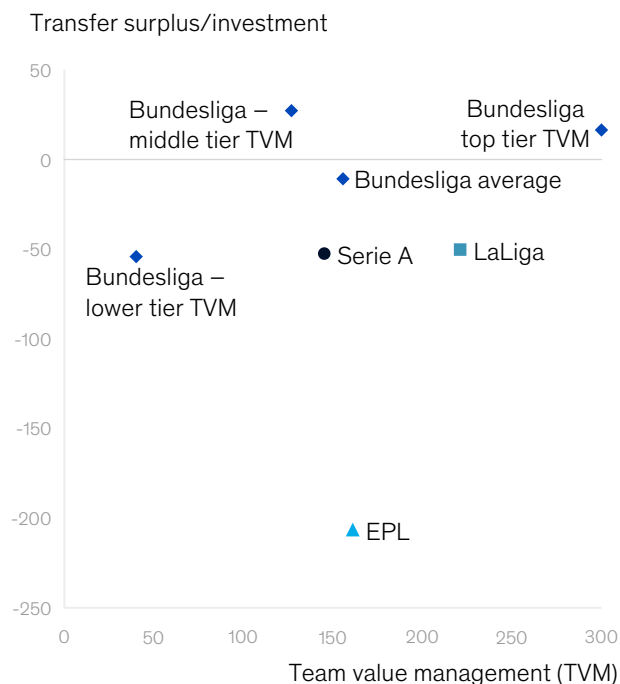
With an aggregate revenue of more than EUR 4 billion, the Bundesliga is already the second-largest football league in the world.²⁰ However, in terms of the clubs' average team values (at around EUR 300 million), the Bundesliga currently ranks only fourth internationally – behind the English Premier League (around EUR 555 million), the Spanish

LaLiga (around EUR 430 million), and the Italian Serie A (around EUR 345 million). In this respect, the Bundesliga has ideal starting conditions and should see the discrepancy between revenue and average team value as an incentive to rank among the world's top three leagues in the long term. A decisive contribution to this end could be made by developing a strategic approach to the topic of maximizing team value (Exhibit 13).

Exhibit 13

Average value generated with team value management and net investment, 2014/15-2018/19 – team value management cluster

EUR millions



A benchmark analysis of the two dimensions of net investment and management of team value among the four European top leagues quickly reveals the Premier League as an outlier. Backed by their enormous financial resources, English clubs have made an average total net investment of more than EUR 200 million per club over the past five seasons. Bundesliga clubs, in contrast, invested significantly less on a net basis on average (around EUR 11 million) – even compared with clubs in Spain and Italy, where investment averaged around EUR 50 million and EUR 52 million, respectively. When it comes to the management of team value, however, the Spanish clubs stand out most. On average, LaLiga clubs have generated a total value of around EUR 220 million per club over five years, or EUR 45 million per season. Nevertheless, the Bundesliga is

unquestionably competitive in this respect, with around EUR 150 million in value generated from team value management – both as compared with the Premier League (EUR 160 million) and Serie A (EUR 145 million).

It is also interesting to note the enormous gaps within the Bundesliga in this context. Indeed, the top five Bundesliga clubs in terms of their management of team value were, on average, able to generate significantly more value than, e.g., the average LaLiga club. This finding is consistent with the hypothesis that a significantly higher team market value can be achieved through strategic squad-related management decisions, and it indicates that some Bundesliga clubs are already among the European leaders in terms of value creation through team value management.

EUR 2.3 billion

value generated from team
value management



Germany's professional football system has continued to record strong growth rates over the last five years. As a consequence, its increased share of direct, indirect, and induced added value in Germany's total added value combined with its stability as an employer and an important source of tax revenue have helped the professional football system establish itself as an economic sector at the very heart of German society.

However, although the professional football system in Germany continues to grow much faster than many other industrial sectors, its growth did slowly lose momentum in the current reporting period starting in 2015. This trend partly reflects the development of the system of professional football toward an established economic sector, but it also signals that some areas within the system (e.g., match-day revenue, merchandising) are reaching the limits

of scalability. In addition, a shift can be observed in the sources of growth, with the core business gaining importance, i.e., the DFL and the clubs themselves. Responsibility for the system is thus increasingly in the hands of professional football.

The turbulent 2019/20 season and the immediate effects of the COVID-19 pandemic have once again underscored the Bundesliga's high-profile standing within society, but also the resilience of Germany's professional football system. At the same time, however, the COVID-19 crisis has revealed previously unsuspected weaknesses in the system and caused significant financial losses for the clubs. Although the latter were, in most cases, able to successfully navigate the first few months of the crisis without state aid, it has become clear that the risk of losing firmly budgeted revenue was sufficient to expose some clubs to existential problems.

Against this backdrop, the sustainability of business activities is moving up the list of priorities in the boardrooms of football clubs. Prudent use of funds is particularly important in this regard, especially within the context of the strategic team value management. Significant and sustainable increases in the market value of talents, excellence in player trading, and the purposeful integration of players from youth academies hold considerable additional potential for value generation and can lay the foundation for club fund consolidation. The fans would benefit too – after all, the aim of team value management is to use the available financial resources to assemble the best possible squad without risking the club's financial stability.

End notes

- ¹ <https://www.kicker.de/773385/artikel>.
- ² To put the study series into context: while the 2010 study "The Economic Impact of the Bundesliga" aimed to conduct a foundational assessment of the magnitude of the added value that professional football in Germany generates directly and indirectly, the 2015 study "The Bundesliga as a Growth Engine" made it possible to analyze growth dynamics and the underlying drivers for the first time.
- ³ Our previous studies were based on the seasons 2007/08 (2010) and 2013/14 (2015).
- ⁴ German Federal and State Statistical Offices, March 30, 2020; <http://www.statistikportal.de/de/bruttowertschoepfung-vgr>.
- ⁵ Federal Statistical Office, national accounts 2019, January 15, 2020, downloaded August 12, 2020; https://www.destatis.de/DE/Themen/Wirtschaft/Volkswirtschaftliche-Gesamtrechnungen-Inlandsprodukt/Publikationen/Downloads-Inlandsprodukt/inlandsprodukt-erste-ergebnisse-pdf-2180110.pdf?__blob=publicationFile.
- ⁶ In 2018, the Premier League reported a decrease in revenue from national broadcasting for the 2019 to 2022 seasons, down from GBP 1.8 billion to GBP 1.7 billion; <https://www.bbc.com/news/uk-43052024>.
- ⁷ Financial Times, February 12, 2019; <https://www.ft.com/content/47e96616-2ae2-11e9-a5ab-ff8ef2b976c7>.
- ⁸ For reasons of data availability, the analysis of the development of team value was based on each team and its corresponding market value as of the end of the respective summer transfer window.
- ⁹ To enable comparability between the results of both studies, it was again decided not to include the third division in the study scope. This decision is additionally justified by the relatively low contribution of the third division to the German professional football system's total revenue (approximately 4%).
- ¹⁰ Revenue generated with e-sports by the DFL and clubs in the Bundesliga and Bundesliga 2 was included; revenue from independent e-sports organizations, in contrast, was not included.
- ¹¹ Studies of this kind do not allow any reverse conclusions to be drawn for the national economy, i.e., the decline in aggregate economic output if professional football were discontinued would not be identical with the imputed economic importance due to the alternative ways in which income could be used.
- ¹² Nominal growth: 7.6% from 2007/08 to 2013/14 and 6.8% from 2013/14 to 2018/19.
- ¹³ Market value data were obtained from transfermarkt.de. Detailed information on the data source is provided in the Appendix of the McKinsey report "The value pitch: the importance of team value management" (September 2020); <https://mckinsey.com/industries/consumer-packaged-goods/our-insights/The-value-pitch-The-importance-of-team-value-management>.
- ¹⁴ Jürgen Gerhards and Michael Mutz, "Who wins the championship? Market value and team composition as predictors of success in the top European football leagues." *European Societies* 19, no. 3 (2017): 223-242. (2016).
- ¹⁵ Michal Klobučník, Martin Plešivčák, and Milan Vrábelf, "Football clubs' sports performance in the context of their market value and GDP in the European Union regions." *Bulletin of Geography. Socio-Economic Series* 45, no. 45 (September 2019): 59-74.
- ¹⁶ McKinsey, "The value pitch: the importance of team value management" (September 2020); <https://mckinsey.com/industries/consumer-packaged-goods/our-insights/The-value-pitch-The-importance-of-team-value-management>.
- ¹⁷ Prockl, F. and Frick, B. (2018). Information Precision in Online Communities: Player Valuations on www.transfermarkt.de. *International Journal of Sport Finance*, 13(4).
- ¹⁸ In our analysis, players who made the leap to professional football within their clubs during the period under review were allocated to the lever "integration of youth players into the senior team." Changes in the market value of these players are also allocated to this lever.
- ¹⁹ However, it should be noted in this context that our analysis does not include signing bonuses or agents' fees. As both – but especially agents' fees – are growing every year, an increasing share of the value generated can end up in the hands of players and their agents.
- ²⁰ DFL Wirtschaftsreport 2020.

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