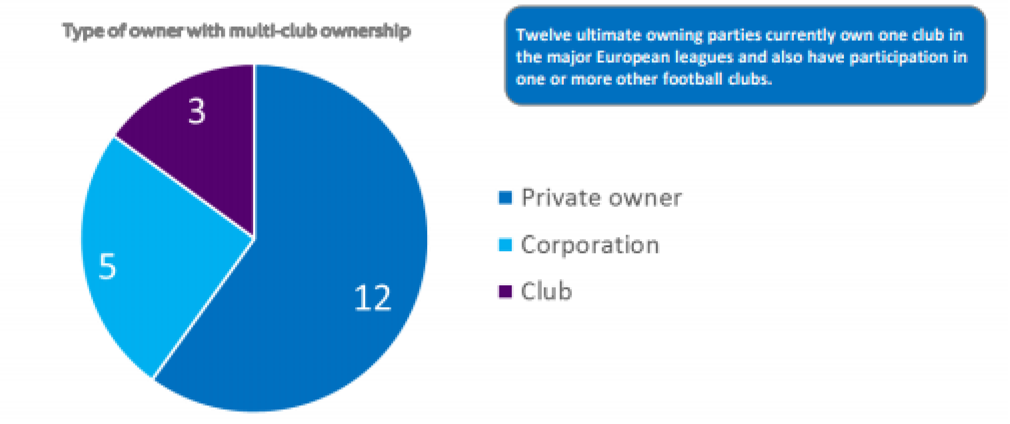
Introduction

This report examines the issue of **multi-club ownership in football (MCO)**. Even though this form of ownership is growing rapidly in the world most popular sport, it has scarcely been studied (Rohde and Breuer 2017: 284). Several types of MCO will be identified. An examination of the strengths and weaknesses of MCO will be carried out through the case study of the City Football Group (CFG). The challenges or threats to MCO will be analysed as well. Finally, projections for the future will be made and recommendations will be given.

Contextualisation

According to the Union of European Football Associations (UEFA 2018:24), the concept of multi-club ownership (MCO) refers to one of either three cases: private persons having control and/or a decisive influence over more than one football club (the most common form), entities having control and/or a decisive influence over more than one football club, and clubs having control and/or a decisive influence over other football clubs.
This is a phenomenon that is growing rapidly (MacInnes 2017; UEFA 2018:26): as much as 20 clubs in the top 15 European leagues are linked to multi-club ownership structures.

Figure 1. Type of owners with multi-club ownership in major European leagues (UEFA 2018:24).



Private individuals owning multiple clubs is the most common form of cross ownership. Examples include Roland Duchatelet, who is the majority shareholder of Carl Zeiss Jena, Alcorcon, Újpest and Charlton Athletic or Vincent Tan who is the main shareholder of Cardiff City, FK Sarajevo and KV Kortrijk (MacInnes 2017). Several **agents** are also reported to have an influence at more than one football club: Pini Zahavi, an israeli agent, is believed to be an investor in the Cypriot club Apollon while his relatives Adar and Gil

sit at the board of directors of the Belgian club Royal Excel Mouscron (Bird 2016; Balzan 2016).
The case of a **football club** having control or **decisive** influence over other football clubs is a relatively new form of cross ownership. The stakes of Atlético Madrid in RC Lens and of AS Monaco in Cercle Brugge are some examples (MacInnes 2017). This is different from other partnerships where clubs can exert some influence over other clubs, but an influence that cannot be deemed as "decisive". For instance, Chelsea and Vitesse have a "close working relationship", but there is no common management or ownership of the clubs (Conn 2017a).

Another form of cross ownership involves corporate entities. **City Football Group (CFG)** is probably the most prominent example with clubs in five continents, but other groups include Red Bull or the Suning Group (UEFA 2018:25)

The issue of multi-club ownership is not without discussion: arguments for and against have been raised to either promote it further or to stop its advancement. This report will examine both sides of the debate through an analysis of the CFG, its strengths and weaknesses as well as the challenges it has faced until now.

Case study

The **City Football Group (CFG)** owns 3 elite clubs as a majority stakeholder (Manchester City, New York City and Melbourne City) and 3 other clubs as a minority stakeholder or in partnership (Yokohama F Marinos, Club Atletico Torque and Girona). Owning the contracts of more than 200 professional players across 3 continents, it is believed to be the first "true" multinational football corporation (Tremlett 2017).

Figure 2. Map of clubs in CFG

Analysis (Full SWOT analysis in Appendix B)

Strengths

Football clubs are massive brands but small businesses: a team with a global following of 500 million fans might have an income of only €500m (Tremlett 2017). Football clubs may have millions of fans in Asia who are however not spending a single pound for the club. The answer the CFG brings through MCO is that of **glocalisation** : adapting a global brand (Manchester City) to the local cultures in which the other football clubs play. This is driven by an acknowledgement that while the process of globalisation has involved a sporting standardization, the peculiarities of specific regional and national cultures mean that sport is not experienced in the same way everywhere (Giulianotti and Robertson 2004).

As a **global brand,** the CFG can exploit “economies of scale” by convincing sponsors to pay for marketing deals that apply across its teams (Ahmed 2017). Indeed, it enjoys the support of sponsors Etihad Airways, Nissan, Wix, SAP across the group (City Football Group 2018). These multinational companies are interested in the Group as a way to capture a global audience.

Scale can also attract key investors, like the **Chinese consortium CMC**, “China’s leading media, entertainment, sports and internet dedicated company”, who acquired a 13 % stake in the CFG (City Football Group 2015). This is a key partnership in a rapidly developing Chinese football market, potentially the biggest future football market of all (Conn 2015). This consortium is backed by the Chinese government, that has announced a 50-point plan that seeks to turn the country into a “soccer powerhouse” (Hewitt 2017).

The state-of-the-art **academies**, training and education facilities, medical and sports science services and tailored coaching allow the CFG to develop young players (Manchester City 2015). An efficient and integrated academy across the group helps overcome the inefficiencies of the loaning system: when a club loans out a player for its development, the club loses control over development. Within the CFG, and within a MCO structure in general, there is the opportunity to develop the player exactly in the manner: same style of play, coaching and the data are shared across the Group. This creation of a “supply chain for talent” ultimately benefits Manchester City. It gains insight into the most promising players, a better understanding of the marketplace, and local infrastructure that can be standardized to develop players. This can then cut the costs of having to maintain a scout network, as the CFG has the intelligence “in-house”.

Given that the football transfer market has been shown to be inefficient (Kuper and Szymanski 2014: 58), this strategy seems appropriate to strengthen the CFG teams.

Weaknesses

Manchester City partnership with the agent Pere Guardiola in the joint 88% acquisition of Girona has raised questions as he is the brother of Pep Guardiola (Manchester City current manager) and this can represent a **conflict of interests**. Rule E4 of the Football Association states that "an intermediary shall not have an interest in a Club" (Conn 2017b). The risk is that an agent could move players in and out and take fees to suit his own opportunities to make money.

Despite the academies and network of partnerships and arrangements across the CFG, players from the academy rarely feature in first-team Manchester City matches and the club continues to spend large sums on transfers (Ostlere 2017); suggesting that the strategy of MCO is not quite working or that the rewards are going to be gained on a long-term basis.

Challenges

In football the concept of **franchise** has long been criticised. When Soriano (currently CEO of clubs in the CFG) came with this idea to Barcelona, they declined it as it is a club firmly rooted in their city and Catalonia (Tremlett 2017). Football can claim to be a "global game" but the clubs still retain a **national brand**, irrespective of their shareholder register (Rowe 2003:286). Sports reliance on localized, national forms of **identities** can be a barrier to the free-floating cosmopolitanism that is central to the ethos of globalization (Rowe 2003:287), and by extension to the globalization of football that the CFG seeks. The word choice "soccer" in countries like the United States or Australia means that it is not the dominant code of football (Rowe 2003: 288). Furthermore, football clubs in Britain and on the European Continent were historically more philanthropic in nature (Ammirante 2006); a radical shift in vision where the goal is to create a global dominant brand instead of focusing on the local community can be rejected. Manchester City branded itself in 2005 as the true local team of Manchester (Nauright and Ramfjord 2010:438); a globalisation of the brand is at odds with this notion. On the same note, there has already been a **resistance of influx of capital from foreign owners** (Nauright and Ramfjord 2010) usually in the form of disengagement and protests of fans (Williams 2016), which could hinder the acquisition of more clubs and the expansion of multi-club ownership.

Moreover, there are forces acting against the over commercialisation of football clubs and the concentration of ownership. Managers at elite football clubs have raised concerns, suggesting that MCO can be a way to get around rules of fair play and transfers (ESPN 2014). For instance, in the Australian A-League, football clubs are not allowed to pay transfer fees to each other; only clubs with an affiliate abroad can pay a transfer via a proxy to recruit from their A-League rivals (Huguenin 2016). It gave the CFG arguably a competitive (unfair) advantage over other clubs when it carried out this transaction.

At the heart of sports ethos is **the idea of competition** (Rowe 2003:285). If the CFG damages this notion (by being too dominant), it could face increasing opposition. On the same note, if two clubs in a multi-club ownership structure face each other, it can raise a risk to genuine competition (Conn 2017b). Rules exist at a national and international level to preserve the integrity of the competition but remain rather vague (Duval 2017).

As for legal barriers, UEFA financial fair play regulations require clubs to balance their spending with their revenues and restricts clubs from accumulating debt (UEFA 2015). This effectively restricts the extent to which an owner can inject money into a club. Given the identified preeminence of private owners in multi-ownership structures, these regulations can limit further investments in clubs in Europe.

Predictions and recommendations

According to this report, given the scale of the potential rewards, the amount of MCO in football will increase rapidly in the next 15 years. The synergies of owning multiple clubs will progressively represent a competitive advantage provided the overinvestment environment in professional football (Rohde and Breuer 2017: 267) and hyperinflation of transfer prices in the market for football players (Keogh 2017).

The MCO phenomenon will take various forms. The CFG and other corporate entities will thrive as they control a network of young talent across the globe to dominate the game in the future. They will build integrated academies and they will develop a Big Data set recording information on players under contract.

Global brands will join Red Bull in MCO to seek the rewards of a globalised game, by capturing a global audience, building brand equity across different continents and achieving a strong identification between fans and the brand (Reid 2014).

Government-backed companies from China and the Middle-East will also take a stake in MCO structures as a way to demonstrate economic and political soft-power as well as the ability to be successful in the international sporting stage.

On the other side, entrenched opposition will continue. This will not be due to appeals for conservation of national identities since they will dilute as foreign-owners and MCO structures become normalized and bring sporting success. Rather, critics will request a preservation of genuine competition that is at the core of the game.

Opposition will focus on the excessive influence of agents in some clubs and the acquisition of lower-league clubs purely to facilitate transfer activity. The governing bodies of football will intervene to maintain competition integrity when it becomes unacceptable for fans that several clubs under the same ownership are monopolizing sporting trophies and success.

This report advises the governing bodies to monitor effectively club acquisitions by identifying the direct and indirect sources of investment, establishing whether the investors have the means to fund both the club takeover and necessary further investment, and understanding the underlying motivations for the acquisitions of multiple football clubs (UEFA 2018:26). A more detailed description of what constitutes decisive influence over other football clubs under UEFA regulations should be given: how that level of influence is attained, in terms of shareholders voting rights or individuals involved at multiple clubs (Duval 2017).

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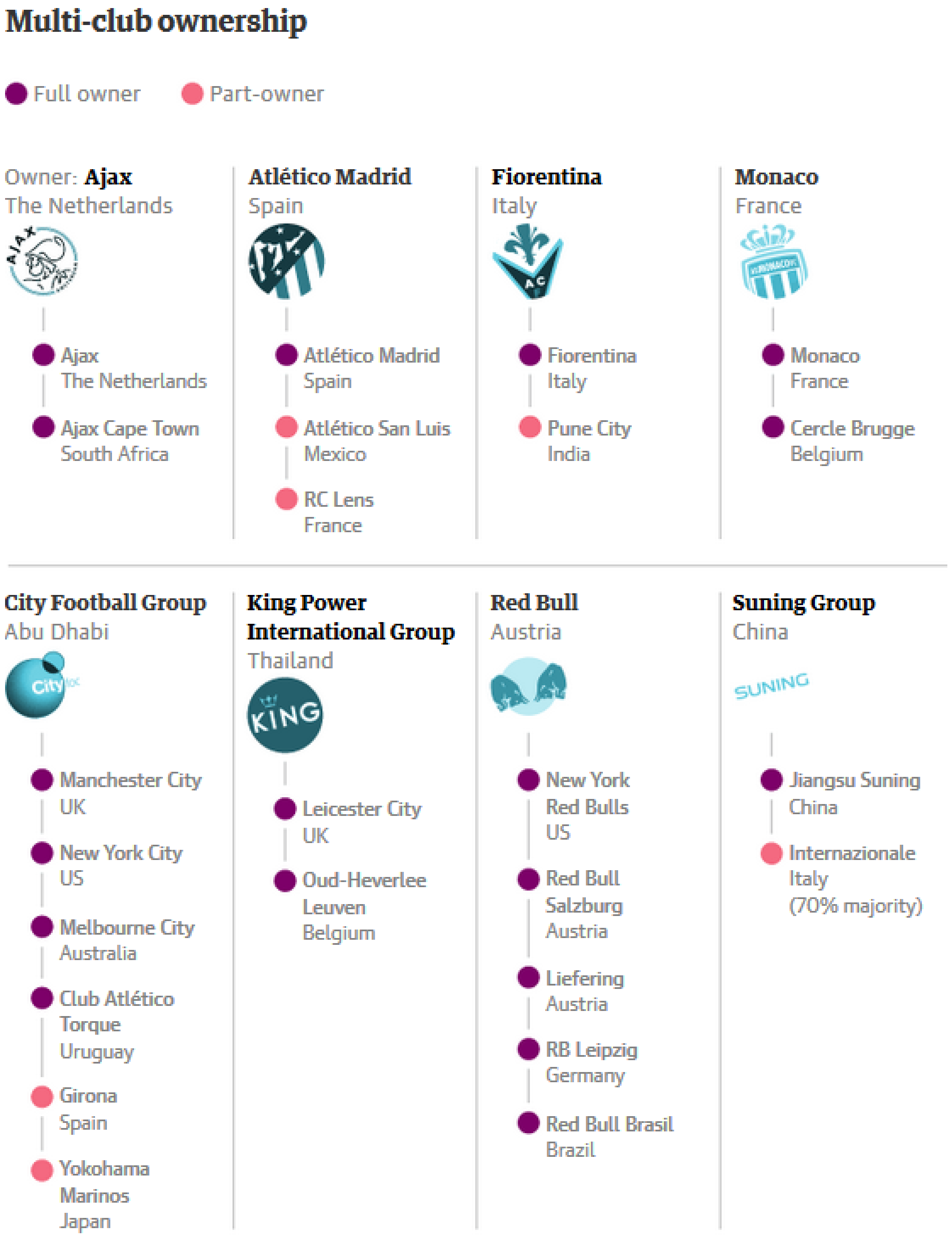
APPENDIX A

MacInnes 2017



Matthew Benham
UK

- Brentford
  UK
- Midtjylland
  Denmark

Roland Duchâtelet
Belgium

- Charlton Athletic
  UK
- Alcorcón
  Spain
- Sint-Truidense
  Belgium
- Ujpest
  Hungary
- Carl Zeiss Jena
  Germany

Jiang Lizhang
China

- Granada
  Spain
- Chongqing Dangdai Lifan
  China

The Pozzo family
Italy

- Watford
  UK
- Udinese
  Italy

Vincent Tan
Malaysia

- Cardiff City
  UK
- FK Sarajevo
  Bosnia
- Kortrijk
  Belgium
- Los Angeles
  US

Erick Thohir
Indonesia

- Persid Bandung
  Indonesia
- DC United
  US
- Internazionale
  Italy (minority)

APPENDIX B : CFG SWOT ANALYSIS

INTERNAL FACTORS	
STRENGTHS (+)	**WEAKNESSES (-)**
• Football clubs are massive brands but small businesses: a team with a global following of 500 million fans might have an income of only €500m (Tremlett 2017). Football clubs may have millions of fans in Asia but not spending a pound for the club. The answer the CFG brings through MCO is that of **glocalisation** : adapting a global brand (Manchester City) to the local cultures in which the other football clubs play. While the process of globalisation has involved a sporting standardization, the local continues to matter. The peculiarities of specific regional and national cultures mean that sport is not experienced in the same way everywhere (Giulianotti and Robertson 2004). • From a marketing point of view, the **name** "City" seems perfect as it can be added to any franchise. It easy to remember, a characteristic identified by Fetchko et al. (2016:122) as essential for brand names. • As colours are a central part of brand identity (Fetchko et al. 2016:125), the CFG is building a global recognisable brand around the **sky blue colour**. • As **global brand,** the CFG can exploit "economies of scale" by convincing **sponsors** to pay for	• The group is relatively new, so the clubs have little experience in competing at the highest level. Furthermore, some clubs in the group have faced difficulties: New York City Football Club does not own a stadium, it is a mere tenant of the Yankee stadium and has had problems in finding its own venue (Parker 2017) • Manchester City partnership with the agent Pere Guardiola in the joint 88% acquisition of Girona has raised questions as he is the brother of Pep Guardiola (Manchester City current manager) and this can represent a **conflict of interests**. Rule E4 of the Football Association states that "an intermediary shall not have an interest in a Club" (Conn 2017b). The risk is that an agent could move players in and out and take fees to suit his own opportunities to make money. • Despite the academies and network of partnerships and arrangements across the CFG, Manchester City still have a serious problem giving opportunities to young players (players from the academy rarely feature in first-team matches) and continue to spend large sums on transfers (Ostlere 2017); suggesting that the strategy of MCO is not quite working or that the rewards

marketing deals that apply across its teams (Ahmed 2017). Indeed, it enjoys the support of sponsors Etihad Airways, Nissan, Wix, SAP across the group (City Football Group 2018) ● In 2015, the **Chinese consortium CMC**, "China's leading media, entertainment, sports and internet dedicated investment and operating company" acquired a 13 % stake in the CFG, valuing the group at US$3Billion (City Football Group 2015). This is a key partnership in a rapidly developing Chinese football market, potentially the biggest future football market of all (Conn 2015). This consortium is backed by the Chinese government, that has announced a 50-point plan that seeks to turn the country into a "soccer powerhouse." ● The state-of-the-art **academies**, training and education facilities, medical and sports science services and tailored coaching allow the CFG to develop young players (*Manchester City* 2017). Within the CFG, and within a MCO structure in general, there is the opportunity to develop the player exactly in the manner: same style of play, coaching and the **data are shared across the Group.** This creation of a **"supply chain for talent"** ultimately benefits Manchester City. It gains insight into the most promising players, a better understanding of the marketplace, and local infrastructure that can be standardized to develop players. This can then **cut the costs** of having to maintain a scout network,	are going to be gained on a long-term basis.

as the CFG has the intelligence "in-house".	

EXTERNAL FACTORS	
OPPORTUNITIES (+)	**THREATS (-)**
• Football clubs are massive brands but small businesses: a team with a global following of 500 million fans might have an income of only €500m. Football clubs may have millions of fans in Asia but not spending a pound for the club. The CFG has the opportunity to capitalise on that expanding to other football markets.	• Socio-cultural opinions around Abu-Dhabi can be a threat to the CFG. The football clubs can be seen as an instrument for **soft power**, to improve the global image of a country that has been accused of human rights violations on migrant workers (Batty 2013). • Many people in football take the view that this venture is repulsive and vulgar, contrary to the sporting heart and traditions of the game (Conn 2012). • Football can claim to be a "global game" (Giulanotti 1999) but the clubs still retain a **national brand**, irrespective of their shareholder register (Rowe 2003:286). Sports reliance on localized, national forms of **identities** can be a barrier to the free-floating

	cosmopolitanism that is central to the ethos of globalization (Rowe 2003:287), and by extension to the globalization of football that the CFG seeks. ● There has already been a **resistance of influx of capital from foreign owners** (Nauright and Ramfjord 2010) usually in the form of disengagement and protests of fans (Williams 2016), which could hinder the acquisition of more clubs and the expansion of multi-club ownership. A consortium made of a sheikh from Abu Dhabi and a Chinese company with no connection to Manchester that buy up an institution as locally rooted as a football club could face problems (Conn 2012). ● There are forces acting against the over commercialisation of football clubs and the concentration of ownership. Managers at elite football clubs have raised concerns, suggesting that multi ownership of clubs around the world can be a way to get around rules of fair play and transfers (ESPN 2014). ● As for legal barriers, UEFA financial fair play regulations require clubs to balance their spending with their revenues and restricts clubs from accumulating debt (UEFA 2015. If clubs are flagrantly in breach of the rules Uefa's ultimate sanction is to exclude that club from European competition (Conn 2012).