

# Why manchester united is so successful marketing essay



**ASSIGN  
BUSTER**

Manchester United lost the English League title on the final day of the 2012 season in a heartbreaking fashion, when archrival Manchester City scored a goal in the last minute and defeated Queens Park Rangers to clinch the title. This prevented Manchester United from winning a second consecutive title. The Red Devils, as they are known to fans and enemies alike, can however lay claim to another title, “ The world’s most valuable sports team”. In 2012 Forbes estimated Manchester United’s worth at \$2. 23 billion, 19% more than Real Madrid, the #2 ranked (1 Forbes), and a significant gain from the 2005 purchase price of \$1. 47 billion. Manchester United (MU) club has been greatly successful on and off the playing field for a number of years.

Propelled by commercial diversification, international marketing and use of new technologies, the club just keeps growing. Soccer is fiercely competitive and even though clubs do an excellent job, MU is always on top.

What is the differentiator? Does MU have an advantage over its rivals? What are the reasons behind its continued sporting and business success? Is it the charismatic past superstars like Best, Charlton and Beckham, the legendary manager Alex Ferguson, the deep pocketed owner Malcolm Glazer or the 2012 stock offering on the New York Stock Exchange? Or is it the international fan base, the organizational structure of the club, the management team, the MU brand image and marketing, all of the above?

This essay will provide the answers to ‘ What makes MU the most valuable soccer club in the world’? It will also analyze how leading soccer teams and MU run their sport business and as well identify the ‘ secret’ to MU’s success, an advantage over its competitors. It concludes that the advantage lies in the business strategy of diversification into new commercial areas, which is

supported by the club's unique organizational structure of independent and separate business units running the key commercial areas while at the same time, they remain aligned with the clubs' priorities.

## **Diversification into New Businesses**

To push for a better, more fair regulation of the financial operations of the game, the UEFA rolled out in 2011-12 new 'Financial Fair Play Rules'. This pushed the clubs to focus on creating additional revenue streams to ensure their financial stability. With advertising incomes in a flux or even in decline, soccer brands are increasingly seeing their brand as a prime marketing door opener to new revenue streams. The continued success on the field, of course, is vitally important and that is where MU excels. MU produced 19 English League titles, 11 FA Cups, 3 European Cups, 1 FIFA World Cup, to name just a few. But MU also realized that in the modern, global era of soccer a new focus on income generation through diversification was needed. Investments into the new commercial initiatives, processes and service as well as new organizational structure were important ingredients of the expansion plans. Other clubs have diversified, but MU has gone deeper than other clubs. Its product range includes catering, food, clothing, banking, hospitality, online betting, events at Old Trafford, conferences, weddings, parties, soccer team's world tours, travel, media services, investor services, even a chain of MU's restaurants in Asia. Diversification into more income streams also means the club is less dependent on the soccer's revenue. It can be argued that it is just as difficult for teams to generate profits when they are winning as when they are losing on the field. When MU won several

championships between 1992 and 1997 and also reported significant profits, Stefan Szymanski (4 Szymanski) called this performance dazzling.

## **MU's Business Plan**

Soccer is an excellent laboratory for studying business success. Szymanski stated in his essay ' Why is Manchester United So Successful?' (5 Szymanski): ' We can learn a lot about business strategy from football because competition in football is highly structured and the results of are clearly measurable'. A typical starting point for a football club to develop is to identify an ascending trend, (6 Rosca) and MU did just that in the late 80s and early 90s, by identifying the transition from the industrial society to the informational, new technologies based society and a services-based economy. The club managers' drew up a plan which foresaw a development based on new technologies, entry into new markets and an increase of the fan-base. They realized that you don't necessarily need to be physically present in the marketplace, as a virtual presence is achievable through the internet, television, and social media. Among the new markets, North America and Asia proved to be the most important ones for MU. As early as 2002, a research firm Mori concluded that MU had 8 million fans in China out of 50 million worldwide at the time; today that number is 659 million fans. Ever since the 1980's it has been an important goal of MU to take their newly found financial incomes and re-invest them in the club and win-win strategic partnerships. Their alliance with the New York Yankees means that the two clubs share information, sell one another's merchandise and have common advertising campaigns, and as well the Yankees coordinate all of MU's summer tours in the USA.

## **Organizational Structure — the Secret Ingredient**

The most important component to MU's business growth into the 21st century is the way its entire business is organized. It has nine independent businesses units; each aligned with its commercial area and marketing thrust and with the clubs' overall objectives. The MU holding company is at the top of this business structure and the profits from these businesses are re-invested in the sports side of the club, as well as the commercial units. These business units collaborate but are independent of each other, and are created in partnership with external specialized commercial partners, e. g. Nike, New York Yankees & Betfred. It is the ongoing " investment – sporting success – financial income – investment" cycle that creates financial advantage and on-field competitive advantage. Their structure has Manchester United PLC at the top controlling its nine subsidiaries, of which only Manchester United Football Club Ltd. is under direct management of the club. The other eight subsidiaries are basically outsourced businesses established by MU with the help of key business partners. (Rosco)

## **Brand Power**

Soccer is the most popular sport in the world so being no. 1 is important. A leading brand valuation consultancy, valued MU in 2011 as the #1 soccer brand in Europe, amongst 30 clubs (2 Brand). Forbes Business named MU in 2012 as the most valuable sport club business in the world, beating out ahead of such brands as Real Madrid (#2), New York Yankees (#3), Dallas Cowboys (#4), Los Angeles Dodgers (#6) and Barcelona FC (#. 8). This MU brand resembles big consumer brands like Coca Cola, Nescafe, Marlborough or Nike. It competes with similar products, where consumers rely on

established brands' image in preference to their rivals. Such leading brands can then sell at higher prices and be dominating the market. Despite an occasional lower level of soccer performance in some years MU was able to bring in more customers as compared to their rivals (3 Szymanski). A testament to Manchester United's global brand power are their growing number of multi-year, multimillion dollar sponsorship deals with brands like AON (\$31 million/year – match jerseys), DHL (\$62 million/4 year – practice jerseys), Nike's (\$39 million/year – merchandise – 13 year deal), etc. An upcoming GM deal will be worth \$559 million – 7 year period. Along with strategic diversification into new ventures and markets, MU has established an active and aggressive Trademarks Department whose main function is to develop and protect the brand, ensure its correct application and minimize fraud. The fact that MU has developed such well protected brands is very attractive to current and prospective partners who are willing to pay high sums to be linked with the soccer champions.

## **Other Perspectives**

Not everyone agrees that diversification and an aligned organizational structure are the reasons behind MU's success. It has been suggested that MU developed their global and financial dominance when the owner, Martin Edwards floated the club on the stock exchange in 1991/1992 and oversaw further share issues in 1994 and 1997; and secondly when Peter Kenyon (ex Umbro CEO) was appointed in 1997 to deputy chief executive at MU, and started to pursue an international support base and revenues. It is the opinion of this writer that while the above two events are important to MU's development, neither are as significant for MU's success in the 21st century

as the visionary ownership of the Glazer family, the NYSE public offering in 2012, diversification related partnerships, or the impact of aligned independent business units. Another reason talked about was the air disaster in Munich, 1958 that wiped out most of the MU team which created more of a fan base for MU. While it is also true that during the 1958 -1959 season MU's average home gate attracted 53, 258 fans, 8, 000 more fans than anyone else in the league.

## **Conclusion**

Taking into account the economics of professional sport, clubs have to seek new ways which allows them to increase their financial resources, often by going beyond the sport itself. Clubs such as MU use diversification to create new incomes to support their competitive and economic needs. MU has not only used diversification as the way to grow, it has also reorganized the club into a holding company with nine separate commercial enterprises. These subsidiaries re-invest their profits into the club and into themselves. This has created a distinct competitive advantage for the club. MU is a thriving global business that maximizes the success on the playing field through developing opportunities and achieving success in the non-sporting commercial areas.

## **Work Cited**

Andrews, D. (2004). Manchester United: A thematic study. UK: Routledge Publishers. Retrieved from <http://books.google.ca/books?hl=en&lr=&id=o037TWOehOIC&oi=fnd&pg=PP1&dq=manchester+united+&ots=ykv8rvSqvh&sig=QWQfDviZ09kqiG8d3pfQEuQZQe8>

Badenhausen, K. (2012, July). Manchester United tops the world's 50 most valuable sports teams. *Forbes Business*, Retrieved from <http://www.forbes.com/sites/kurtbadenhausen/2012/07/16/manchester-united-tops-the-worlds-50-most-valuable-sports-teams/>

Brand Finance European football brands 2011. (2011, September). *Brand Finance*, Retrieved from <http://www.brandfinance.com/images/upload/top30europeanfootballbrands2011finalwebsite.pdf>

Giulianotti, R., & Robertson, R. (2004). The globalization of football: A study in the globalization of the 'serious life'. *The British journal of sociology*, 55(4), Retrieved from <http://www.wcas.northwestern.edu/projects/globalization/secure/articles/robertsonpdf.htm>. pdf

Rosca, V. (2010). The strategic development of the Manchester United football club. *Economia seria management*, 13(2), Retrieved from <http://www.management.ase.ro/reveconomia/2010-2/20.pdf>

Szymanski, S. (1998). Why is Manchester United so successful? *Business strategy review*, 9(4), Retrieved from <http://onlinelibrary.wiley.com/doi/10.1111/1467-8616.00082/pdf>