

Football transfer tracker

Summer 2011

Welcome to the latest edition of Grant Thornton's football transfer tracker.

This report considers expenditure and income from the purchase and sale of player registrations during the Summer 2011 transfer window, analysing data from transfers involving all clubs in the top three tiers of English football,* as gathered by our Sports Advisory Group.

The Summer 2011 transfer window saw a marked increase in expenditure on players from the same period in 2010. This follows on from January

2011 which saw record levels of fees paid for players in the Winter window.

This edition of the football transfer tracker looks more closely at some interesting trends that have developed in the English leagues' transfer activity over the past year.

We also consider the rise in social media and it's potential significance to governing bodies, football clubs, players and advertisers.



* Barclays Premier League, nPower Championship and nPower League 1

Overview of Summer 2011 transfer activity

Figure 1: Gross income and expenditure

	Summer 2011 transfer window			Summer 2010 transfer window		
	Paid £m	Received £m	Net £m	Paid £m	Received £m	Net £m
Premiership	(474.8)	297.8	(177.0)	(356.2)	158.3	(197.9)
Championship	(41.3)	88.8	47.5	(28.2)	46.0	17.8
League 1	(2.3)	10.5	8.2	(1.5)	7.6	6.1
	(518.4)	397.1	(121.3)	(385.9)	211.9	(174.0)

Figure 2: Gross transfer fees paid and received by English football's top three leagues in Summer transfer windows

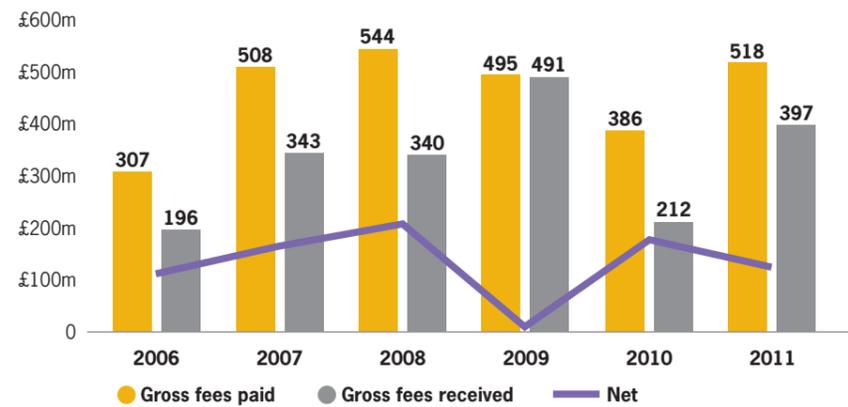


Figure 1 compares income and expenditure from player transfers during the 2010 and 2011 Summer transfer windows. Figure 2 shows how transfer fees paid and received by Premier League clubs have varied in recent Summer transfer windows.

Whilst £518m of gross expenditure represents an increase of approximately 34% over 2010, we would note that it does not quite match the record Summer of 2008 which saw gross fees paid for players totalling a massive £544m.

The driving force behind this increased expenditure has, unsurprisingly, been the Premier League although the Championship also saw significantly increased activity, both in terms of purchases and sales. Despite this, it appears that the lower leagues have not enjoyed a significant 'trickle down' of funds, a concern identified in the January 2011 edition of our football transfer tracker.

How and where has the Premier League spent its cash?

Of particular interest in this most recent transfer window has been the increased level of fees received from player sales. Despite the growth of expenditure in comparison to 2010, English league clubs actually spent less in net terms (payments for players less fees received from player sales).

This is a consequence of funds circulating between English teams, rather than going abroad. In 2010 Premier League clubs spent £99m on players from English based clubs. In 2011 this almost tripled to £276m. This retention of wealth is hopefully a positive sign for the financial health of the English game as a whole.

Transfers between English league clubs may well have been financed, at least in part, by a conscious focus on purchasing 'home-grown' players. Figure 3b highlights a significant increase in investment in English (and Welsh) players.

Figure 3a: Income and expenditure by club

Club	Summer 2011 transfer window		
	Paid £m	Rec £m	Net £m
Arsenal	(51.7)	67.2	15.5
Aston Villa	(16.3)	38.3	22.0
Blackburn Rovers	(14.0)	22.8	8.8
Bolton Wanderers	(7.0)	7.2	0.2
Chelsea	(66.6)	20.6	(46.0)
Everton	0.0	17.5	17.5
Fulham	(16.3)	1.2	(15.1)
Liverpool	(58.0)	18.3	(39.7)
Manchester City	(80.0)	18.2	(61.8)
Manchester United	(50.5)	9.3	(41.2)
Newcastle	(12.5)	10.2	(2.3)
Norwich	(5.7)	0.0	(5.7)
Queens Park Rangers	(11.0)	0.9	(10.1)
Stoke City	(20.0)	0.6	(19.4)
Sunderland	(23.2)	22.3	(0.9)
Swansea City	(10.0)	0.1	(9.9)
Tottenham Hotspur	(5.0)	28.1	23.1
West Bromwich Albion	(6.5)	3.2	(3.3)
Wigan Athletic	(8.5)	9.8	1.3
Wolverhampton	(12.0)	2.0	(10.0)
Total	(474.8)	297.8	(177.0)

Figure 3b: Nationality of Premiership acquisitions





English football's 'trade deficit' has decreased by approximately £46m from 2010.

Similarly, Premiership clubs seem to be placing increasing value upon young talent with expenditure on players under the age of 21 more than doubling from £60m in Summer 2010 to £130m in the 2011 Summer transfer window.

The big money transfers of Jordan Henderson, Phil Jones and Alex Oxlade-Chamberlain, who currently boast just one international cap between them, are good examples of a positive trend towards young, English talent. It would seem that clubs are beginning to be influenced by the Premier League's squad composition rules. However, it isn't just young English players but also those from abroad that are attracting interest. Romelu Lukaku, David de Gea and Sebastian Coates commanded combined fees of approximately £45m from Chelsea, Manchester United and Liverpool.

The Champions League race

It is inevitable that, in the wake of the recent frantic transfer activity, fans and pundits will speculate on teams' respective prospects for the new season. We have taken a look at the financial indicators for the teams with aspirations of qualifying for next season's Champions League.

Of the six clubs arguably most likely to secure a top four spot in the Premier League this season, Chelsea, Liverpool and Manchester United all significantly increased both their gross and net expenditure on players during the Summer 2011 transfer window, compared with the previous Summer. Manchester City also spent heavily,

Figure 4: The Champions League race

	Summer 2011 transfer window			Summer 2010 transfer window		
	Paid £m	Received £m	Net £m	Paid £m	Received £m	Net £m
Arsenal	(51.7)	67.2	15.5	(16.2)	7.2	(9.0)
Chelsea	(66.6)	20.6	(46.0)	(29.9)	14.2	(15.7)
Liverpool	(58.0)	18.3	(39.7)	(26.0)	26.7	0.7
Manchester City	(80.0)	18.2	(61.8)	(125.7)	28.3	(97.4)
Manchester United	(50.5)	9.3	(41.2)	(23.7)	14.0	(9.7)
Tottenham Hotspur	(5.0)	28.1	23.1	(14.0)	0.8	(13.2)
	(311.8)	161.7	(150.1)	(235.5)	91.2	(144.3)

albeit not to quite the same extent as the exceptional levels of Summer 2010. However, Arsenal and Tottenham have bucked the trend with net gains from player transfers of £16m and £23m respectively.

It is notable that only one of these six giants of the English game had a net inflow from players in 2010. Not only did Liverpool fail to get into the top four they missed out on Europe altogether. Whether this proves a precedent for the season ahead, only time will tell.

It is perhaps too early to conclude whether the relatively conservative transfer activity of Arsenal and Tottenham is in anyway a reaction to UEFA's Financial Fair Play Regulations. We will continue to monitor this in future transfer windows.



Figure 5: Imports and exports (transfers from and to clubs outside the English league system)

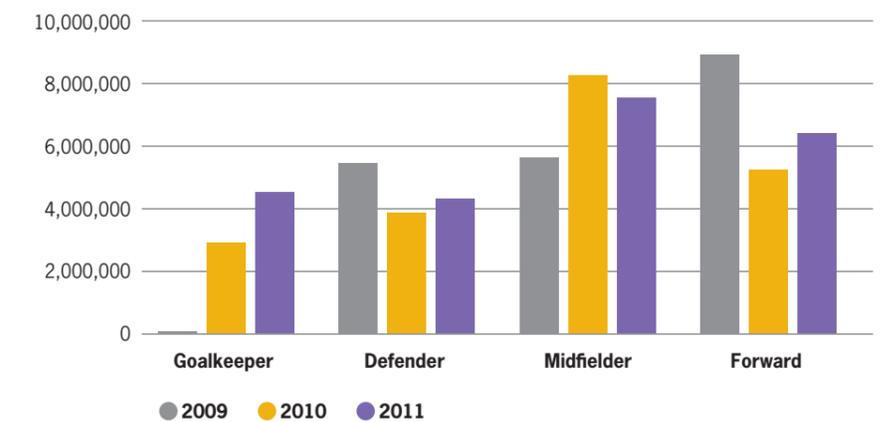
	Summer 2011 transfer window			Summer 2010 transfer window		
	Imports £m	Exports £m	Net in/(out) £m	Imports £m	Exports £m	Net in/(out) £m
Premiership	191.7	(67.0)	124.7	257.0	(77.4)	179.6
Championship	1.8	(0.0)	1.8	5.8	(14.4)	(8.6)
League 1	0.2	(0.5)	(0.3)	0.8	0.0	0.8
	193.7	(67.5)	126.2	263.6	(91.8)	171.8

Other facts & figures

For the second year running the average price paid for a midfielder has exceeded that for a forward. David de Gea's transfer to Manchester United contributed to the average cost of a goalkeeper exceeding that of a defender which had not been the case in either of the previous Summer transfer windows.



Figure 6: Average Premier League acquisition cost (excluding £nil fees)



Social media – a need to monitor reputation

The rise of online social media

Online social media has experienced increased popularity since the inception of Facebook and MySpace in 2004; with Facebook now advertising 750 million active users. Social media sites initially evolved as places where ‘friends’ could keep in touch and share photographs, with the process of becoming a ‘friend’ being managed by a formal process requiring acceptance of a ‘friend request’. In this way, a level of privacy was maintained, as personal information was restricted to only those you wished to receive it; all this was to change with the arrival of Twitter in 2006.

With Twitter, not only was a message limited to 140 characters, just like texting on which it was modelled, but also there was no necessity to send a ‘friend request’ before being able to read other people’s communications. Just opt to ‘follow’ the person of interest and start reading their communications or alternatively log in to Twitter on the internet and do the same without, in this case, even the need for a Twitter account.

This new style of messaging, which lends itself perfectly to mobile devices such as smart phones, means that Twitter brought with it a whole new dimension; spontaneity. One’s thoughts, however unstructured or possibly ill conceived, can now be messaged (tweeted) immediately from the device most people keep closest to their person, their mobile phone.



Players and clubs as brands

Since its arrival in 2006, Twitter took three years to reach its one billionth tweet; it now reaches one billion tweets in only five days. This is a major sign of its success and suggests Twitter is here to stay, at least for the foreseeable future.

Daily active Twitter users (the consumers who actually reach out to or follow brands via Twitter) are three times more likely to amplify the influence of that brand than, say, a Facebook user would. Clearly this could be in a positive or negative direction.

Given the profile and importance of football in the lives of the players, clubs and supporters, it comes as no surprise that many players and their clubs are

major brands in their own right.

So if we take the above facts into consideration as well as reflect on some of the unfortunate social media/Twitter related incidents that have occurred in the last year, what can we learn?

Well there are certainly plenty of examples, both positive and negative, around the use of social media by football personalities.

Wayne Rooney reacted aggressively to provocation by a follower on Twitter saying ‘I’ll put u asleep within 10 seconds.’ Similarly, Glen Johnson astonished his followers by attacking in his tweets, Paul Merson, a recovered alcoholic and gambler. After criticism from Merson, on Sky Sports News, Johnson branded him an ‘alcoholic drug abuser.’ Marvin Morgan, former

Aldershot striker, told his own fans ‘I hope you all die’. So although Twitter might present a fantastic opportunity for fans to interact directly with their idols, a darker side is also apparent.

However there are players using social media positively. Rio Ferdinand has over 1,500,000 followers on his Twitter profile and is therefore one of the most prominent footballing figures on the site. He has tweeted nearly 7,500 times (and may be ahead of this by the time we go to press). These 140 character insights to his life have given fans, journalists and regular people around the globe the opportunity to understand something of the existence of a high profile sports figure, straight from the horse’s mouth. Similarly, Joey Barton has to some extent repaired his reputation to be hailed as a ‘petit Cantona’ in certain circles, in light of his philosophical tweets!

Certainly with any communication channel capable of reaching so many people there are risks and rewards as can be seen by the examples above. Aside from the obvious advantage of being able to communicate to friends and followers with such ease, are the additional opportunities surrounding promotion of branding and associated merchandising, directly associated with the clubs and players. On the down

side, unscrupulous individuals also monitor social media conversations for any ‘nuggets’ of information that might have been inadvertently given away that they might exploit for their own gain.

Clearly one obvious precaution regarding social media is not to Tweet or at least post anything you might later regret. An additional way to mitigate any potential problems that may arise from content shared on social media is to have all conversations automatically captured and then use this content to identify potential problems. Given that the content is being captured we can also use it to identify positive brand based opportunities.

Grant Thornton’s Internet Intelligence team monitor social media conversations for references to sports personalities, celebrities and major brands. Once content has been captured it can be mined with the aim of identifying conversations that might put the brand, personality or club in a position of risk, or alternatively analysed to aid positive initiatives. What is in no doubt is that lack of knowledge of what is being discussed within the millions of social media conversations can very quickly lead to reputations being damaged and financial losses.



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