

The Financial Contribution of International Footballer Trading to the Romanian Football League and to the National Economy

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Abstract. *The purpose of the paper is to find out and to show how much money Romanian football has attracted from overseas (especially from Europe, the main sales market), as a result of footballer exports during 2006 and 2011. The data analysis wants to show if Romanian football makes more losses or profits as a result of footballer trading with foreign countries. The answer is given by some economic performance indicators, whose method of calculation is widely described in the methodology section, which indicates also the source of the primary data. The research reaches to the conclusion that footballer exports from Romania are insufficient (both qualitative and quantitative) in order to ensure the competitiveness of Romanian clubs in comparison to their Western-European counterparts. Another finding is that the average income from footballer exports is not even enough to cover the wages of some players. Thus, the research suggests that, next to the continuation of footballer trading, clubs should also seek to diversify their revenue sources. Next to the conclusions, the paper ends with a presentation of the research limitations and with suggestions for further research.*

Keywords: footballer trading; footballer exports; transfers.

JEL Codes: F1, J4, M3.

REL Codes: 10D, 12I, 14C, 14G.

1. Introduction

In order to ensure their existence and their development opportunities, Romanian football clubs need to diversify their revenue sources, one of them being footballer exports: selling football players (Romanians or foreigners) from Romanian clubs to foreign clubs. At a microeconomic level, such operations bring revenues to the clubs. At a macroeconomic level, it can be argued that footballer exports influence the whole financial structure of Romanian football. So, of the entire Romanian economy as well, because professional football is part of this economy.

The methodology section presents the general model of the research. First of all, there is an outline of the principles that make the research possible, then the source is presented from which the necessary data was obtained, next to how data was processed, and, last but not least, the methods for calculating the four indicators of footballing economic performance mainly used here are presented: the balance of trade, the gross exports, the net exports, and the exports of foreign nationality footballers after deducting the purchasing price (DPP).

The data analysis begins with an overview of the economic performance from the export of football players during the period under review, asking the question of the Romanian football's competitiveness compared to its Western-European counterpart, on behalf of a specific example. After presenting several successful footballer exports, the research addresses the theme of the possibility local clubs could have for improvement if they used „export-import” as a mechanism to draw revenue: the selling of a footballer for a higher price than his purchasing price.

A feature of football after the 1970's is the increased gap between revenues and wage bill, which puts clubs in the difficult situation of constantly seeking new and profitable revenue streams. If, up to the 1970's, clubs have managed to restrain player's wages at levels that could have been easily covered, the removal of the remaining maximum wages caps in Europe (Schmeh, 2005), complemented by the emergence of satellite television and by the Bosman Ruling, which gave footballers more bargaining power in relation to their clubs, has led to an explosion of athlete's wages after 1990. Not few are the cases of insolvency in the past two decades, and the clubs that target performance are forced to place an increasing emphasis on the economics of sport so that they can develop opportunities of getting more funding. Therefore, this article shall render its latter part to the idea of diversifying revenue streams,

considering the latter ones a necessity, a condition without which the Romanian football clubs today can no longer provide even their sustainability, not to talk anymore about development. In addition to conclusions, the article ends with limitations of current research and future research possibilities.

2. Methodology

The article builds on the existence of some specific principles of sports economy, which facilitate the analysis of data:

- Considering the football player to be a commodity for which there is supply and demand on the market. Some authors criticize the look at athletes as a mere commodity (Walsh, Giulianotti, 2007), but for the clubs that employ them, football players are not only human resources, but also assets that have a value and that can be traded. Polti (2005) believes that football players have two values. First, they have a virtual value, which they raise or lower through their evolutions on the field and which they hold as long as they are legitimated at a club. When the footballer is offered for sale, the virtual value turns into real value, with the footballer ready to being sold in return of money (financial value);
- Talent management, as one of the development models most applicable to the world of sports (Brady et al., 2008). One of the essential skills that a coach/manager must have is footballer recruiting (Beech, 2010). A manager must be able to build a winning team through the adjustments he brings to the squad. Adjustments can be made by two flows: the flow of outputs (sales of players from the club) and the flow of inputs (buying players, talent). Successfully managed, the flow of outputs can bring financial resources (out of the purchase price) to support the flow of inputs (talent acquisition expenses);
- Footballer trading, as one of sport's specific instruments (Roşca, 2010a, Roşca, 2010b). Footballer trading has a significant impact on the development capacity of a club. In football, talent is traded on a market which is characteristic to sports, namely the transfer market. Its activities resemble to those occurring in the stock market: countless players are sold from one club to another. It can be even talked about football capitalism: free movement of labor and capital, with footballers to be bought and sold easily. A decision with strong impact on the transfer market was the implementation of the Bosman Law in 1995 (Frick, Wagner, 1996, Simmons, 1997, Antonioni, Cubbin,

2000). The law gave players with an EU's state nationality the freedom to engage with whatever club in the European Union. For clubs, this meant the free movement of capital, which they could take advantage of in the trading of footballing labor, which also happened very soon. Polti (2005) shows that in the Western-European leagues, the percent of players bought from abroad in the total amount of players bought in a year raised from 21,2% in 1995/1996 to 37,2% in 2004/2005;

- For a club, the money collected from the sale of a player can generate significant revenues. But, as market equilibrium is one of the cornerstones of economy, the transfer market has to be offset, the gains of some clubs being joined by the losses of other. In reality, there are some clubs that gain from footballer trading and others that lose. At an entire league level, after incomes and expenditures of all clubs in a championship are accumulated, increasingly more leagues present negative figures;
- The existence, on the transfer market, of a footballers' selling price (even if zero).

So, there is a market where players are being bought and sold. There are also demand, supply, and prices. And there is internationalization, the existing market traders being football clubs worldwide. Romanian clubs are present and active in this market, making, next to internal transactions (sale and purchase of players to and from clubs in Romania; the sale is concluded between two Romanian clubs, regardless of the nationality of the footballer sold), import-export operations as well (the purchase of footballers from abroad and the sale of footballers from Romania to abroad).

2.1. The “pool” of Romanian football finances

The transfer sums enter a “pool” of money: the “pool” of Romanian football finances (money lost or sold as a result of footballer trading). The pool exists thanks to two streams. On the one hand side, there are the internal streams, in which revolves all the money used for the sale and purchase of footballers (revenues and expenditures) within the borders of Romania. For example, in the summer of 2011, Rapid Bucharest bought Cristian Oros from FC Brașov paying two hundred thousand Euros. The money is circulating through the internal flow, being traded between two clubs in Romania, only that the amount of money in the pool does not change. For the Romanian football, regarded as a whole, the sum of money is the same. Only the owner of the money is another one. In the case of Oros, money was transferred from Rapid

Bucharest to FC Braşov, but it still is in Romania. The value of the Romanian football finances can only change through the stream of external relationships. When a Romanian club buys a footballer from a foreign club, it pays an amount of money that leaves Romania and enters the accounts of the foreign club. On the contrary, when a Romanian club sales a footballer to a foreign club, it attracts money from the international market and makes it enter the Romanian economy.

Just as Economics is a science that does not attract or spend resources, these operations being made by economic agents on the market, so football is just a sport that, in order to receive or spend money, needs its most valuable (economic) agents: the clubs. According to Szymanski (2009), the club is the fundamental unit of football. Just as the economic agent is the actor who develops the economy, so the clubs develop football. Therefore, this research recorded the sales of footballers from Liga 1 to foreign clubs.

2.2. The period under review

The analysis takes into account five consecutive seasons, starting with 2006-2007 and ending with 2010-2011. Because of the “European” promotion-relegation system, not every year did the same clubs play in Liga 1, the worst ranked leaving their positions in the league’s next season to the clubs ranked best in the next lower league. Therefore, the study analyzes only Liga 1, the highest division of the Romanian football league. For the 2006-2007 season there were reviewed the sales made abroad by the eighteen clubs that played at that time in Liga 1. For the 2007-2008 season there were reviewed the sales also made by the eighteen clubs in Liga 1, only that the transactions of the relegated clubs were not followed any more, being replaced by the transactions of the promoted clubs. Another important aspect is that, for realizing the study, there were only recorded only the sales for which a Romanian club has received money in exchange to the player. So, three types of transactions are not subject to this study:

- those of the footballers who left for free (free agents), because their departure did not bring any amount of money into the country;
- those of the footballers who departed and in return of whom the buying club (foreign club) offered the selling club (Romanian club) another one ore more footballers in exchange (barter);
- those of the footballers whose transfer fee was not communicated.

In addition, there aren't taken into account the amounts paid to the agents or to the players as „signing fee”. Those payments are made in most of the cases, even when a footballer is sold for free (thus having a transfer fee equal to zero). Disregarding the payments to agents and players, the analysis takes into account only the transfer prices, built on the market at the intersection of the supply and demand of two clubs involved in a transaction. The transfer prices were collected from the www.transfermarkt.de website.

Footballer export can be made with Romanian or foreign footballers. Not the nationality of a player is important, but his employment at a Romanian football club, which can sell him abroad. For the Romanian footballers we will take into account only the amounts of money received from selling abroad, so the money that entered Romania from their exports, as the previous transactions were made between clubs in Romania, thus on Romanian football money. The only case when the purchase fee of a Romanian footballer would have significance is in the case of repatriation.

Instead, for foreign footballers, the purchase fees will also be considered (the fees paid to bring foreign footballers to Romania). The purchase fee is deducted from the sale fee (the sale from the Romanian club that brought him into the country to the foreign club). The result obtained shows either the profit or the loss that the foreign player brought to the Romanian football. The profit/loss of each foreigner sold from Liga 1 to abroad is added, obtaining a sum for the entire season. If the sum is positive, it means that the Romanian football has obtained profit from footballer trading, while, if the sum is negative, it means a deficit.

2.3. The calculation of the balance of trade, of the gross exports, and of the net exports

For each season at hand, the exports of Romanian footballers were added to the profits or deficits of the exports of foreign players. An annual balance resulted. Then, to calculate the gross exports, the transfer fees of all footballers – irrespective if Romanians or foreigners – sold from Liga 1 to abroad were added. The transfer fees for bringing foreigners to Romania were also not taken into consideration.

More relevant is the analysis of net exports, of the profits of Romanian football, not just of the incomes. To find the value of net exports, the buying fees (for bringing to Romania) of foreign footballers will have to be deducted

from the fees received by the clubs from their subsequent sale, obtaining, thus, a new indicator: the exports of foreign nationality footballers after deducting the purchasing price (DPP). In the case of Romanian footballers, the buying fee is deducted only if they were bought by a Romanian club from a foreign club. If the transaction took place between two Romanian clubs (whether the player was Romanian or foreigner), the transfer fee did not leave the Romanian economy.

After the export of a foreign player, a gross fee is obtained. But, it has to be considered that, for buying the footballer from a foreign country, a fee had to be paid, so an amount of money left Romania and entered the accounts of a foreign club. In the import-export operation, the Romanian football first of all pays (cost), and only then does it receive money (revenue), and only if it sells the player.

3. Data analysis

The total amount of the Romanian Liga 1 gross exports, between 2006 and 2011, is 90.61 million Euros, an average of 18.1 million Euros yearly. The best season was 2008-2009, when the gross exports accounted for 32.2 million Euros. Comparing the 90.61 million Euros revenues attracted by a bunch of 18 clubs over five years with the 94 million Euros which one single club, Manchester United, attracted in only one summer after the sale of only one player (Cristiano Ronaldo, to Real Madrid), a question may arise regarding the sustained competitiveness of Romanian clubs in European inter-club competition, when facing clubs from Western Europe.

In 2006-2007, the Liga 1 clubs generated net incomes of 6.61 million Euros from footballer exports. In the following season, the amount approximately 35%. Some of the reasons of the raise were the profit of 780,000 Euros from the sales of foreign footballers and the higher quantity of footballers who left the country: fourteen, as compared to eight, one year before. 2007-2008 was an interesting season for Steaua Bucharest, a club that made a profit of 2.2 million Euros from the sale of Cyrill Thereau to Anderlecht Bruxelles (the French was brought to Romania for 0.7 million Euros in August 2006, to be sold after only eleven months for 2.9 million Euros⁽¹⁾, but also a loss of 1.15 million Euros due to Elton, a Brazilian bought with 1.65 million Euros, and sold for only 0.5 million Euros to Al Nasr, as well as another loss of 0.3 million Euros through Andrey.

Throughout the league, the next season, 2008-2009, recorded the largest annual increase in net exports. The sales brought no less than 25.33 million Euros. Only 20% of the sales in that year brought losses, while 23 footballers made profits for the clubs that sold them. 2008-2009 was also one of the seasons in which the exports of Romanian footballers brought total revenues (25.45 million Euros) higher than those of the foreigners. 2008-2009 was one of the best seasons in the last years for the Romanian clubs that sold abroad, not less than six players bringing profits (for this statement to be made, the buying fee was taken into consideration, although the players were initially transferred from a Romanian club before being sold abroad. The rationale behind this computation was to find out the profits brought by the footballers to their club, irrespective from where they were initially bought from), according to the website www.transfermarkt.de: Adrian Ropotan (sold from Dinamo Bucharest to Dinamo Moscow for a profit of 3 million Euros), Ștefan Radu (sold from Dinamo Bucharest to Lazio Rom; 4.4 million Euros profit), Mirel Rădoi (from Steaua Bucharest to Al Hilal; 5.95 million Euros profit); Nicolae Dică (from Steaua Bucharest to Catania Calcio; 2.25 million Euros profit); Mihai Neșu (from Steaua Bucharest to FC Utrecht; 1.2 million Euros profit), and Cristian Săpunaru (from Rapid Bucharest to FC Porto; 4.5 million Euros profit).

The 2009-2010 season followed, and it proved to be one of the worst seasons of the last five. The export revenues plummeted to 3.81 million Euros. Although the quantity of footballers sold was higher (24) than in 2006-2007 (8) and 2007-2008 (14), the quality of the trading operations decreased, only 46% of the transaction made that season bringing profits (as compared to 75% in 2006-2007 and 85% in 2007-2008). One transfer was made at the break-even point, with Steaua Bucharest selling Ricardo for the same price it bought him, while twelve exports meant losses. An interesting fact is that 6.05 million Euros were collected from the sales of Romanian footballers, while the total net exports of foreign players were not higher than 4 million Euros. The difference was made by the loss of 2,232 million Euros due to the exports of foreigners after DPP, but also by the good operations managed with the sales of Gigel Bucur to Kuban Krasnodar (0.7 million Euros profit for Timișoara) and Dorin Goian to Palermo (0.7 million Euros profit for Steaua Bucharest).

3.1. The microeconomic development (of football clubs) based on an import-export model

2010-2011 was the season in which the footballing economic performance indicators used offered the best results, without any loss at the end of year results, a fact unseen in the other four years analyzed. The only drop as compared to the previous seasons was seen at the fees paid for the import of foreign players who were then sold in the 2010-2011 season: 3.6 million Euros, opposed to 11.8 million and 6.8 million Euros in the previous two seasons. But, it has to be taken into consideration that the fees for buying foreign players were paid in previous league seasons and that the total amount paid for foreigners in 2010-2011 is by 210% higher than that of 2006-2007 and by 30% higher than that of 2007-2008. Although small compared to other European championships, if we do not take into consideration the 2010-2011 season, the purchase fees paid by non-Romanian clubs to buy foreign nationality players from Liga 1 grew constantly from the summer of 2006 to the summer of 2010. It is a sign that, step by step, Romanian football began to recruit talent from abroad. Liga 1 began to be a station on the way foreign football players walk towards stronger clubs in Europe. Two examples are Constant Djapka and Alvaro Perreira. Djapka was bought at the age of 19 by Pandurii Târgu Jiu from the Norwegian club Sogndal Football, for 0.25 million Euros. Two years later he was sold to Bayer Leverkusen, a top team in Europe, while the Romanian team earned 1 million Euros. Perreira was sold to another top club, FC Porto, after he played for CFR Cluj for one year, accumulating 35 matches or 3,067 minutes. Perreira was brought to Romania from Argentina in exchange of 2.5 million Euros, and was later sold for 4.5 million Euros. As Djapka and Perreira show, foreign footballers are a commodity with plenty commercial opportunities for football club managers in Romania, who, by calculating well their import-export operations, could increase the revenues of their clubs, without much waste of resources. An example from the international market is the Italian club Udinese Calcio, which draws its revenues from the use of an import-export business model with foreign footballers. Between 2006 and 2011, a period when the exports of all 18 Liga 1 clubs ment 64.6 million Euros, Udinese managed to earn, through the same instrument, more than the double: 141,335,000 Euros. The chief scouter of Udinese coordinates a wide network of worldwide scouters. Information sent by them is gathered at the club's headquarters in Italy, with Udinese monitoring about 14,000 players annually

(Meiningen, 2011). Most of the players are between 15 and 24 years young, Udinese buying them when still in their youth, when they are unknown to the wider public. After playing several season for Udinese, time during which they gather value, players are sold to top clubs in the world, for fees that are higher than their purchase fee. According to www.transfermarkt.de, during the summers of 2005 and 2011, Udinese earned more than 235 million Euros from the sales of footballers.

Because the Romanian scouting system is not as professional as the foreign one, the footballer trading is not done at its highest capacity (excepting, maybe, the 2010-2011 season, when the net earnings of the foreign footballers from Liga 1 amounted 6.17 million Euros). The DPP export figures in Table 1 are a proof of this.

The DPP exports of foreign footballers from Liga 1

Table 1

– Euro –

| Season | Exports of foreigners |
|-----------|-----------------------|
| 2006/2007 | - 40,000 |
| 2007/2008 | 780,000 |
| 2008/2009 | - 120,000 |
| 2009/2010 | - 2,232,000 |
| 2010/2011 | 6,170,000 |
| Total | 4,558,000 |

Profit was made in only two seasons (0.78 million Euros in 2007-2008, and 6.17 million Euros in 2010-2011), while losses dominated the scene, from minor losses (0.04 million Euros in 2006-2007) to major losses (2,232 million Euros in 2009-2010).

To continue the parallell with Udinese, Table 2 shows a comparison between the gross exports of foreign nationality players from Liga 1, made by all clubs in the league during all the five years analyzed here, and the gross exports of the Italian team. It can be seen that, in five seasons, Liga 1 did not once export more than the equivalent of 10 million Euros, while Udinese gained double digit revenues for not less than four years.

Table 2

Comparison of the gross exports of foreign footballers between Liga 1 and Udinese
– Euro –

| Season | Gross exports of foreign (non-Romanian) players from all 18 Liga 1 clubs | Gross exports of foreign (non-Italian) players made by Udinese |
|-----------|--|--|
| 2006/2007 | 890.000 | 3.650.000 |
| 2007/2008 | 3.555.000 | 11.650.000 |
| 2008/2009 | 6.750.000 | 21.000.000 |
| 2009/2010 | 9.568.000 | 11.500.000 |
| 2010/2011 | 9.800.000 | 19.540.000 |
| Total | 30.563.000 | 67.340.000 |

In only the 2010-2011 season, Udinese made a profit of 16.7 million Euros after footballer trading, without counting the six previous years, all ended on surplus. Also in 2010-2011, CFR Cluj, Dinamo Bucharest, Steaua Bucharest, and Rapid Bucharest, four of the most powerful clubs in Romania, made all, from exports of both Romanian and foreign players, 12.05 million Euros, with only 4.65 million Euros less than the entire profit of Udinese, which, is true, includes also the sales inside Italy.

Figure 1 compares the profits made by CFR Cluj, Dinamo, Rapid, and Steaua from footballer exports, taking also into consideration the average profits from exports, computed amongst the four clubs. As can be seen, only CFR Cluj is above the average, the other three clubs not even being equal to the average.

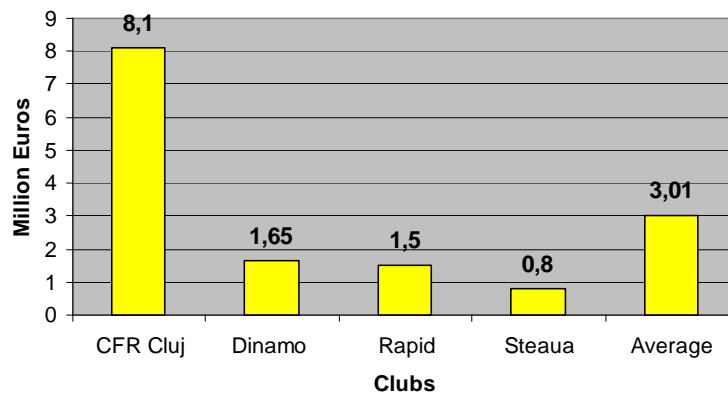


Figure 1. Profits made from footballer exports in the 2010-2011 season

3.2. Comparative study between the exports of Romanian footballers and the exports of footballers of other nationality

The effects of globalization can also be seen in football, clubs all over the world being able to recruit foreign players from foreign clubs. Thus, increasingly more players of other nationality than Romanian have come to play in Liga 1. If they are sold by a Romanian club to a foreign club, even though they have a non-Romanian nationality, those players are considered as an export of Romanian football. The ownership belongs to the club where the player has signed a labor contract, and, in most of the cases, this is the latest club the player works for before being sold.

Figure 2 shows that, for a short period, between 2006 and 2008, the gross exports of Romanian and foreign footballers from Liga 1 have constantly developed, growing in similar trends. Then, in the 2008-2009 season, while the gross exports of foreigners have continued their slow growth, those of the Romanians have increased sharply, peaking 22.5 million Euros. The maximum value of the latest years has been reached, a dynamic shown by the blue line in Figure 2, which, as fast as it increased as a consequence of the sales of Ropotan, Ștefan Radu, Rădoi, Dică, Neșu and Săpunaru, as fast it also decreased the following season, reaching the minimum of the five years analyzed. The transition from high to low in only one year could be a sign either of the turbulent environment of football, or of sales based on opportunities that, if not benefited of at that particular moment, wouldn't have represented any more interest in future negotiations. If from the 2007-2008 season to the 2008-2009 season the exports of Romanian footballers have increased 3.1 times (210% year over), from 2008-2009 to 2009-2010, the exports dropped 4.2 times (-76% year over).

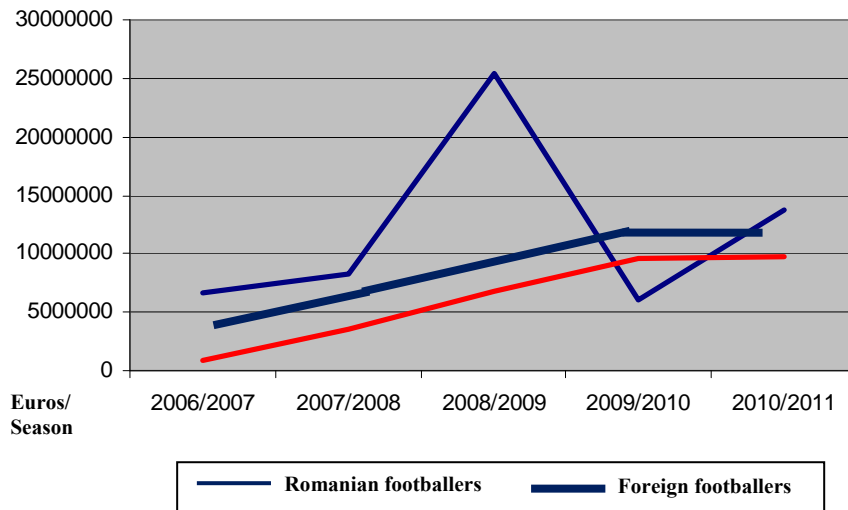


Figure 2. Comparison of the gross exports of Romanian and foreign players from Liga 1, during 2006 and 2011

The year over modifications of the Romanian footballers' exports have alternated growth and decline periods, as can be seen in Table 3, while the gross exports of foreign players have had a powerful growth in 2007-2008 as compared to the previous season (299%), then percentual changes began to decline (only 90% growth in 2008-2009 season-over-season, 41% in 2009-2010 season-over-season, and only 2.42% in 2010-2011 season-over-season). The gross exports of foreign players have witnessed a constant growth, although the year-over differences have gradually reduced. In the 2009-2010 season, the value of the exports of foreigners has even outnumbered the value of Romanian footballer exports.

Table 3

Change of the gross exports value season-over-season

– % –

| Season | Season-over-season change of the value of Romanian footballers' gross exports | Season-over-season change of the value of foreign footballers' gross exports |
|-----------|---|--|
| 2006/2007 | - | - |
| 2007/2008 | 23.35 | 299 |
| 2008/2009 | 210 | 90 |
| 2009/2010 | -76 | 41 |
| 2010/2011 | 126 | 2.42 |

But, even with the existence of massive fluctuations, that can be seen in Figure 3, the sales of Romanian footballers have had an important role in helping Liga 1 to attract money from abroad, contributing, on average, with 66% to the total gross incomes from exports. The highest contribution was in 2006-2007, when 88% of the value of gross exports was obtained through the sales of Romanian footballers, while the lowest contribution, 39%, was in the 2009-2010 season, when the gross exports of foreigners had a greater value than those of Romanians. Not counting the 2009-2010 season, Romanian footballers have contributed, yearly, with more than half of the value of gross exports.

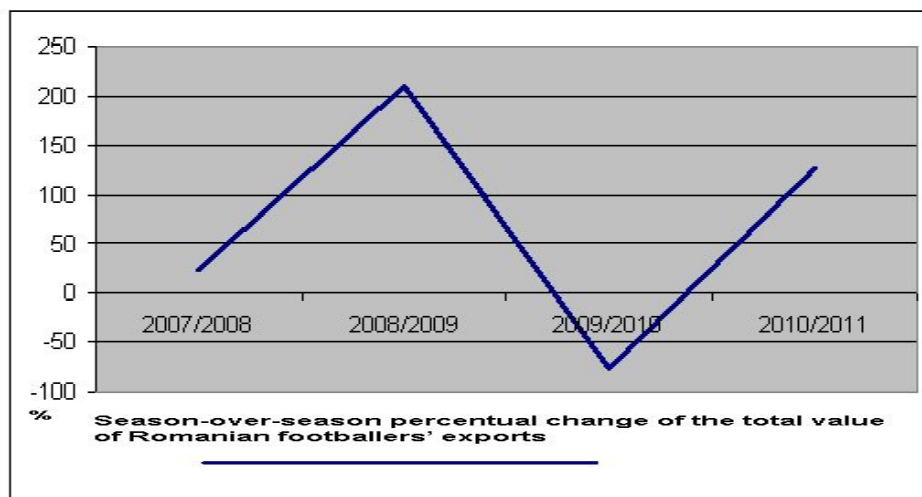


Figure 3. *Season-over-season percentual change of the total value of Romanian footballers' exports*

Comparing the net exports amongst them (decreasing, therefore, the purchase fees from the gross value of foreigners' exports), we find out not only that the value of foreigners' exports isn't any more higher than the value of Romanian footballer exports, as happened with the gross value, but it isn't even close to the incomes brought by the sale of Romanian players. The two lines in Figure 4 do not even have an intersection point. Moreover, the foreigners' exports have three subzero seasons: 2006-2007, 2008-2009, and 2009-2010.

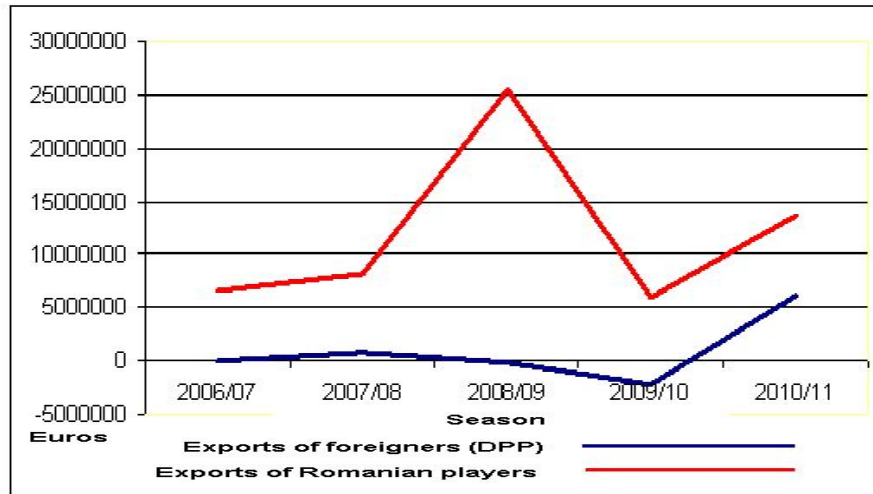


Figure 4. Comparison of the net footballer exports in Liga 1

3.3. Discrepancy between the wage bills and the average incomes from footballer exports

Most of the money that entered Romania between 2006 and 2011 was obtained as a result of selling Romanian footballers. In the 2007-2008 season, for example, the DPP exports of foreigners ment only 10.5% of the sales of Romanians, while in 2010-2011, the DPP exports were similar to 45% of the sales of Romanians. The gross value of the exports of foreigners has constantly risen, with an average of 8.28% a year, the highest growth being from 2006-2007 to 2007-2008 (from 0.89 million Euros to 3.55 million Euros), after which, in the last two seasons, the sums have stabilized at around 9.7 million Euros annually. However, the gross exports do not take into consideration that, for drawing revenues from the exports of players, a purchase fee was spent in order to first of all buy the player who was later sold. In order to find out the profitability of the foreigner footballer trading, the most suitable method would be to deduct the purchasing price (DPP) from the income. In doing so, we find out that, between 2006 and 2011, the foreign footballer trading brought a profit of 4,558 million Euros to the Romanian football. This means that, on average, each of the 47 foreign players traded during the five years that were analyzed brought 96,978 Euros, a low amount when thinking that the annual wages of some of those foreigners sold amounted to more than 100,000 Euros. For example, Julio Cesar had an annual wage of 0.5 million Euros at Dinamo

Bucharest⁽²⁾. The player was sold to Gaziantepspor for 0.6 million Euros, an amount that allowed the managers of the Romanian club to cover the annual wage, but not also the purchase fee, which was 0.55 million Euros. In other words, the total costs Dinamo Bucharest had with Julio Cesar were 1.05 million Euros (purchasing fee plus annual wage), while his sale brought only 0.6 million Euros. Table 4 shows the highest wages of foreign players in Liga 1⁽³⁾. Although none of the footballers listed in the table was sold abroad at the moment of writing this paper, all of them still playing in Romania (meanwhile, Kapetanos moved to CFR Cluj), the table wants to show that the nearly 97,000 Euros brought, on average, by the sale of a foreign player are not able to cover the top wages.

The highest wages of foreign footballers in Liga 1 in 2010

Table 4

– Euro –

| Footballer | Club | Annual wage |
|--------------------|------------------|-------------|
| Sixto Peralta | CFR Cluj | 375,000 |
| Pantelis Kapetanos | Steaua București | 250,000 |
| Wesley Lopes | FC Vaslui | 250,000 |
| Juliano Spadacio | Rapid București | 240,000 |

4. The diversification of revenue sources: a necessity

Because of the difficulties football clubs have in covering the wage bill, the diversification of revenue sources becomes a necessity, so that the clubs do not depend any more only on the footballer trading. Clubs have to access income from other sources as well, such as ticketing, sponsoring, the commercialization of broadcasting rights, brand extensions, or long runs in knock-out competitions, such as the Romanian Cup or European interclub competitions, so as to win money prizes awarded by the Romanian Football Federation or by UEFA.

The need of such an economic orientation is stressed out by Figure 5, which, for the 2010-2011 season, compares the revenues from the commercialization of broadcasting rights with the revenues from footballer trading. Especially for those clubs that are not able to export as well as their competitors, as is the case of „U” Cluj, the diversification of revenue streams may insure competitiveness. Although it has not exported that well as CFR Cluj, „U” Cluj managed to get a better classification in the final standings of the season, drawing more money from the broadcasting rights than its local rival.

Thus, „U” Cluj compensated the poor footballer trading activity with high revenues from the broadcasting rights, money available for investment for the following season. Whatever the revenue streams, clubs have to make sure that they draw enough money to insure and, moreover, develop their competitiveness.

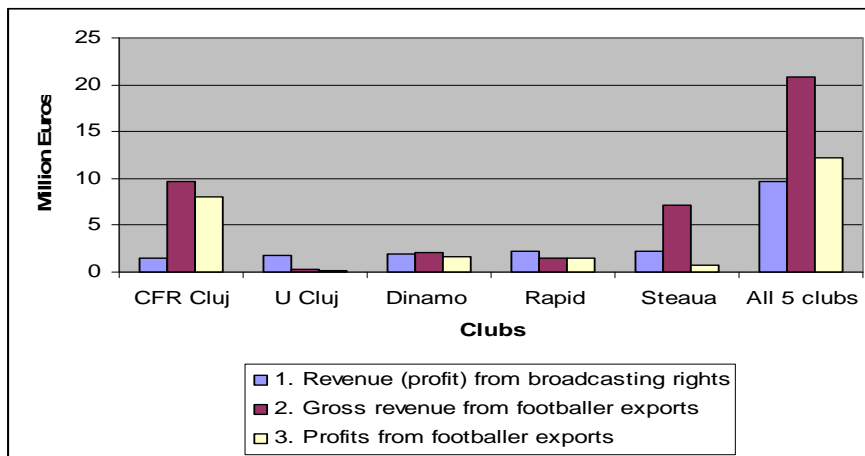


Figure 5. Comparison between the revenues from broadcasting rights and those from footballer exports

This does not mean that footballer exports aren't important anymore. Given that media buyers on the Romanian market for sporting events can not pay similar amounts to those paid by buyers in developed countries of the European Union, the trading of footballers remains one important source of revenue for the local clubs. In the 2010-2011 season, the redistribution scheme of the money obtained from broadcasting rights of the matches in Liga 1 was the following (the broadcasting rights are sold by the Professional Football League, which later redistributes the money amongst clubs, depending on their classification in the final standings of a season) [3]:

- 1st place: 3.2 million Euros;
- 2nd place: 2.5 million Euros;
- 3rd, 4th places: 2.2 million Euros- 5th, 6th places: 2 million Euros;
- 7th, 8th places: 1.8 million Euros;
- 9th, 10th places: 1.5 million Euros;
- 11th, 12th places: 1.2 million Euros;
- 13th, 14th places: 1 million Euros;
- 15th, 16th, 17th, 18th places: 0.8 million Euros.

According to the scheme, Rapid Bucharest, club that classified third after the forced relegation of FC Timișoara, should earn 2.2 million Euros from the broadcasting rights. Meanwhile, in the same season, only through the sale of Alexandru Ioniță in Germany, to FC Cologne, Rapid has made a profit of 1.5 million Euros, so similar to 68% of the money it has earned from the broadcasting rights. Dinamo Bucharest won 2 million Euros from the broadcasting rights, after finishing fifth, but through the export of six footballers, the club made gross revenues of 2.15 million Euros. Table 5 compares the revenues of five Liga 1 clubs in the 2010-2011 season. The revenue streams considered are broadcasting rights and the footballer exports. Using footballer exports as a revenue stream is a managerial practice which is encouraged by the numbers CFR Cluj, Dinamo, and Steaua have made, their footballer exports revenues being higher than the broadcasting rights revenues. CFR Cluj even makes a profit from footballer exports that is five times higher than the revenues the club made from broadcasting rights. Steaua Bucharest, from the sale of only one player, Bogdan Stancu, to Galatasaray Istanbul, made a profit of 3 million Euros (Stancu was sold for 5 million Euros, after he was bought, in July 2008, for 2 million Euros from Unirea Urziceni), with 0.8 million Euros more than the revenues Steaua drew from selling the broadcasting rights of all its 34 league matches.

Table 5

**Comparison between the revenues from broadcasting rights
and the reveues from footballer exports**

– million Euro –

| Club | CFR Cluj | U Cluj | Dinamo | Rapid | Steaua | All 5 clubs |
|--|----------|--------|--------|-------|--------|-------------|
| 1. Revenue (profit) from broadcasting rights | 1.5 | 1.8 | 2 | 2.2 | 2.2 | 9.7 |
| 2. Gross revenue from footballer exports | 9.7 | 0.25 | 2.15 | 1.5 | 7.2 | 20.8 |
| 3. Profits from footballer exports | 8.1 | 0.15 | 1.65 | 1.5 | 0.8 | 12.2 |
| 4. Total revenues (=1+2) | 11.2 | 2.05 | 4.15 | 3.7 | 9.4 | 30.5 |
| 5. Total profits (=1+3) | 9.6 | 1.95 | 3.65 | 3.7 | 3 | 21.9 |

Which of the income sources will bring more revenue depends, on the one hand, on the sporting evolutions of a team in the national football championship and of its place in the final standings of the season, and, on the other hand, on the skills that club managers (whatever their role: coach, director, general manager etc.) exhibit in practicing footballer export. Looking at Table 5 it can be seen that the broadcasting rights and the footballer exports contribute about the same to the aggregated profit of the five clubs. If exports amount for 55% of

the aggregated profit, broadcasting rights amount for 44%. In addition, football clubs need to calculate their earnings based on other streams of revenue as well, such as sponsoring or merchandising.

In this respect, it would be appropriate to apply relationship marketing strategies at the Romanian football clubs. Relationship Marketing is based on the interaction between the club and its stakeholders, like for example the fans, the footballers, the coach, the manager, the employees, the press, the sponsors, the partners etc., with the aim of maintaining and developing mutually beneficial relationships. Maintaining relationships with stakeholders, a club can use the latter ones to fulfill both its economic (mainly, growth of revenues and the cover of expenses) and non-economic objectives (mainly, building a reputation that can be exploited commercially).

5. Conclusions

The research has shown that the gross exports of the entire top division Romanian football amount an average of 18.1 million Euros per year between 2006-2011, and the DPP profit for the same five years amounts 4.5 million Euros. The figures are low even for some Romanian football clubs, whose wage bills are higher than one million Euro yearly. The comparison with the Western-European, or even the Russian or Turkish football leagues becomes even more frightening. These figures explain the major differences between the Romanian and the Occidental football, as well as the poor performances local clubs have in European competitions. The gap between Liga 1 and the „Big Five” of European football (English Premiership, German Bundesliga, French Ligue 1, Spanish Primera Division, and Italian Serie A) is growing. According to UEFA, the average revenue of a Romanian club is about five million Euros, while the one of Russian clubs’ is 60 million Euros, French clubs’ – 70 million Euros, German clubs’ – 100 million Euros, while English clubs’ is 136 million Euros (UEFA, 2011).

While, starting with the 2012-2013 season, Germany will send one additional team to the Champions League, the number of Romanian clubs that have the right to play in the two important European interclub competitions diminishes, because of the poor sporting performances. Sporting performances can be improved, but Romanian clubs need a good strategic management, which to understand the importance of diversifying the streams of revenue, and then to choose one on which to build the development of the club. A simple economic instrument that the paper tried to promote was footballer export. Part

of the footballer trading, footballer export requires the club to engage on a market for footballer transactions, from where the club can buy players at low prices, use them several years in order to raise their value, and then sell them for a fee higher than the purchase price. In other words, Romanian football clubs need to adopt a strategy targeting the realization of surpluses from footballer trading (with foreign countries). The surpluses would be invested in the development of the club.

6. Limitations and further research

The research has its limitations. The article starts from an overview of the Romanian football to go further down to a microeconomic level of the clubs. Combining the macroeconomic and microeconomic perspectives may complicate the reading of the text. A further research may deal separately with the two aspects, the improvement solutions following to be given for the microeconomic level, where footballer transfers are made. An improvement of the macroeconomic level can not occur without a prior microeconomic development.

However, the article tends, sometimes, to be versatile, addressing several indicators in a small space, which may create confusion. A future, narrower research may focus on only one indicator, the features of which to highlight. For example, instead of analyzing the exports of local and foreign footballers altogether, an article could focus on only one group.

The article could be improved with comparisons to other European clubs or championships, in order to create a more descriptive context, which to serve to a better understanding of the situation in which Romanian football finds itself. Without a comparison to the footballer export in other countries, it can't be said if the exports from Liga 1 are or not economically performant. The scarcity of solutions offered for the diversification of revenue sources is another limitation, but this can be a starting point for a research which to investigate what possibilities Romanian clubs have to develop their revenue streams. As was suggested in the text, relationship marketing may be a solution, so it may be the topic of a future research.

In fact, this article may only be the first one out of a series of researches which to restore order in the figures of Romanian football. Information obtained through research may clarify the overall view of local football. Moreover, problems of Romanian clubs may be identified, and solutions for improvement proposed.

Notes

- (1) The qualification of Steaua Bucharest for the Champions League group stages was one of the reasons that raised the value of Cyril Thereau. The Frenchman played in all six games of the groups' stage of the most powerful international club competition in Europe, gaining 243 minutes of play. Next to those, Thereau played in 17 games in the Romanian football championship, where he scored ten goals (an average of 0,58 goals per match).
- (2) See „Retrospectiva: Jucătorii străini au invadat fotbalul românesc”, cit: <http://www.romaniansoccer.ro/stiri/6211/retrospectiva-jucatorii-straini-au-invadat-fotbalul-romanesc.htm>, accesat la 23.08.2011, ora 15:30
- (3) See „TOP 10 cele mai mari salarii din Liga 1!”, cit: <http://www.sport.ro/liga-1/top-10-cele-mai-mari-salarii-liga-1.html>, accesat la 23.08.2011, ora 16:19
- (4) „Oțelul a dat lovitura! Primește mai mulți bani din drepturile TV! Vezi cum se împart milioanele în Liga 1!, publicat de Sport.ro, la adresa <http://www.sport.ro/liga-1/otelul-a-dat-lovitura-primeste-mai-multi-bani-din-drepturile-tv-vezi-cum-se-impart-milioanele-in-liga.html>, accesat la 23.08.2011, ora 17:33

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