

Transfer expenditure and results

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1. Introduction

In 2014, according to data published in January by FIFA, professional clubs spent 3.6 billion USD in transfer fees on the international recruitment of footballers. If we include the transfers between clubs from the same association, this figure is probably greater than 5 billion USD. This clearly illustrates the crucial importance of player transfers in the football economy.

This third Monthly Report of the CIES Football Observatory firstly analyses the evolution of transfer sums paid by clubs in the five major European championships from the 2009/10 season up until the present (chapter 2). We then study the change in the correlation between transfer expenditure and results (chapter 3). Finally, we analyse the beneficiaries of transfer fees paid by big-5 league clubs (chapter 4).

In the conclusion, we elaborate a simple proposal aimed at improving the redistributive factor in the transfer system. Indeed, the amount of

money in the transfer market increases in parallel to that circulating in the restricted circle of the big-5 leagues. More than 70% of transfer fees invested during the last two transfer windows by clubs in the big-5 were paid to other teams in the five major European championships, resulting in a new record high.

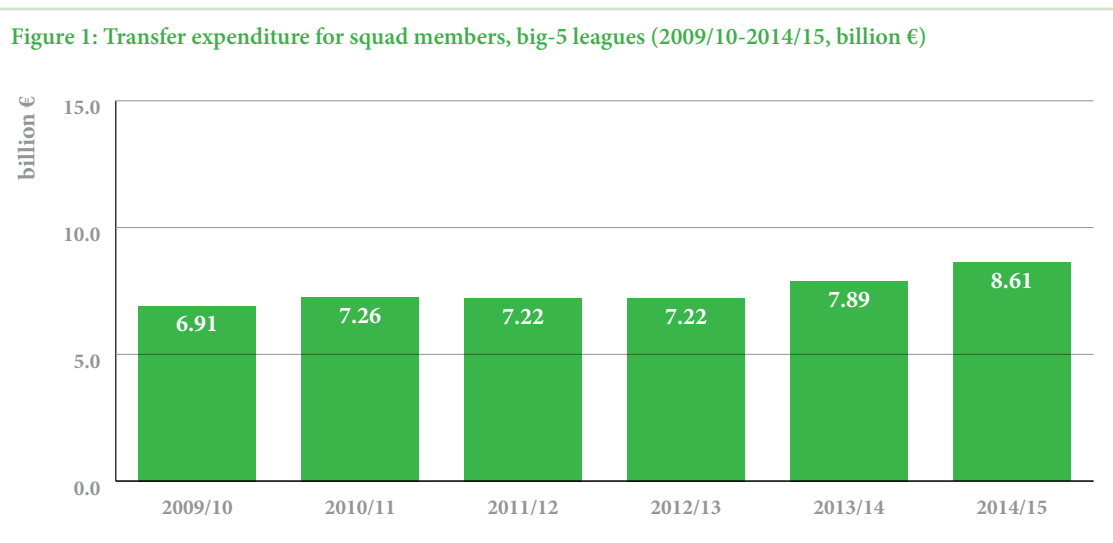
2. Ever-increasing sums at stake

This chapter traces the evolution of transfer compensations paid by clubs from the five major European championships when signing their squad members season by season from 2009/10 until the present. In order to do this, we have analysed the transfer fees paid for each player in the squad, regardless of the season in which the player was signed.

This sum varies between zero for footballers signed when not under contract (i.e. Robert Lewandowski for Bayern) or coming directly from the youth academy (i.e. Lionel Messi for Barcelona) and several millions of euro for players such as Gareth Bale, Cristiano Ronaldo or James Rodríguez for their transfer to Real Madrid.

The evolution noted for the five major European leagues since 2009/10 reflects a strong increase in the sums invested in transfer fees. While the 98 big-5 league teams spent €6.9 billion to recruit players present in their squad¹ in 2009/10 (€70.4 million per club), this figure increased to €8.6 billion in 2014/15 (€87.7 million per club). In six seasons, the average “cost” of a squad from a transfer expenditure perspective increased by 24.5%.

¹ Transfer or training compensations paid in signing players firstly included in the youth academy are not considered.



Between 2009 and 2014, the fees invested in signing squad members increased particularly in the English Premier League: + €1 billion. The amount spent by Premier League clubs in comparison with the total for the big-5 leagues went from 35% in 2009/10 to 40% in 2014/15. The explosion of revenues from the sale of TV-rights for the period 2016-2019 will undoubtedly reinforce this process. During the current season, Premier League clubs have spent €3.4 billion on signing their squad members (€171 million per club on average), as opposed to “only” €1.05 billion for French clubs (€52.5 million per club).

In relative terms, the biggest increase was recorded in Germany: +54%. This result is a reflection of the healthy financial state of Bundesliga teams. The strong increase for France (+46%) is essentially linked to enormous investments undertaken by Paris St-Germain and, to a lesser extent, Monaco. On the other hand, no increase was observed in Spain and Italy. In these countries, the economic situation of numerous clubs is precarious.

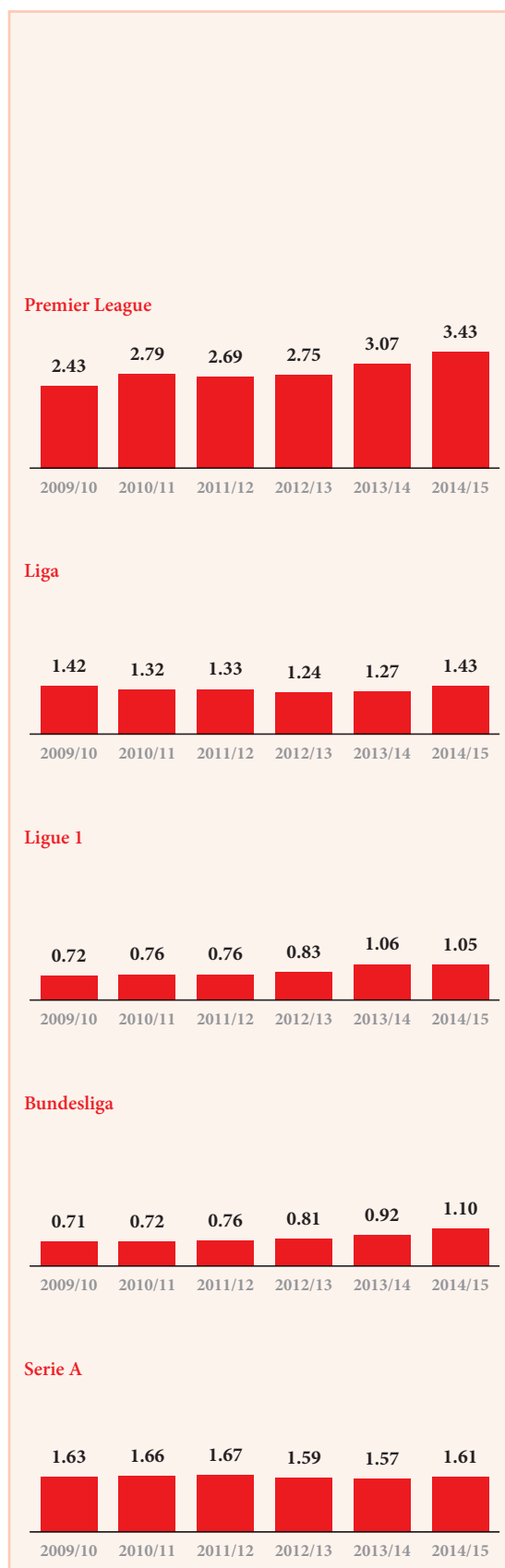


Figure 2: Transfer expenditure for squad members, per league (2009/10-2014/15, billion €)

On average, big-5 league clubs have invested €4.0 million per forward in the first-team squad. This is a greater figure than for players in any other position. However, in relative terms, the most notable increase between 2009/10 and 2014/15 was recorded for midfielders: +39% for defensive midfielders and +30% for attacking ones. For all positions, the average amount spent has never been as high as in 2014/15.

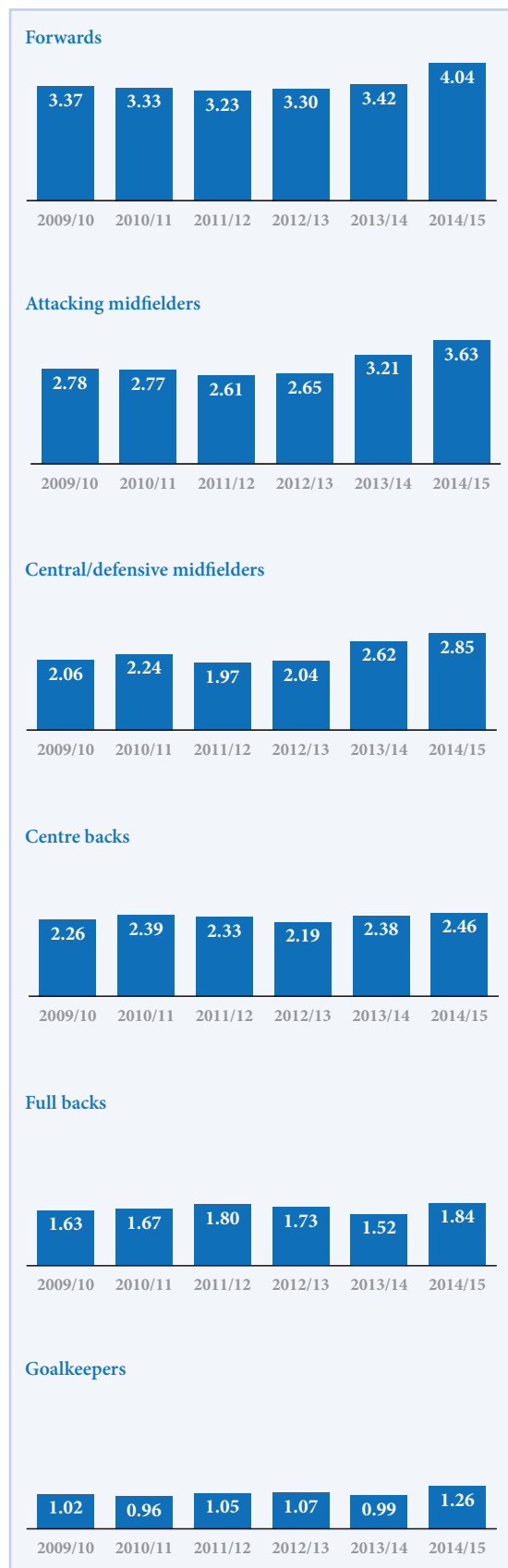














Figure 3: Average transfer fee per squad member, per position (million €)

Another interesting approach in determining the evolution of the transfer market from an economic standpoint consists of analysing the fees generated by players over the course of their career up until the season considered. In 2009/10, for example, big-5 league footballers generated €13.1 billion in transfer fees over their playing career. This value has increased by 36% in six seasons to reach a new record in 2014/15: €17.9 billion.

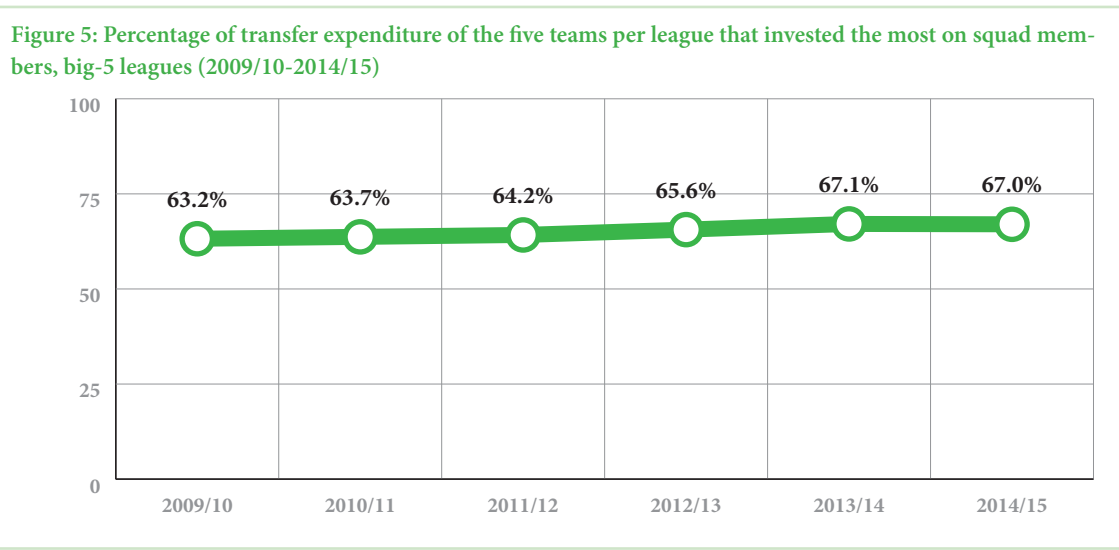
Figure 4: Transfer fees generated by big-5 league players during their career (2009/10-2014/15)

Season	Total (billion €)	Average per player (million €)
2009/10	13.15 	4.42 
2010/11	14.41 	4.73 
2011/12	14.72 	4.70 
2012/13	14.80 	4.70 
2013/14	16.53 	5.30 
2014/15	17.86 	5.90 

3. The big clubs spend... and win!

The analysis presented in chapter 2 shows that there are ever-increasing sums at stake in the football players' transfer market. It is also interesting to look more closely at how this transfer expenditure is spread throughout the big-5 league clubs. In order to do this, we have studied the evolution of the average percentage invested by the five teams by league having spent the most on squad members season by season.

Our analysis shows that a process of concentration of investments is taking place. Indeed, the five clubs by league having spent the greatest amount on signing squad members represent 63% of the total transfer investments in 2009/2010. This percentage is up to 67% for 2014/15. This result reflects the increasing power of a small circle of clubs who aspire to becoming, or already have established themselves as, global brands.



The analysis by league indicates that the investment concentration is particularly strong in Spain and France. In these two countries, the percentages of expenditure of the five clubs that spent the most on squad composition has reached a new record in 2014/15: 86.6% in Spain and 78.9% in France. A process of concentration in transfer fee investments is also taking place in Germany: from 58.4% in 2009/10 to 67.0% in 2014/15. While the level of expenditure concentration remains stable in England and Italy, it is also relatively high at around 60%.

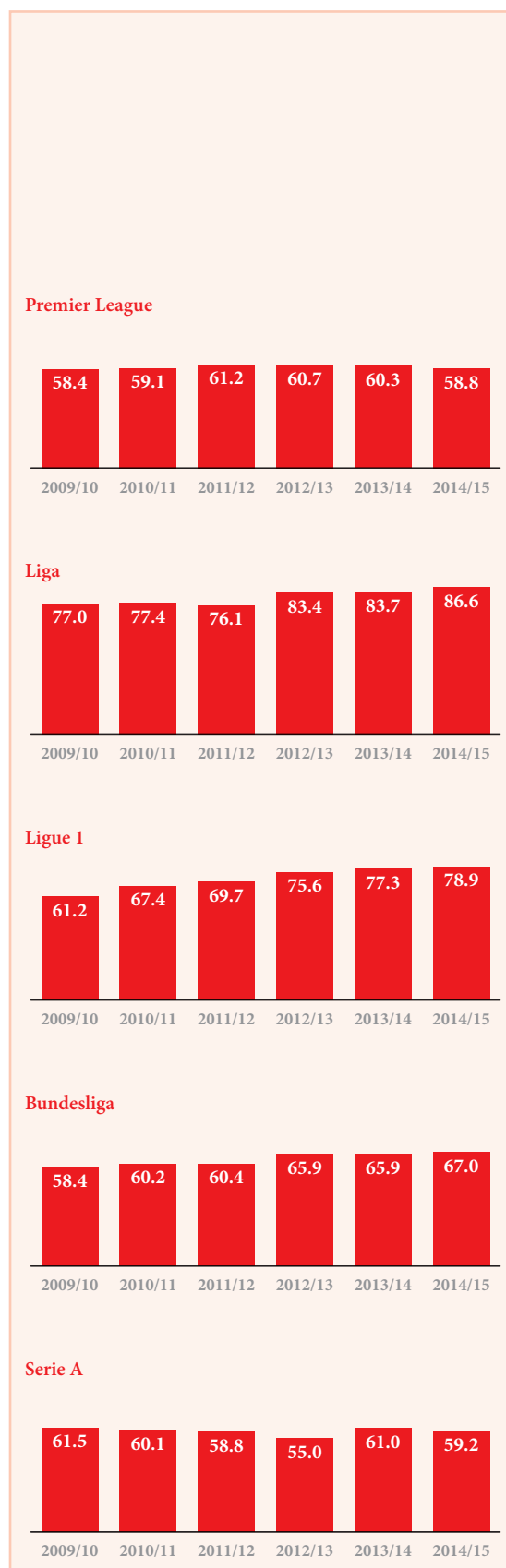
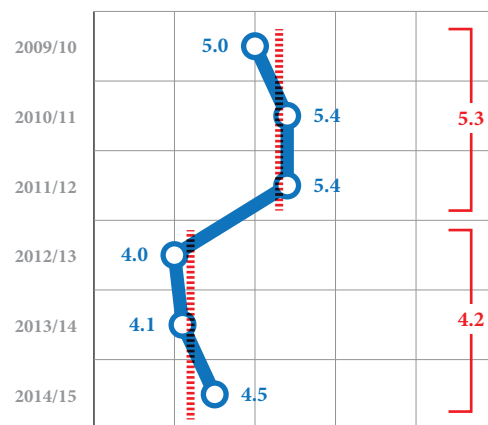


Figure 6: Percentage of transfer expenditure of the five teams that invested the most for squad members, per league (2009/10-2014/15)

The concentration of wealth and investments in transfer fees within top-level teams is reflected in the results obtained. The average ranking of the five clubs having spent the most on squad composition by league clearly progressed between the three first and the last three seasons of the period analysed: from 5.3 to 4.2. This result shows the growing link between financial resources available and results in a context of economic polarisation.

²For the 2014/15 season, we have taken into account the rankings on February 19th.

Figure 7: Average ranking of the five teams per league that invested the most for squad members, big-5 leagues (2009/10-2014/15)²









The minimum threshold of investments in transfer fees above which it is reasonable to expect a podium finish has strongly increased. At big-5 level, the clubs having ranked in the top three places in the 2009/10 season spent on average €189 million in signing squad members. This figure has never been as high as in the current season: €278 million (+48%).

During the last six seasons, the average level of investments in the transfer market necessary to finish in the top three has increased in all leagues with the exception of Italy. In the English Premier League, between 2009/10 and 2011/12, the top three ranked Premier League clubs spent on average €315 million to put together a squad that enabled them to finish on the podium. This value increased to €419 million between 2012/2013 and 2014/15 (+33%), with a temporary record³ of €464 million for the current season.

³ Assuming that Manchester United will be back on the podium and Chelsea and Manchester City will also finish in the top-3.

Figure 8: Average transfer expenditure for squad members of the three top ranked clubs, per league (2009/10-2014/15, million €)

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	Average 2009-12	Average 2012-15	Evolution	
Premier League	263	374	309	403	389	464	315	419	+104	
Ligue 1	102	116	65	176	224	196	94	199	+105	
Bundesliga	86	79	94	117	137	150	86	135	+49	
Liga	279	260	264	293	302	362	268	319	+51	
Serie A	214	205	184	179	200	216	201	198	-3	
Big-5	189	207	183	233	251	278	193	254	+61	

4. Redistribution dysfunction in the transfer market

Another interesting analysis in understanding the economic functioning of players' transfer market consists of studying the recipients of investments undertaken by big-5 league clubs. The transfer system was introduced one hundred years ago and underwent reforms in 2001 for various reasons. Its aims are notably to guarantee the integrity of competitions, reinforce contractual stability and reward the work of training clubs.

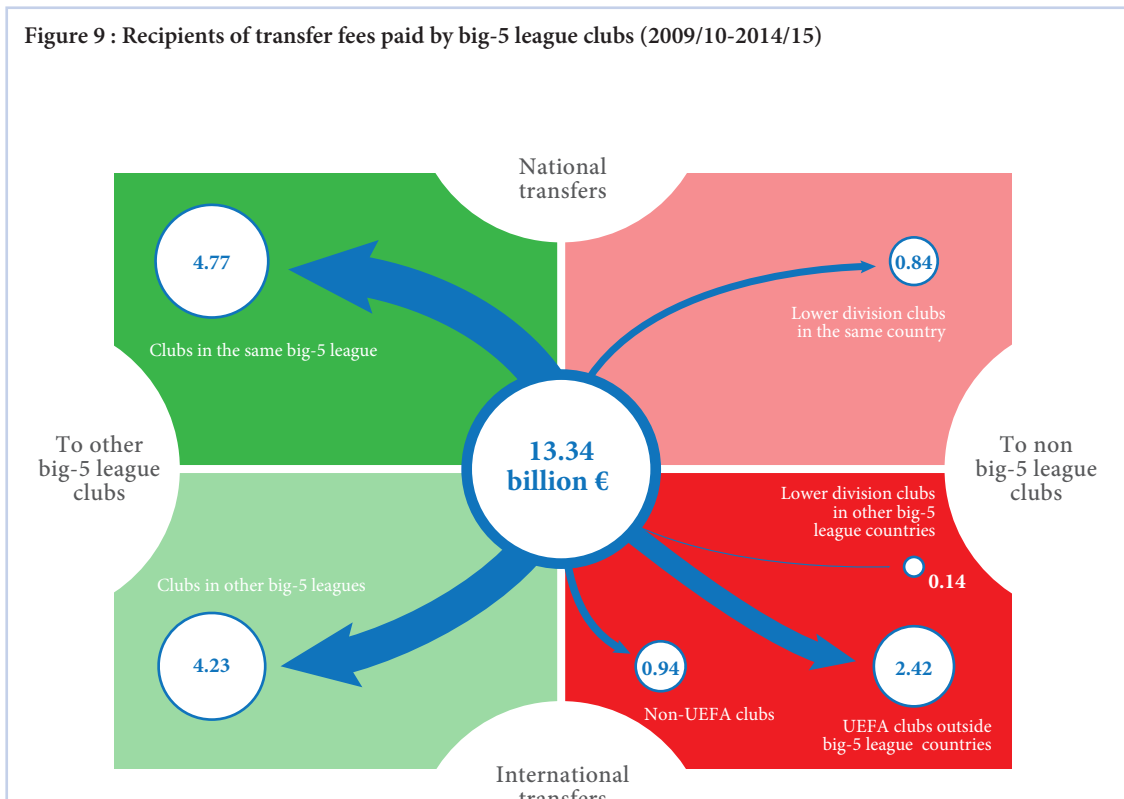
The analysis of the recipients of sums invested by big-5 league clubs in signing squad members shows that the redistributive power of the transfer market is limited. Between 2009/10 and 2014/15, more than two-thirds (67.4%) of transfer fees were paid out to other teams participating in the five major European championships. A record figure was incidentally measured for the last two transfer windows: 70.5%.

The redistributive power of the transfer market has also been undermined by the strong participation of investors outside of clubs. These third-parties speculate on promising talents and are often able to generate considerable profits. Unfortunately, transparency issues make it very difficult to quantify their influence. At best, the existing analyses only offer unsatisfactory rough approximations.

The analysis of the recipients of sums invested by big-5 clubs highlights the evolution of the transfer market towards a zero-sum game between a closed circle of clubs and leagues, benefiting primarily a handful of dominant intermediaries and third-parties through commission fees and percentages on compensations.

While clubs that invested the most in transfer fees are logically among the wealthiest (Real Madrid, Barcelona, Manchester United, Manchester City, Chelsea, Paris St-Germain), teams having benefited from the ten most expensive football transfers in history of football also belong to

Figure 9 : Recipients of transfer fees paid by big-5 league clubs (2009/10-2014/15)



the small circle of financially dominant teams. There we find Real Madrid (Di Maria), Manchester United (Cristiano Ronaldo) and Barcelona (Figo), other well-heeled English clubs such as Tottenham (Bale) and Liverpool (Suárez), as well as top Italian teams: Milan (Kaká), Inter (Ibrahimić), Juventus (Zidane) and Naples (Cavani).

5. Conclusion

The analysis presented in this Monthly Report shows that ever-increasing amounts of money are at stake in the transfer market of football players. In parallel, a process of concentration of expenditure at the top of the pyramid is taking place. This reinforces the domination of the wealthiest clubs. The correlation between financial resources available and results is on the increase. Moreover, we have shown that the redistribution by the transfer market is relatively weak and in any case insufficient to compensate for the concentration of wealth and investments at the highest level.

With a view to equality and a wish to improve competitive balance, it would be therefore useful to consider what reforms are necessary to the transfer system so as to promote solidarity. To achieve this, an efficient measure would be to entitle each team in which a player has passed through to a compensation for each fee paying transfer taking place over the course of the player's professional career on a pro rata basis to the number of official matches played at the club.

For example, if footballer X begins as a professional in club X and plays 75 matches there before being transferred to team Y, in the event of a paying fee transfer to club Z after 25 official games played in team Y, club X is entitled to 75% of the transfer compensation. And this even though team Y already paid a fee to sign the play-

er from club X.

This reform would permit the re-focusing of the transfer system back to the objectives for which it was conceived, notably with regard to contract stability (clubs can obtain substantial money at a later stage even if the player leaves at the end of his contract and can thus more easily afford keeping the best talents for longer, which will also have a positive effect to fight against salary inflation) and the promotion of training (training clubs would be better compensated economically in that they can also receive substantial money in case of a second, third or even a fourth transfer of a player, which are generally the most profitable).

This reform would also make it easier to effectively combat speculation and third-parties in so far as the sums of all transfer payments must be spread over the entire chain of clubs having contributed to the sporting development of players. Our research team is at the service of football's governing bodies to explore this idea and to carry out simulations.