

It has everything

- **People!**
- **Drama!**
- **Romance!**
- **Precious talent!**
- **Speculation!**
- **Excitement!**

The Structure

- **The European Football is based on the promotion-relegation principle**
- **The clubs**
- **The leagues**
- **The UEFA as its governing body**

The Market

- **It is the mix of private equity market and stock market**
- **There is a limited number of clubs on the market and this number never grows**
- **The value of the biggest clubs will keep growing as they are diamonds polished throughout decades**
- **Club is to be considered as a private equity investment**
- **Clubs trade players' contracts**

The club

- **It is a unique infrastructure filled with mostly human capital**
- **It needs a lot of layers of smartly interlinked expertise to function**
- **It carries a certain personality with it, embedded in its historical DNA, in most cases representing the developments of the city it resides in and/or the world perception of the people (Real vs Barcelona)**
- **It has immortal stars from the past whose power, talent and aura never leave the club (Diego Maradona/Napoli, Johan Cruyff/Ajax, Barcelona)**
- **As a business it as an open end ecosystem/fans stay, partners change**

A - B - C - D - E - F

- **A - Super Clubs/Large Cap:** Real Madrid, Barcelona, Juventus, Bayern, PSG, Liverpool, Manchester City, Manchester United/They mostly buy for their financial success depends on the footballing success; they bid the highest, they don't want others to join this circle/
- **B - Great Big Market Clubs/Big Cap :** Internazionale, AC Milan, Borussia Dortmund, Atletico Madrid, Chelsea, Arsenal, Tottenham, Marseille /They also mostly buy; they also buy to develop and to sell to Super Clubs/
- **C - Great Small Market Clubs/Top Small Cap:** Benfica, Ajax, Dinamo Zagreb, Anderlecht, Basel FC, Slavia Prague, RB Salzburg /They dominate domestic market where they buy; they are the great developers; they have one to three supply channels to either African or South American talent or both, they supply A, B and D/
- **D - Bigger Big Market Clubs/Bigger Mid Cap:** Schalke 04, Valencia, Sevilla, AS Roma, Lazio, Leicester City, Lille, AS Monaco, Fenerbahce, Galatasaray, Zenit /They buy what A and B don't buy; some develop some don't; don't have the platform & resources to join B or C/
- **E - Smaller Big Market Clubs/Smaller Mid Cap:** all the rest of the clubs from Serie A, 1 Bundesliga, Ligue 1, La Liga, Premier league /They mostly buy from 2nd divisions in their country; some are developers, most are survivors; they feed D and less B/
- **F - The Rest/Small Cap:** potential gems from small and smaller markets who can be developed into C / potentially high percentage profit earners/*

The Players' Market

- **Players' contracts not players are being traded/they can say no**
- **Talent is the most sought after and elusive thing in football; because it is rare, owners are prepared to pay tens and hundreds of millions to obtain it; the value of exclusive talent will keep going up (Kylian Mbappe, Erling Haaland)**
- **The value of the contract of the player swings with his performance but also with many more variables**
- **Players' contracts can be traded twice a year: winter and summer transfer window**

Value Creation Process- Small Cap

- **Clear philosophy and strategy of the owners/management for the operations on all levels of club's functioning (please see The Most Important Thing)**
- **Scouting domestically: try to get as close to the monopoly on the nation's talent as possible for this gives influence over national teams on all levels/**
- **Scouting internationally: focus on the unexplored markets; case Paris; similarity with looking for undervalued small cap stocks & micro stocks/**
- **Alliances with the clubs within Europe and outside Europe /case RB Salzburg; Erling Haaland/; many benefits (loans, friendlies, leveraging the partnerships)**
- **Transfer policy /agents have the biggest influence on most player's decisions/**
- **Business partners /sponsors, suppliers, merchandising/**
- **Fans relationship**
- **Ecosystem /1. own; 2. connected to bigger ones/**

Value Creation Process- Mid to Big Cap

- **Clear philosophy and strategy of the owners/management for the operations on all levels of club's functioning (please see The Most Important Thing)**
- **Talent acquisition: Scouting domestically /try to get as close to the monopoly on the regional talent as possible for this gives influence over national teams on all levels/**
- **Talent acquisition: Scouting internationally /focus on the explored and under-explored markets; similarity with looking for value small to mid cap stocks/**
- **Alliances with bigger clubs within Europe and strong clubs outside Europe**
- **Transfer policy /agents have the biggest influence on most player's decisions/**
- **Business partners /sponsors, suppliers, merchandising/**
- **Fans relationship**
- **Ecosystem /1. own; 2. connected to bigger ones/**

Value Creation Process - Big Cap

- **Clear philosophy and strategy of the owners/management for the operations on all levels of club's functioning (please see The Most Important Thing)**
- **Talent acquisition: Scouting domestically /try to get as close to the monopoly on the nation's top talent as possible for this gives influence over national teams on all levels/**
- **Talent acquisition: Scouting internationally /focus on the well established; similarity with looking for value big cap stocks with a predictable potential/**
- **Alliances with strong clubs outside Europe**
- **Transfer policy /agents have the biggest influence on most player's decisions/**
- **Business partners /sponsors, suppliers, merchandising/**
- **Fans relationship**
- **Ecosystem /1. own/**

Value Creation Process - Super Clubs

- **It is becoming increasingly costly to enter this exclusive club (case AC Milan: Elliott Management)**
- **Build on the Heritage: Clear philosophy and strategy of the owners/management for the operations on all levels of club's functioning (please see The Most Important Thing)**
- **Talent acquisition/Scouting domestically: buy any outstanding talent to strengthen your talent base to block domestic competition to come closer and prevent other Super Clubs to strengthen them; resemblances Tesla, lithium supply/**
- **Talent acquisition/Scouting globally: acquire the most exclusive talent to strengthen your talent base and block global competition to come closer; resemblances Facebook: Instagram, WhatsApp/**
- **Transfer policy /agents have the biggest influence on most player's decisions/**
- **Business partners /sponsors, suppliers, merchandising/**
- **Fans relationship /scale up your global reach as fast as possible as lines are being drawn and will be difficult to erase in the foreseeable future/**
- **Ecosystem /1. own/**

JAKA LUCU: The Most Important Thing/Investing in Football Club in Europe

NOTE: This document is written based on the structure of Howard Mark's brilliant book The Most Important Thing. I couldn't think of better way to do it. It is a summary of thoughts from real life and real experience on how a profitable football club in Europe shall be managed. I

The Most Important Thing is the Scarcity of Talent

Money wants to buy what it can't buy; in football this means natural talent for talent is a scarcity attached to one person of exceptional skills or to one coach of winning idea and energy or club of outstanding heritage and playing philosophy. When this things come together, value is created.

The Most Important Thing Is the Club as the Infrastructure

Football club is an infrastructure filled with human capital, which, if assembled and managed properly, can be value creating, value adding and far reaching for it offers uncertainty in relatively certain market conditions. Its brand can leverage the reach of all other entities/brands connected to it for to the club a community of fans/customers is attached, in many cases for life.

The Most Important Thing Is Club's Management

Club's management sets the vision, defines the philosophy and executes the policy that needs to be felt on all levels of The Most Important Thing. When the management is of high quality and complimentary with the know-how on different levels of the club and when it sticks to the agenda that works, club football with a strong brand shall perform breakeven or better 3 out of 4 seasons.

The Most Important Thing Is the Current Team (F11)/The Product

Current team is the end product of the whole club in real time and in most circumstances the sum of all people working for the club, philosophy of the club and the energy within and around the club. When those are chosen and managed carefully, and with the creation of the value for all stakeholders in mind, more value is being created and with more value created the club starts moving in higher echelons of European and World football. This consequently means more success related income and therefore more income from commercial activities, which means more funds but also more prestige when the FC is scouting and signing outstanding talent. The quality of the F11 is of great importance in relation to giving an outstanding young talent playing environment where he can feel secure, driven, protected and pushed to improve at the same time. Mature and high quality players shall/will assure the continuation of the success and at the same time offering an outstanding young talent playing environment to strive. That is how the prestige of the club is being created and multiplies on the value of the player's contract are created.

The Most Important Thing Is Head Coach/He is the ultimate CSO & CEO In One Person

Football coach is much more than just a football coach; he is a manager, a politician, a psychologist and (most) players' best friend and the person who's tactical and personnel decisions the whole club relies upon.

The Most Important Thing Is Coaching Team

Coaching team is/are executing head coach's directions on isolated levels (goalkeepers' coach, defence coach, strikers' coach, physical coach, individual technique coach), making sure that head coach's vision is being applied on those levels and later aligned again on the highest layer/level. They are the senior managers of the footballing operation of the club.

The Most Important Thing Is the Stadium

Stadium is a sacred place for any team and its fans. It is also the place where all shareholders and stakeholders get together and join the financial and emotional investment behind the team on the pitch. It is the constructional infrastructure of the club, where club's commercial partners can apply their strategies aligned with the philosophy of the club.

The Most Important Thing Is the Academy

Academy is a breeding and vital part of any club. In any market, but especially in a small market, there are two selections that are of utmost importance: U15 and U17. There are two main reasons for that: one can see a real talent emerging in the age group between 13 years to 15 years (U15) and the maximisation of the value of the potential of player on the small(er) markets is in the age group between 15 years and 17 years (U17). If an outstanding player aged 17 is technically, physically and mentally capable of playing for the F11 of any club then his market value multiplies again. That is how AS Monaco operates for example

The Most Important Thing Is Academy Coaching Staff

Academy coaching staffs are the people who work with young players at their most tender and vulnerable years of their personal and sporting development. They are the 2nd family of the player. They therefore need to possess great technical and human capital management skills for they need to connect skills and character of the players to their playing positions. They also need to recognise the outstanding talent and harness their individual peculiarities, which are most likely attached to them and make them stand out.

The Most Important Thing Is Recruitment System Domestically/Screening the Domestic Market for Value

Having a realistic - depending whether club's market are less rich other clubs from any country, no matter the price or the club is on the lower end of the feeding chain and it needs to look for value at smaller markets, unexplored markets or under explored big markets - and very strong scouting and screening system at place is a vital thing for any club. Scouting shall focus on the age group between 13 and 15 years for this is the period when players real talent is being recognised and there is still enough room for the coaching staff in the Academy to further develop the potential of the chosen player(s). The biggest clubs from smaller leagues shall aim to have 30% of the players in all selections of U15 – U21 national teams to have a 'majority' in the domestic talent market.

The Most Important Thing Is Recruitment System Internationally/Screening the Global Market for Value

Very few clubs can from outside Top 5 can compete with the biggest/bigger clubs from the biggest/bigger markets for the recognised and already developed young talent, especially from the countries of great footballing heritage. It shall therefore do one of the following two things or both: chose partner developing clubs in Africa to get the supply of the best talent and do the rest of the work at home or set-up an academy which will work with the same philosophy and working guidance as the one at home. Smaller clubs shall also look for hidden value in DNA strong parts of Europe; Paris for example has one Super Club (PSG)

The Most Important Thing Is the Analytical Staff

There shall be two strong analytical/software minds within the club's structure:

- one to analyse the every next opponent of the FC;
- one to analyse own players of the FC as well as the players spotted by the scouting team and recommended for the FC

The Most Important Thing Is Transfer Policy/Innovation

Transfer policy is most probably the most important activity for the constant innovation of the club. It might seem easy but it is not easy at all for it requires 2nd level thinking and enabling constant inflow of the outstanding player talent consequently creating added value of selling of the contracts of those same players to the higher level and ideally with a multiple return on the initial investment.

The Most Important Thing Is PR/Media Strategy

PR/Media strategy shall aim to present the main persons within the club in the best possible light, but also as honest and as transparent as possible. This way the trust of all audiences will be won and sound foundations for further growth set.

The Most Important Thing Is Social Media Interlinking

Social media manager needs to be a connoisseur of football, person with great understanding of media landscape and the purpose of every platform to be used for creating platform of fans/friends/supporters. Social media manager needs to have a great understanding of the community creation, image creation, opinion shaping, fun making and interlinking of the platforms of the players and other stakeholders attached to Olimpija FC.

The Most Important Thing Is Back Office Staff

Back office staff is in charge of smooth running of the operations that will also be reflected on the match day, on the pitch: making sure all salaries are transferred on time, making sure all players' accommodation is being taken care of, making sure all player's families have entries in kindergartens and schools, making sure all players' spouses are accepted within the club circle and presented the possibilities to become members of international associations, having advice on tax matters at hand, booking flight tickets, booking hotels, organising logistics for the travels and pre-season camps, that VIP members and guests are regularly informed about schedule and any other news that might have affected their own schedules or image. Most importantly, they are in charge of Match Day organisation i.e. making sure security is taking care of safety, VIP logistics are in place, merchandising ready, medical help available on site. Once all mentioned is functioning smoothly the coaching team and players are calm and can focus only on the pitch. Where, of course, everything is won or lost on any give Match Day.

The Most Important Thing Is Club's Finance

Strict policies! Know when to risk and why you risk (upside)!

The Most Important Thing Is Sponsors/Partners

There are two types of potential sponsors:

- those corporations/companies that will see real business opportunity in the relationship with the FC and will prepare thought – through campaign accompanied with activation activities;
- political sponsors who will become partner of the FC at the will of the Mayor of City for he controls city's budget

The Most Important Thing Is Marketing/Keeping the Market Share

The most important thing within marketing is starting to locking-in the fan base for a longer period of time. Social-media base strategy to achieve this need to be developed.

The Most Important Thing Is Merchandising

Merchandising is the combination of shared emotions, fate, philosophy and personal affiliation created by the club and forwarded to fans for a very handsome return. Trend of merchandising income will show how well the team is performing, how well the club's brand is perceived and how well club is communicating with its fan base. The items within 'merchandising' are literally limitless with replica kit being the most important one and normally the best selling one.

The Most Important Thing Is Ticketing

Ticketing shall reflect the importance of the Match Day and shall be adjusted accordingly. The team in charge of ticketing shall therefore have a great understanding of the importance of the level of the competitions – UEFA – Domestic League – Domestic Cup – Friendly Games/Pre-Season Tournaments – as well as of the dynamics of the society of city/lifestyle. UEFA competitions, especially in the case of UEFA CL Group Stage, you can charge people of most cities 'anything' as demand usually outstrips availability, the rest depends on the supply – demand.

The Most Important Thing Is VIP Facilities

VIP facilities have never so far been put in proper use at Olimpija FC but they seem to have great-untapped potential. VIP shall bring together the business community of the city, show-business people, models, other sportsmen and visiting clubs and/or their representatives. Different levels of offer packages and prices need to be determined in regard to the importance of the competition and the commitment of the VIP customer. VIP of any FC has the potential to become once a week pop-up hub for movers and shakers of the city. In the biggest markets it is an established hub for movers and shakers of the city or persons related to the president and his business interests. (Ali Koc/Fenerbahce FC).

The Most Important Thing Is the Fan Base

FC's domestic and global customers. A base for the commercial success; tightly related to the success, PR strategies and SM operations.

The Most Important Thing Is the City

How strong do people of the city support the club? What are they expecting?

The Most Important Thing Is the Country

The rule of the law; transparent business operations.

The Most Important Thing Is Perpetual Innovation

The level of talent, the commitment to quality, ingenuity, clear leadership structure, the air of enthusiastic collaboration, understanding, recognising, managing the risk shall describe a successful FC;

Any investment in the FC anywhere in the world and in Europe as the most developed market especially must be understood as a private equity type of investment, where smart and interlinked management of the club and particularly its talent on the pitch creates and adds value. This value – expressed with winning on the pitch and leveraging the income potential off the pitch - will create more and more opportunities for the FC to participate in the group stages of the UEFA competitions, where all the big things happen. This is when any FC is perceived as an enterprise and attractive business opportunity.

Yet at the same time shall the FC from smaller markets be understood as a talent start-up accelerator for each of the talented players that will turn out to be in the possession of an outstanding capability will not just generate extraordinary high return with the sale of his contract but also elevate the potential of other sources of income/profit,

The Most Important Thing Is Horizon

Always put time horizon ahead of information horizon as value of well managed clubs dominating their market, no matter how small, will only grow over time, adding value to the investor(s).

The Most Important Thing Is Building an Ecosystem

Companies always seek to commoditise their complements. For a football club that would be satellite clubs (see Manchester City's ecosystem spread across markets and continents).

<https://www.theguardian.com/football/2019/sep/25/uefa-europa-conference-league-big-fish-happy>

<https://www.uefa.com/uefaeuropaleague/news/newsid=2629443.html>

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