

# ***The Benign Brand Operation of Professional Sports Leagues: A Case Study on Real Madrid***

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**Abstract:** Real Madrid's profitability continued to grow during the epidemic period, making it a rare club in Europe to still be profitable during COVID-19. Based on this event, the purpose of this exploration was to explore what kind of management style and business strategy Real Madrid used during the epidemic period of 2019–2022. Using Real Madrid as a case study, this paper analyzed the information sources applied to Real Madrid's revenues in different aspects as well as Real Madrid's business formula. The first reason was Real Madrid's market management philosophy, and the corresponding recommendation was to increase fan loyalty by strengthening the development of the players and improving the rights of the fans, along with digital marketing tools. The second reason was Real Madrid's excellent youth training system, and the corresponding recommendation was to make more use of modern data analysis systems to track the development of each player. The third reason was Real Madrid's team culture, and the recommendation was to utilize the celebrity effect to promote the team's culture. The main objective of such an exploration was to help national soccer clubs learn from Real Madrid's successful management model to improve their profitability.

**Keywords:** Real Madrid, market management, youth training system, team culture

## **1. Introduction**

COVID-19 broke out all over the planet in 2019. The outbreak of the epidemic had a significant impact on all industries. For the home economy, when the outbreak was concentrated in the first quarter of 2020, the national economy abruptly froze and even declined [1]. The continuation of COVID-19 has had a significant impact on the global economy [2]. Globally, many walks of life are suffering from the economic slump, but despite this, Real Madrid Club fared admirably during the epidemic. According to the study, Real Madrid's fiscal operational income of 722 million euros climbed by 68.5 million euros, or 10%, as of June 30, 2022, and achieved a net profit of 13 million euros, making it profitable for three consecutive years [3]. In the three years since the outbreak, Real Madrid has seen not just economic growth but also a huge number of club players afflicted with the new coronavirus. Real Madrid players have rarely done this while improving their results in all tournaments.

Although many scholars have previously studied Real Madrid FC, there are some gaps in academic exploration because Real Madrid's situation during the 2019–2022 epidemic has been discussed and explored by scholars who have not yet been able to take a managerial perspective in this area. As a result, this essay will look into what kind of management style and business strategy Real Madrid employed during the epidemic years of 2019–2022, in order to retain such a high level of success and to be the only team that remained profitable during the epidemic. During the pandemic, practically all clubs, whether domestic or foreign, are losing money. Players and management are infected with the virus, but the magic is that even though the entire financial report reveals that the value of profit is lower than before the pandemic, Real Madrid is still profitable. According to the domestic scenario, the analysis of Real Madrid's management mode and business model during the epidemic will be incorporated into the management mode and business model of domestic club operations to help domestic clubs quickly recover after the epidemic. The importance of studying Real Madrid Club's management mode and business strategy during the epidemic is to make some suggestions in line with the domestic market by studying its successful experience in order to help some domestic clubs and brands recover quickly after the epidemic.

In order to solve the issues, this paper will take Real Madrid as a case study, combining the relevant data and information on management strategy and policy for the period of 2019–2022, to analyze the reasons for its success and argue its relevant impacts. Based on its success during the epidemic and in light of the current situation of Real Madrid and the relevant market conditions, it will give reasonable suggestions and advice on what to do next. What should be done to maintain the glory and success of the club, and how can its success inspire domestic clubs and brands to develop better and better?

## 2. Case Description

Spanish professional football teams used to be unable to compete with English professional football clubs, but their achievements in commercial activities such as advertising and product sales are unrivaled by other national clubs. Harvard Business School noted in a case analysis report on Real Madrid Club in Spain, "This is the only brand among the top 20 brands in the world that is very famous, from its CEO to its players." Real Madrid has around 287 million followers worldwide." Real Madrid Club's brand worth is currently among the highest in Europe, having reached 10 billion euros [4]. Real Madrid, as the most powerful club in the Spanish Football League One, has progressively eclipsed the Serie A and English Premier League giants to become the best club in the football industry. Its commercial business is unquestionably a model of economic operation in the world of football and even in the corporate sector.

Real Madrid's revenue is divided into four categories: membership and stadium revenue, competition revenue, television broadcasting revenue, and market development revenue. Real Madrid's revenue is expanding dramatically, and the proportion of market development revenue to total revenue is also increasing rapidly, showing that market development revenue is the main economic source of Real Madrid's revenue and a typical business strategy for Real Madrid. Florentino's business model for creating Real Madrid through commercial operations is "large-scale capital investment + star effect + modern leading football management philosophy + capital operation + brand management." Obtain high money from ticket sales, star effects, jersey sales, commercial competitions, and other forms, and this business model under this concept has also helped Real Madrid to develop remarkable success in both competitive and commercial elements.

### **3. Analysis on Problems**

#### **3.1. Reasons on Market Management Philosophy**

Real Madrid's transformation began with the arrival of Perez, who challenged the club's established business strategy. Perez arrived deeply in debt, and he discovered that Royal Madrid's management model was quite antiquated, which he continually revised during his tenure in office to fit to the evolution of today's society [5]. Through talent mining, changing the club's internal personnel appointed to improve the efficiency of doing things, changing the way of signing players, expanding influence, constantly attracting a large number of star players to join, transforming Real Madrid into an international brand to generate income, and exploring the surface, Real Madrid's international intangible value reached 500 million euros in each game according to the different ticket prices to maximize revenue.

Real Madrid has also made great efforts to increase the attractiveness of its fans. Real Madrid has taken measures to increase fan loyalty, including club ownership, membership card hierarchy, fan loyalty programs, and digital marketing [6]. The football club brand is conducive to winning the loyalty of fans to the club and its products; attracting people of all ages and social classes to ensure brand longevity; enabling the club to obtain low marketing expenses; and improving the club's operational efficiency [7]. During the 2019–2022 outbreak, Real Madrid's fans are still very loyal, and fans enjoy not only the exciting games but also the rights that many other clubs are unable to offer. This is one of the reasons why Real Madrid remained brilliant during this difficult time.

#### **3.2. Reasons on Excellent Youth Training System**

A team's success cannot be improved without the assistance of a competent youth training system. A reasonable and comprehensive youth training system can provide a consistent supply of reserve talents for the team, allowing it to maintain a high level of competitiveness and a reasonable age structure, which is to exchange large market investments for strong market attractiveness and higher income. Every year, Real Madrid unearths and develops a large number of excellent football players in its junior training system, offering possibilities for the first team. This not only makes the acquisition of some new players easier, but it also allows the squad to be more stable.

A well-developed youth development system is also a significant source of revenue for major football clubs. The economic benefits of a youth training program for a football club are mostly represented in two areas: To begin, the youth training system is the primary means of transporting talents to the club, and the quality and quantity of exceptional football talents are determined by the youth training system's excellence. Excellent football abilities are frequently the foundation for clubs to enhance their results, and the quality of club performance has a direct impact on the club's economic benefits in numerous aspects such as ticket income, sponsorship fees, membership fees, and so on. Second, a competent youth training system is typically the nursery of superstars, capable of producing powerful players. Once a club develops exceptional players, whether the club plans to sell or use them, their value is significant [8].

Sam Nass is a former youth training director at Real Madrid, and in an interview, he talked about some of the secrets of Real Madrid's youth training: “Our goal is to provide players with sufficient cultural education, a sports foundation, and communication skills. This way, they can do what they want to do outside of their career.” In the process of cultivating young players, Real Madrid not only focuses on skill training but also on the potential of players. In the game, it emphasizes cooperation, emphasizes interpersonal relationships, promotes unity among players, enhances their confidence, and makes great efforts for the growth of young players.

### 3.3. Reasons on Team Culture

The club's culture is a key reason why Real Madrid Club can continue to be competitive. Florentino made a point of emphasizing his need for superstars after taking office. The best interpretation of this technique is the "Zidane + Paven" policy. Although the "Galaxy One" era was not ideal for Real Madrid's physical performance, the cultural influence of celebrity teams brought to Real Madrid by Beckham, Zidane, Ronaldo, Figo, and others has been significant. Real Madrid's culture is expressed not just on the pitch but also in the white jerseys that have been passed down through generations, team anthems shouted by supporters, the development of popular peripheral items, and collaboration with other businesses such as Adidas and Emirates. Real Madrid's brand competitiveness has been consistently increased as a result of these market efforts.

Real Madrid has actively invested in the development and improvement of the New Bernabeu Stadium in recent years, which not only increases its competitive hardware facilities but also delivers significant benefits to Real Madrid. The new Bernabeu stadium will be a sophisticated sports arena, according to the concept. The stadium, which can house 80,000 people, will have a weather-independent ceiling. Furthermore, the new stadium's grass can be retracted and shifted, allowing alternative locations for different types of activity. According to market estimates, Real Madrid earns around \$400 million each year from its operations at the Bernabeu. This will contribute to Real Madrid's future financial development and investment [9].

## 4. Suggestions

### 4.1. Suggestion on Market Management Philosophy

According to the preceding analysis of Real Madrid's market management philosophy, the success of Real Madrid can also be utilized as a model for the development of domestic clubs. Domestic clubs should change their development direction, establish a positive impression of the team brand in the hearts of domestic fans, strengthen team member training to improve good results, improve fan rights, and increase fan loyalty, and enable the club and brand to continue to develop and grow. At the same time, internet marketing has become popular, and domestic teams should actively pursue online marketing strategies. The English Premier League has announced that the local broadcasting rights for the three seasons 2016–2019 have been sold to Sky TV and BT for £5.136 billion, an almost 70% increase. Despite the poor performance of the English Premier League's top players in the Champions League and the English national team in the World Cup, the Premier League maintains strong market competitiveness, which is closely related to the league's mature marketing strategies.

The English Premier League clubs have made reasonable use of the open platform of the Internet to fully leverage the functional advantages of online marketing in the overall marketing strategy of the clubs, ensure the smooth development of online marketing activities through diversified information channels and convenient transaction channels, and continuously improve the marketing level of clubs, and "data-driven" marketing provides a new imagination for online marketing [10].

### 4.2. Suggestions on Establishing and Maintaining Excellent Youth Training System

The successful experience of Real Madrid's youth training can be attributed to several aspects: integrating innovative methods and traditional training, paying attention to details, tracking the development of players, providing them with necessary support and guidance, and promoting their development.

To begin, a successful youth training system necessitates a sophisticated data analysis system capable of monitoring the growth status of young athletes in real time and precisely adjusting the next training plan. Big data allows for better knowledge of player and team performance, allowing for

targeted training or the development of corresponding plans. Establish a high-level database by evaluating basic basketball data, such as player efficiency (PER) per minute performance, a player's true shooting percentage (TS%), and an effective shooting percentage (EFG%). When compared to basic statistics, higher-order data can better reflect a player's or team's true offensive and defensive talents, and the results can be used for targeted practice in areas that require improvement [11].

Second, youth training plays a significant role in developing scientifically ambitious future plans for each young player based on detailed analysis and development for the future while also taking into account the qualities and demands of players at various levels. There are comparable rules and thorough training regimens for each step, from childhood through adulthood. The "unified guiding principle" of "player training should be based on long-term goals" has been proposed, assuring that the quality of Japanese youth training will improve. This concept's proposal does not imply the implementation of uniform training advice in schools, training echelons, or clubs at all levels. However, coaches must understand that when there are changes and alternations between the team and the coach, they can also effectively connect the current level and future development of the players and provide effective guidance based on the age group of the team they are leading. Cultivating matching guiding concepts in different age groups can aid in the progression of both players and coaches [12].

#### 4.3. Suggestions on Creating Good Team Culture

To some extent, Real Madrid's team culture has guided the operations of Chinese football clubs. Concerning the star effect, clubs should deliberately promote players that have a favorable impact on the team's competitive level and market attractiveness in order to boost the team's attractiveness and attention and play a super powerful star effect. Football is a very labor-intensive sport; therefore, economies of scale and a shortage of the most skilled players are the primary determinants of high revenue levels. The marginal income product of a player is specifically related to the additional price that the audience is willing to pay to see their game (live or on television) multiplied by the number of viewers they attract. The link between personal productivity and compensation can produce a "superstar" effect in this setting [13].

At the same time, teams should prioritize the development of team culture and the establishment of their own image, such as cross-border collaboration with other brands; carefully designing team logos such as jerseys, team badges, team songs, and team elements to deepen the impression of fans; inviting well-known public figures to interact and promote; shooting advertisements to promote team culture; actively engaging with fans; creating a good team atmosphere; and so on. Many fans believe that teams have massive market potential for manufacturing iconic merchandise.

There is also an important factor, which is that the development and sales status of club logo products are closely related to their team's performance. Faced with the influx of a large number of well-known foreign club logo products into China, the club is striving to expand the market and apply the development income of logo products as an important supplement to the club's economic source [14]. These methods can, to some extent, enhance the brand attractiveness of the team.

#### 5. Conclusion

This analysis is based on the 2019 COVID-19 outbreak in the world, which has greatly impacted people from all walks of life. Soccer clubs around the world have suffered varying degrees of losses, and the economic downturn has led the Real Madrid Football Club to investigate what kind of management styles and business strategies they have adopted in order to be the only team that still made a profit during the pandemic. By combining statistics and information on their management techniques and policies throughout the recent pandemic, this study analyzes the reasons for their



success, exhibits the impacts, and makes recommendations. Real Madrid's market management philosophy, excellent youth training system, and squad culture are the three causes examined.

This study has once again underscored the importance of the business strategy of expanding influence through talent acquisition, optimizing staff appointments to enhance operational effectiveness, and revising player acquisition methods, alongside fostering a robust youth development system and cultivating a positive team culture, as key factors in sustaining the financial viability of a soccer club. This paper analyzes the Real Madrid situation and presents recommendations that offer benefits not only to Real Madrid but also to other prominent soccer clubs worldwide. These recommendations aim to enhance team popularity and bolster team profitability. The present study holds significant academic merit.

There are various limitations inherent in this analysis. The lack of creativity in the exploration of concepts and processes is coupled with an overreliance on the ideas and methodologies of others. The analysis methodology employed in this study is deemed to be overly constrained, as it lacks the inclusion of specific data to effectively illustrate the challenges under investigation. Furthermore, the utilization of available data fails to adequately support the thesis, hence rendering it insufficient. Real Madrid intends to employ a diverse range of analytical methodologies in forthcoming research endeavors. These methodologies will encompass not just case studies but also comparative analysis, facilitating a comprehensive exploration of the identified problem.

### Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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