



STUDY ON THE TRANSFER SYSTEM IN EUROPE

ABSTRACT

BACKGROUND

ECA felt the need to commission a study highlighting the reality governing the transfer system. The "Study on the Transfer System in Europe", prepared by PwC and LIUC University, offers an in-depth overview of all the international transfers involving European clubs occurred during the **2-year period** represented by the **sporting seasons 2011/12 and 2012/13**.

TOTAL NUMBER OF TRANSFERS ANALYSED

The total number of **international transfers** made by **European clubs** analysed in the study was **14,322**, for a total value of **\$5,147m**. 66% of these transfers (or 9,511) were originated by transactions within the UEFA territory, whereas the remaining 34% was evenly distributed between incoming and outgoing transfers with non-UEFA countries.

European clubs had a negative transfer balance vis-à-vis South America and Asia, with net disposals of respectively 59 and 342 players. This means that more players were transferred from Europe to South America and Asia than the other way around. Such negative balance was almost entirely offset by the transfer activity with Africa with 307 net acquisitions.

In terms of value of transfers, European clubs exchanged \$4,007m amongst them, whereas they paid \$801m to non-UEFA countries and received \$339m, resulting in a net transfer spend equal to \$462m. Money was primarily paid to South America (€527m net spent) and received by Asia (\$135m net received).

FOCUS ON INTERNATIONAL AND DOMESTIC TRANSFERS OF MAJOR 5 LEAGUES

Furthermore, the Study focuses on all the **international and domestic transfers** involving **major 5 leagues' clubs**, which, during the 2-year period 2011/12 and 2012/13, amounted to **5,491** for a total value of **€4,853m**. Only 1,110 transfers (20%) occurred amongst the major 5 leagues' clubs, whereas 2,935 (or 54%) were the outgoing transfers to clubs outside the major 5 leagues and 1,446 (or 26%) the incoming.

The net outflow of players from major 5 leagues' clubs to the other leagues was 1,489. Outgoing transfers with respective lower divisions accounted for a large part of such number, due to the large volume of players sent on loan.

With respect to the value of those transfers, in the 2 seasons of analysis, major 5 leagues' clubs exchanged €2,661m among them, whilst they paid €1,551m to other leagues' clubs and received €642m, generating a deficit of €909m.

METHODOLOGY: SEGMENTATION INTO BUNDLES AND CLUSTERS

In order to gain a more comprehensive view on the trends characterising the transfer system in Europe the 54 UEFA countries were additionally segmented into **3 bundles** (top, medium and low) and each of the major 5 leagues' clubs into **4 clusters**, based on their ranking in their respective league during the sporting seasons 2011/12 and 2012/13.

Clubs belonging to the top bundle countries are the ones in which the football industry is more developed and richer compared to the medium and low bundles as they account for **82% of the overall European football revenues**. Top bundle countries also hold a **71% share of the overall Gross Domestic Product** generated by European countries, thus showing a positive correlation between football and the rest of the economy.

TRANSFER EXPENDITURE REMAINS STABLE

European football revenues have grown since 2007, with an annual average increase of 5.6%. However the total **transfer expenditure remained stable** (approx. €3bn a year on average) and its incidence on revenues have reduced since 2007, from 28% to 22%. In the same period, employee costs increased by 8.5% each year, absorbing a large part of the aforementioned revenue growth.

SOLIDARITY REDISTRIBUTION AND COMPETITIVE BALANCE

The Study shows that the current transfer system is set up in such a way that allows **solidarity redistribution between clubs**: clubs competing in top bundle countries redistributed 1,054 players to the rest of the world. The same trend was observed as well in the major 5 leagues, where clubs from the first 2 clusters, meaning the clubs that ranked in the first 10 positions of the respective league, were net exporters towards other clubs with a net outflow of players of 877.

Similar redistribution effects occurred also in terms of the value of the transfers: clubs belonging to top bundle countries redistributed \$1,028m to the rest of the world while, from a major 5 leagues' perspective, the clubs from clusters 1 & 2 had an outflow of money of €904m to other clubs.

The fan base drives clubs' revenue generating ability. Clubs with a larger fan base also generate more commercial and broadcasting revenues. The current transfer system is a way to redistribute such wealth from big clubs to smaller ones, countering competitive imbalance.

If there was no transfer system, the aforementioned €904m would not have been distributed from cluster 1&2 clubs to smaller clubs. Competitive balance would thus be compromised as the gap between top players/big clubs and other players/small clubs may widen and top players' salaries may rise significantly.

Other than by the redistributive effects of the transfer system, competitive balance was also confirmed by several other facts, including the turnover of clubs participating in UEFA competitions as 578 different clubs participated over the last 10 years, i.e. 11 clubs per country on average.

FREEDOM OF MOVEMENT GUARANTEED

Freedom of movement of players is guaranteed by the current system as **out-of-contract transfers** represented **73%** (or 10,431) of the total number of transfers made by European clubs (14,322). Loans and permanent transfers represented 14% (1,975) and 13% (1,916) respectively.

The average value of international transfers during the 2 analysed seasons was \$0.4m if all transfer types are taken into consideration, whilst it increases to \$2.7m considering only permanent transfers.

FIFA SOLIDARITY CONTRIBUTION

The maximum amount of solidarity contribution arising from the international transfers involving European clubs if FIFA solidarity rate (5% of transfer fee) had been fulfilled in each transfer was \$257m. However, the effective **solidarity contribution** recorded amounted to \$57.9m (**1.15%** of transfer fees), showing a gap of more than \$199m with respect to the theoretical figure.

Solidarity contribution paid between European clubs amounted to 1.28% (or \$50.2m) of the overall transfer expenditure, while solidarities paid to non-UEFA countries was 0.88% (or \$6.9m) and 0.24% (or \$0.8m) was received from clubs in non-UEFA countries.

CLUB AGENT COMMISSIONS

Additional analyses performed in the Study highlight the role of club agents. Their compensation appeared to be quite significant and should be reviewed carefully. Over the 2-year review period, **club agent commissions** totalled \$254m, representing **14.6%** of the value of the 865 transfers with which they were involved (\$1,740m). The majority of those commissions, equal to \$211m (or 83%), was generated by transfers within the UEFA territory.

LOAN ACTIVITY

The Study also offers several details on the **loan activity** performed by European clubs during the 2-year period of analysis. 1,506 international outgoing loans were made by European clubs, of which **54% involved under 23 players**. The average age of loaned players was 23.7.

A similar trend was observed with respect to incoming loans, which totalled 1,780 transferred players, 60% of which were under 23.

Clubs' loan activity was also analysed with a focus on the major 5 leagues, also considering domestic loans. The total number of loans in the 2-year period 2011/12 and 2012/13 was 2,355, representing 43% of the overall transfers made by major 5 leagues' clubs, and demonstrating a widespread use of this practice. Only **11%** of these loans were backed by a **monetary compensation**, showing that the market does not appear to recognise value for loans.

69% of the 1,990 players sent on loans by major 5 leagues clubs were directed to **lower divisions**. Such practise appears to be healthy as it serves as a development opportunity for players to grow and for lower division clubs to remain competitive in a cost efficient manner.

CONCLUSION

In conclusion, there are several indicators emerging from the Study which show that the current transfer system allows for the free movement of players and the redistribution of money from top to bottom. Thus, competitive balance seems to work but could still be improved by defining a higher level of transparency and disclosure on loans, club agent commissions and the solidarity mechanism.