Manchester United is no longer just a British brand.

By Eric M. Olson, Stanley F. Slater, Rachel D. Cooper, and Venkat Reddy

“WE’RE NO. 1! We’re No. 1!” It’s a common refrain heard in stadiums, gymnasiums, and arenas throughout high school, college, and professional ranks. But when it comes to the bottom line and market valuation, the Manchester United Football Club truly is No. 1. With a market value of roughly $1.5 billion, it leaves in the dust such notable sports-franchise heavyweights as the New York Yankees (estimated market worth of $730,000) and the Washington Redskins (estimated market worth of $1.1 million).

So what did $1.5 billion buy the team’s controversial new owner, American sports mogul Malcolm Glazer? Clearly the value of the individual players and Old Trafford (Manchester United’s 67,800-person stadium) are worth only a small fraction of the purchase price. The remaining 75% or so resides in an accounting category catchall known as goodwill. And the prime component of that category is the Manchester United brand and the expanded business opportunities it provides—or so Glazer must hope.

Manchester’s Vision

Behind every valuable brand is a solid product. Although there are hundreds or even thousands of professional soccer teams worldwide, there is only one team with the history, record of success, and mystique of Manchester United. It strives “to be the best football club in the world both on and off the pitch [field].” This reveals two critical components of its business strategy. First, when you have resided at the top as long and consistently as Manchester United, anything less than victory will be regarded as failure. Second, soccer at this level is big business.

Of course, no team is going to win every game. But players, coaches, business managers, and hopefully new owners realize the need to present the best team on the pitch. This means acquiring the finest talent available, and developing a squad of young and budding players through its academy. But winning at Manchester United is about more than just victories; it’s about tradition within the team and the sport. To earn the devotion of fans worldwide, it needs to be admired.

Although soccer can get nasty on the pitch and in the stands, the British ideal of sportsmanship remains an essential element at this level. This was demonstrated when Manchester United’s players lined up to applaud Chelsea’s 2004-2005 Premier Championship, before the start of a recent game at Old Trafford. No doubt this was a tough nut to chew, but team coach Alex Ferguson clearly recognized that tradition and class go hand in hand. Management also recognized that the team needs to give back to the community. This insight led Manchester United to establish a “United with UNICEF” program, to improve the lives of children.

Big Business

For the 2004 fiscal year, Manchester United reported profits of £58.3 million on sales of £169 million (approximately $101.4 million on sales of $294.1 million). Three primary business activities generated the revenues: Match Day at £61.2 million ($106.5 million), Media at £62.5 million ($108.5 million), and Commercial at £45.3 million ($78.8 million).

The team’s largest source of revenue has been sales of tickets, food, player guides, and the like. With every game sold out, there are few options for substantial revenue increases:

- Seating in Old Trafford is scheduled to expand by 7,200 seats, with the addition of two corner sections.
• Ticket prices likely will continue to increase, as long as the team generates a winning product and demand outpaces supply—although opposition to Glazer’s takeover and/or poor performance on the pitch could dampen demand.

• The team can expand the number of non-soccer events hosted at Old Trafford, such as rock concerts. Given how fanatical the tour guides are at keeping anyone other than players from touching a blade of grass on the pitch, this option might prove more complicated than first considered.

• The team can go on the road, as in two previous North American tours and a scheduled Asian tour. Naturally, this is an expensive proposition, with the real value in building the brand internationally—not generating sizeable revenues in the short run.

In 2004, media revenues eclipsed game-day revenues with five integrated centers: TV (Manchester United TV, Premier League, and Champions League), Internet (manutd.com and manutd.cn), mobile-phone service (Vodafone JV), print (magazines, books, and programs), and other (radio, video/DVD, and games). Although current international revenues account for only £2.7 million ($4.7 million), this segment of the business holds tremendous potential.

Manchester United has developed an incredible following. In 2004, its global fan base reached 75 million. Europe had 23 million, Asia (including Australia) had 40.7 million, Southern Africa had 5.89 million, and the Americas had 4.6 million. However, few of these fans will be lucky enough to see a game at Old Trafford. Expanding this base and developing lifelong allegiances is critical to Manchester United’s long-term growth. And providing international fans with a taste of the excitement at a game, through TV and Internet coverage, is key to maintaining and building this following.

Mobile-phone service revenue is generated through commercial relationships with crucial strategic partners. The two most notable partnerships are with Vodafone telecommunications and Nike athletics, both with logos prominently displayed at Old Trafford. These sponsors are critical to enhancing Manchester United’s already dominant market position. And the new four-year, £36 million ($62.6 million) deal with Vodafone is central to building the team’s expanded international and media positions.

The 13-year, £303 million ($527.2 million) deal with Nike also provides Manchester United with two vital advantages. First, it calls for Nike to pay the team a fixed fee for merchandise rights to its kits (shirts, shorts, and so on), generating a guaranteed revenue base for Manchester United while transferring product development and merchandising to a firm with proven international expertise. Second, the team links its brand with a market leader in a complementary industry (sporting goods apparel, shoes, and equipment). In the first 22 months of the agreement, Nike sold 3.8 million replica shirts.

Manchester United generates revenues from additional secondary business lines, predominantly financial. Fans now can finance their houses or cars with a Manchester United mortgage or loan, buy tickets with a Manchester United credit card, insure their homes/cars/travel plans with Manchester United insurance, invest in Manchester United bonds, gamble in Manchester United Super Pool lotteries, or see a movie at the Red Cinema in Salford, Greater Manchester. Of course, other firms manage these lines; nevertheless, these businesses generate additional revenues while promoting the team and developing lifelong fans.

**Brand Elements**

Manchester United’s brand includes (1) the physical aspects of logos, colors, names, and facilities, and (2) the intangible aspects of reputation, image, and perception. The official mascot of the team is the Red Devil, which dates back to when the team was known as Newton Heath. Although centrally featured in Manchester United’s logo, the
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mascot doesn’t play a prominent role in promotions; its significance seems to be lost in time. The team’s nickname is the Reds, which seems logical enough, given the dominant color of its home jerseys and Old Trafford’s seats. Even the restaurant in Old Trafford is called Red Café. (Unfortunately, Liverpool, another top team in the Premier League, is also referred to as the Reds.)

Manchester United’s official team logo sports a red-and-yellow shield with a prancing red devil, topped by a sailing ship and encircled by two banners and two soccer balls. The ship symbolizes the history of Manchester, where the industrial revolution is supposed to have originated. This logo is plastered on everything associated with Manchester United, but is tightly controlled by the team. Indeed, a walking tour of downtown Manchester reveals a dozen stores where one can buy Yankees, Los Angeles Dodgers, or Boston Red Sox hats; but only two (sporting goods stores of the same chain) contain items featuring the team’s logo. And in these stores, the number of official Manchester United products is small. If fans want such items, they must visit the Mega Store at Old Trafford, or shop online.

The aspect more difficult to articulate is what the brand means to soccer fans. Clearly, this is a storied team with solid appeal, based on tremendous success on the pitch. A recent WPP Group SportZ study of the top-15 European soccer teams revealed that U.K. soccer fans view Manchester United as the strongest team, in terms of presence and vitality. In other words, they see it as having the strongest market position and growth potential. When pressed to describe what the brand represents on a deeper level, fans identified “outgoing,” “clever,” and “thorough” as the team’s dominant characteristics; “reserved,” “calm,” and “easygoing” least characterized the team. Although these traits somewhat reflect the average pattern for all U.K. soccer teams, the degree that fans feel Manchester United embodies them is dramatically greater.

Brand Evolution

Although the brand is solidly entrenched in British soccer fans’ psyches, it is in transition. Manchester United is no longer simply a British brand; it is a world brand. Indeed, it boasts as many—if not more—fans in China as in Europe. A survey of China’s 12-largest markets shows that 42% of fans are between ages 15 and 24, and that 26% are between ages 25 and 34. The team is positioned to take advantage of China’s growing middle class, with members who are anxious to enjoy the good life and associate themselves with successful Western institutions and brands. As an early entrant, Manchester United has the chance to establish itself as Asia’s dominant brand.

Although the absolute numbers are much smaller, North America also represents fertile ground. Of course, international soccer must compete with established groups such as the National Football League, the National Basketball Association, Major League Baseball, and the National Hockey League. But soccer has become a staple at schools across the country. A recent, unprompted awareness study of European soccer teams (by Market & Opinion Research International) revealed that among North American fans, the most frequently men-
tioned team was Manchester United, at 10%; Liverpool, Real Madrid, and Barcelona each generated 3%, and Arsenal generated no more than 2%.

The study also showed that awareness of Manchester United is strongest in the Northeast and West.

Both of these markets share a set of marketing “must haves.” For success in foreign markets, Manchester United must generate memberships, sell kits and other merchandise, have access to media markets (including TV, Internet, mobile phones, and publishing), set up soccer schools, form licensing agreements with strong local sponsors, and embark on tours to create halo effects.

The challenge Manchester United faces is accomplishing this transition without destroying what made it distinctly British and highly successful. Today’s team is composed of players from around the globe, including American goaltender Tim Howard. (Although Manchester United still has British players, the Premier League is no longer dominated by them.) And that raises another concern: Strong teams employ strong players who become brands themselves. Most notable for Manchester United is the rise of David Beckham to the ranks of superstar, on the pitch and in the media (e.g., marriage to one of the Spice Girls and a cameo in the movie named for him, Bend It Like Beckham). The team determined that Beckham’s market value was greater than it could afford, so it sold his contract to Real Madrid one year before it expired. But now it will depend on new and upcoming stars such as Wayne Rooney, Rio Ferdinand, and Cristiano Ronaldo to build the brand, just as the brand allows them to build their own followings.

Brand Challenges

Manchester United is in the enviable position of market leader, during a time of dramatic media growth in the world’s most popular game. But leaders can
stumble, and the team isn’t immune to the fickle nature of sports fans. To address this concern, it developed a customer relationship-management database of more than 2.5 million fans—including current, lapsed, and potential customers. However, these are predominantly game-day customers.

For British fans of Manchester United, passions run deep. Foreign supporters likely aren’t as diehard in their allegiance. A substantial group of American sports fans holds transient loyalties: They climb on the bandwagon of this moment’s wonder team, only to climb off the instant it stumbles. With the number of soccer players holding steady at 18 million, the market isn’t large. Of course, as the owner of the Tampa Bay Buccaneers, Glazer brings considerable management experience to Manchester United. But co-branding opportunities for the two teams seem small. Although the Buccaneers won the 2003 Super Bowl, it isn’t a storied franchise instilling deep support beyond its region. And studies show that the South ranks last in terms of soccer interest.

Chinese fans don’t possess the same level of experience with professional teams as U.S. fans, and might not be as fickle. Nevertheless, cultural and physical barriers exist between British and Chinese fans. To develop deeper loyalties in Chinese markets, Manchester United established a Mandarin Web site, started a soccer school in Hong Kong, opened Red Cafés in Beijing and Chengdu, and is planning an Asian tour while looking to add Asian players to the roster. Although these are sound moves to build brand loyalty, well-funded competitors such as Chelsea can copy them.

Even in England (where soccer fans are fanatical), Manchester United faces significant challenges. Like the Yankees, it generates a love-them-or-hate-them mentality. Fans of opposing teams were thrilled to see Chelsea, Arsenal, and Liverpool secure the three major championships—leaving Manchester United without a major trophy for only the second time in 12 years. Although the team was far from having to worry about being relegated (at the end of each season, the bottom three teams in the Premier League are replaced by the top three teams from the First Division), its third-place finish in the league and its overtime loss to Arsenal in the Football Association Cup were difficult for fans.

Then came the disruptive presence of Glazer. Although initial backlash against him failed to reduce significant demand for tickets, anti-Glazer coalitions are calling for boycotts by major sponsors. Under Glazer’s ownership, the team finds itself in a slight bind. Having heavily relied on outside financing to cover his hefty premium ($490 million from loans and $590 million from preferred securities), Glazer needs to quickly increase revenues or reduce operating expenses to cover his estimated $55 million annual interest payments. Given the anti-American sentiment brewing among fans, it will be difficult to enact large price increases presently. Yet sizeable cuts in player payroll most likely will reduce Manchester United’s competitiveness, at a time when two chief rivals are succeeding on the pitch: either building a new and significantly larger stadium (Arsenal), or buying up the best talent on the market (Chelsea)—thanks to owner Roman Abramovich’s deep pockets.

So is the Manchester United brand worth $1.5 billion? Glazer seems to think so, as he paid roughly $200 million more than the team’s open-market stock valuation. Although initial reaction to this American invasion into the holiest of British sports was hostile, such a savvy business person probably wouldn’t spend that money if he wasn’t convinced Manchester United bore untapped market potential. A strong local backlash could undermine the team’s value, but fans would direct their attention back to the pitch if it was winning and if tradition was maintained. And there’s no chance that the team will be moved, or that Old Trafford will be renamed—although it could end up with a major sponsor. If Manchester United can bounce back from a less-than-stellar 2004-2005 campaign, then there’s little doubt that Glazer’s investment will pay off, and that the brand will be stronger than ever.

American sports fans climb on the bandwagon of this moment’s wonder team, only to climb off the instant it stumbles.

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