

European super league and Manchester United FC in 2022

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European Super League and Manchester United FC in 2022

This case was written by Dr Huy Nguyen, Lecturer in Marketing at University of Sussex Business School, University of Sussex. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation. The case was compiled from published sources.

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North America
t +1 781 239 5884
f +1 781 239 5885
e info.usa@thecasecentre.org

Rest of the world
t +44 (0)1234 750903
f +44 (0)1234 751125
e info@thecasecentre.org

“By bringing together the world’s greatest clubs and players to play each other throughout the season, the Super League will open a new chapter for European football, ensuring world-class competition and facilities, and increased financial support for the wider football pyramid.”

Joel Glazer

Co-Chairman of Manchester United FC and Vice-Chairman of the Super League (Bethu, 2021)

Introduction

On the 18th of April, 2021, Manchester United FC (United, for short) officially announced their plan for a new European Super League competition on its website (Bethu, 2021). The new midweek competition would be governed by the first twelve founding clubs from England, Italy, and Spain (Appendix 1). According to the same statement, three more clubs would join the new competition as soon as it started to bring up the number of the founding clubs to fifteen. However, the competition would eventually include 20 clubs in total. Differing to those fifteen founding clubs, the participation of the other five teams would be determined based on their achievements in the prior seasons. While competing in the European Super League, all participating clubs were still expected to compete in their respective domestic leagues. Nonetheless, joining the European Super League would also imply that United and other participating clubs would not be able to compete in a popular midweek competition - the UEFA Champions League.

The announcements regarding the European Super League from United and other founding clubs came as a shock to the entire industry and many other parties involved. The turbulence happened at one of the most challenging periods in the history of the football club. United had to make a very difficult decision whether they should go ahead with the new European Super League competition amid the disruptive Covid 19 pandemic.

Manchester United FC

United was founded in 1878 under a different name: Newton Heath LYR - Lancashire and Yorkshire Railway. The football club was rebranded as Manchester United in 1902. Since then, United became one of the biggest football clubs with 659 million followers over all the world (Prior, 2013). Throughout its history, the club enjoyed an impressive on-field performance, having won 66 major trophies between 1902 and 2021 (Appendix 2). In particular, United won a record, 13 Premier League titles under the lead of the legendary manager, Sir Alex Ferguson who has been widely regarded as one of the best football managers of all time.

Along with its sport success, United achieved numerous off-field business successes. United went public on New York Stock Exchange on the 10th of August 2012. On the 6th of January 2022 (04:00 PM EST), the market cap of United was 2.425 billion US dollars as each share was traded at 14.88 US dollars (Yahoo!Finance, 2022). In addition, United

was one of the top three most valuable football brands in the world in 2021, after Real Madrid CF and FC Barcelona, the two giant clubs in Spain (Appendix 3). The United brand alone was estimated to worth approximately 1.3 billion US dollars in 2021, which was relatively close to the biggest brand (CF Real Madrid) valued at approximately 1.5 billion US dollars in 2021. In 2019/2020 season, United's revenue belonged to the top 4 football clubs in Europe, after FC Barcelona, CF Real Madrid, and Bayern Munich (Appendix 4).

Football has changed forever

The fortune of United remarkably changed after the retirement of Sir Alex Ferguson at the end of the 2012 – 2013 season. United won 66 major trophies between 1902 and 2021. However, the majority of those trophies were won before 2014. To be precise, United won only 3 major trophies between 2014 and 2021, including the FA cup (2015 – 2016), Football League Cup (2016 – 2017), and UEFA Europa League (2016 – 2017). In particular, United did not win any Premier League title since the 2012-2013 season when it was managed by Sir Alex Ferguson.

This record was not particularly impressive for a football club like United. To put things into perspective, United's rival clubs won numerous major trophies over the same period between 2012 and 2021. Liverpool FC won three of the biggest trophies in recent years, including UEFA Champions League (2018 – 2019), UEFA Super Cup (2019), and Premier League (2019 – 2020). Manchester City FC, the cross-town rival club, won 4 out of the 6 Premier League titles (2013 – 2014, 2017 – 2018, 2018 – 2019, and 2020 – 2021) between 2012 and 2021. Manchester City FC also won the Premier League title in 2021 - 2022. Chelsea FC won 2 Premier League titles (2014 – 2015, 2016 – 2017) and a UEFA Champions League (2020 – 2021). In Europe, Real Madrid CF won 2 La Liga (2016 – 2017, 2019 – 2020) between 2012 and 2021. They also won the latest La Liga in 2021 – 2022. Particularly, Real Madrid CF won 5 out of the 7 latest UEFA Champions League trophies (2013 – 2014, 2015 – 2016, 2016 – 2017, 2017 – 2018, and 2021 - 2022). In football, UEFA Champions League was widely considered as the most prestigious trophy at the club level.

The competition was not going to be any easier in the near future for United. Given the popularity throughout the world, football attracted significant attention from investors who could provide remarkable financial support to the clubs. For instance, Chelsea FC was taken over by Russian billionaire Roman Abramovic in 2003. Manchester City FC was taken over by Thaksin Shinawatra – former Prime Minister of Thailand in 2007 and Abu Dhabi United Group in 2008. And the takeover deal of Newcastle United was recently confirmed in 2020. It appeared extremely challenging for United to compete with those clubs which had much stronger financial power.

The Pandemic Covid 19

Covid 19 extended an significant impact on the football industry as a whole and United (Skysports, 2021a). Premier League (the English top level football league) received the biggest impact as the pandemic cost the clubs 1.6 billion Euros (approximately 1.8 billion USD). As a result, the financial performance of United was not particularly strong in the last few years. United lost 23.23 million Pounds (approximately 31.4 million USD) in 2020 when the pandemic started. After one year in 2021, the club lost 4 times more than it did

in 2020 (92.22 million Pounds or approximately 122.91 million USD) (Appendix 5). During those 2 years, the club experienced an improvement in revenue from broadcasting, going from 173.41 million USD in 2020 to 352.37 million USD in 2021. Nonetheless, United lost 101.24 million USD in revenue from matchday due to multiple rounds of lockdowns (Appendix 6). Given the fact that the football inflation skyrocketed, and the football landscape became increasingly more competitive, it appeared more challenging than ever for United to become a dominant force again. United would need many things to go their way to archive that goal amid the uncertainty of the pandemic and the unrivalled financial strength of many competing football clubs.

European Super League

The founding clubs of the European Super League, including United, believed that the new league would solve many problems, including the negative financial impact of the pandemic. The club president of Real Madrid CF insisted that they wanted to “save football” because “young people are no longer interested” in the game (BBC, 2021). Most importantly to United, the 15 founding clubs would always have the right to participate in this competition. In recent years, only top 4 clubs in the Premier League could join the Champions League. However, given the inconsistent performance of United and the competitiveness of the Premier League, United would not always finish in the in the Top 4 anymore. Above all, the biggest benefit of the European Super League over the current Champions League competition was that any participating club would immediately gain 400 million USD, which was approximately 4 times more than the amount of money FC Bayern Munich earned for winning the Champions League in 2020. Looking to the future, the European Super League was expected to bring multiple extra billions USD to the participating clubs from broadcast rights and commercial revenues in the subsequent years (Panja & Smith, 2021).

Public Reactions

The new European Super League competition faced a furious public outcry from supporters, leagues, and governing bodies (Skysports, 2021b). Shortly after the announcement of the plan, thousands of United supporters were keen to made their feelings clear as they invaded the Old Trafford pitch, damaged stadium facilities, injured security staff and police (Guardian, 2021). Moreover, many supporters planned to boycott United’s commercial partners causing significant consequences. It was believed that United missed out a “£200 million kit deal” (approximately 274 million USD) with The Hut Group due to the fan protests (Meade, 2021). The President of European football’s governing body, UEFA, strongly insisted that the players playing for the European Super League would be “banned from the World Cup and the Euros” (BBC, 2021). Boris Johnson, the UK Prime Minister, also showed his “unwavering support for the football authorities and confirmed they have the government’s full backing to take whatever action necessary to put a stop to these plans” (BBC, 2021).

What’s Next?

The challenges United faced on and off the pitch in recent years made the option to join the new European Super League very tempting. However, the incident escalated too quickly. United already immediately saw some negative financial consequence of its plan.

Therefore, United had to decide very quickly whether the club should go ahead with the plan to join the European Super League or cease its involvement immediately amid the negative impact of the pandemic and its unimpressive on-and-off-the-field performance. And, most importantly, United wondered what strategies the club must implement to protect its brand.

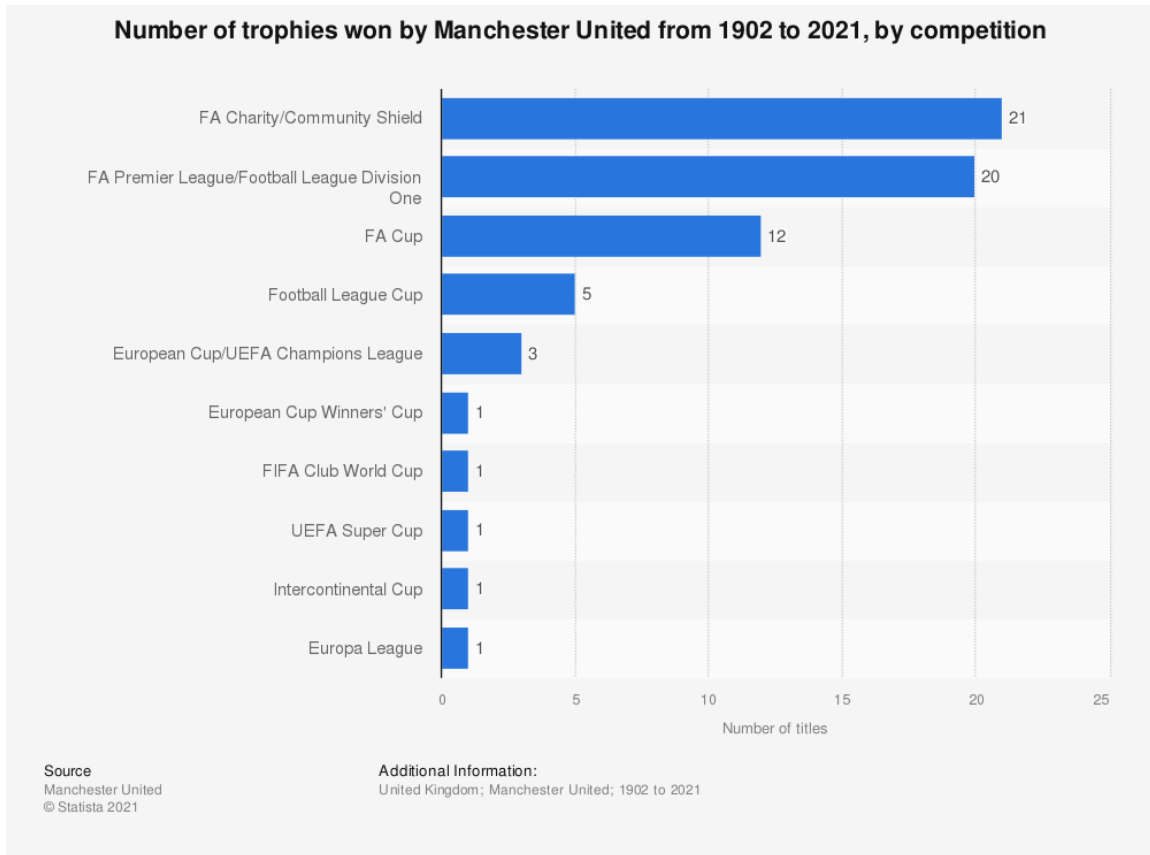
Appendices

Appendix 1 - Twelve founding football clubs of the proposed new Super League competition

No.	Founding club	Country
1	AC Milan	Italy
2	Arsenal FC	England
3	Atlético de Madrid	Spain
4	Chelsea FC	England
5	FC Barcelona	Spain
6	FC Internazionale Milano	Italy
7	Juventus FC	Italy
8	Liverpool FC	England
9	Manchester City	England
10	Manchester United	England
11	Real Madrid CF	Spain
12	Tottenham Hotspur	England

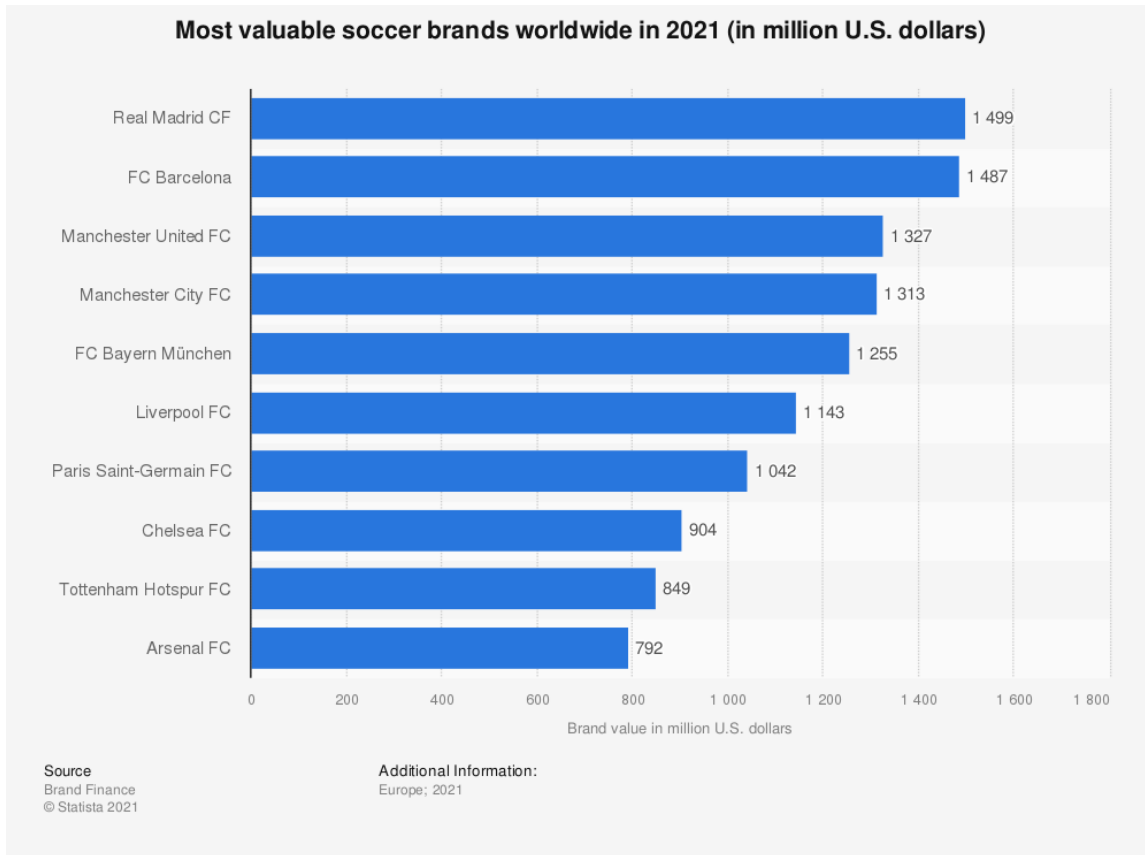
Source: Bethu, N. (2021). Retrieved 30 December 2021 from <https://www.manutd.com/en/news/detail/leading-football-clubs-announce-new-super-league-competition-18-april-2021>

Appendix 2 – Number of trophies won by Manchester United from 1902 to 2021



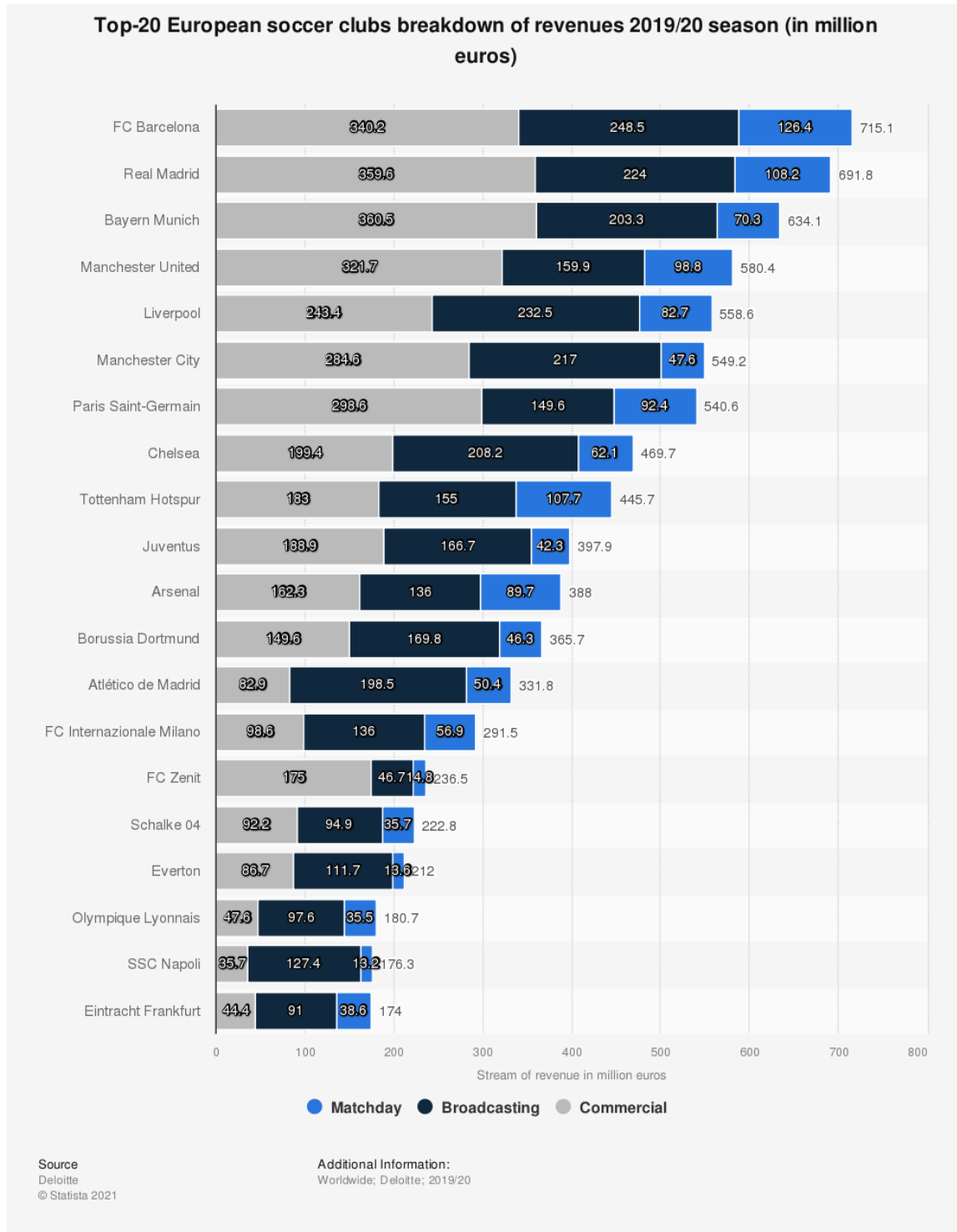
Source: Manchester United. (September 21, 2021). Number of trophies won by Manchester United from 1902 to 2021, by competition [Graph]. In Statista. Retrieved December 31, 2021, from <https://www-statista-com.ezproxy.sussex.ac.uk/statistics/383973/manchester-united-all-time-trophy-titles/>

Appendix 3 – Most valuable football brand worldwide in 2021



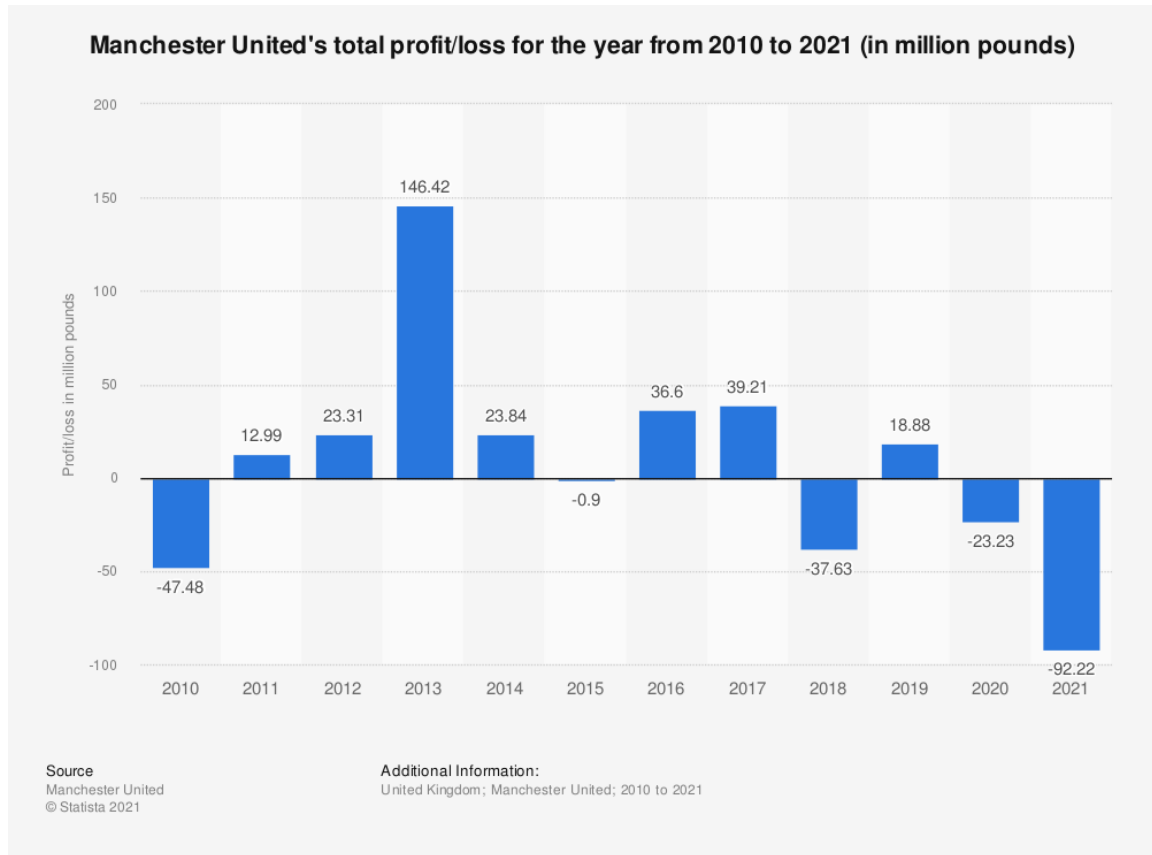
Source: Brand Finance. (May 19, 2021). Most valuable soccer brands worldwide in 2021 (in million U.S. dollars) [Graph]. In Statista. Retrieved December 31, 2021, from <https://www-statista-com.ezproxy.sussex.ac.uk/statistics/234493/football-clubs-in-europe-by-brand-value/>

Appendix 4 - Top-20 European football clubs breakdown of revenues 2019/20 season



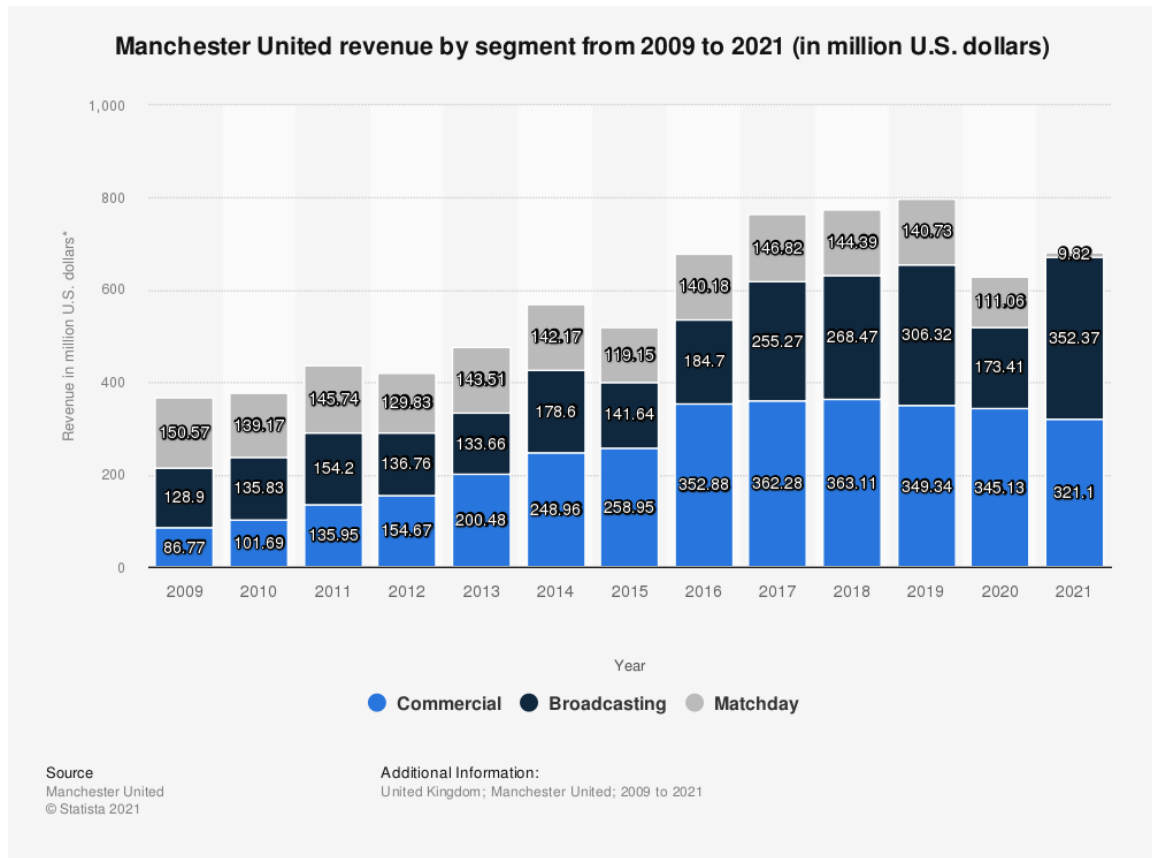
Source: Deloitte. (January 1, 2021). Top-20 European soccer clubs breakdown of revenues 2019/20 season (in million euros) [Graph]. In Statista. Retrieved January 10, 2022, from <https://www-statista-com.ezproxy.sussex.ac.uk/statistics/271636/revenue-distribution-of-top-20-european-soccer-clubs/>

Appendix 5 - Manchester United FC's profit/loss



Source: Manchester United. (October 21, 2021). Manchester United's total profit/loss for the year from 2010 to 2021 (in million pounds) [Graph]. In Statista. Retrieved January 10, 2022, from <https://www-statista-com.ezproxy.sussex.ac.uk/statistics/383903/manchester-united-profit-loss/>

Appendix 6 - Manchester United FC's revenue by segment from 2009 to 2021



Source: Manchester United. (September 21, 2021). Manchester United revenue by segment from 2009 to 2021 (in million U.S. dollars) [Graph]. In Statista. Retrieved January 10, 2022, from <https://www-statista-com.ezproxy.sussex.ac.uk/statistics/267743/revenue-segmentation-of-manchester-united/>

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