Dominance and Distress: Analyzing the Labor Market Strategies of Clubs in Europe’s Top Soccer Leagues

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European soccer has benefited from increased financial growth over the past couple of decades as live broadcasting rights at the domestic and continental levels, exorbitant commercial deals, and the enduring popularity of the sport have injected large sums of money into the industry. The English Premier League, for example, has distributed approximately €4 billion to its member clubs over the 2016-17 to 2018-19 seasons as a result of the broadcast deal it signed with its media partners in 2015. In Spain’s La Liga, media revenues grew by nearly 50% across the 2015-16 to 2016-17 seasons, and the German Bundesliga’s commercial income rose 10% between 2015-16 and 2016-17 (Deloitte, 2018).

However, not all clubs are on an equal playing field when it comes to their revenue earning abilities, and concerns have risen over the apparent income and spending gaps that are forming between clubs. Such gaps are problematic in the open-style leagues of European soccer where prior research has shown that clubs must typically spend money in the labor market for playing talent or risk succumbing to the pitfalls of relegation. Nonetheless, little research has examined the specific labor market strategies that clubs of all income levels can employ in order to help them perform efficiently and effectively in their respective leagues. “For wealthy clubs, the question is how they can differentiate their strategy to achieve competitive advantage in a world where money is no object for themselves or their rivals,” notes the 21st Club, a consulting group that applies analytics to soccer. “For clubs further down the ladder, the test is to find innovative ways to tip the odds in their favor; their challenge is to level the playing field and compete despite the financial imbalance” (21st Club, 2016, p. 11).

Using over 15 seasons of performance, roster, and transfer market data from the three most profitable European soccer leagues (i.e., the English Premier League, Bundesliga, and La Liga), this study conducted a series of advanced regression analyses to estimate the relationship between on-field success and a series of explanatory variables that were indicative of clubs’ strategies in the labor market. These variables included spending patterns, the timing of transfer market purchases, methods of acquisition, investment by position, squad composition and stability, and squad turnover, amongst others. Ultimately, the findings hold strong implications for teams that must find a way to compete in leagues where financial imbalances exist and the competition for playing talent is fierce. In leagues characterized by “dominance and distress” (Szymanski, 2015, p. 28), knowing which strategies are conducive to winning titles or simply remaining in the highest division can be imperative to long-term success on and off the field of play. This study helps to shed light on which of these strategies pay off.