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Manchester United: The Glazer Takeover



On June 14, 2005, US businessman Malcolm Glazer announced he had acquired over 90% of the shares of Manchester United plc. This would allow him to delist Manchester United's shares from the London Stock Exchange and turn it into a private company. Glazer's offer of £3 per share was over 40 times the previous year's net income and was almost double the average market price of Man United's shares during the preceding three years. All told, the buyout cost was £812 million – mainly financed by borrowings of £540 million. For the first time in its history, the club would go into debt.

The takeover generated outrage among Man United's most loyal fans. The *Financial Times* reported:

The level of anger among Manchester United fans was palpable as they gathered last night outside the Theatre of Dreams, the name the club gives to its Old Trafford ground. A big "Not For Sale" sign was quickly erected on the club's gates. Rob Adams, a lifelong fan, said: "It is the worst thing that could have happened . . . He [Mr. Glazer] is a businessman and all he wants to do is scoop as much money out of the club as possible." Another said: "He's just not interested in the game of football."

Margaret Orhan, company secretary of Shareholders United, which has been leading the fight against the Glazer bid, said: "We are opposed to any single person owning the club. It is 126 years old and belongs to the community it serves. We are opposed to anyone who is going to take away the fans' voices. You are talking £800m – none of which is his money. Who is going to have to pay it back? The profit that this club produces is not going to even pay the interest on what he is going to borrow. It is our money; we are the ones that put bums on seats; we buy the shirts and all the rest."

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The takeover had come at a critical juncture in Man United's development. It was the most financially successful professional sports team in the world – certainly the biggest earning soccer club, generating £172 million in revenue and £58.3 million in operating profit. However, its performance on the field seemed to be waning. Under the leadership of veteran team manager Alex Ferguson, the club had dominated English football for most of the 1990s.¹ Since 2001, however, Man United had been eclipsed first by Arsenal and then by Chelsea.

The question in the minds of many observers was whether Glazer could do anything to enhance Man United's performance, either financially or on the field. Unlike Chelsea's acquisition by Russian billionaire Roman Abramovitch, Glazer's takeover would almost certainly leave Man United less able to lavish money on new players and facilities (it had been rumored that Glazer wished to limit expenditure on new players to £25 million a year). The consensus among financial experts was that Glazer had made a bad investment. He had paid a massive premium for a company that, in financial terms, was performing at the top of its game. Underlying both these doubts was concern that Glazer brought little relevant expertise to the club. Not only did Glazer know little about the game of soccer, it was unclear as to whether his experience as owner of the US National Football League team Tampa Bay Buccaneers was in any way relevant to Man United – arguably one of the most effectively managed professional sports teams in the world, with a global fan base and licensing revenues to match. Glazer's suggestions for expanding Man United's franchise and seeking an independent deal over television rights failed to impress most observers. The London *Sunday Times* noted that Man United fans were already deluged by commercial offers from their club – and not just with “£45 replica shirts . . . but their own MUTV subscription television channel, Manchester United credit cards, broadband internet access, loans, car insurance, home insurance, ISAs. Even mortgages.”²

The Competitive Environment

The English League

The top league in English professional football is the Premier League, comprising the top 20 English teams. Each team plays every other team twice, once at home and once away, with teams receiving three points for a win, one for a tie, and zero for a loss. At the end of every season, the three teams at the bottom of the Premier League are replaced by the top three in the league below. The Premier League team that accumulates the most points throughout the season wins the English League Championship.

The governing body for English football is the Football Association (FA). The FA Cup pits teams from all the English leagues in a single elimination tournament – allowing little-known teams from the lower divisions to compete (and sometimes win) against the top clubs. Table 6.1 shows the league champions and FA Cup winners in English football between 1970 and 2005.

The European League

The Champions League is composed of the 32 top teams in European football. Teams qualify by finishing at or near the top of their respective national leagues. In England

TABLE 6.1 The top performing clubs in English football, 1970–2005

	League champion	Second place	Third place	FA Cup winner
2005	Chelsea	Arsenal	Manchester United	Arsenal
2004	Arsenal	Chelsea	Manchester United	Manchester United
2003	Manchester United	Arsenal	Newcastle United	Arsenal
2002	Arsenal	Liverpool	Manchester United	Arsenal
2001	Manchester United	Arsenal	Liverpool	Liverpool
2000	Manchester United	Arsenal	Leeds United	Chelsea
1999	Manchester United	Arsenal	Chelsea	Manchester United
1998	Arsenal	Manchester United	Liverpool	Arsenal
1997	Manchester United	Newcastle United	Arsenal	Chelsea
1996	Manchester United	Newcastle United	Liverpool	Manchester United
1995	Blackburn Rovers	Manchester United	Nottingham Forest	Everton
1994	Manchester United	Blackburn Rovers	Newcastle United	Manchester United
1993	Manchester United	Aston Villa	Norwich City	Arsenal
1992	Leeds United	Manchester United	Sheffield Wednesday	Liverpool
1991	Arsenal	Liverpool	Crystal Palace	Tottenham Hotspur
1990	Liverpool	Aston Villa	Tottenham Hotspur	Manchester United
1989	Arsenal	Liverpool	Nottingham Forest	Liverpool
1988	Liverpool	Manchester United	Nottingham Forest	Milton Keynes Dons
1987	Everton	Liverpool	Tottenham Hotspur	Coventry City
1986	Liverpool	Everton	West Ham United	Liverpool
1985	Everton	Liverpool	Tottenham Hotspur	Manchester United
1984	Liverpool	Southampton	Nottingham Forest	Everton
1983	Liverpool	Watford	Manchester United	Manchester United
1982	Liverpool	Ipswich Town	Manchester United	Tottenham Hotspur
1981	Aston Villa	Ipswich Town	Arsenal	Tottenham Hotspur
1980	Liverpool	Manchester United	Ipswich Town	West Ham United
1979	Liverpool	Nottingham Forest	West Bromwich Albion	Arsenal
1978	Nottingham Forest	Liverpool	Everton	Ipswich Town
1977	Liverpool	Manchester City	Ipswich Town	Manchester United
1976	Liverpool	Queen's Park Rangers	Manchester United	Southampton
1975	Derby County	Liverpool	Ipswich Town	West Ham United
1974	Leeds United	Liverpool	Derby County	Liverpool
1973	Liverpool	Arsenal	Leeds United	Sunderland
1972	Derby County	Leeds United	Liverpool	Leeds United
1971	Arsenal	Leeds United	Tottenham Hotspur	Arsenal
1970	Everton	Leeds United	Chelsea	Chelsea

SOURCE: WWW.EUROPEAN-FOOTBALLSTATISTICS.CO.UK

the top four teams qualify for the Champions League; in Scotland, the top two teams qualify. The latter phase of the Champions League season is a knockout competition that results in one team winning the European Cup. Winning this championship represents the highest accomplishment in European club football, both competitively and financially. The 2004/5 winners, Liverpool, were expected to earn almost £30 million from their victory.

TABLE 6.2 The top European football clubs: index of team performance 1997–2006

Club	Country	Points
Real Madrid	Spain	1,250
Bayern Munich	Germany	1,240
Barcelona	Spain	1,228
Manchester United	England	1,228
Juventus	Italy	1,139
Arsenal	England	1,135
Porto	Portugal	1,100
Internazionale (Milan)	Italy	1,081
PSV Eindhoven	Netherlands	1,057
AC Milan	Italy	1,039
Valencia	Spain	990
Olympiakos Piraeus	Greece	967
Chelsea	England	961
Lazio	Italy	938
Olympique Lyonnais	France	924
Ajax	Netherlands	913
Liverpool	England	912
Deportivo de La Coruña	Spain	909
Roma	Italy	869
Dynamo Kiev	Ukraine	867

Note: The rankings are based on performance in the following competitions:

- European Cup and Intertoto Cup. (Points for wins and draws, and bonus points dependent on the reached stage. Extra points dependent on the aggregate result and the strength of the opposing club.)
- National League. (Points dependent on final league position, weighted by strength of the national league.)
- National Cup. (Points dependent on the stage reached.)

SOURCE: WWW.EUROPEAN-FOOTBALL-STATISTICS.CO.UK

Table 6.2 shows the top teams in Europe based on performance in both national and European competitions.

The inauguration of the European Champions League in 1992 and the revenues and prestige that it conferred had a major impact on English league football. A widening financial gap appeared between the top performing teams and the rest as revenues from the European competition fueled the purchases of better players, reinforcing the tendency for the leading group of clubs to break away from the pack.³

Sources of Team Success

What factors determined team performance in professional soccer? Quality of players was the most obvious determinant of team quality. The world's leading players in 2005 are shown in table 6.3.

TABLE 6.3 FIFA world player rankings, 2005

	Player	Club	Country	Points
1	Ronaldinho	FC Barcelona	BRA	620
2	Frank Lampard	Chelsea	ENG	306
3	Samuel Eto'o	FC Barcelona	CAM	190
4	Thierry Henry	Arsenal	FRA	172
5	Adriano	Internazionale	BRA	170
6	Andrei Shevchenko	AC Milan	UKR	153
7	Steven Gerrard	Liverpool	ENG	131
8	Kakà	AC Milan	BRA	101
9	Paolo Maldini	AC Milan	ITA	76
10	Didier Drogba	Chelsea	IVO	65
11	Michael Ballack	Bayern Munich	GER	64
12	Ronaldo	Real Madrid	BRA	63
13	Zinedine Zidane	Real Madrid	FRA	55
14	Zlatan Ibrahimovic	Juventus	SWE	36
15	Deco	FC Barcelona	ESP	24
16	Juan Roman Riquelme	Villareal	ARG	20
17	Robinho	Real Madrid	BRA	19
18	David Beckham	Real Madrid	ENG	17
19	Wayne Rooney	Manchester United	ENG	17
20	Cristiano Ronaldo	Manchester United	POR	13
21	Ruud van Nistelrooy	Manchester United	NED	11
22	Michael Essien	Chelsea	GHA	11
23	Raúl	Real Madrid	ESP	8
24	Pavel Nedved	Juventus	CZE	8
25	Arjen Robben	Chelsea	NED	5
26	Cafu	AC Milan	BRA	3
27	Jay-Jay Okocha	Bolton	NIG	3
28	Alessandro Nesta	AC Milan	ITA	3
29	Roberto Carlos	Real Madrid	BRA	3
30	Gianluigi Buffon	Juventus	ITA	1

Note: Based on assessment by 157 managers and 145 captains of national teams.

Measured by the number and ranking of leading players, table 6.3 shows Europe's best teams were: (1) AC Milan, (2) Barcelona, (3) Real Madrid, (4) Chelsea, (5) Manchester United. Certainly, these were among the top performing teams shown in table 6.2. However, owning star players is not the only source of superior performance. Bayern Munich, PSV, Porto, Valencia, and Olympiakos Piraeus were among Europe's leading clubs despite an absence of superstar players. Conversely, other teams had spent heavily on acquiring top players while achieving little success on the field (e.g. Inter Milan during the 1990s and Chelsea prior to the arrival of current coach, Jose Morinho). If team performance was solely determined by quality of players, then Real Madrid might be expected to dominate European football given its ownership of so many of the world's best players. Between the 1995/6 and 2004/5 seasons, Real

Madrid won the European Cup three times and the Primera Liga three times – a better record than any other club, but not by a large margin, and since 2003 Real did not win any major trophy.

If star players are essential to success, what determines a club's ability to acquire such players? Critical, of course, is money. Typically, the world's best players gravitate towards the clubs that have the financial resources to offer large transfer fees and pay attractive salaries. However, the market for players is hardly efficient. Not only are players tied to clubs through contracts (typically up to five years), but individual skills are multifaceted and difficult to access. A key role of the coach – or, in British parlance, the team manager – is to identify potential and to coax performance out of the player.

Indeed, the coach is the most important position in any club – he is the primary architect of the team and the single person most responsible for its success. The great football teams of the past were almost all associated with a single coach.⁴ Yet, what determined a great coach was hard to judge. Coaches succeed with very different leadership styles. Ferguson's tough, aggressive style contrasted sharply with Sven Eriksson's (Lazio's former coach and national coach to the England team) calm, controlled demeanor, with Arsene Wenger's (Monaco and Arsenal) intellectual approach, and with Jose Mourinho's (successful at both Porto and Chelsea) obsessive, idiosyncratic style. Certain styles are appropriate to different teams and to different circumstances: coaches that achieve outstanding success with one team are often dismal failures with another.⁵

However, some common factors are apparent. An eye for talent appears to be critical. The ability to recognize outstanding football potential before it was fully developed is essential to nurturing that talent within a team context. Second, the ability to mix and balance individual players into effective team combinations is critical to team design and development. Finally, all great coaches are able to motivate their players and inspire respect and loyalty from them.

Among Europe's top teams in 2005, it was possible to observe a variety of strategies at work. Real Madrid's approach was simply to buy the world's best players. Real's president Florentino Perez explained: "It's the only possible economic and sporting model for this club . . . We have the best players and we have an important image in the world. Our strategy is for the best players to come and everyone knows who the best players are." AC Milan relied on mature talent. In their 2004/5 Champions League campaign, several of AC Milan's leading players were between the ages of 34 and 36; their youngest player was 25. Arsenal's Arsene Wenger ("The Professor") built the outstandingly successful team of 2002–4 on a strategy of worldwide sourcing of talented young players, meticulously rigorous training, and developing an interactive, highly flexible pattern of team play. Man United has concentrated on finding and developing young players, then blending young talent with highly experienced players.

Probably the greatest achievement for any coach is to build a great team out of unknown players with meager financial resources. Thus, Alex Ferguson's achievement at Aberdeen, Jose Mourinho's at Porto, Alf Ramsay's at Ipswich, and Jock Stein's at Glasgow Celtic were triumphs of capability building amidst humble resources.⁶ Real Madrid and Chelsea's lavishing of vast sums of money to build star-studded teams is a strategy that can bring results – but it can also be viewed as a consequence of these clubs' inability to build teams through long-term internal development. Between 1985 and 2005 there were nine managers at Chelsea⁷ and 19 at Real Madrid.⁸

TABLE 6.4 Revenues of the top five European national leagues, 2003/4

National league	Total revenue (euros, millions)	Matchday revenue	Broadcast revenue	Sponsorship and commercial revenue	Average annual revenue growth, 1995/6–2003/4
England	1,976	30%	45%	25%	+19%
Italy	1,153	16%	55%	29%	+12%
Germany	1,058	20%	28%	52%	+14%
Spain	953	29%	41%	30%	+14%
France	655	20%	52%	28%	+11%

SOURCE: DELOITTE & TOUCHE, ANNUAL REVIEW OF FOOTBALL FINANCE, JUNE 2005.

Football Finances

Revenues

The English football league was the most affluent of the European national leagues in terms of both total revenue and revenue growth. The English league accounted for nearly 2 billion of the 5.8 billion euros earned by the European top five national leagues in 2003/4 (see table 6.4).

The principal revenue sources were:

- *Matchday revenues.* Revenues from the sale of tickets were determined by the number of home games played, the average attendance, and average seat price. The English Premier League earned the highest matchday income based on its highest aggregate attendance and highest average seat price.⁹ Increased matchday revenues were almost entirely due to increased prices. Across most of Europe, average match attendances were either static or declining. The exception was Germany where the development of new stadiums in anticipation of the 2006 World Cup competition had increased attendance. In the English Premiership, average attendance per match was: 1999/00, 30,700; 2000/1, 32,800; 2001/2, 34,300; 2002/3, 35,400; 2003/4, 35,000; 2004/5, 33,900. In reality, most revenue from tickets comprised season ticket sales rather than sales on the day of the match. A growing source of income for the leading clubs was the sale of corporate boxes and VIP hospitality packages.¹⁰
- *Broadcasting revenues.* Football was the world's most popular televised sport (the US, Canada, and Japan were among a small group of countries where this was not the case). The world's most popular sporting event was the Football World Cup. The 2002 World Cup was televised in 213 countries during 41,000 hours of programming and attracted a cumulative audience of 28.8 billion viewers (aggregating the audiences for all the games broadcast). Club level games were broadcast on national TV and increasingly on overseas TV networks too. Broadcasting rights were negotiated between each of the national leagues and domestic TV and radio channels. In 2003/4 season, the English Premier League had contracts with BSkyB (a satellite broadcaster), ITV (a terrestrial broadcaster), and pay-per-view television. The total TV revenue (£427 million in 2003/4) was divided between clubs in the form of a

“basic award” (identical for each Premier League club), a “facility fee” (according to the number of matches televised for each club), and “merit award” (determined by the final league position of the club).

TV rights for the Champions League were managed by the European governing body for football, UEFA. The international TV audience for Champions League games resulted in a massive revenue boost for those teams that qualified for the league. During 2003/4, UEFA distributed 414 million euros to the Champions League clubs, including €28.9 million to Chelsea, €28.4 million to Arsenal, €27.9 million to Man United, €26.3 million to Monaco, €19.7 million to Porto, and €19.5 million to and Real Madrid.

- *Commercial and sponsorship revenues* comprised payments from companies for advertising rights at stadiums, on club communications and websites; sponsorship agreements (payments for a company’s brand name appearing on the team’s shirts and on other club materials); and licensing arrangements – payments to license a club’s trademarks for the manufacture of official club merchandise (replica shirts, scarves, games, drinking mugs, toys, and various other products). Commercial and sponsorship revenues were highly concentrated on the leading clubs. Thus, in Spain Real Madrid and Barcelona accounted for 58% of the Primera Liga’s total, while AC Milan and Juventus accounted for 38% of the Serie A’s total.¹¹ Over time, the leading European clubs had become increasingly sophisticated in marketing, merchandising, and brand management. Real Madrid and Manchester United were viewed as the leaders in promoting and exploiting their brands. Most clubs had two major sponsors: a sports clothing company that supplied team kit (as well as replica kit for the mass market) and a sponsor whose name appeared prominently on the team’s shirts. Real Madrid was sponsored by Adidas for kit and by Siemens Mobil (for 12 millions euros annually) to feature the Siemens brand on the shirts. Man United had a 13-year 460 million euro contract with Nike to outfit the club and a four-year 50.5 million euro contract with Vodafone to feature the brand on the Man United shirts.

A key thrust of the clubs’ marketing strategies was to move beyond their local supporters to create national and international fan bases with associated brand awareness. Man United, with millions of fans outside the UK, was the leader in internationalization. International marketing efforts involved linking team tours to an overseas country with marketing initiatives and the closing of licensing deals.

The strength of a club’s brand combined the brand equity of the club and those of its leading players. When French superstar Zidane signed for Real Madrid in 2001, 480,000 Real Madrid shirts featuring Zidane’s name were sold in the following year. When David Beckham was transferred from Man United to Real Madrid in 2003, 350,000 Real Madrid shirts were sold in Britain in the space of less than a week. Signing foreign players can do much to extend a team’s international reputation. Man United’s commercial revenues from South Korea grew substantially after signing Ji-Sung Park to their team.

As a result of its massive fan base, strong team performance, and astute commercial management, Man United has consistently earned the highest revenues of any European football club (see table 6.5).

TABLE 6.5 European football clubs with greatest revenues

Team	Revenues 2003/4 (euros, million)	Ranking by revenues 1996/7 to 2003/4
Manchester United	259	1
Real Madrid	236	2
AC Milan	222	5
Chelsea	217	7
Juventus	215	3
Arsenal	174	10
Barcelona	169	6
Inter Milan	167	8
Bayern Munich	166	4
Liverpool	140	9
Newcastle	137	11
Roma	109	13
Glasgow Celtic	104	19
Tottenham	100	16
Lazio	99	12
Manchester City	94	28
Schalke	91	21
Olympique Marseille	88	24
Glasgow Rangers	86	17
Aston Villa	84	25

SOURCE: DELOITTE & TOUCHE, ANNUAL REVIEW OF FOOTBALL FINANCE, JUNE 2005.

TABLE 6.6 Wages and salaries in the top five European national leagues, 2003/4

National league	Total wages and salaries (euros, millions)	Average annual growth of wages and salaries 1995/6–2003/4	Wages and salaries as a % of revenue		
			1995/6	2002/3	2003/4
England	1,209	22%	47%	61%	61%
Italy	845	16%	57%	76%	73%
Spain	608	17%	53%	72%	64%
Germany	492	14%	46%	45%	47%
France	450	14%	58%	68%	69%

SOURCE: DELOITTE & TOUCHE, ANNUAL REVIEW OF FOOTBALL FINANCE, JUNE 2005.

Costs

Wages and salaries – most of which are accounted for by players' salaries – are the major cost item for European clubs (see table 6.6). In all the main European leagues, wages and salaries increased at a faster rate than revenues.

Within the English Premier League there are some significant differences between clubs. The most profligate club was Chelsea, whose 2003/4 wage bill was £115

million – £38 million more than the second highest spender, Man United. Indeed, Man United's wage bill was relatively modest – as a percentage of revenue it was the lowest of the Premiership clubs. The average gross pay of a Premiership footballer was approximately £800,000 a year (about £15,000 a week). Among the leading Premiership clubs, the wages/revenues ratios were: Chelsea 80%, Everton 75%, Liverpool 71%, Arsenal 61%, Tottenham Hotspur 52%, Newcastle United 50%, Manchester United 45%.¹²

Other major cost items for the English Premier League clubs were:

- *Player transfer fees.* Players are transferred between clubs both within the Premier League and internationally. Players are signed to clubs on contracts of up to five years. At the end of their contracts they become free agents. Total expenditure by the English league on players in 2003/4 was £414 million, of which Chelsea accounted for £175 million.
- *Stadiums.* Leading clubs had invested substantially in upgrading their facilities – in a few cases (such as Arsenal) building completely new stadiums. Average annual expenditure on stadiums and facilities by the Premier League was £154 million during the four years 2000/1 to 2003/4 – during 1992/3 to 1995/6 it was £67 million.

Profitability

Like most other professional sports, European professional football is a highly unprofitable business. Deloitte's estimates of operating profitability show that the English and German leagues have earned modest levels of operating profit, but the French and Italian leagues earned substantial (and growing) operating losses. However, in terms of net profit, even the English Premiership turns in significant losses (see table 6.7).

The dismal profitability record of European professional football can be directly attributed to the goals of the owners. While about 20 European clubs were listed public companies (including Man United, Juventus, Arsenal, Rangers, Roma, Lazio, and Newcastle United), most were privately owned. These private owners were typically businessmen who had made their fortunes in other areas of businesses. Thus, AC Milan was owned by media magnate and Italian prime minister, Silvio Berlusconi, Inter Milan by Massimo Moratti, Olympique Marseille by Robert Louis-Dreyfus (whose Louis-Dreyfus Groups spans commodities, telecom, and food processing), and

TABLE 6.7 Overall profitability of the English league, 2002/3 and 2003/4 (£ millions)

	2003/4			2002/3		
	Revenue	Operating profit	Pre-tax profit	Revenue	Operating profit	Pre-tax profit
Premiership	1,326	149	(128)	1,246	124	(153)
Other leagues	440	(52)	(67)	412	(110)	(165)
Overall	1,766	97	(195)	1,658	14	(318)

SOURCE: DELOITTE & TOUCHE, ANNUAL REVIEW OF FOOTBALL FINANCE, JUNE 2005.

Fulham by Mohammed Al Fayed (owner of Harrod's luxury store).¹³ Chelsea's takeover by Russian billionaire Roman Abramovich reveals most startlingly how a wealthy individual willing to pursue the fame and prestige of owning a leading football club can elevate performance by lavishing a fortune on acquiring star players (Abramovich spent over £250 million during his first two years at Chelsea).

The financial performance of the ten top-performing English Premiership clubs is summarized in table 6.8.

Manchester United's History

Manchester United was founded in 1878 and became a professional club seven years later in 1885. Old Trafford, Man United's stadium, saw its first game in 1910. During the 1950s and '60s, Man United rose to prominence under the leadership of its legendary team manager, Matt Busby. However, in 1958, on a return flight from a European game, a plane crash killed eight of the "The Busby Babes." Busby's rebuilding of the team was rewarded in 1968 when Man United became the first English team to win the European Cup.

During the club's 127-year history, Man United has won two European Club Championships, 15 league titles, and 11 FA Cups. The club has featured some of the worlds most recognizable and lauded players including Bobby Charlton, George Best, Denis Law, Mark Hughes, Roy Keane, and David Beckham. However, Man United's history is not one of unmitigated success. During the 18 years before the arrival of Alex Ferguson, the club did not win a single league championship and was runner up just once (1980).

The Ferguson Era

During his first six years at Man United, Ferguson systematically rebuilt the team. Ferguson culled the existing squad, keeping outstanding talent such as Bryan Robson, and jettisoning those who he judged lacked the necessary talent or commitment, or who simply didn't fit. New signings included Mark Hughes, Paul Ince, Eric Cantona, and Roy Keane. In 1990, Ferguson achieved his first major success: the FA Cup, followed in 1991 by the European Cup Winners' Cup. Then in 1993, Ferguson achieved his primary objective: Man United were English Premier League Champions.

While reconfiguring and augmenting Man United's first team, Ferguson was also developing a stable of talented youth players. Between 1994 and 1996, these home-grown young players – Ryan Giggs, David Beckham, Nicky Butt, Gary and Phil Neville, and Paul Scholes – became the core of the Man United team that was to dominate English football for the remainder of the 1990s. This golden era culminated in 1998/9 when Man United achieved a triumph unprecedented in English football history. During May and June 1999, Man United won the English league title, the FA Cup, and the European Cup. In November 1999, Man United were crowned world champions when they beat the South American champions, Palmeiras, in the Intercontinental Cup played in Tokyo.

The 1999 season was to prove the peak of Man United's success. In the years that followed, Man United remained among the top four English clubs, along with Arsenal, Chelsea, and Liverpool, but the winning streak was no longer so consistent. Man United won the premiership title in 2000, 2001, and 2003, but was unable to

TABLE 6.8 Financial information for top performing English Premiership clubs

Football clubs ranked by team performance ^a	Turnover 2003/4	Aggregate turnover, past 5 years ^b	Wages/salaries 2003/4	Aggregate wages/salaries, past 5 years ^b	Operating profit 2003/4 ^c	Aggregate operating profit, past 5 years ^c	Net transfer fees paid 2003/4	Pre-tax profit 2004	Aggregate net transfer fees, past 5 years ^b	Net Assets 2004
Manchester U.	171,500	742,182	76,874	321,996	51,749	194,788	28,804	27,907	109,907	173,354
Arsenal	114,562	435,279	69,889	266,532	20,109	61,978	12,188	10,577	40,595	84,363
Chelsea	143,615	473,461	114,784	322,304	(24,657)	(12,206)	131,049	(87,829)	187,170	67,134
Liverpool	92,349	424,756	65,635	265,084	10,607	47,464	3,324	(21,903)	59,035	35,606
Newcastle U.	90,468	358,061	44,880	177,685	21,175	69,047	7,773	4,220	48,621	32,336
Aston Villa	55,859	223,296	33,767	13,380	7,265	21,612	2,815	(10,652)	28,187	37,744
Everton	44,302	190,306	33,171	140,824	(2,658)	25	6,196	(15,376)	17,795	(23,075)
Tottenham	66,324	294,233	34,556	160,652	9,735	46,903	15,056	(2,464)	47,471	42,264
Charlton	42,606	148,451	29,913	103,025	3,686	6,838	(10,805) ^d	11,118	7,946	14,516
Middlesbrough	43,047	176,359	28,796	145,590	2,382	(12,892)	12,026	(21,793)	61,736	(51,468)

Notes: figures are in £'000s.

^a Clubs are ranked by average finishing position in the Premier League, 2000/1 to 2004/5.

^b Total for years 1999/2000 to 2003/4.

^c Before player trading activity.

^d Receipts from players transferred exceeded expenditure on transfers.

replicate its European triumph of 1999. The more recent two seasons of 2003/4 and 2004/5 were particularly disappointing. Man United exited the Champions League in the first round of the knockout stage in 2003/4 (its earliest exit since 1994/5) and lost again in that same round in 2004/5. In the English Premier League, Man United finished in third place in both seasons, 15 points behind champions Arsenal in 2003/4 and 18 points behind champions Chelsea in 2004/5. During this period Ferguson also set himself the challenge of rebuilding the team. The sale of David Beckham to Real Madrid in 2003 marked the breakup of Man United's world-beating team of the late 1990s and the beginning of a quest to recreate United's winning ways.

Malcolm Glazer

Man United's new owner, Malcolm Glazer, was born in 1928 in Rochester, New York. His business interests began with watch parts and expanded into real estate, health-care, and broadcasting. First Allied Corporation was the holding company for the Glazer family's business operations. Glazer's net worth was estimated at around \$1 billion.

Glazer was best known for his ownership of the Tampa Bay Buccaneers, an NFL franchise. Through First Allied, Glazer bought the Buccaneers for \$192 million in 1995. At the time of the sale, the franchise had the worst overall record in NFL history, a very small fan base, and almost no merchandising revenues. Under Glazer's ownership, the Buccaneers acquired a new \$168 million stadium (paid for entirely by the city through a hike in sales tax) and a new coach, Jon Gruden, bought from the Oakland Raiders for \$8 million plus rights to four round draft picks. In 2003, the Buccaneers won the Super Bowl and by 2005 the value of the franchise was estimated at \$800 million. Glazer was regarded as one of the most astute and successful owners of a professional sports team in the US. Referring to the Man United acquisition, Salvatore Galatioto, president of a New York sports investment firm, said: "The Glazers are extremely innovative and very bright people. If they're doing this, they have a plan that has a high likelihood of success."

Alex Ferguson

Alex Ferguson was born into a working class family in Govan, a tough, shipbuilding community close to Glasgow – a city famous for the passion and loyalty of its football fans. Ferguson's life was built around soccer. After a playing career that included the Scottish clubs St. Johnston, Glasgow Rangers, and Aidrie, Ferguson took to coaching. He began with bottom-of-the-league East Stirlingshire, moved to St. Mirren, then to Aberdeen. There, Ferguson broke the dominance of Scottish football by the Glasgow teams Rangers and Celtic, leading Aberdeen to the Scottish League Championship, Scottish Cup, and European Cup Winners' Cup.

His appointment as manager of Man United in 1986 was not followed by immediate success – indeed, 1986–9 were difficult years for both Ferguson and Man United. It was not until 1990, when Man United won the FA Cup, that Ferguson was able to point to any tangible success. Yet, all the while Ferguson was building the foundations for success:

My aim in management has always been to lay foundations that will make a club successful for years, or even decades . . . When I joined United on 6 November 1986, they had gone 19 years without a title. No one had to tell me that if I did

not end that drought I would be a failure. Putting them in a position to challenge consistently would, I knew, be a long haul. I would have to build from the bottom up, rectifying the flaws I had recognized and spreading my influence and self-belief through every layer of the organization. I wanted to form a personal link with everyone around the place – not just the players, the coaches and the backroom staff but the office workers, the cooks and servers in the canteen and the laundry ladies. All had to believe that they were part of the club and that a resurgence was coming.¹⁴

The starting point was training and team discipline. Ferguson declared war on alcohol – a problem endemic to British professional soccer and an indulgence that Ferguson viewed as incompatible with professional sport. A new, more rigorous training regime was installed, backed by Ferguson's high expectations regarding attendance, punctuality, and effort. His training sessions built individual and team skills through continuous repetition: "refining technique to the point where difficult skills become a matter of habit."

In terms of long-term team building, Ferguson focused heavily on identifying and developing new talent:

From the moment I became manager of United, I was committed to the creation of a youth policy that would be the envy of every other club in Britain. The first imperative was to find the raw talent . . .¹⁵

Ferguson expanded the scouting staff from five to over 20 and instructed them to seek only the most outstanding talent. Manchester United's Youth Academy was built into what Ferguson declared was the finest youth coaching program in the country. During the 1990s, Man United's investment in youth began to pay dividends. In 1992, Man United's youth team won the FA Youth Cup. The team included Ryan Giggs, David Beckham, Nicky Butt, Gary and Phil Neville, and Paul Scholes – players that would quickly graduate to the first team.

Yet, while the youth team was in development, Ferguson had to rely on the players he had inherited, plus what he could purchase with the club's modest transfer budget. The acquisition of Paul Ince, Eric Cantona, and Roy Keane provided the catalysts for the team with which Ferguson won the League Championship in 1993 and 1994.

However, if Bryan Robson, Mark Hughes, Brian McClair, Paul Ince, Eric Cantona, and Roy Keane formed the core of the Ferguson's first successful Man United team, by 1994–5 he was already dismantling that team to make way for his young players from the youth team. The period 1996–2001 was the most successful in United's history – winning the English league in five seasons out of six. The climax was winning "The Treble" in 1999.¹⁶

To Ferguson, team building was much more than acquiring and developing talented players, developing their skills, and building coordination between them:

The best teams stand out because they are teams, because the individual members have been so truly integrated that the team functions with a single spirit. There is a constant flow of mutual support among the players, enabling them to feed off strengths and compensate for weaknesses. They depend on one another, trust in one another. A manager should engender that sense of unity. He should create a bond among his players and between him and them that raises performance to heights that were unimaginable when they started out as disparate individuals.¹⁷

Ferguson's approach to motivating his players involved loyal support and withering criticism and anger. His ability to induce exquisite performances from the brilliant but volatile Frenchman, Eric Cantona, owed much to Ferguson's unflinching support during conflicts with authority.¹⁸ At the same time, Ferguson was renowned for his temper and the ferociousness of the verbal lashings he dispensed to players whom he suspected of lack of effort. These verbal tirades were delivered to players at such close range that they became known as "Ferguson's hairdryer." One confrontation between Ferguson and David Beckham left the football superstar with a cut above his eye – the result of Ferguson kicking a football boot at him. Ferguson is particularly renowned for the effectiveness of his half-time talks to his team. During half-time at the European Cup Final in 1999, Man United was losing 1–0. He told his team:

At the end of this game, the European Cup will be only six feet away from you and you'll not even be able to touch it if we lose. And for many of you that will be the closest you will ever get. Don't you dare come back in here without giving your all.

In terms of team strategy and match tactics, Ferguson was committed to control over the midfield. This required "controlled, sustained possession that calls for players adept at holding the ball and spreading calculated and accurate passes . . . A high standard of passing in central midfield was the core of United's football."¹⁹ Ferguson had long admired the ability of the top Italian teams to vary the pace of their game – to slow the game with a period of low-energy, possession football, followed by a sudden, lightning attack. Ferguson's team design was characterized as a closely coordinated midfield group built around players such as Keane, Scholes, Beckham, and Butt with creative attackers such as Cantona, Giggs, Sheringham, Cole, and Van Nistelrooy.

Ferguson's systematic approach to training was matched by his meticulous planning for major games. For Man United's European Cup final against Bayern Munich in June 1999, Ferguson commented:

We left nothing to chance, even flying our chef from Old Trafford and our nutritionist. On the medical side we had our doctor, Mike Stone, two of our main physios, David Fever and Robert Swire, and Jimmy Curran for massages. There were two kit men, Albert Morgan and Alec Wylie, and two stalwarts from the Club's administrative office. Club secretary Ken Merrett handled the organizational side and made sure that Steve McClaren, Jimmy Ryan, and I were never distracted from our work with the squad.²⁰

As Ferguson prepared for the 2005/6 season, he was already developing his third team. As before, Ferguson maintained an interest in developing talent through Man United's Youth Academy. In 2002, Man United announced investment of £8 million in the Academy.²¹ The difference was that Ferguson was looking further afield, bringing in Gerard Pique from Barcelona, Giuseppe Rossi from Parma, Jonathan Spector from the Chicago Sockers, and even courting DC United's sensational 16-year-old, Freddy Adu. An indication of Ferguson's commitment to developing young players is the fact that, during the 2002/3 season, out of a first-team squad of 23 players, nine had progressed from the youth team. The average age of the squad was 25 – comparatively low for both the English Premier League and the European Champions League. Yet, despite continued emphasis on youth, Ferguson increasingly recognized the need to acquire top talent if the club was to maintain its role in the top echelon of European football. Between July 2001 and August 2005, Man United spent an

TABLE 6.9 Manchester United major signings under Alex Ferguson (1986–2005)

Year	Player	Acquired from	Transfer fee (£m)	Age at time of transfer
1987	Brian McClair	Celtic	0.9	23
1988	Mark Hughes	Barcelona	1.8	25
1989	Neil Webb	Nottingham Forest	1.5	21
1989	Danny Wallace	Southampton	1.3	21
1989	Gary Pallister	Middlesbrough	2.3	24
1989	Paul Ince	West Ham	2.4	22
1991	Paul Parker	QPR	1.7	25
1992	Eric Cantona	Leeds	1.2	26
1992	Dion Dublin	Cambridge	1.0	23
1993	Roy Keane	Nottingham Forest	3.8	22
1994	David May	Blackburn	1.2	24
1995	Andy Cole	Newcastle	6.3	24
1996	Ole Gunnar Solskjaer	Molde	1.5	23
1997	Teddy Sheringham	Tottenham	3.5	31
1997	Karel Poborsky	Slavia Prague	3.5	25
1997	Henning Berg	Blackburn	5.0	27
1998	Jaap Stam	PSV Eindhoven	10.6	25
1998	Dwight Yorke	Aston Villa	12.6	26
1999	Mikael Silvestre	Inter Milan	4.3	22
1999	Quinton Fortune	Athletic Madrid	1.6	22
2001	Ruud Van Nistelrooy	PSV Eindhoven	19.0	25
2001	Juan Sebastián Veron	Lazio	28.1	25
2002	Rio Ferdinand	Leeds United	31.1	23
2003	David Bellion	Sunderland	2.8	20
2003	Eric Djemba Djemba	Nantes	3.5	22
2003	Tim Howard	NJ Metrostars	2.3	23
2003	Kleberston	Atletico Paranesse	5.8	23
2003	Ronaldo	Sporting Lisbon	11.9	18
2004	Alan Smith	Leeds United	7.0	22
2004	Louis Saha	Fulham	12.0	25
2004	Gabriel Heinze	Paris St Germain	6.9	26
2004	Park Ji-Sung	PSV Eindhoven	4.0	23
2005	Edwin Van Der Sar	Fulham	1.0	35
2005	Wayne Rooney	Everton	25.6	19

unprecedented £280 million on transfers, the most expensive signings being Rio Ferdinand, Wayne Rooney, Ruud Van Nistelrooy, Louis Saha, and Cristiano Ronaldo (see table 6.9). However, Man United's net expenditure on players was much smaller. During financial years 2003/4 and 2004/5, proceeds from the sale of players – including Beckham (to Real Madrid), Stam (to Lazio), Butt (to Newcastle) and Veron (to Chelsea) – amounted to £280 million.

Manchester United's Commercial and Financial Performance

Man United was widely regarded as the most commercially focused club in the Premier League. It had been one of the first of the English clubs to go public and the most successful in establishing effective corporate governance and taking its responsibilities to shareholders seriously. In building its fan base then converting that support into revenues for the club, it was a model for clubs throughout Europe.

Customer Base

Mr. Goodfellow, Man United's campaign and marketing manager, estimated the club had 75 million fans worldwide – 23 million in Europe, 4.6 million in the Americas, 40.7 million in Asia, and 5.9 million in southern Africa. There were more than 200 officially recognized branches of the Manchester United Supporters Club (MUSC), in 24 different countries.²² The club's CRM (customer relationship management) database held 2.5 million fan records in July 2004, and over 3 million in mid-2005. The primary tool for identifying supporters and acquiring information on them was the Manutd.com website. The CRM system analyzed the data on these fans. One of Man United's objectives was to identify and enrol as customers 6.7 million of its fans across the world by 2007.

Brand management

"We're not just a sports club, we are an international brand . . . and building that brand is very important," observed commercial director Andy Anson. In addition to the overall Manchester United brand, the club had developed several sub-brands: "Fred the Red" was designed to appeal to children; the "MUFC" brand was targeted at teenagers, while "Red Devil" products were directed mainly towards adults.²³ Other brands were associated with specific licensing deals – notably "Red Cafes" and "Theater of Dreams" restaurants. A subsidiary, Manchester United International, was created in 1998 for the purpose of developing Man United's business opportunities outside the UK – in North America and Asia especially. The primary emphasis of Man United's brand management was exploiting the brand through new commercial opportunities – developing Man United was achieved primarily by the team through its performances on the pitch.

Commercial initiatives in recent years included:

- Major sponsorship deals with Nike and Vodafone. The Nike relationship involved annual releases of redesigned team kit (new "home" and "away" outfits were released in alternate years). This drove sales of Nike-made replica kit to Man United's worldwide fan base.
- A "platinum sponsorship plan" allowing a range of other companies to become associated with Man United. The brands involved included: Budweiser ("official team beer"), Pepsi Cola, Ladbrokes, Dimension Data (provider of web services), Lycos (web services for Man United's Chinese website), Wilkinson Sword (shaving products), Fuji, and Audi cars.

- Brand licensing involving a wide range of merchandise. In addition to the traditional products – Man United shirts, scarves, jackets, footballs, watches, and toys – the club pioneered the growth of branded services. MU Finance offered a wide range of financial services, ranging from credit cards to retirement planning products; MU Mobile was a short-text messaging service offered to Man United fans by Vodafone; ManUtdpics.com supplied team photos through Fuji Film; the “Red Cinema” in Salford screened Man United video footage; Man United Soccer Schools were attractions at Disneyland in Paris and Hong Kong.
- Deriving revenues from its own MU.tv subscription service, which aired reruns of Man United matches, in addition to Man United’s TV revenues through television contracts negotiated by the Premier League and the Champions League. There was also an MU radio service broadcast by Century Radio.
- Expanding revenues from Man United’s stadium, which involved developing additional entertainment and leisure uses for the Old Trafford stadium. During the 2003/4 season, the stadium hosted 755 events, including conferences, corporate meetings, and weddings. The Manchester United Museum and Tour attracted 235,000 visitors in the same year. The 18,000 square-foot Megastore adjacent to the stadium supplied a wide variety of souvenirs and team-branded merchandise.

Appendix 1 shows financial information for Manchester United plc. Appendix 2 reprints extracts of the chairman’s statement to shareholders in 2004.

Future Development

By the start of the 2005/6 football season – Manchester United’s first fixture was against Everton on August 13 – the leadership was well installed. Manchester United plc had become Manchester United Ltd and the new board of directors was dominated by the Glazer family. Of the nine-member board, six were Malcolm Glazer’s children: Avram, Kevin, Bryan, Joel, Darcie, and Edward. Malcolm himself had no formal position at United. Otherwise, most of Man United’s previous organization and management remained in place. David Gill remained Chief Executive, Nick Humby continued as Finance Director, as did Andy Anson as Commercial Director.

Early indications were that, among the Glazer family, fourth son, Joel, would be the most actively involved in the club’s affairs. A long-time Man United fan, Joel positioned himself as family spokesman and primary liaison between the family and the club. Joel was particularly concerned to calm Man United fans and build trust between the family and the club’s management. In particular, Joel moved quickly to quash rumors of a £25 million annual limit on transfers. “When I read about caps and hands being tied it is very frustrating,” Joel told United’s in-house TV station, MUTV. “It is absolutely not true. We are there to provide the manager with what he needs to win at the highest level.”

However, the Glazer family also recognized that stabilizing Man United after the traumas of the takeover battle would not be enough to ensure the club’s long-term success or to safeguard their £790 million investment. Revenues expansion was essential, and to grow revenues, a revival in team performance – both in the English league and in Europe – was essential.

Appendix 1

Manchester United Six-Year Financial Summary, 2000–2005

	2005 ^a	2004 ^b	2003 ^b	2002 ^b	2001 ^b	2000 ^b
Turnover	157,171	169,080	173,001	146,062	129,569	116,005
Group operating profit before depreciation and amortization of intangible fixed assets	46,131	58,340	57,269	41,402	38,194	35,125
Depreciation	(6,054)	(6,591)	(7,283)	(6,923)	(6,514)	(5,052)
Amortization of players	(24,159)	(21,839)	(21,018)	(17,647)	(10,173)	(13,092)
Exceptional costs	(7,286)	–	(2,197)	(1,414)	(2,073)	(1,300)
Group operating profit	8,632	29,910	26,771	15,418	19,434	15,681
Share of results of joint venture and associate undertakings	(4)	(158)	(454)	(504)	(602)	(982)
Total operating profit (including profit from joint venture and associate undertakings)	8,628	29,752	26,317	14,914	18,832	14,699
Profit on disposal of associate	215	173	409	–	–	–
(Loss)/profit on disposal of players	(556)	(3084)	12,935	17,406	2,219	1,633
Net interest receivable/ (payable)	2,477	1,066	(316)	27	727	456
Profit on ordinary activities before taxation	10,764	27,907	39,345	32,347	21,778	16,788
Taxation	(4,224)	(8,486)	(9,564)	(7,308)	(7,399)	(4,838)
Profit for the period	6,540	19,421	29,781	25,039	14,379	11,950
Dividends	(3,439)	(6,974)	(10,391)	(8,053)	(5,195)	(4,936)
Retained profit for the year	3,101	12,447	19,390	16,986	9,184	7,014
Equity shareholders' funds	180,846	173,354	156,418	137,443	120,457	114,950

Note: figures are in £'000s.

^a 11 months to June 30.

^b 12 months to July 31.

Appendix 2

Extracts from Chairman's Statement (from Manchester United Annual Report, 2004)

The results for the 12 months to 21 July 2004 illustrate Manchester United's unique strength as both a business and a football club. We have demonstrated our ability to deal with new challenges whilst continuing to strive to be the best both on and off the pitch. These strengths helped us win the FA Cup for a record 11th time and, shortly after the year end, secure the services of the most exciting young English player of the last decade, Wayne Rooney . . .

Corporate Governance – Player Transactions

During the year the Board reviewed its processes surrounding transfers and wage negotiations. The Board set the parameters for player trading and contract negotiation, monitors closely the progression of negotiations, and approves all major transfers and contracts. All detailed negotiations are carried out by the Chief Executive, David Gill, who consults with the Team Manager, Sir Alex Ferguson and the Board. Sir Alex is responsible for identifying and recommending squad changes.

Our target of managing total staff costs to turnover ratio to around 50 per cent helps the Company in managing the balance between the squad composition and the long-term financial viability of the Club. The Board monitors the average age of the first team squad to prevent the need for wholesale changes in the future since the balance between stability and evolution is essential for a successful club. The annual net expenditure budget for player registration acquisitions is set in advance of each financial year, taking into consideration the overall market conditions, the expected financial performance of the Company, and the Manager's view of the current profile of the squad. The Company's success to date has been built on working within the cash generation capabilities of the business, without the use of long-term debt, to evolve the composition of the squad . . .

Medium-Term Strategic Plans

In order to grow revenue streams under our control, the Board has agreed give key strategies for the Company.

1 Maintaining Playing Success The first of these, which underpins all our plans, is the need to sustain the playing success of the last 12 years. Like our fans, we were disappointed by our performance in the Premiership and Champions League, but our success in winning the FA Cup for the first time since our treble winning season in 1999 came as a welcome reward at the end of a season that had originally promised so much. Going forward, we will continue to invest in our squad and play our sport in the proper spirit and style for which the Club has become famous. At the same time, we will work to preserve the financial strength of the Club by seeking to structure player's pay such that it is increasingly dependent on European Champions League qualification, appearances and team success. No individual player can generate the success to which we aspire, but a strong squad is required to secure European qualification and show progress in each season's Champions League.

2 Treating Fans as Customers Our second key strategy is to ensure we treat our fans as customers, offering them a good matchday experience, and a range of additional products and services which meets their interests, while enabling them to demonstrate their affinity with the Club. By working with partners who can promote our membership scheme, our financial services and other products and services, we see good opportunities to grow our relationship with

the millions of fans worldwide. During the year our membership scheme, One United, reached 193,000 members (2003 151,000 members).

3 Leveraging the Global Brand Thirdly, we continue to work to develop our partnership with our sponsors. Nike, for example, has shown its commitment to building our relationship with fans through its subsidiary, Manchester United Merchandising Limited (MUML). They have generated profits in excess of the minimum guarantee over the first two years of our thirteen-year deal, staged the worldwide Under-15 Premier Cup, and launched the Disneyland Paris Soccer School. Vodafone has demonstrated the mutual benefits of our associate by the renewal of its four-year relationship with the Club for 36 million pounds. Together we will build our MU Mobile business by offering new services to mobile phone users who want to stay in tune with the latest news and events at the Club.

4 Developing Media Rights Fourthly, we must use our media rights more effectively, and so are planning to consolidate the management of our delayed video rights, with our matchday media, publications and use of the internet. The unique content that the Club can generate provides an excellent opportunity to build our relationship with our fans around the world by delivering news and images to them wherever, whenever, and however they want.

5 Maximising the Use of Old Trafford Finally, the venue of Old Trafford provides unique opportunities to develop new revenues, not just by the planned stadium expansion, but also by continuing to improve the matchday experience for our customers. The installation of electronic point of sale equipment in our kiosks and suites, together with new recruitment and training initiatives, should ensure our customers receive a faster, more satisfying service. In addition, the stadium offers a perfect venue for many conferences and events on non-matchdays. Proactive marketing and servicing of those organisations will grow our venue revenues.

It is inevitable that there is some volatility in our results given that a significant portion of our revenue in any year is a function of both the previous and current season's performance. However, this five-pronged strategy is designed to drive consistency and growth in revenues not directly related to team performance. This in turn will allow us to continue investing in players and challenging for trophies.

Running a Football Club as a Business

Manchester United has built a sound business on the heritage of a great football club and its unique record of success under Sir Alex Ferguson. This year, once again, our committed and loyal staff have worked tirelessly to deliver on the high expectations of our fans and partners. This, combined with our proven financial discipline and prudent management of the cash generated by the business, should continue to provide long-term growth for shareholders and further playing success for our fans.

Sir Roy Gardner, Chairman
27 September 2004

NOTES

- 1 In British professional football, the head coach is referred to as the "manager." The manager is responsible for coaching and training, team selection, player discipline, team strategy and game tactics, and makes recommendations to the board about the purchase and sale of players.
- 2 "Profile: Malcolm Glazer: Putting one through the legs of the Man U mob," *Sunday Times*, London, May 15, 2005.
- 3 Jonathan Michie and Christine Oughton show that the English Premier League has become more "competitively imbalanced over the past decade, to the extent that the

- top four clubs are accounting for a growing percentage of points earned” (*Competitive Balance in Football: Trends and Effects*, Football Governance Research Centre, Birkbeck College, 2004).
- 4 In British football, these included Man United under Matt Busby, Liverpool under Bill Shankly, Celtic under Jock Stein, Leeds under Don Revie, Nottingham Forest under Brian Clough, and Ipswich under Alf Ramsey.
 - 5 Claudio Ranieri was highly successful at Fiorentina and Valencia, but much less so at Chelsea, Atletico Madrid, and in his second stint at Valencia; Brian Clough was unable to replicate his remarkable performance at Derby and then Nottingham Forest at either Brighton or Leeds; Bobby Robson’s 37-year coaching career included outstanding success at Ipswich, Porto, and Barcelona and poorer team performance at Eindhoven, Sporting Lisbon, and Newcastle.
 - 6 Celtic was the first British club to win the European Cup. Ten members of Stein’s cup winning team were born within 10 miles of the Celtic ground; the eleventh was born some 30 miles away.
 - 7 John Hollins, 1985–8; Bobby Campbell, 1988–91; Ian Porterfield, June 1991–3; David Webb, 1993; Glenn Hoddle, July 1993–June 1996; Ruud Gullit, June 1996–February 1998; Gianluca Vialli, February 1998–September 2000; Claudio Ranieri, September 2000–May 2004; Jose Mourinho June 2004–.
 - 8 Leo Beenhakker, 1986–9; John Benjamin Toshack 1989–90; Alfredo Di Stéfano – José Antonio Camacho, 1990–1; Radomir Antic, 1991–2; Leo Beenhakker, 1992; Benito Floro, 1992–4; Vicente del Bosque, 1994; Jorge Valdano, 1994–6; Arsenio Iglesias, 1996; Fabio Capello, 1996–7; Jupp Heynckes, 1997–8; José Antonio Camacho, 1998; Guus Hiddink, 1998–9; John Benjamin Toshack, 1999; Vicente del Bosque, 1999–2003; Carlos Queiroz, 2003–4; José Antonio Camacho 2004; Mariano García Remón, 2004; Wanderlei Luxemburgo, 2004.
 - 9 Deloitte’s *Annual Review of Football Finance, June 2005*, p. 17 shows the following:

	Total attendance, 2003/4 (millions)	Average income per match (euros '000s)	Average revenue per attendee (euros)
England	13.30	1,550	44
Spain	10.95	720	25
Italy	7.85	610	24
Germany	10.73	680	19
France	7.66	320	16

- 10 These typically comprised seats, parking, pre-match champagne lunch, and other services.
- 11 See Deloitte’s *Annual Review*, p. 16.
- 12 Deloitte’s *Annual Review*, p. 38.
- 13 Some teams are owned by companies – for example, Bayern Munich is owned by Adidas-Salomon. The leading Spanish clubs were mainly not-for-profit companies owned by their members, who held season tickets and elected the club president.
- 14 Alex Ferguson, *Managing My Life* (London: Hodder & Stoughton, 1999), p. 242.
- 15 *Ibid.*, p. 274.
- 16 The Premier League Championship, the FA Cup, and the European Champions League (the European Cup).
- 17 Alex Ferguson, *Managing My Life*, op. cit., p. 274.
- 18 The most serious incident was a kung-fu kick on a rival fan that resulted in Cantona being arrested for criminal assault and suspended from football for eight months.
- 19 Alex Ferguson, *Managing My Life*, op. cit., p. 437.
- 20 *Ibid.*
- 21 Manchester United PLC Annual Report, 2002, p. 9.
- 22 Under the “One United” membership scheme, supporters can choose to become Match Members allowing them to apply for match tickets, or Non-ticket Members. For younger supporters, One United offers Junior Match Memberships or Non-ticket Junior Membership. In addition to these membership plans, supporters can register as E-members – allowing access to communications and services provided through the ManU website.
- 23 *Real Madrid Club de Futbol*, Harvard Business School Case No. 9-504-063, 2004.

