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Are footballers worth it?

THE VALUE OF TRANSFERS IN THE SPANISH FOOTBALL LEAGUE

The price of football transfers in the Spanish League has recently raised some eyebrows as Real Madrid paid a world record €94 million for former Manchester United player Cristiano Ronaldo. Frontier Economics has used statistical techniques to study what determines a footballer's transfer fee and to ask whether these and other recent transfers are worth the money being paid.

The Spanish Professional Football League (LFP) is, together with the English Premiership and Italy's Serie A, one of the world's top football leagues. Its richest clubs, such as Real Madrid and Barcelona, do not shy away from paying hefty transfer fees for top footballers. Real Madrid has recently broken its own world transfer market record by paying €94 million for Cristiano Ronaldo, just a week after paying €65 million for Brazilian star Kaká from AC Milan.

These transfers, and the ones that are expected this summer (despite global recession and falling advertising revenues), have raised a great deal of controversy. Rival clubs have bitterly complained about Spanish tax concessions for footballers and for asymmetric TV rights revenues in the LFP; while the



European Football governing body, UEFA, has regarded the transfer fees as unfair competition. Politicians and religious leaders have criticised the amounts being paid while the country is experiencing high unemployment.

But there is another question worth asking: are those paying for the transfers getting their money's worth? One way to tackle this question is to analyse whether the fees are consistently linked to performance, or other valuable attributes of players.

Frontier has used a statistical technique known as multiple regression analysis to analyse the relationship between players' characteristics and their value on the Spanish transfer market in recent seasons. The analysis is adjusted for other factors that may have affected transfer values, such as the season when transfer took place and the quality of the football clubs involved. The analysis allowed us to predict the current value of players based on their position, age, experience, disciplinary record and recent form.

Our analysis focused on 244 transfers to the Spanish League over the last four seasons (2005-06 to 2008-09). Frontier collected information about each of these transfers from a Spanish sports newspaper. Information about the quality, age and experience of each of the footballers involved was collected from a range of sources, including the *Liga de Fútbol Profesional* of Spain.

WHERE QUALITY MATTERS

Goals scored and conceded, minutes played, calls into the national squad, nominations to the Ballon d'Or, and titles obtained provide objective data on a player's performance, on which we could draw to create "quality" indicators that would command general agreement. Econometric analysis allowed us to quantify the impact these variables have on the value of a player.

- For example, our analysis shows that getting more time on the pitch for club football is more important than being called to the national squad. Playing 90 minutes more club football each season increases a player's value by 3.2%, while being called for the first time to the national team only adds 1.3%.
- Goals are valuable, but only if you are an attacker. Each goal scored in a season by a forward player increases his transfer value by 3.4%, while defenders see no increase in their valuation. But conceding a goal knocks 0.5% off the value of a defender and 4.4% off the value of a goalkeeper.
- Winners also get their reward. Obtaining a football title is taken as a good signal of the player's – and the team's – quality, and every title won increases a player value by 5.2%.

IN A LEAGUE OF THEIR OWN

Not all the teams in the league are equal. Top clubs play European football, earning extra revenues, and the proposed European Super League may further increase that difference. We might expect European clubs to behave or to be treated in a different way in the transfer market, and top clubs do indeed seem to pay more for footballers than smaller ones.

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Using the ranking of clubs in the *International Federation of Football History & Statistics* we can classify the performance of the clubs in our analysis as excellent, good, medium or poor. This classification leads to the clear conclusion that “excellent” clubs, such as Real Madrid or Barcelona in the LFP, pay for, and earn more from, their transfers than the average club does.

Excellent clubs seem to pay nearly three times as much (191.7% more) for an identical player as a poor-performance club. Likewise, top clubs will demand a higher transfer payment for their footballers. For the same player, they would demand 75.4% more than a poor-performance club would.

THE SPORTS ILLUSTRATED CURSE AND THE VALUE OF FAIR PLAY

Our analysis suggests that clubs systematically overvalue players who have had an exceptional season. This phenomenon, known as the *Sports Illustrated* curse, has been the subject of much discussion in the US. It has been observed that top sportsmen who make the *Sports Illustrated* front page experience a dip in their form. Similarly, players who have been bought after an exceptional season are unlikely to have as good a season the following year, and so if bought on the basis of that star season are likely to be overvalued. Our analysis suggests that the real value of a football player is observed not in his best season, but in his average one.

The analysis also yields a result that may cheer the football governing body, FIFA, which has been actively promoting the adoption of fair play values through its campaign, “My Game is Fair Play”. Professional clubs do, apparently, recognise the value of fair play: the value of well-behaved players is higher than that of more aggressive fellow players. A yellow card seems to decrease the transfer value by 0.5% while a red card seems to impose an implicit penalty of 2.2% on the value of a player.

THE VALUE OF AN LFP FOOTBALLER

Once the characteristics that determine the value of a transfer in the Spanish football league have been identified and quantified, we can use our model to estimate the value of some of the most outstanding players transferring to one of Spain’s top clubs.

The valuations, shown in the table overleaf, suggest that the prices paid for some recent transfers arranged by Real Madrid’s returning president, Florentino Perez, have been at the high end. Our model predicts a value of €90 million for Cristiano Ronaldo, only €4 million below what Real Madrid paid Manchester United. But AC Milan’s sale of Kaká was made at a price well above what we would predict: €65 million, when our analysis suggests just €44million. This is probably due to non-football-related factors, but the market value of other footballers in the table appears to adjust to press gossip (e.g. Forlán, Villa).

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Table 1. Projected value of players transferring to an “excellent” Spanish club

Spanish league players	Predicted valuation	English league players	Predicted valuation
Lionel Messi	€124m	Steven Gerrard	€51m
Cristiano Ronaldo	€90m (€94m*)	Carlos Tevez	€48m
Kun Agüero	€44m	Wayne Rooney	€46m
Kaká	€44m (€65m*)	Fernando Torres	€40m
David Villa	€43m	Frank Lampard	€40m
Raúl	€41m	Robinho	€35m
Diego Forlán	€35m	John Terry	€26m
Thierry Henry	€23m	David Beckham	€8m

Source: Frontier analysis

* Actual transfer fee paid by Real Madrid

Recent transfers have also made people wonder how much it would cost Real Madrid to complete the FIFA World Player 2007 picture. Our analysis suggests that lining up Lionel Messi, together with the duo Kaká and Cristiano Ronaldo, might cost Real Madrid a further €124 million. This value is explained by the fact that Messi is young and successful, and would be transferring from one excellent club to another. Had Ronaldo achieved his success at Messi’s age of 21, his transfer value would rise to €115 million.

Track record is also important, and helps explain the figure for Raúl, a player with excellent records and trophies – in fact, the player with the highest number of trophies in the sample. He commands a similar value to David Villa, his substitute in the national team.

To judge by transfer payments this year and the figures mentioned in negotiations the current credit crisis does not appear to have affected Spanish football as it has other leagues such as Serie A and Premier League. The sums paid by Spanish clubs for this year’s transfers seem to have remained in the line with past practice. Part of the explanation is attributed to the growth strategy pursued by Real Madrid. Whatever the reasons for the transfer fees patterns in Spanish football, our results reassure us that economists’ valuation techniques, if properly applied, can be suited to the analysis of something as complex and as specific as the value of a footballer.

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