

The Complexity of Sport Management: from Mono-Business to Multi-Business

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Abstract

Sports transformed into an extremely complex phenomenon requiring the ability to manage business areas with different characteristics combining a wide range of aspects: emotional and logical, international and local, professional and amateur, high-tech and high-touch, traditional and new, competition and cooperation, short-term and long-term goals, randomness and planning, confidentiality and visibility.

For many years, sport organisation management concentrated on technical-competitive aspects, but in global markets technical ability it is not enough to ensure an organisation's long-term success.

Sport organisations have to manage business areas ranging from the box office, season tickets and player trading, to sponsorships, advertising, media content, merchandising, publishing, player image, real estate, finance, tourism and others.

Keywords: Sport Management; Sponsorship; TV Viewers of Sport Events; Advertising; Merchandising; Stadium Management; Real Estate Management

1. Sport Management and Global Market

Sport has always been considered a 'minor industry' that doesn't require special managerial skills. Managers of professional and international teams used to be, and sometimes even are, often the sons of rich families who could 'cut their eye-teeth' without running too many risks. Or they were former champions of proven technical ability but uncertain managerial skill.

In the 1950s, Gianni and Umberto Agnelli's first responsibilities regarded the presidency of the Juventus Football Club. Many similar cases followed, right up to that of Rosella Sensi, now the managing director of A.S. Roma, which is listed on the stock exchange. The most famous cases of former champions at the helm include Giampiero Boniperti at Juventus, Dino Zoff at S.S. Lazio, Giacinto Facchetti at F.C. Internazionale, etc. This fairly simple approach has always been applied to the management of smaller sport organisations, such as swimming pools, health clubs and, in general, facilities whose managers, even those with technical know-how (such as graduates in Physical Education), tend to improvise their

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management procedures. This is understandable, since management of these organisations is mostly technical in nature and therefore best performed by a small, technically trained staff.

But this situation has now changed and requires a different point of view, made obvious by a few simple economic factors. Sports are more popular than ever in Italy and throughout the world. Statistics show that:

- in Europe, almost 50% of the population regularly plays sport;
- billions of people watch events such as the World Football Cup or the Olympics on television;
- athletes such as Tiger Woods and Michael Schumacher earned more than € 60 million in 2004. According to Forbes magazine, Maria Sharapova earned \$ 18.2 million, and Mourinho, coach of the Chelsea F.C., earned more than € 7 million;
- Nike has sales of \$ 13.7 billion, and Adidas acquired Reebok for € 3.1 billion, creating a group valued at \$ 11.1 billion;
- A.C. Milan was on television for 440 hours in 2004-05;
- Fly Emirates paid € 150 million to 'name' Arsenal's stadium in London for 15 years;
- the IOC collected over \$ 1.4 billion for the TV rights to the Athens Olympics;
- 45,000 volunteers worked to organise the Athens Olympic Games.

Numbers such as these would be impossible if sports did not attract such a wide range of fans: young and old, men and women, rich and poor, able and disabled, tall and short, educated and uneducated, city dwellers and country folk, in industrialised and developing nations, north and south, etc. In other words, demand is extremely widespread, growing, and segmented: an economic paradise. But this paradise very often turns into hell if the economic (and at times the social) condition of the supply is examined. It seems that this economic paradise, with such abundant demand, is in a negative economic situation that affects large professional clubs as well as small organisations that manage facilities often bordering on the dilapidated.

Why? The answer is almost certainly managerial scarcity in many sport organisations that were unable to evolve in step with demand, especially in the 1990s, when internal and external changes increased demand but complicated the managerial situation. In other words, success transformed sports into an extremely complex phenomenon requiring the ability to manage business areas with different characteristics combining a wide range of aspects: emotional and logical, international and local, individual and group, professional and amateur, high-tech and high-touch, traditional and new, private profit and social concerns, competition and cooperation, short-term and long-term goals, randomness and planning, confidentiality and visibility, etc. In essence, an extremely complex situation that demands an avant-garde organisation with top skills to successfully transform a mono-business into a high-synergy multi-business.

This situation requires highly qualified managers and a delicate balance of specialisation and coordination in an organisation with strongly shared values and maximum motivation. The goal: build a team with a unified locker room!

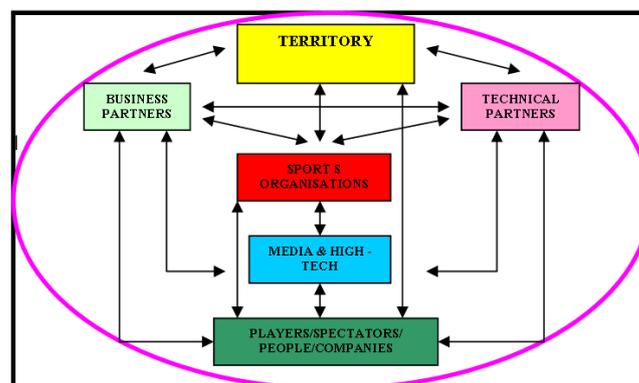
2. 'Business as Usual' has Changed

For many years, sport organisation management concentrated on technical-competitive aspects, trying to form a team, create an event, or run a pool, gym or sport centre with courses for children and adults, etc., with the aim of generating adequate income from ticket sales or memberships in the sport centre. This was a relatively simple operation, especially if efficiently run. Naturally, this concentration on technical aspects involved a certain degree of randomness and frequent fluctuations, with new facilities opening up and others shutting down depending on whether their efficiency and the quality of their staff increased or decreased. Just as in many other sectors, there was a 'healthy' attempt to produce. As the years passed and the external environment changed, this logic was progressively less able to adapt to social, economic, technological, regulatory and political change.

To run an airline, a person has to know more than how to fly a plane: financial, IT, marketing and negotiating skills are needed. Likewise, more than surgical skills are needed to run a hospital: IT, technological, communication, real estate and financial skills are needed plus know-how, etc. The same is true for a museum, where it is not enough to be a great art expert, and for an insurance company, where more than an expert in actuarial statistics is needed.

In sports as well, technical ability has become a necessity, but it is not enough to ensure an organisation's long-term success. Over time, there developed a 'sport convergence' (to paraphrase the better known multimedia convergence) in which sport organisations, still at centre stage, are surrounded and supplemented by various other organisations that interact to create a collaborative 'network': i.e., alone you lose, together we win. This convergence is illustrated in Figure 1, where the main players, in addition to sport organisations, are business partners (such as sponsors), technical partners, traditional and new media, the territory (through its representative bodies and the entire socio-economic context), distribution partners, and the beneficiaries of the sport services (as pro-sumers able to contribute to the perceived quality of services).

Figure 1: *Components of the Sport Convergence*



In this expanded context, business areas (i.e. the ones that generate revenues) increase in number and characteristics, making sport a multi-business industry.

3. Sport Business Areas in the 21st Century

Let us now analyse the main business areas of the sport industry and point out various types of demand, critical success factors, competitive systems and skills required.

3.1 Box Office and/or Memberships

As mentioned above, this is the area on which the entire balance sheet used to be based. In football, it is interesting to note that the weight of this area has gradually decreased from 100% to about 25%, due not so much to an absolute drop, but rather because other items have increased. In other cases, such as a marathon or car race, memberships may still be important. At any rate, this area remains significant to the extent it can still generate large revenues.

Demand consists of people who go to races or become members of sport centres. Most of them follow a team or player, but may also be simple fans of a sport or event. If they take part in a sport, they look for fun, emotions, and a challenge and, in general, psychophysical well-being. Competition consists mainly of other teams or players in the same sport, but may also be other sports and other forms of entertainment such as the cinema, theatre, concerts, dancing, museums, restaurants, discos, etc.

Figure 2 shows that expenditures for sporting events represents about 16% of the total calculated by Istat in Italy. In the context of sporting events, the largest share goes to football, with about 75% (Figure 3).

Figure 2: *Expenditure Trends for Events, 2000 to 2002 in Italy (Absolute Values in Euros and Percentage)*

Year	Dancing and concerts	Cinema	Theatrical and musical activities	Sporting events	Total
2000	Absolute values				
	722,507,157	529,417,499	400,432,503	329,029,040	1,981,386,199
	Percentage				
	36.6%	26.6%	20.1%	16.6%	100.00%
2001	Absolute values				
	728,867,480	589,499,230	409,602,433	331,043,020	2,059,012,163
	Percentage				
	35.4%	28.6%	19.9%	16.1%	100.00%
2002	Absolute values				
	*	629,384,679	458,327,848	324,066,172	1,411,778,699
	Percentage				
	*	44.6%	32.5%	23.0%	100.0%

* As of 2002, SIAE no longer provides data on entertainment

Source: Istat, 2004

The services offered have to be improved in order to maintain (and hopefully raise) these levels, because today's public (at least in industrialised nations) has progressively higher expectations that go beyond simple, but still important, races or competition, but expand to a variety of secondary factors linked, for example, to

comfort, atmosphere, visibility, safety, connections, toilet facilities, etc. This requires the best possible management of total quality to satisfy specific targets. But quality has to be differentiated based on precise segmentation of demand and on careful pricing in order to fill the facility and maximise revenues. A half-empty or empty stadium does not provide the atmosphere one expects at a match. With regard to segmentation of demand, it is increasingly important for organisations to acquire corporate boxes and hospitality for their public relations projects. Added to these critical success factors is pre-during-after game communication to stimulate ticket purchases or membership and promote more active participation.

Figure 3: *Expenditure in Italy for Sporting Events in 2002 (Values in Euros)*

Type of sport	2000		2001		2002	
	Absolute values	%	Absolute values	%	Absolute values	%
Football	245,669,043	74.66	251,408,776	75.94	239,584,053	73.9
Basketball	23,433,966	7.12	23,873,202	7.21	26,377,030	8.13
Volleyball	4,941,092	1.5	3,718,071	1.12	3,956,875	1.22
Auto/Motorcycle racing	35,478,345	10.78	38,412,523	11.6	38,852,061	11.99
Horse racing	2,998,565	0.91	2,406,530	0.73	2,041,530	0.63
Tennis	1,548,176	0.47	709,421	0.21	1,124,371	0.35
Boxing	319,343	0.1	421,725	0.13	516,769	0.16
Winter sports	1,053,820	0.32	1,421,776	0.43	1,500,276	0.46
Bicycle racing	519,940	0.16	139,931	0.04	198,624	0.06
Athletics	374,035	0.11	853,689	0.26	121,648	0.04
Rugby	2,578,039	0.78	2,672,376	0.81	1,438,660	0.44
Baseball	223,549	0.07	152,600	0.05	167,818	0.05
Horse shows	801,303	0.24	517,144	0.16	344,495	0.11
Swimming/Water polo	198,387	0.06	226,705	0.07	243,510	0.08
Other sports	8,891,436	2.7	4,108,549	1.24	7,598,453	2.34
Total	329,029,040	100	331,043,020	100	324,066,171	100

Source: Istat, 2004

3.2 Player Trading

This is another traditional technical area, concentrating on trading rights to the performance of players and seeking added value, at times very substantial. In football, the famous Bosman decision reduced this type of revenue, which nonetheless remains substantial, especially for lower-level teams that can sell performance rights to upper-level teams. In this case, demand and competition tend to coincide, because a club may be interested in both buying and selling rights. This area has become increasingly complex due to growing globalisation of the 'market,' helped by a greater mass of available data and by regulations that tend to eliminate geographic barriers between players, so that it is now possible to have teams consisting entirely of 'foreign' players.

Despite the fact that this activity is considered non-typical from a balance sheet standpoint, and is likely to be reduced in the future, for many teams it is still an essential balance sheet item with regard to revenues and costs. It is therefore necessary to have sufficient skills and organisations to monitor all or most

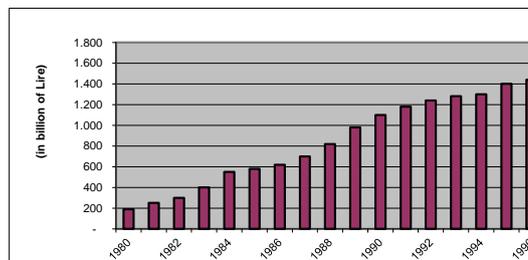
international leagues with a network of experienced and reliable scouts, supported by negotiating abilities, regarding not only economic aspects, with respect to players and clubs alike. For high-level trades, financial management skills regarding depreciation plans and credit sources are essential.

3.3 Sponsorships and Advertising

This is the first area to take a place beside the two purely technical areas described above, and regards the supply of communication space as a medium to generate fame and interest linked to emotionally significant events, i.e., events that are most likely to remain in the minds of the targets. In a certain sense, this recalls the old ‘the medium is the message’ concept, and here the sport medium seems able to transmit an attractive and profitable message.

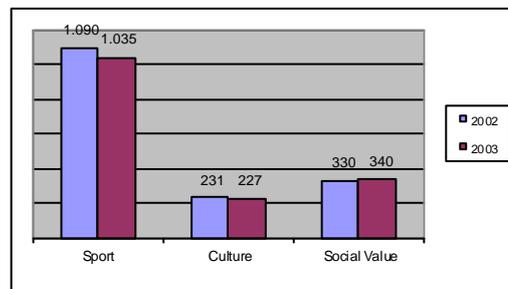
It was probably no coincidence that the first sport to be interested in sponsorships was bicycle racing, which had less revenue potential from ticket sales because races are run on roads, with no chance to provide seating for a paying public. Investment grew at a steady rate, but recently slowed after a significant increase from 1980 on (Figures 4 and 5), probably linked to the generally poor economic situation. It is interesting to note that the highest percentage of sponsorships has gone to teams, followed by events and by players (Figure 6). This remains a traditional area that some surveys indicate as being potentially effective, in that many people approve sponsorships (Figure 7), spontaneously recognising the names of sponsor companies (Figure 8), and showing a preference for the sponsors’ brands (Figure 9).

Figure 4: *Growth of Expenditures for Sport Sponsorships (Italy)*



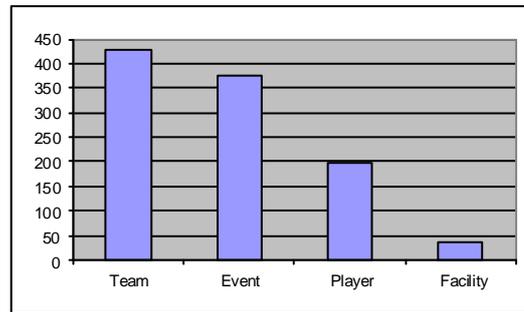
Source: analysis by Nomisma using Intermatrix data.

Figure 5: *Sponsorship Trends in Italy by Market Segment (in Millions of Euros)*



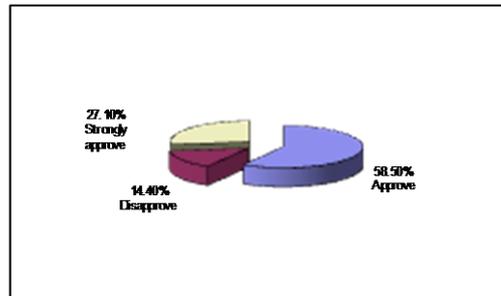
Source: Sponsor Value by StageUp & TNS Abacus

Figure 6: Breakdown of Sport Sponsorships in Italy by Type – 2003 (in Millions of Euros)



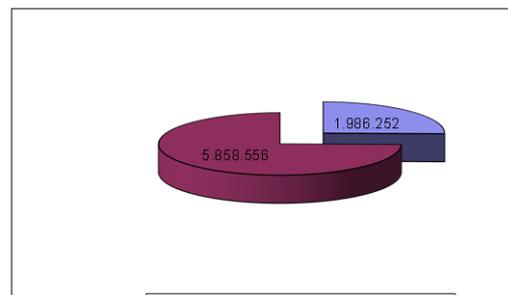
Source: Sponsor Value by StageUp & TNS Abacus

Figure 7: Sport Sponsorship – Attitudes Towards it (Italy)



Source: SWG, 2003

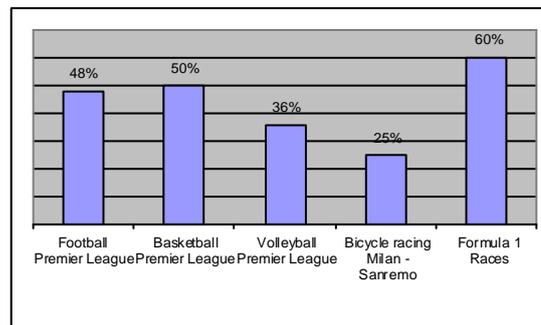
Figure 8: Preference for Sponsor's Brand in Italy



Source: StageUp, 2003

After sponsorships came spaces for billboards, including state-of-the-art types such as rotors and virtual images. Both cases involve working in a sector where the competition is represented by other traditional media such as television, radio, the press, outdoor billboards and the cinema, and by other forms of communication such as direct and mobile marketing. All of these compete for all or part of the communication budget of the demand (companies and public bodies), which need cutting-edge communication methods to receive the best return on their investments. The trend in communication investments is presented in Figure 10, showing the weight of sponsorships compared to the total.

Figure 9: Spontaneous Recognition of Sponsors in Italy



Source: Stage Up, 2001

Figure 10: Breakdown of Communication Investments in Italy (in Thousands of Euros)

	2001	2002	2003	2004	2005*
Newspapers					
- Commercial	1,270	1,194	1,214	1,252	1,342
- Trade	377	354	357	370	389
Total newspapers	1,647	1,548	1,571	1,622	1,731
Periodicals and magazines	1,256	1,158	1,156	1,184	1,241
Trade periodicals	183	171	173	179	186
Total press	3,086	2,877	2,900	2,985	3,158
Television	4,139	4,147	4,197	4,318	4,538
Radio	458	432	444	465	495
Cinema	69	73	76	78	82
Outdoor	915	857	884	912	966
TOTAL INVESTMENT IN CLASSIC MEANS	8,667	8,386	8,501	8,758	9,239
Production costs	722	691	697	724	774
Total investment in classic area	9,389	9,077	9,198	9,482	10,013
Direct response	2,187	2,206	2,243	2,321	2,484
Promotions	3,864	3,648	3,724	3,869	4,152
Public Relations	1,691	1,678	1,702	1,768	1,891
Sponsorships	1,331	1,344	1,333	1,388	1,492
TOTAL INVESTMENT IN COMMUNICATION INITIATIVES	9,073	8,876	9,002	9,346	10,019
Internet	44	36	38	50	64
Total investment, gross of duplications	18,506	17,989	18,238	18,878	20,096
Investment counted more than once	2,190	2,082	2,103	2,187	2,347
OVERALL TOTAL INVESTMENT	16,316	15,907	16,135	16,691	17,749

* Estimate

Source: UPA

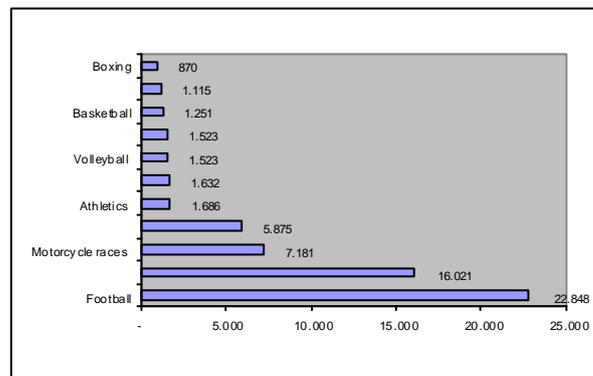
The critical success factors in this area regard the ability to offer advertisers greater visibility and appeal than their competitors for the price paid. This has to be demonstrated as much as possible by means of logical and quantitative analyses, ex ante and ex post, to generate real sponsor satisfaction. Moreover, one must be able to interact with potential customers at the ownership level and by means of

promoters, in ad jargon, by means of qualified accounts that can work with companies after the contract is signed.

3.4 Television and New Media Content

Over recent years, this has become the most important area for many sports: the supply of content for television programmes or for other media. The audience represents indirect demand that sport content manages to generate, while direct demand consists of networks (especially television) that are interested in content that will attract audiences and, consequently, advertisers. Formats and schedules must satisfy television audiences as much as possible to give the greatest possible value to sport products. Of course, audience size varies greatly from sport to sport (Figure 11). Figures 12-13-14 present statistics and peaks for various sports.

Figure 11: TV Viewers of Sport Events in Italy



Source: Makno-Deloitte, 2003

Figure 12: Football TV Audiences in Italy

Event	Network	Starting time	Duration	Average audience	Share
European Cup	Rai 1	20:45	154'	21,305,503	71.3%
Italian Cup	Rai1	21:02	166'	10,311,33	38.1%
Friendly match	Rai1	21:02	110'	4,525,411	18.0%
UEFA Cup	Rai 2	21:02	111'	5,187,978	19.7%
Under 21	Rai 3	21:00	112'	9,979,355	34.8%
Europe-R. World	Rai2	21:08	107'	2,251,084	8.2%
National Prem. League	Rai2	21:04	111'	11,467,744	40.2%

The audience for the most popular programme is given for each type of event.

Source: Sipra, 2004.

Figure 13: Volleyball TV Audiences (Italy)

Event	Network	Starting time	Duration	Average audience	Share
Women's Supercup	Rai 3	16:33	15'	3,286,893	12.7%
Women's Italian season	Rai 3	16:45	22'	841,330	7.1%
Women's Italian Cup	Rai 3	16:45	30'	591,734	5.2%
Men's Italian Cup	Rai 3	17:17	38'	507,718	4.9%
Men's Italian season	Rai 3	17:22	24'	559,188	5.9%

*The audience for the most popular programme is given for each type of event.

Source: Sipra, 2004

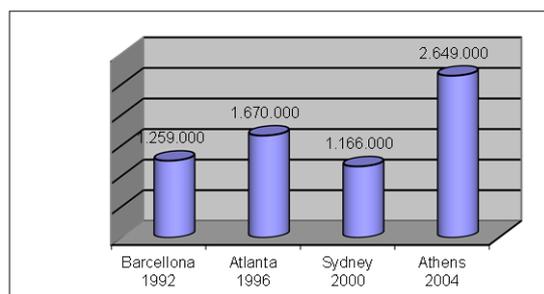
Figure 14: TV Audiences for Other Sports (Italy)

Sport	Broadcast hours	Average Audience	Share	Largest Audience	Event
Car racing	65	8,713,678	58.0%	12,997,841	Formula 1 Grand Prix
Rowing race	15	223,518	5.2%	381,787	D'Aloja Memorial
Horse show	7	374,223	6.1%	863,104	Piazza di Siena
Horse racing	2	467,858	5.0%	843,969	Grand National
Mountain Bike	4	462,885	8.1%	711,767	World Cup
Basketball	23	469,183	5.6%	815,479	Italian Cup
Boxing	5	484,450	8.5%	1,683,787	World Championship
Tennis	8	190,637	5.5%	460,552	PTA Milan
Rugby	8	282,394	3.3%	302,965	Italian season
Sailing	6	197,658	5.6%	384,819	La Barcolana
Beach Volley	3	360,735	5.45%	552,534	World Championship
Gymnastics	1	452,177	6.3%	835,904	European Cup
Motorcross	1	325,657	4.9%	364,823	World Championship
Motorboating	2	440,987	5.0%	595,749	World Championship
Mountain Bike	2	664,887	8.1%	1,195,184	Italian Internationals
Water polo	8	339,295	4.1%	600,506	Italian season
Skating	2	437,906	6.0%	609,837	World Championship

Source: Sipra, 2004

The Olympics and soccer matches are sporting events with growing TV audiences (Figure 15). The special characteristic of the Olympics is that they manage to capture large audiences even for sports in which the public shows little or no interest in the rest of the 4-year period (Figure 16). This audience also includes older viewers (Figure 17).

Figure 15: Average TV Audience for Athens Olympics in Italy



Source: Author's processing of Sipra data, 2004

Figure 16: TV Audience in Italy for Major Sports at Athens Olympics

Sport	Broadcast hours	Average Audience	Share (%)
Gymnastics	13	3,273,000	30.0
Athletics	26	2,894,000	28.1
Bicycle racing	14	2,277,000	28.4
Fencing	-	3,558,000	39.8
Wrestling and Judo	-	2,023,000	28.8%
Sailing and Windsurf	-	3,032,000	24.5
Swimming and Diving	26	2,998,000	30.0
Boxing	6,30	2,701,000	22
Water polo	12	2,515,000	32.4
Basketball	12	3,906,000	33.8
Volleyball	16	3,611,000	32.3

Source: Sipra, 2004

If direct competition takes the form of various sports and the various races within them, as the above tables show, here as well the competitive system must be seen in a wider context that includes films, news, variety shows, talk shows, etc.: i.e., everything that can interest television viewers. As a result, it is important to check that the relationship between audience generated, advertiser appeal, and cost for purchase of rights is better than that of other options. Viewers often perceive sport content as advantageous because it ensures a fairly predictable audience, has a rather low comparative cost, and promises greater emotional involvement.

Many statistics tend to confirm these assessments: sport programmes clearly capture the largest audiences, even if, conversely, there is a sharp increase in costs paid by television broadcasters (public, commercial, pay TV, pay to view, earth and satellite) to ensure transmission of sport events.

This area is highly attractive for sport organisations and in many cases gives them more than 50% of their revenue. It follows that an adequate ability to compete has to be maintained by continuously finding the most appropriate formats, schedules, pre- and post-game shows, commentators, etc. Likewise, it is advisable to conduct quantitative and qualitative analyses to 'sell the product' in the best way in the short and long term.

Figure 17: TV Audience for the Olympics, by Sport in Italy. Viewers by Age (in Percentages). Year 2004



Source: Sport System Europe

One also has to consider sport's unique situation with respect to the media, in which it has three different (and usually conflicting) roles. In some cases, sport is a media customer that has to advertise its activities; in other cases, it is a competitor when it acts as a medium via sponsorships, and lastly, it is also a media vendor when it offers its contents to attract audiences and advertisers.

3.5 Merchandising

This business area has developed more recently, imitating Anglo-Saxon countries, where it is very common practice to buy sport and non-sport products (especially clothing) with the name and logo of a team or player. For some years, this area was highly overestimated in Italy, confusing revenues with profits earned by football clubs (especially British clubs), because to be successful it is essential to have adequate protection against falsification, which, as well known, is neither easy nor always wanted. In this case, demand is obviously represented by the team's or player's fans, who, by possessing a specific product, demonstrate their enthusiasm not only during a match but all year long. The competition is represented by other producers of the product in question and, specifically, by the casual clothing field.

There are significant management problems in this business area, starting with the choice of make or license. In some cases, the club chooses to manage (make) the business itself, using 'third-party suppliers' to produce the products with its trademark and distributing them in its shops and via e-commerce. This approach gives results with greater added value if the club can manage the entire process. In other cases, the club prefers to reduce its commitment and risk by assigning the right to use the club's trademark subject to the payment of royalties (fixed or variable) on sales. Mixed methods can be used for distribution in specific national and international territories.

□ *With regard to the development of this business area based on a make or license logic, it is interesting to note that in November 2001, the Juventus FC stipulated a 12-year agreement with Nike European Operations Netherlands B.V. The agreement calls for more than a*

classic technical sponsorship: it gives Nike the exclusive right, with option of sublicensing to third-parties, to use the Juventus trademark and other industrial property rights to produce, advertise, and sell products and services throughout the world and with any and all means. Based on this agreement, Nike handles Juventus FC's entire licensing sector through Juventus Merchandising S.r.l., wholly owned by the Nike Group. The total minimum consideration for the twelve-year term is € 157.3 million, € 13.1 million of which was for the 2003-2004 season¹. In addition, Nike pays Juventus FC royalties on its licensing activities and retail operations². This agreement is an improvement over the club's previous technical sponsorship agreement with Lotto Sport S.p.A., valued at € 10.6 million, with licensing revenues of € 1.5 million managed directly by Juventus FC.

3.6 Publishing

This is an old area in terms of printed media, but very recent in terms of new forms of technological circulation. In the past, many clubs sold or gave away official magazines, seen more as a link to their fans than as an area that could generate profits. But, following the example of many Anglo-Saxon clubs, they gradually realised that it could be a business area if sales and advertising revenues were considered, and it became a classic example of synergy among the various business areas by improving the supply of seats in the stadium, sponsorships and advertising, merchandising, etc.

Here as well, fans, represent demand for specialised magazines where they can take information about their favourite team. More recently, new publishing opportunities have developed based on new media, especially websites (both pay and free) and ICT channels tied to individual clubs. The football channels in Italy are Milan Channel, Inter Channel, and Roma Channel, run by the clubs in collaboration with Rai Trade.

There are countless websites dedicated to clubs and players. Their low cost allows wide circulation, but only a few could have a business function if they expanded from a showcase and evolved into interactive sites able to develop a profitable customer relationship. This would be especially good for fans who live far from the club's or player's city, and perfectly in line with sport's growing globalisation.

3.7 Stadium and Real Estate Management

There has been growing interest in this business area over recent years, because it provides physical assets instead of merely producing intangible services, as in the case of matches, sponsorships and content. Here as well, large professional clubs can be imagined being interested in owning their stadiums and systems, but also small sport centres that can develop assets based on systems and collateral premises. Owning these properties lets them offer spaces for matches, but also for the sale of products and services related to sports and entertainment, such as health clubs, beauty parlours, shops, restaurants, bars, residences, etc., and complementary services such as nurseries, indoor parking, etc.

Naturally, this area presents an equal number of opportunities and risks, requiring large investments to be offset by adequate cash flows for many years. It is therefore important to plan a flexible infrastructure to manage future uses and respond to changing demands. In addition, it is crucial to define adequate sources of financing and an appropriate depreciation plan.

□ *One of the best-known examples is Chelsea Village, where, around the new Chelsea stadium in a well-served area of London, a real estate project using the team's name was launched.*

□ *In some cases, the club forms an ad hoc company to separate it from technical aspects, at times together with other private or public organisations. This was the case with Ajax, which is part of the company that owns the Amsterdam Arena, making it both shareholder and customer because it uses the stadium for its matches.*

In this case, companies that rent premises because they believe the stadium is a powerful magnet for thousands of people and, therefore, provides a potentially profitable demand for their businesses represent demand. Another segment of demand consists of organisers of musical, political, religious, cultural events, etc., who may be interested in leasing the stadium when there are no sport events.

For the first segment, competition comes from all other commercial sites, including shopping centres, housing developments, and entertainment complexes, whether in the suburbs or in city centres, that might be attractive alternatives for business operators; for the second segment, other sport or non-sport facilities that can properly host the event that the organisers want to present. Building and running a stadium normally involves development of the zone, from transportation to other public services, that can enhance surrounding areas to the advantage of owners (which may obviously include the club).

In addition to building and running the sport infrastructure, this business area can also include the purchase of land (on which to build a training centre, for example), which can then be sold when the land has gained value due to expansion of the city.

□ *It is well known that Real Madrid gained significant added value by selling its land, even if the transaction generated a good deal of controversy. Many other Spanish teams have now conducted similar transactions.*

It is easy to see that this business area requires abilities much different from those typical of a sport organisation: identifying land with development potential; negotiating with the public administration for activation of adequate public services; 'animating' the infrastructure to make it lively and busy even on days and at times when there are no matches; guaranteeing safety in the area; logically managing the prices in shops and restaurants to the advantage of both parties, etc. For events, a positive image of the stadium must be built to enhance the event to be held; enter the clique of organisers by means of effective public relations; provide

the security services and everything else that is normally expected at stadiums, especially when prestigious events are held.

Clearly, sport organisations rarely have these abilities *a priori*. They either have to create a specific organisational structure or outsource the functions. In both cases, it is crucial not to make mistakes when evaluating and selecting personnel, as this would directly affect the success of the business area.

3.8 Player Image

This business area is still fairly undeveloped, and regards exploitation of the image of players who belong (or belonged) to a specific team. The team contracts of sport ‘stars’ are often supplemented with other contracts by which the player assigns the right to exploit his image, receiving sums that are often higher than those for the team contracts. In these cases, if the team wants to recover at least part of what it promised, it has to find opportunities in which an advertising agency will use the player’s image for campaigns organised for specific companies.

□ *The best-known case in Italy regards the Juventus F.C., which created a Player Marketing Area to promote and sell the use of its players in advertising campaigns. In other cases, the team assigns the rights to a national or international agency for the best possible use.*

3.9 Training

One of the traditional sport centre activities is to offer training courses for children and adults. In recent years, a number of professional clubs have entered this field as well, not only with regard to ‘breeding grounds’ but also with introductory and training courses not necessarily aimed at competition. In particular, summer camps that combine learning with fun are fairly common.

□ *For example, Milan Campus, but also the Academy run by Juventus F.C., or the adult ‘clinics’ with tennis, sailing, ski or golf pros (not coincidentally, these are wealthy sports for which adults are willing to spend large sums to say that they trained with a famous athlete).*

Demand consists of individuals (children and adults) interested in learning sport techniques from qualified teachers (even better if former champions). Competition consists of other Italian and foreign sport schools. Critical success factors are the abilities (including relational) of the teachers, the course location and facilities, and the fame of the team and champions.

3.10 Healthcare

This is a new business area that seems to offer good growth potential. It consists of the offer of prevention and rehabilitation services designed for players but also available to outsiders for a fee. The fame and credibility generated from being involved with players (often highly successful) can interest others in a health-based context, where trust is essential. This activity may also result in the full use of

facilities, often very costly but also subject to rapid obsolescence because they always have to use state-of-the-art technologies.

Here, demand can be other players, perhaps less important, and normal people who may have had injuries and now have problems in their amateur sport activities. Another form of demand may be lower-level clubs that decide to outsource this activity, so important for good performance of a team. Competition consists of other national and international healthcare centres, whether specialised in sport medicine or not.

3.11 Tourism

This new business area is linked to the growth of sport tourism, by now of international significance, in which a club (alone or with qualified partners) organises trips and stays related to the its matches and training sessions, both for its own fans and for those of guest teams, creating packages that also include non-sport aspects in order to attract entire families. Competitors are other tour organisers (travel agencies and/or tour operators). The area requires traditional tourism skills (identification of attractive destinations, creation of interesting packages, prices differentiated according to demand, etc.), plus those for building a tourist brand sustained by the sport brand in order to develop 'tribal' loyalty that can go beyond mere sport travel and satisfy the entire travel needs (including business travel) of the customers acquired by means of sport.

3.12 Finance

This is another developing area, especially in Anglo-Saxon countries, where various financial services (credit card, insurance, mortgages, loans, etc.) are offered, often in partnership with industry operators.

□ *In football, for example, it is common to have credit cards in the name of specific clubs, even if managed in joint venture with financial specialists, as is the case with American Express and S.S. Lazio and A.S. Roma, or Banca Sella or Antonveneta. Other sports are following suit: for example, the tennis card of the Italian Tennis Federation, the golf card of the Italian Golf Federation, and other smaller organisations such as the Due Ponti Sporting Club and Banca del Fucino in Rome.*

□ *In Great Britain there are often financial businesses with issuance of loans, asset trading, etc. For example, the Scottish football club Glasgow Rangers has its own finance area.*

Demand consists mainly of individuals who have great trust in their favourite team and want to express their trust on a financial level as well. The starting point can be instalment payment of their season ticket, to be followed by other transactions. Competitors consist of other financial operators. Here as well, the required skills are those typical of the financial sector (types of service, terms and conditions, reliability,

accessibility, etc.), plus relational skills connected (as in tourism) to the concept of 'tribe' and to the conviction of helping one's favourite team.

3.13 Betting

This business area is widespread in Anglo-Saxon countries but absent in Italy. The supply regards services for betting on sport events.

□ *For example, Manchester United offers betting services on its website.*

Competitors are other betting operators in the sport field and for other games (for example, lotto, national lotteries, etc.). Skills regard the ability to set odds that are simultaneously attractive to bettors and profitable for the organiser, to create an air of uncertainty with respect to the match, and to link the sport brand to the betting brand without creating suspicion or other doubts.

4. A Comparative Picture of Business Areas

As it can be seen from the above list, sport is a complex and multifaceted industry in which different competitive systems interact and generate a wide variety of critical success factors. As a result, it is not easy to provide all of the skills required. For ease of comparison, Figure 18 presents a clear and concise picture of the various situations in each business area.

Figure 18: Sport Management. Comparative Picture of Business Areas

	Tickets, Memberships	Trading	Sponsors & advertising	TV content	Merchandising	Publishing	Real estate
Type of demand	People	Clubs same sport	Companies P.A.	Television	People Companies	People	Companies
Demand need	Amusement Emotions	Competition	Positive Fame	Audience	Belonging	Information	Advertising spaces
Competition	Other sports Other amusements.	Clubs Same sport	Other media	Film, news, shows, etc	Other producers	Other media	Other centres
Critical success factors	Segmentation Saturation Total quality Pricing Communication	Scout network. Negotiation Financial supports	Other relations Quant. analyses Promoters	Formats Quant. analyses Pricing	Choice of partners Distribution E-commerce	Content Distribution costs Choice of partners	Relations with P.A. Choice of land Financing plan Planning Choice of partners Pricing
Approach	Emotional	Emotional/Logical	Logical	Logical	Emotional/Logical	Emotional	Logical
Skills	Technical Marketing Communication	Relational Finance Organisation	Relational Marketing Communication	Marketing Communication	Trade Marketing Communication	Journalism Marketing Communication	Publishing Finance Marketing
Type of use	Independent	With Agents	With Agencies	Independent	Independent	Independent /Joint	Independent

	Image	Training	Healthcare	Tourism	Finance	Betting
Type of demand	Companies	People	People/Athletes	People	People	People
Demand need	Attention	Learning	Psycho-physical qualification	Travel stay	Financing	Show of abilities
Competition	Other testimonials	Other clubs	Other health centres	T.O./Agencies	Financial Operators	Other operators
Critical success factors	Quantitative analyses Promoters Agencies	Type of courses Instructors Location Facilities Brand	Personnel Equipment Image	Locale Packages Tribe/Brand Pricing	Services Reliability Tribe/Brand Pricing	Odds Atmosphere Reliability Tribe/Brand
Approach	Logical/emotional	Emotional	Emotional/logical	Emotional	Emotional/logical	Emotional
Skills	Marketing Communication	Techniques Real estate Marketing	Medical Paramedical Communication	Tourist Choice of partners Communication	Financial Choice of partners Communication	Statistics Choice of partners Communication
Type of use	Independent/Agencies	Independent	Independent/Joint	Independent/joint	Independent/joint	Independent/joint

This picture confirms that sport has become a highly complex industry that must be managed with great care and in line with methods applied in the post-industrial service sector.

5. Specialisation and Coordination in Sport Management

As demonstrated above, the complexity of the sport industry requires more sophisticated management than in the past. It is essential to solve the traditional organisational problem that Lawrence and Lorsch described in the 1970s: finding the right balance between specialisation and coordination. In the specific case of sports, it might be said that, ‘when the game gets rough, you need real managers!’ It becomes essential to have skills in each business area, but equally as essential to coordinate all of these areas in order to achieve positive results from all points of view: technical-sport, economic, sociological, etc.

Naturally, specialisation presents another classic organisational dilemma: make or buy? Do it in-house or outsource? Each alternative has pros and cons. In sports, the trend is to outsource, to employ specialised agencies for certain functions. But this presents a risk of losing control of business areas that may gradually become strategic. It is crucial for the organisation’s management to maintain control over the entire system or coordination of its parts, and to do this it has to have multi-disciplinary know-how in order to guide, direct, and control area specialists so that it can ensure the necessary coordination and control. Management requires a strategic plan so that each business area may provide maximum coverage of fixed costs and, hopefully, a profit to distribute to owners to reinvest.

For this purpose, it seems useful and possible to apply a number of management models (such as the business portfolio matrix, the various McKinsey, A.D. Little, B.C.G. versions, etc.), already used in other high-complexity sectors, to formulate a strategy for each business area, and the 7-S framework to check interconnection between strategy, structure, system, staff, skills, style and shared values.

This model seems essential for good management of a complex sport organisation because it emphasises a number of indispensable interconnections:

1. Strategy and structure. A complex organisation cannot have a simple operative structure. It needs something more sophisticated: from specific companies for each business area to divisions within the company or, more simply, ‘business managers’ responsible (in matrix) for the activities and results of their assigned area.
2. Strategy, structure and control system. Here as well, it is obvious that a complex organisation requires a complex control system that can programme and monitor the activities and results of the various business areas in a specific and differentiated manner. This allows each manager to control the production process in the most efficient way, preventing a single, confused situation in which it is difficult (if not impossible) to separate good from bad, what works from what does not.
3. Strategy, structure, control system and staff. In a complex context, it is not enough for strategy, structure and control system to interact: the people who work inside and outside the company must also have good implemental ability. In particular, there must be the right number of personnel, skill levels sufficient to perform assigned tasks, a management style appropriate for complexity (i.e., not centralising), and a sharing of values so that everyone rows in the same direction (for example, with regard to loyalty, collaboration, transparency, etc.)

So, sport industry needs strong management to support its technical skills. This will help balance the indispensable demand for competitive success with the demand for economic-social results and, therefore, short-term goals (the week’s result) with long-term goals (10 years and beyond). This will satisfy today’s as well as tomorrow’s fans, in line with a manager’s main task: achieve long-term success for his/her company (even after he/she has gone), in the spirit of sport, according to which ‘men may go but victories remain’.

6. Conclusions

A number of conclusions may be drawn.

First, sports are experiencing strong growth in demand, but this is not generating adequate financial results for professional clubs or for small amateur centres. This structural weakness is mainly attributed to a lack of management skills, deriving from scarce opportunities to keep up-to-date with the great social, economic, technological, and political changes that have taken place over the past twenty years, and due to concentration on technical-productive aspects instead of on exploitation. These changes have transformed the sport industry from simple to complex at a time when numerous other business areas have progressively been added to the traditional competitive area. As a result, sport has now gone from a mono-business to a multi-business structure.

In the 21st century, sport organisations have to manage business areas ranging from the box office, season tickets and player trading, to sponsorships, advertising, media content, merchandising, publishing, player image, real estate, finance, healthcare, tourism and others that will presumably be added so that sport will become a ‘magnet’ to attract other partners in a convergence of interests. These

new business areas have highly different characteristics and must be strategically managed in different ways. Demand linked to sport has a wide variety of types, needs, and logics, ranging from people to companies to public administration. Competitive systems are equally as varied and involve different critical success factors, such as specific skills in situations that often change from a global to a local context.

Sport management must now operate in B2C, B2B, and in B2P. To do this, specialisation as well as careful attention to the development of technical and economic synergies is needed, with effective coordination at the strategic and operational levels. This balance between specialisation and coordination can only be achieved with expert managers who 'speak' the languages of the specialisations needed to run the large and growing number of business areas.

It is therefore essential to invest in all these areas of sport management, shifting from the traditional emphasis on technical aspects and developing a growth plan in step with the times to maintain leadership at the international level.

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Notes

¹ Added to this amount are annual supplies of technical materials representing a wholesale value of € 2.3 million in the first year of the agreement.

² Royalties equal 10% of net revenues on sales of Juventus brand products exceeding € 22.7 million (rising to 12% if sales reach € 28.4 million and to 14% if sales reach € 34.1 million), and 50% of net profits deriving from sales of Juventus brand services and from retail sales.