

Manchester united swot analysis



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It has been argued that Manchester United is one of the best football clubs in the world, who has more than a hundred years history and lots of fans all over the world. According to Benson (2008), since Manchester United was founded in 1878, it has won many final of league champions in the Premier League, FA Cup and UEFA Champions League.

Same as other successful organization, the Manchester United has a good manage team, effective operation and a very strong financial support.

Manchester United is not a Plc. Since it was bought by the Glazer family, it is now a private limited company and became the Manchester United Ltd. This report is going to analysis Manchester United Ltd by applying SWOT and PEST analysis.

SWOT Analysis

(S)trengths

Manchester United has the strongest and most valuable brand of any football club, and arguably non national sports club, in the world (Brand Finance, 2009, p. 19). This allows the company to generate massive revenues from commercial sponsorship deals and the sale of merchandise around the world. This brand strength is reflected in the club's estimated 330 million fans worldwide, which represents around 5% of the world's population. The level of loyalty engendered by most football clubs implies that this level of support is unlikely to fade in the short term, with only a prolonged period of underperformance on the field causing Manchester United's brand strength to decline.

The company's other main strengths are its strong squad playing squad and large stadium. The playing squad has won the Premier League trophy three

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years in a row, won the 2008 Champions League, and as of the 16th March 2010 is at the top of the Premier League and in the Champions League quarter finals in spite of losing arguably its best player in Cristiano Ronaldo. This shows the strength of the squad and its ability to move forward and continue to bring success and attract revenue (Samuel, 2010). The club's stadium, Old Trafford, is the largest club stadium in the country, with a capacity of almost 76, 000, allowing the club to generate significant match day revenues from ticket sales and refreshments (Premier League, 2009, p. 27).

(W)eaknesses

The club's main weakness is its high level of debt. The club has two main sources of debt: £507 million of bonds at interest rates of around 9%, incurring interest costs of around £45 million per year, and £202 of 'payment in kind' loans, with interest rates of 14.25%, which compound onto the capital value of the loans each year (Ducker and Power, 2010). The £45 million interest payments on the bonds represent almost 50% of the club's £91 million cash profit (BBC Sport, 2010), giving an interest cover ratio of just over 2, which indicates the club's debts are taking up a significant amount of its profits. Indeed, much of the club's strengths are arguably being countered by this weakness.

In addition to this, Manchester United's status as a football club creates a large potential for its revenue to fluctuate sharply based on its on-pitch performances. For example, in the 2008-09 season Manchester United earned 37.8 million Euros from its participation in the Champions League, when it reached the final (euFootball.biz, 2009). If the club fails to match

this achievement in future seasons, its revenues will fall. Due to the difficulties in progressing this far in such a major competition, it becomes difficult for the company to project revenues in the future, potentially causing liquidity problems.

(O)pportunities

The main future opportunity for the club is its ability to obtain greater revenue from its global fan base. The club currently has 330 million fans, and revenue of 327 million Euros per annum, most of which is probably generated within the UK and Europe, from match day and broadcasting revenues (Deloitte, 2010). If the company can obtain just one extra Euro per fan per year, then it could double its revenues and massively increase its profits.

The high level of unexploited fans also allows the club to develop its commercial revenue streams, such as sponsorships and partnerships. A recent example of this was the partnership deal signed with Telekom Malaysia (Hashim, 2010). If this deal could be replicated in other attractive markets, Manchester United could see another major growth in revenue.

(T)hreats

There are two main threats to Manchester United. The first is that the interest rates on the payment in kind loans are high and can rise further in the future. This could cause the company to incur significantly higher debt levels in future. Indeed, if the company fails to pay off any of these loans, then by their maturity date they will be valued at over half a billion pounds, effectively doubling the company's total level of debt (Ducker and Power, 2010). This threat is also strongly linked to fan protests against the current

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owners and the level of debt (BBC, 2010). Whilst these protests have not yet had a notable impact on the club's financial situation, if the level of debt becomes a greater burden they may lead to fan boycotts, causing reducing revenues and increasing the threat from debt.

The other main threat is the pending retirement of manager Sir Alex Ferguson, who is now 68 (Ferguson, 2000, p. 12). Ferguson has managed United for almost 25 years, and has led them to over 30 trophies in this time (ManUtd. com, 2010). Given the importance of continued on-field success to Manchester United's financial situation, it is clear that the company must put a strong succession plan in place to ensure performances and financial results do not suffer when Ferguson decides to retire.

PEST

(P)olitical

The main political factors affecting Manchester United are the English Football Association and the European and global equivalents: UEFA and FIFA. These bodies are responsible for determining how all football clubs can operate, in terms of transferring and signing players and carrying out their on-pitch activities. For Manchester United, of particular concern are proposals concerning the level of debt that clubs are allowed to carry, and the need to balance their books and break even on their football activities (UEFA, 2010). This is of concern because Manchester United's high level of debt could well cause the club to encounter short term financial difficulties in the near future, which could lead to sanctions from UEFA, further increasing the scale and duration of any financial difficulties.

(E)conomic

As with any business, Manchester United's revenues are likely to be affected by the prevailing economic conditions. In particular, as watching football matches and following football teams is expensive and not necessary for people's continued economic wellbeing, one might expect that football clubs such as Manchester United would suffer in periods of economic decline.

However, in spite of the major economic recession that recently affected the UK, Manchester United has continued to grow its revenues, which reached record levels last year (BBC Sport, 2010). Indeed, had the pound sterling not fallen significantly against the Euro, Manchester United would have had the highest revenue of any football club in Europe in the year to 30th June 2009 (Deloitte, 2010). This of course reveals another important economic factor for Manchester United to consider: given the pound's current weakness against the Euro, buying players will be more difficult as clubs in the Eurozone will have more purchasing power on the global transfer markets.

(S)ocial

The main social factor affecting Manchester United is the continued desire for people to watch football, both as a form of entertainment and as a social activity. Whilst previous periods such as the 1980s were affected by football hooliganism, in recent years football has experienced a boom in social interest, leading to large numbers of people becoming fans. This is of benefit to Manchester United who, with the largest fan base and most valuable brand in the world (Brand Finance, 2009), can expect to obtain the lions' share of new fans.

(T)echnological

The main technological factor affecting Manchester United is the rise in the internet and other broadcasting channels. This allows the company to reach a wider range of fans across a wider range of channels, and hence obtain more money from the various global fans who do not live within range of traditional distribution networks or cannot access match broadcasts on their local television networks.

Conclusion

To conclude, even though Manchester United Ltd has financial problem with its high level debt, but the strengths of this operation team may help to overcome and to turn it become a new opportunity. It is because, factors such as the long history, capability for wining champion, the loyalty of the football team fans or its famous players all can bring some lovely profit in. However, Manchester United Ltd still needs to treat its problem seriously and face their weakness and threats in a right way, or they would lose the honour which was built in the past.