FOOTBALL'S DIGITAL TRANSFORMATION

Growth opportunities for football clubs in the digital age

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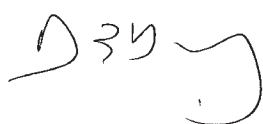
FOREWORD

Dear Reader,

ARE YOU READY TO SURVIVE, GROW AND WIN IN THE DIGITAL AGE?

Football is special, that much is clear. It is indeed the beautiful game, and its appeal is unrivalled and universal. Yet, in the space of only a few brief years, the extent to which football fans now engage with football has changed significantly. The most notable aspect of this evolution is the rapidly increasing use of social media. The digital transformation – and the technology that fuels it – has enabled fans to interact with their club way beyond the 90 minutes of the actual matches themselves. Indeed, digital ensures that the match never ends. While the fans' desire for their team to win remains undimmed, digital has now taken centre stage and many fans expect their club to deliver an appealing and connected experience which meets their increasing demand for year-round engagement with the teams they support.

Deciding how to make the most of today's digital opportunities can be complex, overwhelming and distracting for football clubs. That is why most clubs are still taking a wait-and-see approach. Refusing to embrace the opportunities the digital world has to offer is now no longer an option. What is certain is that clubs will need a whole new business strategy for the digital age – and not just a digital strategy to incorporate into their existing model.

The future is now. The underlying potential of recent digital developments has prompted us to take a closer look at the future transformation of the football business in the digital age. Since digital will continue to drive change at an unprecedented rate, this publication cannot claim to provide a comprehensive overview of the digital revolution that is transforming football. Instead, we aim to reflect on a number of distinct yet intertwined areas and highlight their potential impact on the way football operations are run today.

We hope this will provide interesting insights into the opportunities and risks associated with these imminent trends. Those who are aware and prepared will be in a better position to survive, grow and win as the digital tide continues to roll in. We hope you enjoy reading our review.

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THE DIGITAL FOREVER

Everything you thought you knew about success will be challenged. Digital will impact every industry, every service, and every corner of an increasingly connected world. We are now in the digital forever.

THE WORLD IS IN BETA

Digital is fundamentally changing every aspect of our lives, from the way we work to the way we play to the way we manage our finances and protect our health

THE REVOLUTION IS HERE

The future is now. Digital has already fundamentally changed the way we interact with the world around us, shrinking the globe, vastly increasing the array of products and services on offer and changing the way we access them.

It is fair to say that we are not entering a digital era. Rather we have run headlong, in some cases unsuspectingly, into the digital forever. In this new normal, everything we ever thought we knew about success will be challenged, tested and in many cases forced to change. To a large degree, football is not an exception.
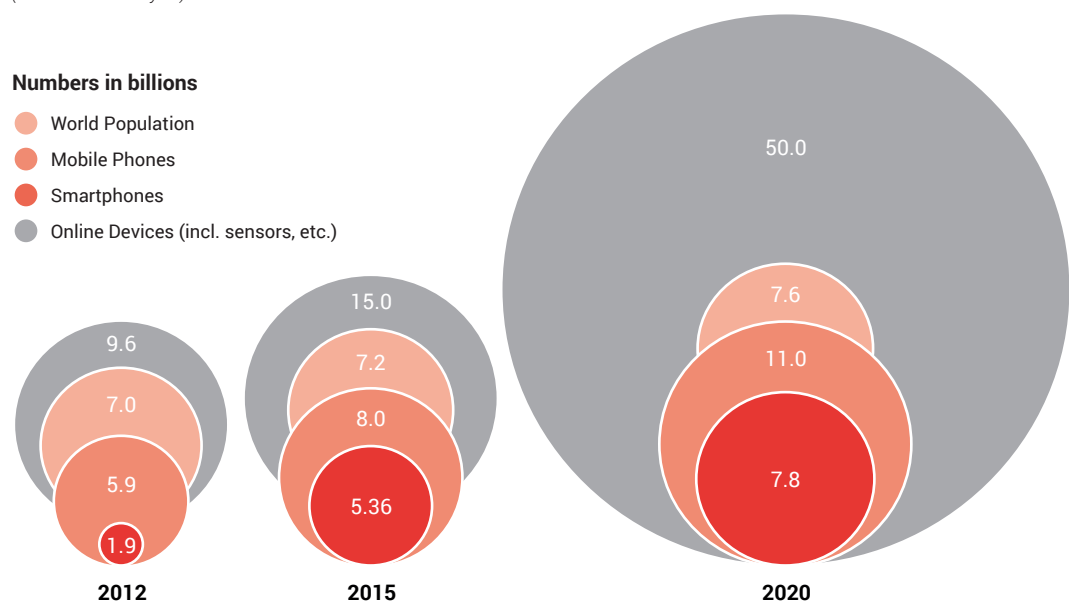
The future is now. Digital will continue to drive change at an unprecedented rate.

DIGITAL IS CHANGING OUR WORLD, FAST

Product development has been going on since the invention of the wheel. But digital is speeding up the development and life cycle of many products. While it took centuries to develop a ship that propelled itself, it took just decades to shrink the personal computer to the size we see today and mere years to move from MP3 to online music streaming.

Time to market will continue to accelerate, and what is more, as the delineations between industries are blurred by the relentless march of technology, industries and fields which have so far escaped the digital tidal wave will be drawn in and reinvented. As market barriers continue to be torn down, the time from disruption to normalisation is now mere months or even week.

Figure 1: Growth in the number of online devices will significantly outpace that of other devices and of the human population (Source: PwC analysis)

Numbers in billions

- World Population
- Mobile Phones
- Smartphones
- Online Devices (incl. sensors, etc.)

2012
9.6
7.0
5.9
1.9

2015
15.0
7.2
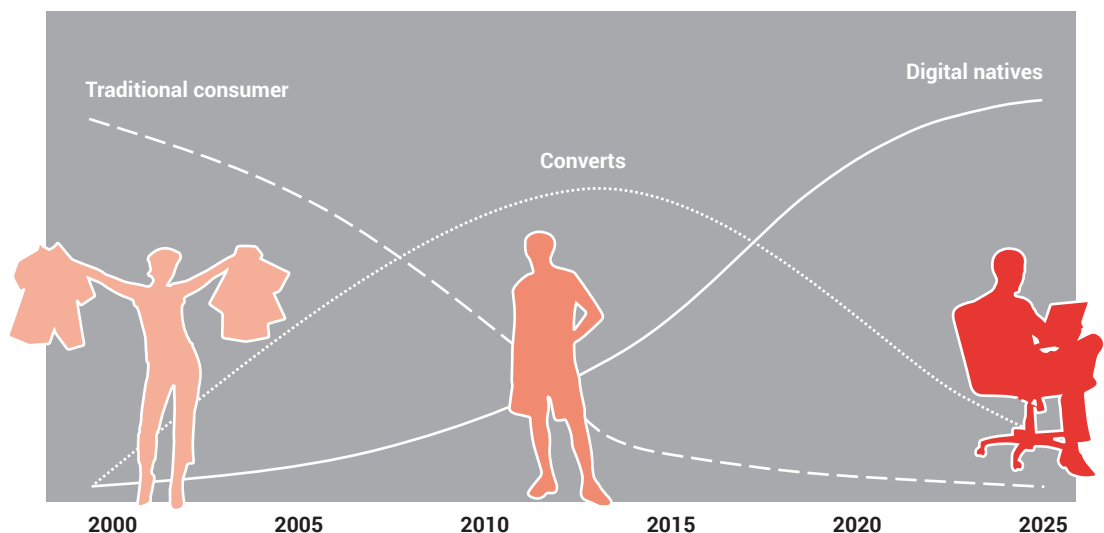8.0
5.36

2020
50.0
7.6
11.0
7.8

CONSUMERS EXPECT, DECIDE AND INTERACT DIFFERENTLY

In 2013, digital natives began to outnumber traditional consumers. By 2017, they will outnumber digital converts and will dominate economic activity. This new breed of customer has grown up with digital; they run their lives on smart, connected devices. These are the "always on" consumers who want to be able to access goods and services anywhere, anytime and on anything. They expect the organisations that they interact with, work for or buy from to provide them with seamless digital connectivity and the quality of the digital offering will form part of their decision-making process.

With this unprecedented ability to connect comes a power to opine very publicly on a company, product or service. Businesses can no longer hope to hide their failures or faux pas. Indeed transparency is changing from being a means for a company to differentiate itself to an essential tool for survival. Loyalty is now transient, and consumers will make choices based on the experiences of their peers, which can now be accessed all too easily.

Figure 2: By 2017, digital natives will be the dominant force in economic activity (Source: PwC analysis)

DATA, DATA EVERYWHERE

In the 3rd century BC it was declared that the Library of Alexandria held within its walls the "sum total of human knowledge". Today, one group of researchers suggest that if we took all of the data in existence right now and stored it in on paper, we could cover an area equivalent in size to the United States at least 13 times. What makes this truly astonishing is that, according to The Foundation for Scientific and Industrial Research SINTEF, 90% of this data has come into existence since 2011.

Ninety percent of all the world's data has come into existence since 2011.

This explosion in data is a result of "datafication", or the ability to codify entirely new classes of information in digital form. Social media has "datafied" our hobbies, interests, thoughts, emotions and relationships. The widespread use of GPS technology in smart devices has datafied the location and movement habits of billions of people. Digital payments have datafied our spending habits and wearable tech is datafying our lifestyle, exercise and dieting preferences.

This presents forward-thinking businesses with an incredible opportunity. Those who can harness this data to gain a better understanding of the issues facing consumers today and use the insights they gain from it to guide and inform their ongoing development and strategy will be the leaders of the digital world. Every second 31,000 "likes" are registered on Facebook, or, to put it another way, that is an opportunity for business to understand how or what 31,000 people are responding to every second.

OUT WITH THE OLD, IN WITH …? INNOVATION, AGILITY AND FLEXIBILITY

The keys to success in the digital world are not intuitively obvious to many businesses and their leaders. Flexibility and a willingness to try and fail are not integral features of the success stories behind many established companies that are around today. But the sheer rate of change in the digital world means these are the attributes that are absolutely essential to stay relevant.

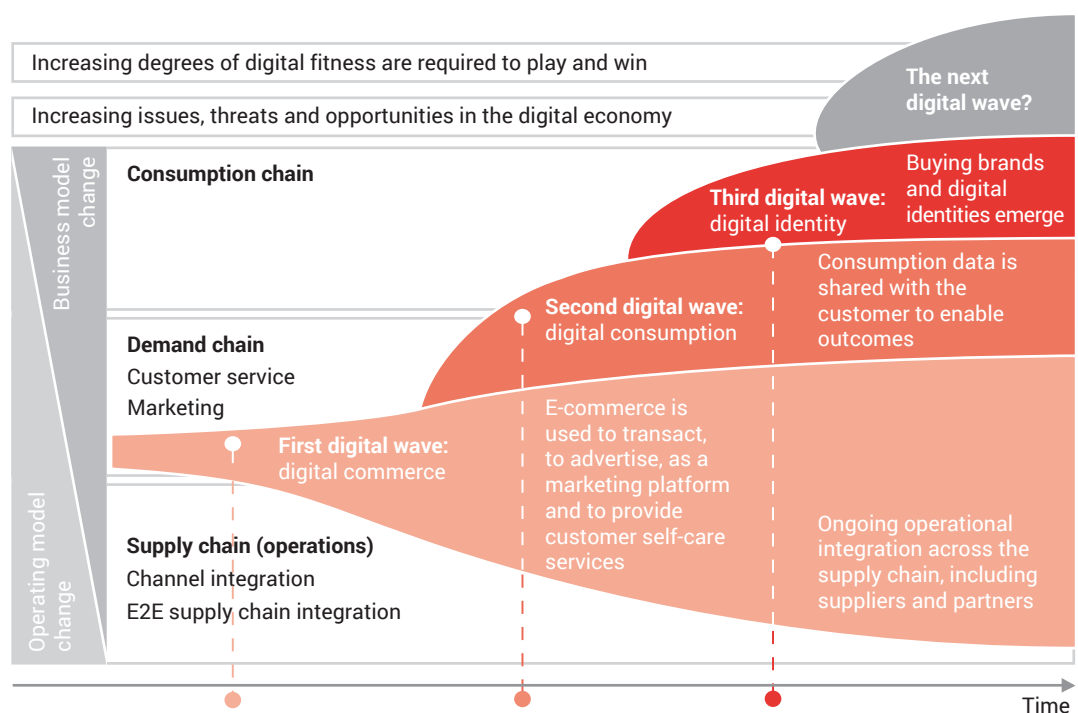## THE WAVES OF THE DIGITAL TIDE KEEP ROLLING IN

Looking to the future, we see three waves of opportunity for organisations to generate profitable growth:

FIRST DIGITAL WAVE: DIGITAL COMMERCE
Improve e-commerce profitability with a better customer experience, more compelling propositions, more effective distribution or smarter pricing.

SECOND DIGITAL WAVE: DIGITAL CONSUMPTION
Develop propositions that encourage your customers to share their consumption data. That way you increase customer loyalty, increase revenue and reduce operating costs even further.

THIRD DIGITAL WAVE: DIGITAL IDENTITIES
Act as a trusted fourth party on behalf of customers to aggregate their digital data and to meet their needs through managing relationships with companies offering products and services.

Figure 3: The digital waves offer opportunities for profitable growth (Source: PwC analysis)

Increasing degrees of digital fitness are required to play and win

Increasing issues, threats and opportunities in the digital economy

The next digital wave?

Business model change

Consumption chain

Third digital wave: digital identity

Buying brands and digital identities emerge

Consumption data is shared with the customer to enable outcomes

Demand chain
Customer service
Marketing

Second digital wave: digital consumption

First digital wave: digital commerce

E-commerce is used to transact, to advertise, as a marketing platform and to provide customer self-care services

Operating model change

Supply chain (operations)
Channel integration
E2E supply chain integration

Ongoing operational integration across the supply chain, including suppliers and partners

Time

FOOTBALL IS NOT ENTIRELY IMMUNE TO THE SWAY OF DIGITAL WAVES

Digital has impacted the football world and will continue to do so. Ticketing is very much a digital process. Merchandise sales online are a feature of the industry today and have been for some time. Social media intensifies the connection between fan and club and provides insights which clubs can learn from. Digital has driven down the cost of media creation to the point where most football clubs now find they are able to produce and distribute more content, and of a higher quality, than was possible only a short time ago.

But digital natives will not settle for the status quo. They expect to be able to make as many clicks from the side lines as they see kicks on the pitch. The reality is that change will keep on coming, and faster than ever before. To succeed in engaging the new generation of fan, clubs will need to be flexible, agile, and not afraid to try on new, digital, boots. Digital presents football with a set of powerful transformational opportunities to engage a new generation of fans and empower those already there.

> The key to success in the digital age will be innovation, flexibility and a willingness to try, fail and move on.

Having said that, football clubs have one very significant attribute which clearly distinguishes them from other industries. As long as their financial health is basically secure, their oligopolistic control of the beautiful game is unlikely to be disrupted by any advances in technology. The passion and love of the fans will not wither away, provided performance on the pitch is maintained. We do not see digital as a disruption for the business of football clubs, rather an enhancement with significant potential to improve both fan engagement and the bottom line.

DIGITAL ECOSYSTEM

A digitally integrated ecosystem is the answer to growing expectations for personalised and hyper-targeted content.

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KEY MESSAGES

- *Fans' expectations will shift from content range to contextual relevance, delivered as and when they desire*

- *A digitally integrated ecosystem across business functions is required for a holistic view of each individual fan*

- *Adoption of a data culture within a club's organisation is key to maintaining a competitive edge in the age of highly demanding digital natives*

DEMAND FOR A HIGH-QUALITY FAN EXPERIENCE IS SNOWBALLING

A fan interacts with his favourite club on multiple occasions, through different devices, applications and channels. He buys tickets, watches live matches, streams video clips, and consumes all the news and views surrounding his club and its players. The sky is the limit, with more and more content being created, distributed and "socialised". As demand for immersion in a seamless experience facilitated by a fully integrated and experience-rich digital ecosystem grows, football clubs will be pushed to the limit in terms of content and technology management.

> The "digital native" fan has much higher expectations.

GROWING FAN INTERACTIONS LEAVE A HUGE UNTAPPED DATA TRAIL

The growth and ubiquity of fan interaction and the related impact it is having on a club's commercial strategy are complex and ambiguous to gauge. However, there is one constant aspect to this which applies regardless of the individual opportunities being captured: fans leave a significant trail of data as they pass by. Do clubs really track and fully harness the potential of this data?

Imagine a time when a club knows exactly what each of its fans likes to eat, where he wants to sit in the stadium, what video clips he enjoys watching or which of the club's players' jerseys he likes to flaunt. That, in our opinion, is the future of football and also what "digital native" fans will expect: when clubs are in a position to deliver a fully personalised experience to their fans. Pulling this off, however, will require more than just sourcing a good CRM system. Clubs will need to drive change throughout their business functions, emulating their players on the pitch and playing as a team.

STANDALONE BUSINESS FUNCTIONS FAIL TO PROJECT ONE TRULY UNIQUE BRAND TO THE FANS

The digital wave has already impacted every function within the club, with each developing its own digital solutions to optimise revenues and operations. Ticketing departments have introduced their own "white labelled" online platforms and are trying to optimise sell out through queuing or secondary market systems. Some clubs, particularly in the UK, may soon be tempted to adopt dynamic pricing mechanisms. Merchandising is boosting operations, rolling out an integrated digital supply chain across physical points of sale and online as well as boosting the ability to personalise products. Club websites and mobile applications are becoming ever more sophisticated in their distribution of text, data, video and image content. All of this, of course, needs to be shared across all mainstream social-media platforms to ensure maximum reach and fan engagement.

So far, each of these distinct functions has generally worked apart from the others, as each evolved to meet very specific business requirements. As a result, one and the same fan is engaging with one and the same club across multiple, mostly disconnected functions that are generally not coordinated with one another. What is the way forward? How can a club make the transition to an integrated approach, enabling fans to truly experience the entire brand, rather than specific functions within that brand?
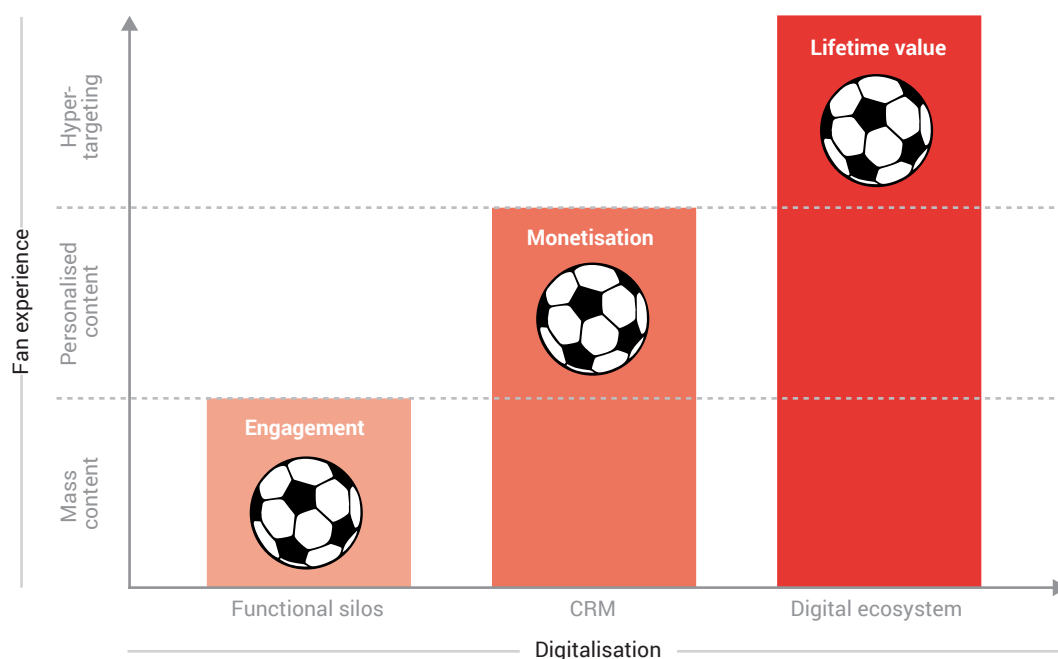
> Do clubs have a holistic view of each individual fan?

AN INTEGRATED APPROACH TO DATA ANALYSIS PROVIDES A HOLISTIC FAN VIEW WHICH WILL PERSONALISE FAN ENGAGEMENT

Football clubs have one unique attribute that places them in a league of their own. They have fans, and fans are not just consumers. The degree of loyalty implicit in being a fan is a tremendous asset to a club, as it increases the number, frequency and intensity of interactions. By leveraging this relationship, clubs have a unique opportunity to gather information on each and every fan. The potential depth and detail of the information they can gather is enormous. Top-flight clubs have incorporated centralised data-analysis solutions consolidating data across their various platforms. They have already started generating a holistic view of their fan base. Leveraging the wealth of profile information they gather, they are in a position to analyse and cluster their fans in such a multifaceted way as to offer increasingly targeted content and increasingly relevant purchase offers and promotions. This significantly enhances the user experience as it enables fans to get what they want, when and where they want it.

In the years ahead, we believe that as the new generation of digital natives takes over, a completely personalised user experience will gradually become a natural expectation. "Hyper-targeting" will become the new norm for fan engagement: fans will have customised access to the official club application with special content display on their favourite stars, merchandise wish-lists and an interest-based, categorised news section. Looking beyond sports, Netflix – the online provider of movies and shows – provides a good example: the company adapts and tailors its Web pages to each of its customers according to household characteristics, demographics and interests. For sports, too, we expect technology to converge across all club functions to a point where the content on clubs' platforms will be intelligently and seamlessly tailored for every fan. Digital will become the "brain" that enables clubs to cut across the growing oceans of content and commerce opportunities by bringing in a wave of "context", thus creating content that truly resonates with fans.

Figure 4: Hyper-targeting will be the new norm, empowered by a digitally integrated ecosystem (Source: PwC analysis)

What benefits can clubs expect? Using data to tailor content and marketing messages effectively will make it possible to nurture long-term brand loyalty. However, insights into fans' preferences will also open doors for immediate revenue diversification by enabling cross-selling and up-selling. The interest of club sponsors, suppliers and broadcasters in knowing a fan's daily habits, food preferences and other preferences will help clubs to derive greater value from their contracts, as well as enabling them to enter into new partnerships. Eventually, some future sponsorship-rights structures may no longer be based solely on a territorial view, but will be linked instead to individual fan-profile views. With more and more technology enabling personalisation and digital content distribution, sponsors may soon be able to reach the exact target audiences they want to address, thus increasing relevance and decreasing clutter. Looking at top clubs, it is not surprising to read that Arsenal's multi-million sponsorship deal with an airline was significantly influenced by the club's commitment to build more detailed profiles of its fans.

The creation of data culture within a club's operating model is a prerequisite for effective change.

CLUBS' OPERATING MODELS WILL EVOLVE AS DATA ANALYTICS ASSUMES A GREATER ROLE

What should a football club do next to embrace this future? Technology obviously has a central role to play, but technology alone will not decide the match. Football clubs will need to get their markers and whiteboards out and revisit their operating model. We see four aspects as being particularly important:

- First and foremost, clubs will need to map out their future strategic priorities, using their expected business case to canvas support within the organisation for the financial resources they will need to drive their digital transformation forward. *"Bringing different departments together for an integrated approach is an internal challenge"*, says Stefan Mennerich, Director of Digital Media and Media Rights and IT at FC Bayern Munich. *"We make a point of seeking their feedback and providing them with services they need, while simultaneously advocating the case for integration."* The beauty of

technology is its scalability, which should enable most clubs to find a solution that fits their goals and budget.

- Second, clubs need to understand the scope of the fan data that is being generated, and ensure they can actually gain control over it, from a commercial and legal point of view. The days when a football club would merely focus on "playing football" and have third-party agencies, suppliers or media companies buy out and exploit any rights they wanted to sell are nearing their end. While third-party agencies and suppliers may still be contracted to carry out operational tasks, clubs will want to retain ownership of underlying data and potentially integrate any platform relating to that data. The particular importance of this point becomes apparent when one considers that, as technology develops, new sources of fan data may come into being which no one has yet thought of.

- Third, to analyse, interpret and develop effectively the right "intelligence" from the vast amounts of data available, a club will need to integrate the right skills and talent into its organisation. Data scientists and consultants with the technical expertise and creative edge needed to generate usable insights will be of paramount importance.

- Fourth, in order to progress from insights to execution, an appropriate organisational structure will need to be introduced within the club, and change will need to be supported at the senior level of the organisation. *"Employing the right tools and expertise is one thing. What is important is to listen actively to your staff members"*, says Professor Simon Chadwick of the Sports Business and Marketing faculty at Coventry University. Different models may be adopted – from each traditional function having its own analytics group, to a centralised model that is either subordinate to a specific function or operates independently,

in parallel to the traditional functions creating a central home for all "fan engagement" initiatives. Regardless of the specific structure chosen, clear roles, responsibilities and collaboration processes will need to be defined in order to define a coherent strategy.

Clubs that can incorporate all the above aspects within the organisation structure in a positive manner will be in a position to use data intelligence as a means of improving their business functions. Analysing correlations between weather data and ticket demand, for example, will provide clubs with a precise idea of when it is worthwhile to lower or increase charges for advertising and when it makes sense to offer promotions for tickets.

DATA INTELLIGENCE HOLDS THE KEY TO THE FUTURE – STEP IN OR GET SIDE-STEPPED

Everyone agrees that digital offers meaningful opportunities for the future, even though clubs will need to invest significant financial and human resources into developing it. So what will happen to clubs that do not take up this opportunity? First, these clubs may be missing out on additional revenue streams, as competing clubs and other entertainment organisations will be capturing the extra value provided by having fans, sponsors and other suppliers engaging with them on the basis of personalised and hyper-targeted content. Second, these clubs may leave their fans facing a cluttered and confusing content environment, leaving their expectations of personalised content frustrated and diminishing the perceived quality of the user experience. Third, and most importantly, clubs may progressively lose control of the way their brand values are communicated, hampering their ability to shape and nurture fan loyalty. Clubs may be left with their hands tied, relying solely on the hope that their sporting performance and existing fan base will continue to grow.

> Those who do not adapt will fail to realise the full power of digital.

CROWDSOURCING

Digital teamwork is the way to play and win in the digital age.

KEY MESSAGES

- *Crowdsourcing offers a powerful opportunity for clubs to derive more value from their biggest asset, the passionate, energetic fan*

- *Listening to fans will open doors for business, financial and performance solutions which are effective in terms of cost and time*

- *Direct involvement in problem solving for clubs will reinforce fan loyalty and take fan engagement a big step forward*

FAN ENGAGEMENT EXTENDS BEYOND THE 90 MINUTES OF THE MATCH

The sheer scale of football fans' engagement with their clubs has reached a new high in recent years. Passionate fans, armed with the developments in digital technology, consume football and related content way beyond the 90 minutes of the actual match. The newly formed demands of the digital native, coupled with relentless expectations of winning, have pushed football clubs to the edge in their efforts to innovate to survive in the digital age.

SOCIAL MEDIA IS NOW AN ESTABLISHED HUB FOR FAN ENGAGEMENT. WHAT COMES NEXT?

Fans no longer simply watch live matches. They routinely use digital channels, both mobile and social, to consume and share content, information and analysis, and to interact with sports leagues, clubs and players. The use of the social space in sports to communicate with fans directly and enhance the relationship between them and their club is now hardly new. These days, every football club has embraced social media and its power to reach out to a large number of fans. On that score, their generated digital content constantly gets better, more "likeable", "shareable" and "tweetable". In fact, it is some of the most compelling, influential and talked about content in popular culture. Undoubtedly, social media is a powerful tool, as it helps clubs to control the message and bring fans closer to the club by offering them the ability to become actively involved and engaged with the beautiful game.

> Listening to fans will unlock untapped opportunities for fan engagement.

Compelling, digital content coupled with large communities of connected fans, however, is a much more valuable resource than clubs have so far managed to make it with their current social-media activities. If clubs take a step back, listen more attentively to their social-media audiences, and empower the people who truly matter, their fans, they will further increase the value they derive from their fan bases. By listening, clubs will unlock their fans' trust, respect and appreciation. This will put them on the inside track, where they will find many untapped opportunities for fostering fan engagement, opportunities that go way beyond the exposure they are currently getting from Facebook, Twitter and other darlings of the Internet.

CROWDSOURCING IS A POWERFUL PROBLEM-SOLVING TOOL, NOW SLOWLY GAINING MOMENTUM

One opportunity that clubs can tap into is crowdsourcing. In simple terms, crowdsourcing enables organisations to broadcast a task to a crowd and ask them to contribute ideas to solve the problem. The topic is seldom out of the news and is the subject of widespread discussion. With good reason: if used wisely, crowdsourcing can be a very powerful tool, especially for football clubs, since they already have the key ingredient needed to make the model work – the devoted crowd that their fan base represents.

SEEKING IDEAS FROM FANS AND THEN PUTTING TRUST IN THEM HAS SIGNIFICANT POTENTIAL TO ENHANCE CLUB-FAN RELATIONSHIPS

Crowdsourcing has the power to take fan loyalty a big step forward.

Crowdsourcing presents a strategic opportunity for clubs to reinforce the fan experience in a manner which will benefit the overall organisation, and possibly also the bottom line. It truly engages fans and raises the fan experience to a more intense level than can be achieved through simple social-media exposure. It empowers fans to add new value to the relationship with their club by helping produce relevant content and contribute insights from various different locations. The passion, excitement and trust demonstrated by a club's fans is virtually unlimited. By involving them through crowdsourcing, clubs show them that they value their feedback and opinion, thus building an even more durable relationship. At the same time, clubs will benefit from solutions that are operationally feasible, economically viable, and, most important of all, desired by their fans.

Examples of the remarkable benefits companies can achieve when they use crowdsourcing are becoming increasingly frequent. However, in order to build lasting value from their relationship with their fans, and use that to increase fan engagement, football clubs first have to recognise the mind-set on which effective crowdsourcing depends and accept its implications. Are football clubs ready to trust their supporters and embrace new tools? Even more importantly, are they prepared to embrace an entirely new relationship with their fans and grant them privileged access to behind-the-scenes activities?

THE POWER OF THREE

This section examines three primary areas – business operations, finance and team performance – where there is scope for football clubs to use crowdsourcing and other digital tools to harness the passion and problem-solving power of their fans:

BUSINESS OPERATIONS
Channelling fans' passion and energy through a structured crowdsourcing platform provides clubs with an efficient means in terms of cost and time of involving their fans worldwide in generating new ideas and finding better ways of carrying out certain operations. Effectively, the clubs benefit from their fans' insights, skills and opinions. Crowdsourcing will enable clubs to strengthen trust and loyalty among fans, by allowing them to use the club's proprietary digital imprint, thus fostering their fans' sense of ownership. The greater the clubs are able to overcome existing inter-generational issues and to understand and adapt to the new dynamics and rules of the digital age, particularly in their dealing with digital natives, the better they will be at responding to changing circumstances in a timely fashion. Of course, what is hot for digital natives in one country may not necessarily appeal to fans in another country. Taking a cue from the younger, tech-savvy audience, who grew up with the Internet and social sites where information is freely available, is both a prerequisite for getting an effective crowdsourcing initiative launched and a good way of increasing the engagement of this particular demographic.

We have seen football clubs who evaluated what their fans really want by asking people for modern, authentic fan-merchandising ideas. Focusing on identified types of demand allows clubs to concentrate their marketing efforts on areas where they will be most effective, thus driving sales and meeting their supporters' needs. *"The aim of our crowdsourcing campaign was to analyse our brand value and drive the repositioning of the club"*, says Thomas Röttgermann, managing director at Bundesliga club VfL Wolfsburg.

Whereas top-flight football clubs can use their resources and global scale to exploit the latest digital developments, crowdsourcing also provides mid-tier and lower-tier clubs with an opportunity to keep pace with digital trends and offer a wide portfolio of fan-generated insights and digital offerings.

Just as the online gaming and betting operator Betfair has provided third-party software developers with access to its live data, so that they can build interfaces and products (including Web pages, mobile applications and widgets), clubs also have the option of using a similar approach to developing their digital offerings by granting fans access to certain data and privileges. Imagine an approach which involves fans developing applications that are both in tune with their interests and beneficial to the club's business operations. This would effectively place the onus for creativity on the shoulders of the fans themselves.

FINANCE

Numerous successes have already been achieved through crowdfunding. This form of financing is still in its infancy and it will continue to grow. Whilst crowdfunding has proven a very effective means of raising initial financing for start-up companies, an increasing number of businesses have now begun to use it as a means of experimenting with new projects and business models. While Kickstarter has become synonymous with crowdfunding, more crowdfunding providers are now appearing on the scene, extending the reach of this new type of financing and serving different audiences, needs and causes.

Crowdfunding has already proven its ability to open up avenues of opportunity for football clubs and we expect more crowd-funding operations for football clubs to follow. The German lower tier-football club VfL Osnabrück, for example, has success-fully reached out to its fans through a crowdfunding campaign to obtain funding for the certified cash reserves required to meet the licensing criteria of the German Football Association. Compared to

traditional funding models like bond issuance, crowdfunding allowed the club to achieve its goal at a much faster pace.

The latest commercial activities of the German lower-tier side Rot-Weiss Essen provide another example where the power of the crowd has been successfully used to raise funding. Instead of relying on the financial backing of one main sponsor, the club approached its local community, asking local businesses and individuals to join forces and become the club's main sponsor. *"The novelty of putting a large number of our local businesses and fans on the shirt and granting them the privileges of our main sponsor has paid off for us in many ways,"* says Rot-Weiss Essen's Managing Director Dr. Michael Welling. *"We were able to reduce our financial dependence on one main sponsor, increase commercial revenues and, most importantly, cement ties with our fans and the local community."* While digital channels played a limited role in this particular case, it does illustrate how clubs which do decide to explore these new paradigms and harness the potential of a large group of fans can mobilise significant sources of funding and create high levels of fan engagement.

TEAM PERFORMANCE

Football is a sport of passion and intuition. It cannot be reduced to a soulless set of calculations. That being said, football is also becoming more intelligent. Just as Michael Lewis's Moneyball has inspired millions, much thought has been devoted to analysing how the insights gained from baseball might apply to football. Top clubs are working with data companies like Opta and Prozone to analyse matches and players' performances. They employ data analysts to help build a winning team. This results in a growing number of data-driven decisions and in some instances even an attempt for a "datafication" of the game. *"Successful teams turn player performance data into action and gain a competitive advantage,"* says John Coulson, head of professional football services at sports data company Opta. *"Any professional football club that denies the power of data is placing itself at a disadvantage."*

Whilst all the number crunching has failed to find relevant variables for simulating future player performance and match outcomes, investment in numerical analysis to find a new, optimised route to winning in football continues. Football clubs undoubtedly have many good reasons to be extremely secretive about where they get data from and how they use it. What can be said is that there have been many cases where fans themselves have helped clubs to transform raw, scattered data into genuinely useful insights.

Football fans have, for example, helped to improve the scouting process clubs use to find new talent. The Transfermarkt Internet platform is an excellent example of how such improvements can be made. Transfermarkt users all share a common interest in football, and the platform encourages them to interact with each other, contribute ideas, solve problems and create content. *"Due to the many insights it receives from its community of users, the platform has become an undeniably useful information source for the football family,"* says Dr. Gregor Reiter, Managing Director of the German Football Agents' Association. The same principle applies to Sports Interactive's Football Manager database: it is fuelled by player data contributed by a crowd of over 1,300 dedicated fans of the video game covering national leagues in almost a quarter of all FIFA's member associations. According to Sports Interactive, their "scouts" provide objective and detailed insights and the range of matches covered globally is exceptional. The evidence suggests that professional clubs have started to use Football Manager to test the viability of potential new signings.

Although these examples show how clubs leverage information gathered by fans around the globe, the initiatives and platforms they are using are in fact made available by player agents rather than the clubs themselves. A look at the latest activities of the NBA club Sacramento Kings does, however, suggest that football clubs may see the benefits of this approach and expand the way they interact with fans by engaging with them on the most hallowed ground of all, the pitch itself. This California-based baseball franchise has launched a crowdsourcing programme to help make draft pick decisions. The competition has embarked on a new trajectory which complements the established draft methods, scouting and analytics used by the Kings. In return for granting access to these processes, the NBA club received analytical advice at no charge.
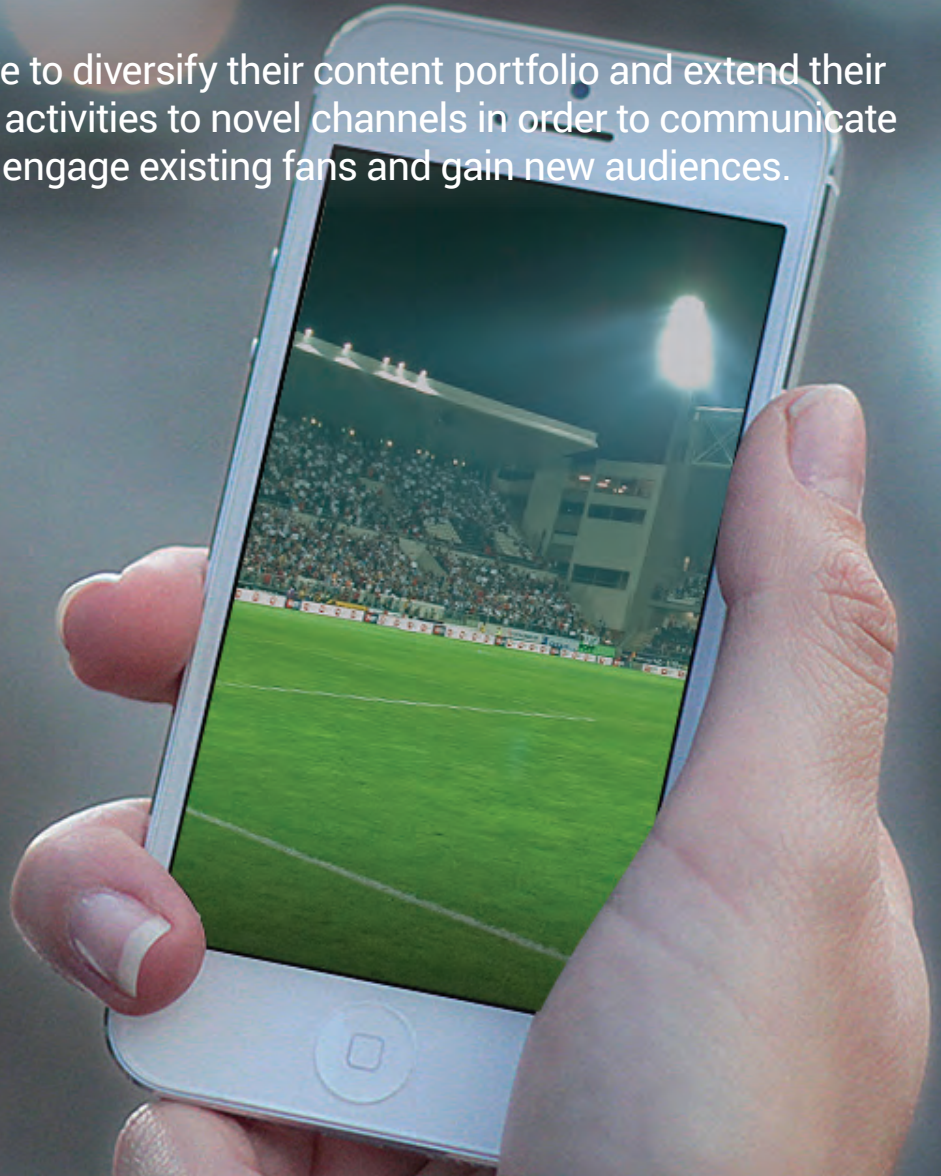
The huge success of fantasy games demonstrates that there are fans who are not only passionate about sport but also possess significant analytical skills. To make this work for them, football clubs need to identify the right partners for them in the digital ecosystem, both within and outside the football industry. Modern technology offers clubs interesting new ways of under-standing risks and making informed decisions rather than relying solely on gut instinct.

TEAM STRENGTH EXTENDS BEYOND THE BENCH – STAND UP AND TAKE NOTICE

In the digital age, there is no pause button and no unaffected customer group. Using crowdsourcing to tap into the intangibles of fan loyalties may enable clubs to identify their most useful partners in their quest to play and win in this digital age.

AUDIENCE DEVELOPMENT

Football clubs will have to diversify their content portfolio and extend their audience engagement activities to novel channels in order to communicate their club brand, engage existing fans and gain new audiences.

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KEY MESSAGES

- *Clubs and players will use social media even more intensively to target fans that their current social-media strategies are not reaching*

- *Direct monetisation via social media will become possible, yet social media will still mainly focus on brand-building and audience development for clubs, players and sponsors*

- *The new digitised match day will enable clubs to offer more information to fans, and leverage content related to the match*

FROM FOOTBALL CLUB TO MEDIA HUB. WHAT COMES NEXT?

In recent years, the importance and value of brands in sports has become evident. Today, the largest football clubs have a distinct brand identity and – more importantly from an operational point of view – a brand strategy that shapes their public image and engagement.

Clubs like Bayern Munich or Real Madrid are great examples. Beyond delivering an outstanding performance on the pitch, these clubs are perfecting their ability to leverage content to build a clear and consistent brand identity across all touch points. Also, clubs are distributing this content via newly created channels, such as video footage of matches or training sessions, that are distributed via the clubs' own online video platform. The advantages of this strategy are clear. First, they enable clubs to keep fans in their ecosystem, thereby increasing the clubs' media reach, which in turn is of interest to sponsors. Second, clubs can monetise this content by marketing it directly to their fans.

That being said, a football club is more than a media enterprise or an entertainment provider. What distinguishes consumers of football-related content and merchandise from other consumers is their status as fans. Fandom, even in its mildest forms, also entails an emotional connection and an interaction with other fans. Sharing the experience becomes absolutely central. Social media is an ideal tool for addressing and engaging fans on an emotional level, but it is not currently being used to its full potential. As the use of mobile devices becomes ever more widespread, social media will play an increasingly important and powerful role in gaining and maintaining users' attention. Social media is also an ideal tool to stay in touch with casual fans who may "like" a club on Facebook, but are not keen to download the club's mobile app or register on the club's website. An interesting

Football clubs are more than a media hub – because of their fans.

example for this is the unrivalled social media success generated by the FIFA World Cup 2014. The casual fan is as valuable a target for sponsors or supporters as the passionate fan who visits the stadium to see a match.

One of the distinct assets football clubs have to offer is the match itself. While video rights are already extensively marketed, the extent to which the in-stadium experience is used to engage fans remains relatively undeveloped. Driven by technical innovation, in-stadium fan engagement will become much more important and innovative than it is today.

DIGITALISATION CHANGES CONTENT AND AUDIENCE-DEVELOPMENT STRATEGIES FOR FOOTBALL CLUBS

Clubs already use social media to connect with their fans. As more time is spent surfing the Web on mobile devices, social becomes the predominant entry page for users. This trend is most pronounced among the new generation of digital natives. The key global platforms are Facebook, Twitter, YouTube and Instagram. The local ones include Tencent and VK from China and Russia respectively.

As social media asserts itself as consumers' first port of call, clubs need to adapt their strategy.

Today, we know that when fans use social media to follow their team, they typically spend more time engaging with their team than they otherwise would. Social media is popular among supporters, because it provides real-time communication and news, and also offers two-way communication.

Generally, the core attributes of social media will continue to provide an efficient channel for clubs to engage with their fans. The specifics will change, however: social-media usage will be adapted to address a more segmented fan base, thus enabling it to open up new and remote markets.

In order for these goals to be accomplished by making the best possible use of social media and direct communication, we believe four factors will be pivotal.

AN OVERARCHING STRATEGY IS
THE DRIVER

Now more than ever social media needs to be part of an integrated brand strategy that creates a seamless fan experience across a club's various media channels. As social becomes the Internet's new point of entry, news and articles from the website or from third parties will be integrated into the club's social-media stream and presented in a manner appropriate to the respective platform. Integration of social media into a club's own digital environment makes the club's online presence more visible and captivating. Club-owned social-media hubs will become increasingly interesting for a specific segment of loyal fans, as they will be able to provide all the social-media information related to the club and bind fans to the club's own digital ecosystem.

Fan communities will become more segmented, thus making social media platforms a valuable tool for addressing specific fan groups (e.g., remote fans from specific locations). Also, communication via mainstream social media will enable a club to boost its ability to unlock the potential of target groups (e.g., fans over 40, casual fans) that are only poorly addressed by clubs' current offerings.

THE DISTINCTION BETWEEN CONTENT
AND COMMUNICATION WILL BECOME
IRRELEVANT

The value of social media lies in the dialogue it promotes, and a loyal followership on Facebook, Twitter and Instagram needs to be built on authentic, relevant and entertaining content and communication.

User-generated content is highly favoured among fans, and interactive content that asks fans to contribute and then prominently displays their input is especially sought after as suggested by recent data on the amount of time individual users spend on different parts of a Web page or mobile app. Content is also more successful if it is of high quality (i.e., relevant and visually appealing) as well as platform-appropriate. One option for bringing both

these requirements together on social media is to work around events in which content is produced by fans within a particular frame (e.g., asking fans to post videos explaining why they love their club in one sentence), using polls among fans, prize draws, or specifically looking for content that offers more editorial control.

Digital and more specifically social media will become a common entry route into fandom. This in turn means that there will be more fans for whom communication about the match is more important than watching the match itself – and social-media communication should exploit this.

TRACKING AND MONETISATION ARE
TWO SIDES OF THE SAME COIN

Gauging exactly how much revenue social-media activity generates is about as difficult as measuring the effect of branding advertising campaigns. Within the next few years, more precise tracking systems that go beyond such classic social-media metrics as "likes" and reach will be developed, just as they are now being developed to measure the effectiveness of online brand-marketing campaigns. This data will be leveraged to address fans more efficiently by offering them relevant content, products and services. In a second step, social-media metrics will also be integrated into the – yet to be built – digital ecosystems of clubs, ensuring a holistic marketing view for the benefit of both fan and club.

Direct monetisation in the context of social media is already a reality, as demonstrated by new features such as Facebook multiproduct ads or Google, making it possible to market merchandise and products to fans in the social-media context. Nevertheless, in the short term we expect large clubs to continue treating social media as a tool for increasing the quality of their offering rather than for direct monetisation.

> Social media will remain an important tool for improving the offerings clubs provide to their fans.

NEW OPPORTUNITIES FOR SPONSORS OPEN UP

If a club or a player has built a loyal followership on social media, this reach offers an interesting audience for sponsors and advertisers. Native advertising in social media often shows conversion rates that far exceed the success achieved by conventional banner advertising. Shaquille O'Neal promoting Oreo cookies on Twitter, "wanna hang wit me? heres ur chance for us 2 chill n dunk some" is a great example of successful social-media native advertising. The main objective of these advertisements is to remain entertaining and authentic, thus allowing O'Neal to build up a Twitter following of 8.1 million fans (October 2014). Adding a viral component to advertising encourages people to share content, further compounding reach and impact.

Eighty percent of fans use social media to communicate with their club, players and fellow fans and many do so while watching sports on TV. This interaction will become more important in supporting traditional TV campaigns, by communicating sponsor brands on social media, while the TV ad or the match is on. Social-media platforms use new features to support this, such as Twitter Amplify, an advertising format that allows for real-time video content, including pre-roll advertising to be distributed via Twitter.

For sponsors, social media has become an attractive way of talking to fans directly. One notable example is Sony's engagement during the FIFA World Cup 2014. With 6.5 million likes on its Facebook channel, the interactive community page football.sony.net, and on a related YouTube channel, Sony undoubtedly gained significant visibility and engagement during the World Cup.

LEVERAGING THE MATCH DAY FOR AUDIENCE ENGAGEMENT

The overall match day experience and in-venue atmosphere are among the most valuable assets football clubs have at their disposal. The match day is a critical subject of social-media communication, but, once fans have reached the venue, little is then done to connect them with each other digitally, or indeed with fans following the match elsewhere. Curiously, today's in-stadium experience is very similar to that on offer 20 years ago: almost no video replays of match scenes on large stadium screens,

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no commentary is available, social-media activity is not specifically directed towards fans in the stadium and connection to fans outside the stadium is rarely orchestrated. Twitter is used as a match-day reporting tool and – rarely – integrated in the LEDs in the bands on the pitch.

Driven by the introduction of stadium WiFi, and in its wake, the advent of stadium apps that only work when connected to the venue WiFi, the in-venue experience will become both more digital and more social. One of today's successful examples is Bayer Leverkusen's Fan App, which uses social media to connect and engage with fans, and offers features such as live video streaming, match statistics, live information about the match and surveys whose results are communicated directly to those in the stadium. In time, applications that connect fans within or outside the club will be increasingly available, along the example of choreography apps Fanpictor, which is gaining increasing traction in the market. Yet the introduction of these apps and services doesn't come without challenges. Indeed, fan groups who have been organising these activities may feel disintermediated and disempowered, demanding from clubs particular attention in the way they promote the introduction of these services.

Technological innovation will also change the viewing experience itself. Wearable augmented-reality devices, Google Glass being the most prominent, provide the possibility of using second-screen or stadium apps embedded into the match. Moreover, these devices may also bring the in-stadium experience to fans located elsewhere, or even let viewers see the match through the point of view of a player. Albeit technically still challenging, holographic projection techniques may also well develop to the point of providing a captivating virtual in-stadium experience, lifting the opportunities for public viewing to a whole new level.

> Crafting a 21st century match-day experience is football's most promising challenge.

HOW DO CLUBS BENEFIT FROM THIS?
An enhanced stadium experience through digital will lead to increased ticket sales, attracting fans who would not usually attend the match. Also, a more aligned social-media experience will mean that more visitors will be happy to promote and "socialise" the match experience, broadcasting it to their wider network of friends. The introduction of WiFi and in-stadium apps will also offer the possibility of marketing premium content directly to visitors, as well as enable monetisation through targeted advertising.

THE SYNERGY BETWEEN SOCIAL MEDIA AND GAME EXPERIENCE IS IMPORTANT

Fandom is all about emotions – emotions that fans want to communicate to their clubs, heroes, and fellow supporters. Social media has already established itself as the best way of fulfilling this desire for affiliation. With the increasing cultural importance of social media, and the emergence of new platforms and features, clubs will benefit from digital in new and interesting ways. Helping fans to exchange their experiences in the stadium – either via social media, or with the help of digital gadgets – is one of the most promising avenues for clubs' marketing strategies to explore today.

MATCH DATA AND WEARABLES

Wearable technologies and match data will offer new business models, create more fan engagement and expand digital marketing strategies that football clubs and players will exploit.

KEY MESSAGES

- *Digital self-measurement and data analytics will become an integral part of our everyday life*

- *Video and augmented reality wearables will significantly change the match experience*

- *Wearable technologies and data analytics will become highly sophisticated and will offer advanced products, services and applications*

- *New business models and marketing strategies will be derived from connected and integrated data analytics and wearable ecosystems*

THE DIGITAL MATCH DATA AND WEARABLE ECOSYSTEM IS DIVERSIFIED

MATCH DATA IS AN ESTABLISHED AND MATURE BUSINESS

For many years now the practice of gathering and analysing match-related data during professional football matches has been widespread. A wide range of match data is available today and there are numerous applications and services which use it, such as sports data feeds, statistics and insights for TV broadcasts, websites, apps, newspapers, etc. This data has an important part to play in the match experience itself, as action on the pitch enhances the overall match experience. The provision and processing of match data is now a mature and profitable business with a wide range of uses and applications. Within this market, established match-data service providers ensure the continuous improvement of match analytics and availability through a variety of distribution channels.

DIGITAL PLAYER PERFORMANCE MEASUREMENT TOOLS BENEFIT FROM SOPHISTICATED SENSORS

In addition to match data, which allows player data to be tracked and analysed in multiple ways, nearly all professional football clubs also use advanced biometrical, kinetics and position measurement technologies to track and enhance their players' performance. Player performance measurements are based on sophisticated, highly integrated sensor technologies, usually based on a combination of different wearable devices which make up a complete technical ecosystem. The main purpose of player performance measurement is to collect data as a basis for empirically based decisions on performance improvement,

to optimise training loads and to track players' activity in order to avoid fatigue problems during the league season. Florian Gschwandtner, the CEO of Runtastic, draws particular attention to the fatigue issue: *"More and more football clubs are investigating ways of tracking their players' daily activities, sleep cycles, nutrition habits, etc., in order to monitor their physical and psychological states and optimise their overall condition."* Sports regulatory restrictions still prohibit the use of player performance measurement technologies during official matches in football, even though they have been widely adopted in other sports, such as rugby.

CONSUMER WEARABLES PROVIDE DIGITAL MEASUREMENT FOR A QUANTIFIED SELF

While the digitalisation and analysis of match statistics and the measurement of players' performances is an established business, it is only recently that self-measurement and data analytics have been widely available in the consumer market. Today, an ever-growing number of wristbands, smart watches, smart shoes and wearable smart textiles is tempting consumers to measure every aspect of their everyday life. Following the announcement of the Apple Watch, this relatively young market is expected to gain substantial momentum, opening up the consumer wearables ecosystem to all kinds of new applications and services. We expect the so-called "quantified self" to become an integral part of our everyday life.

VIDEO AND AUGMENTED REALITY WEARABLES WILL CHANGE THE MATCH EXPERIENCE

Besides consumer wearables for the "quantified self", the rapid development of wearable cameras in glasses (e.g., Google Glass), augmented reality ("AR") devices and head-up displays (e.g., Oculus Rift) has made a wide variety of new applications available which can be used in a whole range of different ways. The core feature of video/AR wearables is the point of view ("POV") experience that these devices offer: both consumers and professional athletes can record and broadcast their environment from their point of view, thus creating new ways of letting others "participate" in their sports experience. Consumers can see the action through the eyes of their heroes, the players, and other protagonists, such as coaches and referees. FC Barcelona's basketball team has already conducted several trials with Google Glass technology, both during a Euroleague Basketball match and during training sessions and provided the footage to their fans.

While it is relatively easy to create POV videos in real time and transmit it in connected stadiums or as services to consumers' homes, complete augmented-reality applications are much harder to produce as they require sophisticated and time-consuming planning, production and distribution of the content. Especially for sponsors and brands, AR technology offers a range of new brand-communication and fan-engagement scenarios. A collaboration between the O2 arena in London and the England Rugby team has developed an AR application using Oculus Rift devices where the user "dives" into the action, participates in training sessions and virtually becomes part of the team. Facebook's two-billion-dollar acquisition of Oculus Rift provides timely evidence of the importance of AR services and applications in the future of social media.

INTEGRATED VALUE CHAINS AND THEIR POTENTIAL FOR CLUBS, PLAYERS AND FANS

The value chains for match data, player performance measurement and consumer wearables are all based on the same principle: data acquisition is followed by data analysis. The results of the analysis are then visualised and then deployed to platform-specific applications and services.

Today, match data, player performance measurement and consumer wearables are largely separate markets: the data is used in different ways and the applications serve different needs. In the future, the connection and integration of these separate value chains will offer new possibilities for clubs, players and fans. We expect soon that data from one domain (e.g., player performance measurement) will be used for applications in other domains (e.g., consumer wearables and applications). Based on the market potential of services which engage and involve fans, and of applications, new business models and marketing strategies exploiting integrated and connected match data and wearable ecosystems will be devised.

> The integration of match data and wearable ecosystems will create new services and applications for fans.

THE FAN WILL BE AT THE CENTRE OF THE DATA VALUE CHAIN

Potential ways of monetising and exploiting match data, player performance measurement data and consumer wearables for new business models and marketing strategies exist in a variety of areas. Looking at what is currently available in the market, some very promising products, applications and services can be identified today. These new offerings are currently at very different stages in their product and service cycles. While sports-product manufacturers such as Adidas offer a wide range of wearable products with fairly sophisticated services and applications (as exemplified by the Adidas Micoach product line with smart

balls, shoes, performance measurement wearables, etc.) other market players, particularly in the video/AR domain, are still in the early days of development, and the products and services they currently offer are correspondingly immature. Nevertheless, the "immersion" experience that video/AR technologies provide offers a wide range of new possibilities. We think that if video/AR services and applications are connected with the right data (e.g., match analysis) and offered in the right context (e.g., within a connected stadium) a whole range of new and contextually personalised POV experiences can be created. The fan could sit in the stadium, have instant replays of events that happened on the pitch and follow the performance stats of his favourite player or team in real time based on his own vantage point within the stadium. Immersion through video/AR technologies is obviously not limited to in-stadium experiences and can also be offered for use at home. What fan would not want to join his favourite player and see the pitch as he sees it while preparing and executing a penalty shot? Who would not want to be part of his favourite club's coaching team and follow the match through the eyes of the coach, while simultaneously viewing real-time match and player statistics?

In our view the potential applications for integrated and connected value chains for match data, player performance measurement and consumer wearables can be categorised into the following areas:

> *Content and story-telling, self-improvement and new viewing experiences are core assets for creating new business models.*

- Content and story-telling: personalised data can be generated and presented contextually within all types of social media or through other distribution channels (e.g., personalised data streams, content from my club, heatmaps and statistics of my favourite player in my Facebook stream, POV video sequences from my club's last training session).

- Self-improvement and comparison: applications that allow fans to measure themselves and compare their lifestyles and performance with those of their favourite stars. Or services that allow fans to improve their skills and learn from their favourite stars through intelligent balls, wristbands and analysis and tracking tools.

- Viewing experience: applications and services that enhance fans' match and viewing experiences through video/AR offerings.

MONETISATION MODELS AND MARKETING STRATEGIES

DIRECT MONETISATION MODELS ARE ENABLED BY PREMIUM SERVICES
The monetisation of the potential applications described above can be achieved either directly by fans purchasing premium content or services, or indirectly by advertisers purchasing space within that content or those services. Depending on how the application is used, content can be monetised via one-time payments for premium features (e.g., video/AR service as a premium feature of the stadium ticket) or by offering subscription models that

> *Fans will pay for premium services and applications.*

give access to premium content, premium applications and premium services. In our opinion, clubs, players and sponsors can create great added value by providing access to personalised content and services and we believe fans will be willing to pay for this.

Another possibility for direct monetisation within the wearable video/AR ecosystem is marketing advertising space within the video/AR content itself. Presenting Lionel Messi's penalty shot against Manuel Neuer through Messi's eyes in real-time by any brand then becomes a practicable proposition.

PERSONALISATION OF CONTENT WILL HELP ESTABLISH NEW MARKETING STRATEGIES

In addition to direct monetisation via premium content, premium services and ad-space there are also new possibilities for the marketing domain. Content, applications and services based on the seamless integration of the different value chains will have an impact on new marketing strategies. In our opinion, content and story-telling is the key value proposition that integrated and connected value chains will offer to fans, and we believe that they will prove particularly worthwhile for marketing purposes. Story-telling has a direct impact on the relationship between fans, clubs and players. It creates and strengthens brands and opens up new possibilities for existing marketing and sponsorship strategies. If produced and distributed correctly, personalised stories and content will arise from connected and integrated data and will evolve into an emotional and dynamic hub, which fans will be keen to visit. This is where we see significant growth and where we are convinced that the new ecosystem will provide new meaning for both fans and digital technology (i.e., the wearable ecosystem), thus augmenting fan engagement and fan involvement.

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THERE ARE STILL OPEN ISSUES THAT NEED TO BE SOLVED

In spite of its undoubted economic potential, the full exploitation of wearable data and technology as outlined here is still subject to a number of open issues to be solved in the future.

Regulatory and technological issues have to be solved in the future.

- Major regulatory issues in football that currently prohibit the use of wearable technology during the match need to be addressed in order for the novel data value chains discussed here to be exploited appropriately.

- Further technical hurdles will have to be overcome, specifically in the AR domain. Even if allowed by the sport's governing bodies, existing video/AR technologies would not enable fans to look through Lionel Messi's eyes while he is shooting a penalty against Manuel Neuer. Wearable devices have to become much smaller, feature better capabilities and far more open interfaces, so that they can be integrated into professional service and distribution value chains.

- In addition, there are also unresolved questions concerning proprietary data protocols, interfaces and platforms. Today, there are no established standards in the market yet, even though big IT players such as Google's Android Wear or the upcoming iOS for the Apple watch are (or will shortly be) introduced to the market. In our opinion we are still far away from a market where there are established platforms, interfaces and protocols which enable data to be exchanged and integrated into new services and applications in an efficient and reliable manner.

- Finally, there is an overarching issue to be addressed around data ownership, protection, security and privacy. This will ultimately determine who – club, player, league – will be in a position to exploit what kind of data, building upon existing services, applications and content.

FOOTBALL'S DIGITAL FUTURE WILL BE SHAPED BY WEARABLES AND DATA ANALYTICS

We are convinced that once these key issues are resolved, match data, player performance measurement and wearable technology will unleash their full potential. Connecting teams, players and fans with match data and wearables will create greater fan engagement and make a wider range of marketing strategies possible.

Story-telling has a direct impact on the relationship between fans, clubs and players.

Personalised storytelling will refine connected and integrated data, thus lending additional meaning to the data and technology supporting it. We are just steps away from the "quantified match", the "quantified player", and the "quantified self" to pave the way for another wave in football's digital future.

TRANSFER MARKET

Digital will "democratise" the football transfer market with easier access to information and communication.

KEY MESSAGES

- *Proliferation of smart devices and the increased role played by tech-savvy executives will foster wider adoption of digital-analysis tools for player scouting and transfers*
- *A shift in mind-set towards more transparency will benefit all stakeholders and improve the efficiency of the football transfer market*

TRANSFER MARKET IS HUGE

The global transfer market is a sizeable part of the football industry, with just the international player transfers accounting for 3.7 billion USD spent in transfer fees in 2013. In the past few years, digital has enabled many clubs to push the boundaries of data analytics in the performance management and scouting areas. Nevertheless, the vast majority of clubs still rely solely on personal relationships, a scouting network and a "good eye for talent". As digital natives start to occupy decision-making positions within clubs' sports departments, things will begin to change.

TODAY, PERSONAL RELATIONSHIPS DRIVE TRANSFER DECISIONS

When we look at the football transfer market, it is quite natural to focus on the staggering amounts of transfer fees and salaries paid to top players, most of whom are either moving into or within the top European leagues. It should however be remembered that these figures relate to a minority of signings, so that a large proportion of the total transfer fees paid in one season are in fact attributable to a very small number of transfers. The bulk of the transfer market for professional football players mostly comprises "employees" – just as in any other industry – moving from one "employer" to another as they progress through and develop their careers. What makes football unique is that the "employers" are spread across the globe, that there are significantly fewer "job openings" than candidates, that "employees" change jobs quite frequently, and that their careers tend to end in their mid thirties.

> Adoption of digital tools in player scouting has been slow.

Given these circumstances, agents have played a significant role in driving efficiency in the market, acting as the "glue" which holds the market together by managing confidential information on potential openings and ongoing negotiations, as well as by leveraging their networks with other agents and club officials. What is the potential for digital to raise the efficiency of the transfer market to the next level? In the future, digital natives will occupy key positions at football clubs and agencies, transforming the way the bulk of football transfer activity and scouting is managed.

THE DIGITALISATION OF THE FOOTBALL TRANSFER MARKET HAS STARTED …

In recent years, football has seen a growing number of digital platforms being launched to support clubs in the way they manage scouting and transfers and these have had a significant impact on the market. The main examples of this are:

- **Data-analysis software** which leverages data for multiple uses such as performance management, opposition and recruitment analysis is one of the earliest digital developments in professional football, although its adoption by clubs has so far been limited. Currently only clubs at the top end of the football pyramid employ data-driven techniques to support their transfer and player evaluation strategies. As John Coulson, Head of Professional Football at leading data provider Opta Sports, points out: *"We have come a long way since the emergence of performance data in the late 90s but adoption in professional football has been much slower than expected."*

- **Online video platforms** have provided a quantum leap in managing scouting costs effectively on a global scale by enabling access to any football match in a few finger taps. A prime example of this is the Wyscout system, which provides a video scouting platform for 220,000 players. Wyscout is used by over 400 professional clubs and 450 players' agencies. It has played a significant role in bringing about a change driven by digital innovations. As the company's founder and CEO, Matteo Campodonico, explains: *"Wyscout managed to ride on the wave of technological advancements like the tablet and smartphone by creating user-friendly mobile software allowing us to capture the attention of agents, scouts and sports directors who are always on the move and do not necessarily possess advanced technological skills."*

- **Scouting software** has enabled online sharing of information. This has been driven by the adoption of tablets and inexpensive access to the Internet. It has made it easier to manage and share scouting and player information, even for smaller clubs with limited resources.

... AND WILL CONTINUE TO GAIN SIGNIFICANT TRACTION IN THE YEARS AHEAD

Nevertheless, we believe that much progress still needs to be made in digitalising the way football clubs, intermediaries and, eventually, players themselves cope with the opportunities and challenges presented by scouting and football transfers. Looking into the future, we believe three key trends will drive development: the increased use of analytics; the adoption of digital means for personal networking and communication; and the progressive digitalisation of the marketplace.

INCREASED USED OF ANALYTICS

While there has been plenty of debate on the use of data and analytics technology in football, it remains doubtful whether many club executives have changed the way decisions are made in their transfer business. Whilst football is not likely to adopt a "Moneyball" paradigm any time soon, we are convinced that there are several reasons to expect a steady growth in the use of analytics in the years to come.

Today, clubs are hiring performance and recruitment analysts in increasing numbers; in the future there are also expectations for a change of guard at the decision-making level of football clubs. As a result, clubs will soon have greater number of tech-savvy executives successfully deploying technology to implement data-centric strategies.

> Technological advancements will play an important role in changing mind-set of key decision-makers.

The ability of software applications to analyse and make sense of large amounts of data and to summarise information in simple graphical visualisations is increasing. It will thus not be long before leading providers develop significantly better systems. Indeed, top football clubs with large performance-management teams may eventually develop proprietary solutions of their own. We expect that these providers, and possibly also top clubs, will eventually be able to crack the code and translate a club's tactical and performance requirements into meaningful data which will yield the "right" answers.

One recent example of this type of development can be seen in the fact that data-provider companies such as Opta Sports and ProZone have started developing advanced data analytics software to crunch team and player data. This software generates actionable insights for player recruitment and performance analysis based on an analysis of every facet of a player's performance. To achieve this, the software enables analysts and coaches to combine different types of objective and subjective criteria for use in performance

evaluation. It is possible to customise the weighting of each criterion (depending on its importance for the club's coach), thus generating individually tailored player analyses and indices that can be applied to several players simultaneously.

We also expect clubs' marketing departments to make the case for employing analysts to merge and analyse data from different sources, including data relating to the marketing value of individual players. Making sense of all this disparate data may well create the "ultimate" player evaluation tool, one which takes both marketing and sporting considerations into account. Such an approach could be used for pre-transfer player evaluation as well as for adjusting players' compensation based on a variety of metrics relating to players' on-pitch and off-pitch performance. Players' insurance providers might also find such evaluation tools useful, as might governing bodies, private investors, brands and other interested parties, though the types of analysis they would perform and the use they would make of the results would vary considerably.

CREATING DIGITAL NETWORKS

In contrast to other markets, the football transfer market has traditionally remained dependent on a discrete network of player agents and club officials, who drive the business by leveraging their privileged access to information and decision-makers. As social media and professional networking platforms continue their relentless advance, we expect to see substantial change sweeping through the transfer market. Today, initial attempts are being made by a number of companies to create digital networks for football professionals. These include Network90, which has developed a "LinkedIn for football" approach, and Wyscout, which is trying to leverage the critical mass of users they have on their scouting platform by introducing networking features. So far, however, these initiatives appear fragmented and are yet to have any significant impact on the market. In the future, we expect that digital innovations, such as instant and accurate speech translation, real-time video, chat and voice

communication, coupled with the expansion of the mobile Internet in developing countries, will enable these football-focused digital networks to increase their market penetration. A critical aspect that will help these networks to gain acceptance will be the scope they offer their users to create trusted circles, where they can substantiate their credibility and reliability within a defined community of users.

DIGITALISATION OF THE MARKETPLACE

As digital platforms bring key stakeholders together under one roof, it will not be long before these stakeholders start pushing the boundaries and become more interested in conducting at least some of their transfer business in an online marketplace. Currently, a number of the aforementioned networking platforms have introduced marketplace features, though the results have so far been mixed. As pointed out by Mark Goddard, General Manager at FIFA TMS: *"I think that a virtual marketplace is a great idea with a huge potential, particularly for smaller clubs, albeit keeping always in mind that a player can never be traded as a commodity."* The critical element in determining the success of these types of platforms is trust. Currently, the main stumbling block is the clubs' unwillingness to share player data relating to player contracts and representation, as this information is generally considered to be privileged. Another factor is the fear that signalling any interest in signing or releasing a particular player will result in a club's negotiating edge being weakened. Mr. Campodonico argues that *"in order to create a virtual marketplace with global impact there would either have to be some form of regulatory intervention or a radical change of culture in football"*.

In this regard, we think that regulatory pressure will indeed continue to drive transparency in the information published in the transfer market. The recent introduction of the new Intermediary Regulations by FIFA is a step in that direction. While discontinuing the player agents' licensing system at a global level, the regulations do require the member associations to collect and publish critical information about player

agents and their activities. It may be that national football associations will push the boundaries further by collecting and publishing more information.

As for cultural change, football will certainly also experience a transformation, though this will probably take place at its own pace. Digital is driving a shift in mind-set, with easy-to-use mobile technology now growing at a rate which would have been unthinkable a few years ago and platforms now also making it possible to build greater levels of trust. As sports directors and player agents adopt new technologies and build their track records and reputation in the digital world, the boundaries for initiating sensitive discussions and negotiations will be lowered.

THE OVERALL FOOTBALL FAMILY WILL GAIN AS DIGITAL CREATES CLOSER TIES BETWEEN ITS MEMBERS

We are convinced that the impact of digital innovations will prove advantageous to all participants in the transfer market, with football clubs, agents and players all benefiting. Probably one of greatest examples of the impact of digital comes from FIFA itself, which introduced the FIFA Transfer Matching System as the first global online platform to manage international transfers between clubs. Mark Goddard, General Manager at FIFA TMS recounts from his experience: *"Initial unwillingness from clubs to adopt the TMS system is now replaced by their enthusiasm at having to deal with a more efficient and standardised process. So much so that today we are expanding our international transfer system by offering a domestic version of the system."*

Also, greater transparency of player and agent information and streamlining of the number of player agents will enable football clubs to reduce their transfer fees and player salaries. Dr. Gregor Reiter, Managing Director of the German Football Agents' Association, notes that *"the role of the agent can become more akin to that of a representative rather than a deal broker, thus allowing clubs to reduce the transfer fees they pay as the supply of players and the transparency of the information relating to them increases."* However he is quick to point out that *"there is a limit to the changes digital platforms can deliver. The core of the business will remain the same. Football is and will remain a people's business."*

Players' agents will also derive a wide range of benefits from the introduction of better analytical tools, networking systems and marketplace innovations. Agents will be able to expand their reach both with regard to the players they can represent and the clubs with whom they can do business. Most importantly, they will be able to build, maintain and demonstrate their track records, thus increasing their opportunities for differentiation from their fellow practitioners.

As players gain access to more and better information, they will have greater autonomy in making career decisions. Digital will make it easier for them to select the right intermediary to represent them, expand their network of contacts with other players, gauge their opportunities of playing for new clubs and obtain better information on the terms that would be offered to them.

The real winner from all this will be football itself, as digital transformation is expected to boost transparency, make transfer fees more rational and improve the overall quality of competition between clubs, by providing equal access to information and creating a level playing field in terms of market information, scouting and networking capabilities. In conjunction with other recent developments, such as the introduction of UEFA's Financial Fair Play rules and the governing bodies' resolve to hamper third party ownership, digital has significant potential to establish "fair play" in the transfer market once and for all.

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- Dr. Michael Welling, Managing Director, Rot-Weiss Essen
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- Stephan Schuerer, Partner, Fanpictor AG
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The International Football Arena has been hosting events, fostering debate and inspiring exchanges between decision-makers in the business of football for over a decade. It started out in 1999, with the IFA conference in Zurich, which has taken place annually ever since. Around 250 global decision-makers in football congregate in Zurich for cutting-edge information exchanges, high-level networking and bilateral meetings. Since 2007, the IFA has also been present in Berlin, Beijing, Kuala Lumpur, New Delhi, Tokyo and Rio de Janeiro. Today, IFA enjoys a reputation as the leading producer of exclusive events for football's global players. Visit us at www. internationalfootball.com.

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Founded in 1996 in Berlin as a software development provider, Exozet Berlin GmbH ("Exozet") is now a full-service digital agency with 150 employees in three offices in Germany and Austria. Drawing on almost 20 years of experience with digital transformation processes, Exozet is now the leading independent agency in the German media and entertainment market and has successfully worked with many well-known clients such as Deutsche Telekom, ORF, Axel Springer and the BBC to help them master the digital change. Visit us at www.exozet.com.

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