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THE INTERNATIONALIZATION OF PORTUGUESE FOOTBALL: CONSTRUCTING A STRATEGIC APPROACH THROUGH INTERNATIONAL EXAMPLES

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Abstract

Portuguese football is known for its quality and ability to sell some of the world's best players. Nevertheless, it seems far behind the 5 major European leagues in what concerns getting their brand recognized abroad and capitalizing on it. This work looks at how Portuguese football, as a late mover, can internationalize, using other countries' examples and data as a basis. For being able to successfully manage the expected boom caused by the centralization of broadcasting rights, both teams and the league must put measures into place that combine national opportunities and strengths.

Keywords (Strategy and International Business, International Business, Sports Management, Internationalization Strategy, Football)

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1. Introduction

Sports have an undeniable importance in the lives of individuals and communities. Be it as a leisure activity, a profession, or an entertainment source, it is a constant and increasing presence in societies. Consequently, after the 1970s, an industry for sports was started. Since then, the global industry of sports has been growing at a high pace. It is expected to more than double between 2020 and 2030 (Yahoo Finance 2021). As the most popular sport, football has been a clear example of the professionalization and commercialization of sports. Nevertheless, some countries with tradition in football, like Portugal, still fall far behind in what concerns business aspects. One clear delay is seen in internationalization: despite many strengths in comparison to other regions, the impact of international activities on Portuguese football is still marginal. Even if some institutional importance is given to the subject, few clear steps towards internationalization have been taken by Portuguese clubs and institutions.

The goal of this work project is to find certain strategies that Portuguese football institutions, in this case the league and individual clubs, can follow to get their work recognized overseas. For this purpose, the advantage of being a latecomer to Internationalization will be used, in the sense that these possible actions will be built on examples and data from countries that have already started this process successfully.

The work results from a partnership with Sports Alliance, a company in the sports industry specialized in using data to personalize the experience in sports. (Sports Alliance 2021) With most clients being football clubs, the firm has a deep understanding of how the sector works and how to make it more efficient using CRM tools. Present in 9 countries and working with 137 clubs and organizations, the firm has built a vast experience and reputation in the industry. This collaboration was key to gathering insights on the topic. It facilitated getting contact with several clubs and institutions at different levels of their internationalization process, namely with representatives of: Clube de Regatas do Flamengo, Federação Paulista de Futebol, Feyenoord Rotterdam, Leicester City Football Club, Rio Ave Futebol Clube, and Wolverhampton Wanderers Football Club.

The project will start by providing some context on internationalization, giving definitions, and then explaining some key aspects. Next, a look into how internationalization in sports is portrayed by literature will be taken. In a second section, a characterization of the Portuguese sports sector and, in particular, on football, will be made. The final section will start with an analysis of Portuguese football, with the perspective of internationalization. Following, based on performed interviews and collected information, a decomposition of key factors for internationalization will be made and conclusions will be drawn.

2. Internationalization

Globalization and internationalization are often used interchangeably, but despite being closely linked, they have different meanings (Wit and Knight 1999). It is very difficult to find a general definition of globalization, hence Al-Rhodan & Stoudmann defined it in 2006 as "a process that encompasses the causes and consequences of transnational and transcultural integration of human and non-human activities". A more widespread definition is of globalization as "the growing interdependence of the world's economies, cultures, and populations, brought about by cross-border trade in goods and services, technology, and flows of investment, people, and information." (Kolb 2018). Globalization includes and results in growing interconnection and linkages between nations. Consequently, it also encompasses the processes of internationalization of firms. While internationalization is used at a country, industry, or firm-level globalization is only used to describe things at a macroeconomic level, i.e., for country or industry-level issues (Dana et al. 2004).

Though being a broadly used term for more than 40 years, the definition of "**internationalization**" is also subject to a lot of debate. Given the purpose of this work, the focus will be on strategic-management-based approaches. According to Peng (2009) internationalization refers to “the process of replacing a market relationship with a single multinational organization spanning both countries”. For Welch and Luostarinen (1988) it is a process of increasing business activities across borders. The latter definition will be the one this report will be based on. The internationalization process is a consequence of adjusting to changes in the firm and its environment (Aharoni 1996).

Motives

Dunning (1993) defined the motives for firms to internationalize. **Natural resource-seeking firms** decide to go abroad because they want to be closer to a certain resource that is either scarce in their domestic market or simply better abroad (can be physical, labor, among others). Firms that seek to expand their markets by selling their goods in another place are said to be **market-seeking**. If companies decide to internationalize to increase their efficiency, e.g., by achieving economies of scale, they are **efficiency-seeking**.

Peng tried to simplify the reason for firms to go abroad and created a model that indicates a firm’s propensity to internationalize based on the size of the firm and the size of the domestic market.

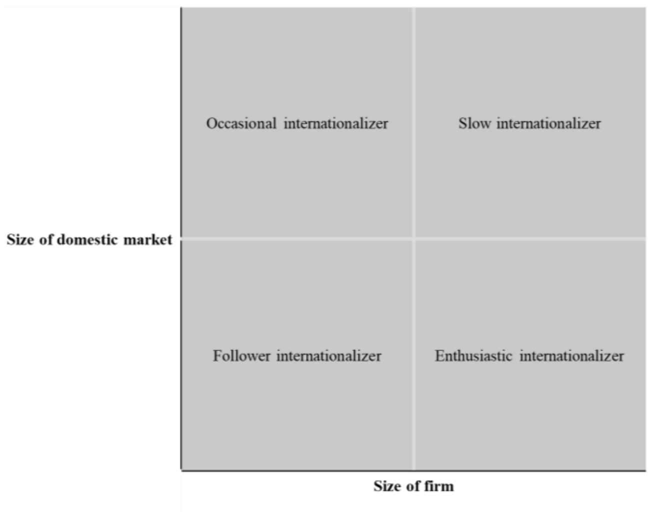

Figure 1: Propensity to internationalize

The matrix identifies 4 types of firms: i) the enthusiastic internationalizer (a large company that drains the domestic market fast), ii) the follower internationalizer (that often follows the large enthusiastic as suppliers), iii) the slow internationalizer (since the domestic market is large these firms do not feel the need to go abroad), and iv) the occasional internationalizer (being a small firm in a large market, they usually do not have the incentives to go abroad).

Given the different reasons for firms to enter foreign markets, 3 main decisions were identified across the literature: market choice, timing decision, and mode of entry.

Market choice

Choosing a location depends greatly on the goals a company has when expanding to other nations, i.e., what has driven the decision to internationalize. The firm's strategic goals should be aligned with the location's advantages and disadvantages to maintain and expand competitive advantages (Szyperski and Udo Winand 1980).

Two factors are primarily evaluated when deciding which location to enter: the opportunities and the risks inherent to entering that market. **Market attractiveness** depends on the economic potential of the market (Christofor 2008). Potential can be divided into 3 dimensions: i) costs, e.g., economies of scale ii) internal factors, e.g., increase in knowledge inside the firm, and iii) market factors, i.e., extent to which it is possible to transfer the domestic competitive advantage to the new market. (Backhaus et al. 2005).

On the disadvantages side, Miller (1992) and Brouthers (1995) also divide potential **risks** into 3 other categories: (i) firm-specific risks, mainly related to costs of increasing inbound competition, (ii) industry risks, primarily natural or strategic entry barriers, and (iii) general environmental risks, e.g., related to exchange rates, inflation, and corruption.

Timing

When to enter a market is a decision that needs to take several internal and external factors into account. Having decided to enter a market, a firm must evaluate whether the advantages of being first to market, i.e., first mover advantage, and of being late to market, i.e., late mover advantage, apply to its business. (Peng 2009) **First movers** can i) gain access to proprietary technology, ii) make anticipator investments; iii) generate strategic entry barriers, and iv) create strategic entry barriers. On the other hand, **late movers** can i) free ride, ii) face less uncertainty, and iii) have more time to better prepare for adaptation to differences in the new market.

Mode of entry

There are several ways companies can enter a market, which can be structured into 2 categories, dependent on the type of agreement the company makes: equity and non-equity modes (Peng 2009). **Equity modes** consist of joint ventures, that is when a new entity is created by 2 or more parent companies, or owned subsidiaries, which can consist in acquisitions or in starting from scratch (greenfield operations). This entry mode usually implicates larger investments and a large-scale entry. **Non-equity modes** of entry exist in the form of exports and contractual agreements. These are traditionally used for smaller-scale entries. Exports are said to be direct when the firm has control over all parts of the process. On the other hand, if the firm uses local distributors, exports are indirect and require less involvement in the process. (Collinson et al. 2019) or indirect. Contractual agreements can be of 4 different kinds. Firstly, companies can enter using licensing/ franchising agreements in which they sell the rights for using parts of their intellectual properties for a royalty fee. Secondly, Turnkey projects occur when firms hire another company to create and mold their new facilities and personnel. Thirdly, the firm can sign R&D contracts outsourcing this part of the business's value chain. Finally, co-marketing agreements consist of joint efforts of 2 or more firms to market their products cooperatively.

Internationalizing Sports

In sports, internationalization refers to the will of sports institutions to benefit from having their brands recognized abroad, which results in actions to achieve that goal (Richelieu 2008). Richelieu identified it as one of the five major trends in the sports industry. It results in the need for teams to look for new markets given the maturity stage in their home countries. This can be done through: (i) increasing the number of consumers by targeting new groups or (ii) increasing the utilization rate of current consumers (Bolle and Desbordes 2006).

Internationalization in the case of football institutions often is related to the view of sports teams as brands (Richelieu 2008). Richelieu based its assessment on sports teams on traditional theories of international business and restricted the different strategies to 4 that are relevant for sports teams as brands. For this purpose, the theories of Kapferer (1998) and Van Gelder (2002) were combined, resulting in the 4 pertinent strategies: (i) in a **Brand Reputation** strategy a brand is built internationally on the success of the national market. The firm relies on its reputation as an authentic and trustworthy brand to reduce financial risk and the risk of not being accepted. Teams can, for instance, highlight their history and prestige to gradually build a stronger reputation; (ii) similar to the brand reputation strategy, in the **Brand Affinity** strategy, the brand is built on local success, but, in this case, the accent is laid on the exceptional experience can provide consumers with; (iii) a **Brand Challenger** is a brand that increases its spontaneous recognition overseas, being later able to become part of the evoked set. As in the previous two strategies, positive outcomes in the local market are the basis for the strategy; and (iv) lastly, a **Brand Conquistador** strategy is observed when a firm buys another one abroad with the intent to, again, increase its notoriety. In the sports field, this can be accomplished via linkages with other clubs or even acquisitions.

Looking at the international sphere, it is also clear that different agents of the sports industry are in different stages of internationalization. Couvelaere and Richelieu (2005), defined different stages of internationalization which are summarized in Figure 2.

The **first stage** is to go from a local to a regional brand. In this stage, a team's focus should be laid on building up the brand image and on increasing its regional presence. Means for this transition are, e.g., CRM and regional distribution partnerships that strengthen their regional position. The goal of the **second stage**, from regional to national, is to strengthen the national positioning of the brand, improving brand recognition and presence. Teams aim to become one of the most important brands in the country. For this purpose, national collaborations in areas like equipment or media are important means. The **final stage**, from national to international, is to internationalize the team's brand, increasing its global existence. To achieve the status of international brand, several strategies like international pre-season tours, having international players, or translating communication to different languages can be followed.

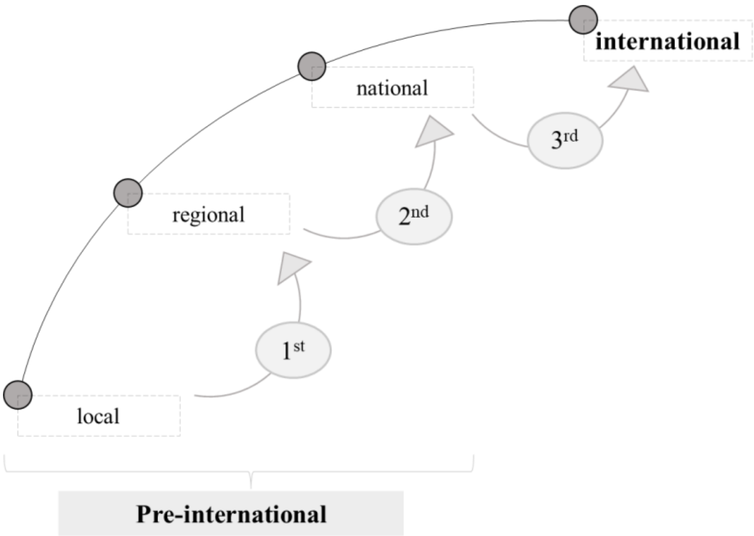

Figure 2: Stages of Internationalization (based on (Couvelaere and Richelieu 2005))

Local, regional, and national brands are said to be pre-international (Richelieu 2008). In these stages, teams aspire to become international, and this desire is increasing as the team moves upward. When they achieve their goal of becoming international, the focus shifts toward maintaining the status by sustaining relationships and image and expanding to other markets.

Professional sports face several challenges when going abroad (Kozma and András 2014). One key aspect is "glocalism" referring to the need for clubs to meet the needs of international fans without disregarding the national fans. Examples of this are the resistance of traditional fans to players with double nationality in national teams, to the low number of national players playing in the league, or to changing the name of the stadium (Thibault 2009).

3. Sports Industry in Portugal

Despite the increasing focus on sports as a means to achieve certain multi-dimensional goals (such as healthy lifestyles and sustainability) and as an industry, Portugal does not seem to be following the trend. According to a study by PWC Portugal (2021), Portuguese Sports have not been given a strategic spotlight by authorities, not having an autonomous category in any of the current national strategic agendas. Furthermore, the governmental responsibility for sports, although mainly under the supervision of the Ministry for Education, is spread across different Ministries. Given its coordination needs, the sector requires special attention and organization. The Portuguese sports' financing structure differs from the structure of its European peers. In Portugal, most of the money comes from local authorities and less from the private sector and government. (PwC Portugal 2021). This accentuates disparities between regions and hampers industry growth. Nevertheless, IPDJ (2019) talks about a general increase in local spending in sports, as the spending of 320 million EUR in 2019 is about 10,5% higher than the previous year. Furthermore, this structure and lack of financing create difficulties in professionalizing sports. Despite the lack of financing and a non-conventional way of structuring it, PWC estimates that in 2019 the sports sector (in a broad sense) generated a GVA of 4210M EUR (2,3% of total) and was responsible for 133k jobs (2,8% of total employment) (PwC Portugal 2021).

Football

The importance of football in Portugal and within the sector is undeniable. Looking at the number of existing clubs in 2019, it represents 17% (2219 clubs) of the total, more than double the amount of the 2nd biggest sport. Notwithstanding the overall negative impact of the pandemic on sporting activities, with a decrease of 14,4% of total players, football managed to continue growing by 6% of enrollments (PwC Portugal 2021). EY's Annuary for Portuguese Professional Football for the season of 2019/2020 provides aggregate information about the subject. Professional football alone represented 0,26% of the Portuguese GNI, having been strongly impacted by the pandemic. No clear trend was identifiable over the years before either. Currently being in the 6th position of the UEFA ranking, right after the 5 main European Leagues (PL, La Liga, Bundesliga, Ligue 1, and Serie 1) Portugal does not rank as high in other indicators. The Demographic Atlas of the CIES Football observatory (2021) shows that (i) the Portuguese league has a high rotativity, particularly in smaller teams, with a total average of time spent in the first team of 17,7 months. The 3 biggest leagues have averages over 30 months and rank the highest in this indicator; (ii) the teams in Liga Portugal have the 3rd lowest percentage of minutes played in the first team by athletes that did the training in the club. In the current season, some middle-sized clubs have not used any players coming from their junior teams. On the higher end are 2 of the major academies of Portugal: FC Porto with 31% and Sporting CP with 26,4%.; and that (iii) the league ranks 7th in the percentage of expatriate players (about 60 % of total players), in line with Serie A, Bundesliga and the Premier League, but about 20% higher than La Liga and Ligue 1.

The analysis of revenue of first league's teams shows a clear reality of Portugal as a selling country: transactions of players correspond to 39% of total revenue. In 2018, Liga Portugal was the league in which transfer-related earnings had the largest impact on total revenue (UEFA Intelligence Centre 2018). The second-highest revenue stream is broadcasting rights (22%). This source is the more important, the smaller the club, averaging about 43%, for positions 7 through 18, and 18% for the top 3. Additionally, commercial activity showed an increasing trend, now representing 10% of total revenue.

4. Strategic Approach

The quality of Portuguese players and coaches is acknowledged by football enthusiasts around the globe, much driven by Cristiano Ronaldo's and Mourinho's success. The Portuguese league is a selling league. It is known for being a major showcase of players and a league all the big clubs always keep under attention. A clear example of this is Flamengo's strategy of partnering with a medium-sized Portuguese club to have its surplus of players on display (Flamengo 2021). Knowing this reputation, Portugal receives players from all over the world looking for an opportunity to later leap forward to major European clubs. Portuguese football's quality is recognized by agents in the professional football field. However, this does not seem to expand to consumers – Liga Portugal and its teams (of course on different levels) are not as well known by football fans around the world as all this quality may indicate.

Nuno Santos, Marketing director of Rio Ave and member of the board in charge of planning the distribution of TV rights, identified two possible reasons for the lack of internationalization: (i) teams have presidential elections, which are voted by supporters, and are therefore very focused on shorter term, sporting results and therefore do not pay as much attention to the team as a business, and (ii) the lack of regular international streaming of the games, which makes clubs less willing to invest abroad. Another point that can hinder internationalization is the more traditionalist approach to sports: a passion, not a business.

SWOT

To better understand how Portuguese football can take steps towards expanding overseas, it is first important to examine its key internal and external advantages and disadvantages. After that, a dive into what the league and teams are doing now, and recommendations on how they can proceed, will be made, mostly with insights from the interviews performed.

Strengths

As a selling league, Portugal relies much on its football academies to generate players of excellence. It is therefore a strength to see that interest in football is still increasing among the youth, with the continuous growth of the number of players in official competitions, even during the pandemic. (Ernst & Young, S.A. 2021a)

Furthermore, the fact that the league officially declares Internationalization as one of its pillars is a sign of how football entities see the importance of going abroad as an urgent matter for growing the sport. The importance of overseas markets is greater as the national market is relatively small, mature, and saturated. Also, different markets have different requirements, and clubs and league can tap the ones that allow for higher margins.

Portuguese football is known for having excellent players and coaches in the major European leagues. A sign of this quality is the number of Portuguese players competing in this year's Champion League: 57 players and the fourth most represented country. Moreover, being 6th in the UEFA ranking shows the quality of Portuguese teams in comparison to its European counterparts (since the ranking is composed considering the results of the past seasons in European competitions) (UEFA 2021b). Additionally, some Portuguese teams individually also rank high among different rankings of the football sphere – 4 teams are consistently in the top 100 teams (UEFA 2021a; FootballDatabase.com 2021; Gracenote Sports and Hypercube Business Innovation 2021). Another sign of the value of the Portuguese league is its preponderance in serving other Leagues with talent. As previously said, Portugal is the most profitable seller of players in the world and the top 3 national clubs are the largest sellers (both in revenue and in volume) (Liga Portugal 2021).

Another strength is the visibility players gain by playing in Portugal. A good example thereof is CRFlamengo's partnership with Clube Desportivo de Tondela. The Paulista team's strategy aims to give the players that do not have space to play on their first team a place to play. More than the beginning of a strategy of Brand Conquistador, as stated by vice CFO, Rodrigo Tostes, the club has the goal of showing their players off in a showcase like the Portuguese league (Flamengo 2021)

Finally, the competitiveness of the Portuguese league is a timeless discussion (Madureira 2021) without a clear end in sight. In fact, increased competitivity is usually used as one of the main reasons for the importance of centralized tv rights (Ernst & Young, S.A. 2021b). However, certain data shows that the league's internal competitivity is in line with the other major national competitions (Observatório do Futebol 2021). Looking at the equilibrium of results, Portugal scored higher than the Premier League and the Bundesliga in the 2018/2019 season and had a performance above the 5 major leagues, on average, in the last 4 seasons. Indicators as the equilibrium of goals and points' distribution are not as favorable to Portugal. Despite the overall decrease in competitivity, tendency accompanied by the PL, Portugal's competitivity is in line with the of the big 5.

Weaknesses

Notwithstanding the promising characteristics that can help Portugal in its internationalization, certain characteristics can hinder its expansion plans. Firstly, despite having top-tier clubs, Portugal has fewer clubs in the top 100 than the competition, considering the 10-year average (UEFA 2021c).

Portugal has a small national market that positions the country far behind the Big 5 for internationalization. Related to this problem is the fact that Portugal is a selling market. Clubs depend on a large portion, on the receipts from transactions of players, and are, therefore, often not able to retain talented players in the country for long. This can decrease the quality of football in comparison to other countries and is a consequence of globalized sports (Kozma and András 2014). The increased gains from internationalizing could potentially mitigate this problem, as it would diversify the sources of revenue.

Portugal's main sport is marked by inequality. The differences between the 3 biggest clubs and the rest are glaring in many aspects like budget, fans, international visibility, among other factors. These disparities are often pointed out as reasons for less variability among the top places of the national league.

Moreover, national competitions still have low visibility at an international level, with not many countries broadcasting the games. Even where games are broadcasted, often only of the big 3 (for example in RTP Internacional), increasing the gap between the top and the rest and hindering the growth of the league as a package. External broadcasting rights in Portugal account for only 5% of total revenue with broadcasting (Ernst & Young, S.A. 2021b). Given the small size of the local market, this low percentage shows growth potential.

An additional weakness is the lack of tools to grow the business side of football. (Flamengo 2021). As in Latin America, Portuguese clubs and league are still far behind the capabilities and resources of top clubs and leagues. Data analysis was pointed out as a crucial factor for successful internationalization strategies and the overall growth of the business. Technologies like the single sign-on for multiple websites. allow for a larger and broader gathering of data, key for increasing personalization and optimizing customer value. This is increasingly important as clubs get to different types of new consumers, which may happen when they go abroad.

A final weakness, related to the previous two is the fact that Portuguese football is a latecomer to both the centralization of broadcasting rights and internationalization (compared to the big 5). This can have advantages of being able to replicate their models or learn from their mistakes, but also has problems: being far behind on a structural level (although departments for internationalization and a commission for analyzing the broadcasting questions were recently created) and increasingly saturated international markets.

Opportunities

There are several opportunities Portugal can explore in the international sphere. These will be discussed in further detail in the following section. Firstly, Portugal has a very high number of international players that can bring visibility to the league in their home countries. Secondly, Portugal can explore the quality and amount of Portuguese talent around the world. Another point to consider is the large Portuguese communities abroad, that have a strong feeling of national belonging and passionate attachment to football. Finally, other Portuguese-speaking countries, with an umbilical connection to the country's football, can be explored.

Threats

Competition of other countries is one of the main threats in the expansion process, given the weight many other European leagues are giving to internationalization too. The fact that these competitors are already established outside of their countries, have more financial means, and have seemingly more competitive national competitions, increases this risk.

The Portuguese, much as other Latin countries, have a history of scandals related to football. Several corruption investigations, spread across clubs of all sizes and championships, are still being or have recently been investigated. These cases can have little public influence at a national level, given the increased loyalty of football fans in comparison to other businesses (Reade 2020). However, this is not an advantage when trying to enter new markets that do not have the same emotional attachment.

Another threat is the fact that local competitions are seasonal. Not having access to quality football, consumers may lose interest and connection to the clubs and league. This requires additional efforts to maintain consumers invested during the off-season and mitigate the impact of seasonality.

Liga Portugal is self-financed, i.e., it finances its own operations, unlike some countries where each club contributes. This carries some threats, since as the league gains greater visibility, investors and possible sponsors may decide to focus on the league itself, deviating possible deals away from clubs. Up to a certain point, this can be happening now, as Bwin, the current main sponsor of the league was a partner of Boavista Futebol Clube up to last year (Rio Ave 2021).

Finally, Portuguese football institutions have spent a long time focusing on the local market, not having a lot of experience with working abroad. Therefore, they may be less prepared to deal with and more permeable to foreign risks, e.g., to political risk, market risk, or inflation. Of course, these risks depend greatly on the choice of markets and one can argue that entering new markets is also a way to diversify investments, thereby decreasing overall risk. Nevertheless, it is something to take under consideration.

Framework

Having examined the Pros and Cons, it is now important to look at several factors of the Internationalization of football in Portugal.

Reasons to internationalize & Brand strategy

Even though a lot of Portuguese people enjoy and take an interest in football, Portugal is a small market. Given the league's and many of the team's long history (started in 1934), people have a strong, sentimental attachment to their team. The small and mature market does not leave a lot of space for teams to grow their supporting base. **Market-seeking** seems to be the strategy Portuguese institutions want to tap into other markets, knowing that increasing the total market can create sponsorship and merchandising opportunities (Kozma and András 2014).

Besides having a small market, teams in Portugal are relatively small, much due to the overwhelming support of the "3 grandes". FCPorto (24,7% - 2,4 million), SLBenfica (46% - 4,5 million), and SportingCP (23,8% - 2,3million) have the largest national supporter bases by far (PÚBLICO 2019) and are still relatively small, compared to their European counterparts (much due to the size of their domestic markets). Having a small market and teams, Portugal is a **follower internationalizer**, although it does not assume the typical demeanor. Having observed the risk-reward scheme, institutions decide to follow. This attitude can be seen not only in internationalization, but also in broadcasting rights, Portugal being one of the last important leagues to join the trend.

Timing

Related to being a follower internationalizer are the advantages of being a **late mover**. Firstly, as just stated, Portugal can benefit from the risk reduction of already having some proven success stories. Secondly, it can mimic the strategies of other countries, an example being the intent of Liga Portugal to create delegates in key regions as La Liga when they started internationalizing (Liga Portugal 2019).

Choosing a Market & Brand Strategy

For choosing a market, market attractiveness and potential must be analyzed. Moreover, in football, teams can choose the market based on their will to sell more merchandizing or to get better sponsorship deals (Leicester 2021). In general Portuguese teams and league cannot afford huge investments due to their size and are likely to choose countries where costs are not very high. This means it is important to consider cultural proximity, competition, and overall easiness to reach the customers in those markets. Natural choices for Portugal would therefore be the African, Portuguese-speaking countries, the PALOP. These markets: (i) are large, having young and growing populations, particularly important since they are more open to the use of technologies and important for capitalizing on online content; (ii) have a historical connection to Portugal and Portuguese football. Besides the language, Portuguese football has some impact there, as can be seen by how there are often celebrations for the national titles (Lusa/ Verangola 2018). There are also a lot of players with roots in these countries playing in Portugal, which can be tapped to enter these markets. An example is how Gelson Dala, an Angolan player, increased Rio Ave's social media presence and Angolan following base. However, these markets also have some problems: (i) incomes and purchasing power is low, meaning that a retail approach will probably not make sense; (ii) even though they have some cultural similarities, like the language, these countries still have large differences and habits; (iii) since they seem rather untapped by other “internationalizers”, they are riskier and require further detailed data.

Regarding brand strategy, for Portugal and in concrete for these markets that already know the Portuguese brands, it would make sense for brands to enter using a strategy built on history and success. A **Brand Reputation** strategy is likely the most logical one since Portuguese Football already has a reputation of quality in the countries it can build up.

Liga Portugal’s Role

As is observable in other European leagues, like the Premier League or La Liga, the role of the league in internationalization is key for the success of individual teams in foreign countries. It makes sense to look slightly deeper into La Liga since it is the example that is being used as a benchmark by the Liga Portugal.

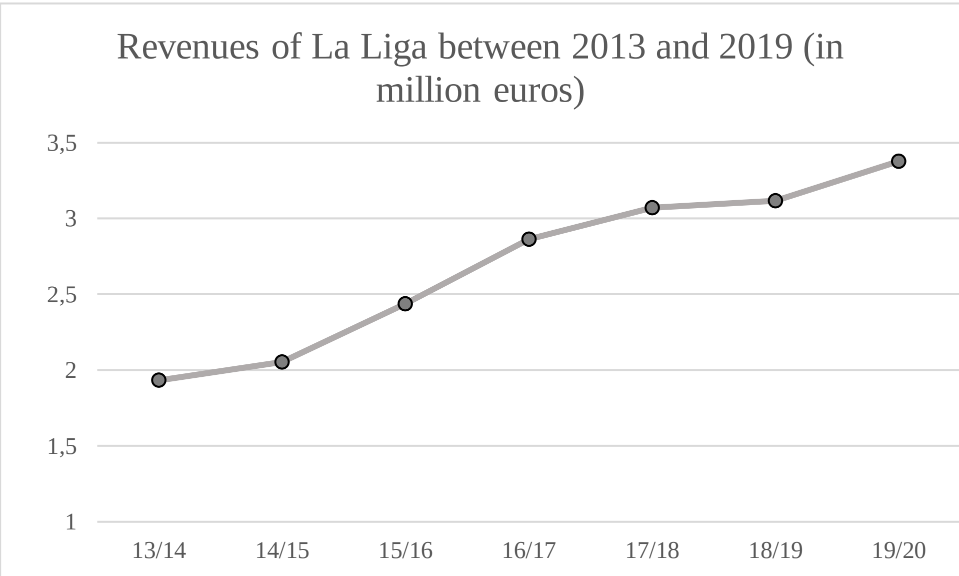

Figure 3: Revenues of La Liga between 2013 and 2019 (in millions of euros), (Statista 2019)

La Liga is one of the major European leagues and has been following an internationalization strategy based on different initiatives, being currently present in more than 180 countries. La Liga follows a “glocal” strategy being a global brand that adapts to the local circumstances (Johan Cruyff Institute 2020). La Liga Global Network, created in 2016, is a network of representative delegates present around the world working on the ground to create different initiatives highlighting the band. Moreover, the Spanish have an ambassador program in which former players or celebrities represent the league globally. Additionally, the league has adapted the transmission of matches to different markets. All these efforts have been key to its global success, and growth.

Internationalization is one of the five fundamental strategic pillars of the League for this mandate (2019-2023). From the 90 total objectives set, 17 are related to internationalization (7 are already finalized, 5 are in process and the rest has not been started (Liga Portugal 2019). Clear steps are being taken, but mostly on exploratory or institutional levels (Rio Ave,2021)

As seen in the previous examples, Liga's efforts will be greatly important for internationalization, as they serve as a global promotion tool of the competition and provide structure for the clubs. So far, the league has: created a department for internationalization, promoted a study of where television rights of the league are sold overseas, established partnership with an international player (probably referring to the deal with Bwin), participated in international fairs, created the "Copa Ibérica", adopted La Liga as a benchmark, and developed projects close to the PALOP (Portuguese Speaking African countries) countries. The league has several measures still to be fulfilled on internationalization.

Notably, the institution is building on the opportunities of the market and using its advantages of being a latecomer to internationalization. An example thereof is the emphasis on the PALOP, a logical step given the already existing football link to these markets. Liga Portugal is already working on widening its knowledge of the country and on developing local football by developing consultancy projects in these countries. This strategy is also being used by the Premier League in India, with many clubs having partner clubs in the Indian Super League, since growing football in the country is seen as a first step. Besides this focus, Liga has not presented clear target markets for internationalization, nor has it presented any information regarding the world's biggest markets for football, countries with large Portuguese communities, or countries where most non-Portuguese players in our league come from (Figure 4). (Ernst & Young, S.A. 2021b).

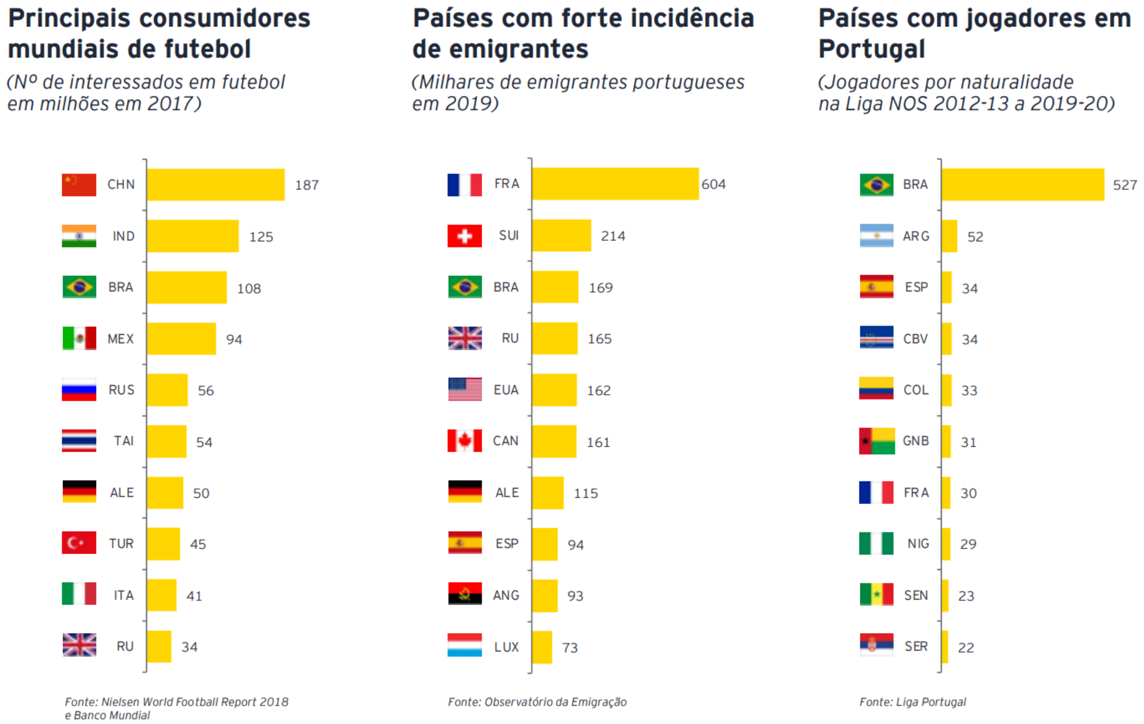

Figure 4: 1) Main football consuming countries (in millions of people interested in football, 2017); 2) Countries with a strong presence of Portuguese emigrants (in thousands of Portuguese immigrants, 2019); and 3) Countries with players in Portugal (per nationality between 2012-2020 (Ernst & Young, S.A. 2021b)

In sum, the league is already working on internationalization, focusing on certain opportunities as the PALOP region, and is using its advantage of being a latecomer to learn from other leagues' successful practices (e.g., implementing a program of delegates as La Liga has done). Besides these African countries, the league could promote events among the Portuguese communities abroad to increase their bond to the league. Given the aging population in Portugal and the traditional markets, it would be important for the League to invest in global social media and partnerships to get younger populations excited, as done by the Federação Paulista de Futebol with great results (FPF 2021). In addition, it must set target markets, like what the Premier League does so that clubs can align their strategies accordingly. Promoting Portugal as a country of quality football and creating campaigns with the "made in Liga Portugal" slogan are ways the country could benefit from all the national-born talent. As Portugal gains visibility outside the country, and not disregarding the national fans, some steps like having games played abroad, can be taken, as done with the Italian Super Cup (PA Sport 2016).

Broadcasting rights

At the moment, some games and highlights of the Portuguese League are transmitted on RTP's international channels, on streaming platforms (like DAZN for Germany, Austria, and Switzerland, or BT for the UK), or private local television channels. Liga Portugal believes that international broadcasting rights are being hugely underexplored – 4% of the total revenue of television rights – way below the top 5 leagues. The current individual selling model makes Portugal the country with the highest imbalance between top and median clubs. The top 3 clubs with the highest audiovisual earnings make 15,4 times more than the median Portuguese club and the gap has been increasing over the last decade (Ernst & Young, S.A. 2021b).

Portugal seems to be joining the trend of centralizing the negotiation of television rights late, compared to its European counterparts. In Portugal, centralization was imposed by the government, starting in 2027. Recently, a commission to analyze how the centralization and the consequent distribution of money should work was constituted. It is still unclear how the distribution will happen, i.e., if the revenue will be distributed following previous years' classification, as in the Premier League, or according to any other criterium (Rio Ave, 2021).

Having centralized negotiation of broadcasting and commercial rights is also a facilitator of the internationalization of the league as a package. Teams of smaller dimensions, with less current visibility, will have a reach they would not be able to achieve on their own or under the current model. Being transmitted in new markets will make the need for internationalization and for using data in the context of sports business clearer (Rio Ave, 2021). Most transmitted games are of the 3 major clubs, which increases discrepancies between clubs.

As previously stated, the centralized negotiation of broadcasting rights will start in the 2026/2027 season, as ordered by decree, and will facilitate the sale of rights in foreign countries.

Liga Portugal is officially using La Liga as a benchmark for internationalizing. Both La Liga's and the Premier League's evolution of broadcasting rights have grown based on the centralized distribution of rights. In the Spanish case, after the centralization and the beginning of the internationalization strategies, in 2016, both national and international revenues have increased. In both examples, the international share is on the way to closing the gap to the national market. (Ernst & Young, S.A. 2021b). This fact is particularly interesting for Portugal, as its local

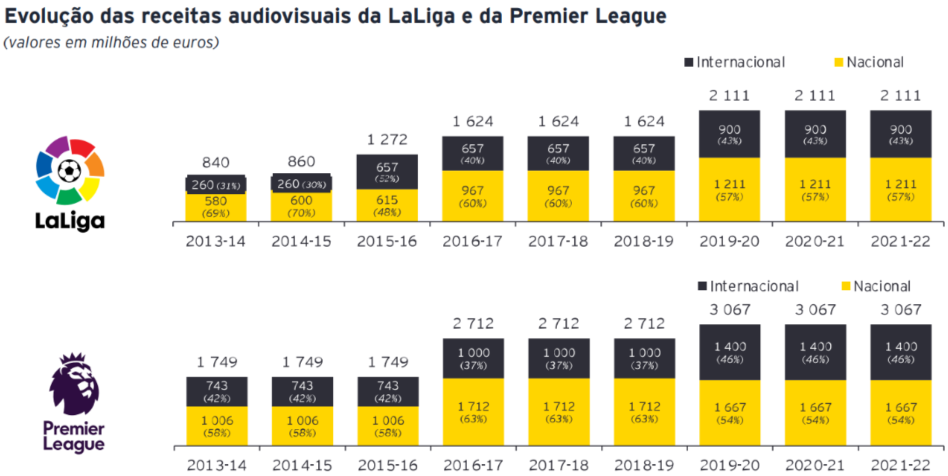

Figure 5: Evolution of revenue from broadcasting rights in La Liga and Premier League (in millions of euros), (Ernst & Young, S.A. 2021b)

market is way smaller than the other two leagues.

<u>Teams</u>

The 3 main football clubs in Portugal have the largest fan bases and, by being constantly on the higher places of the league, enjoy a higher international exposure playing regularly in European competitions. Since the expected potential value of broadcasting rights lies between 275 and 375 million euros (according to a study elaborated by McKinsey and Graphite) (Ernst & Young, S.A. 2021b), teams must be ready for the international boom. Not being prepared may make the teams lose a lot of opportunities and make wrong decisions, as was the case of Leicester after winning the Premier League in 2016. An example of how lack of preparation and data has led to errors in Leicester's history is how, misreading the market, the club decided to sell a simplified version of its shirt for the Thai market (where they have large support) disregarding the counterfeit market (Leicester 2021). Internationalization, in Portugal, seems to still not have a defined strategy, but to be guided by the circumstances of the moment. (Rio Ave 2021). This focus on short-term results (and on sports above business) was a characteristic pointed out to national clubs, attributed to having short electoral periods. There appears to be a difference in perspectives compared to British Clubs, where, for instance, the decision-making process for entering a market is very structured (Leicester 2021).

Approaches

Firstly, there is a very high number of international players playing in the league. Clubs can use players that enjoy high visibility in their home countries to try to grow their brand using different tactics. Wolverhampton is, in many and different ways, a good example of this. Raul Jimenez's following in Mexico is being widely used in favor of the Wolves brand and has allowed for a 995% growth in Latin America (Wolves 2021). The documentary on his life posted on the club's social media is a case thereof. The focus on the Mexican market, driven by the player, led to personalized communication in Spanish and the hiring of a media agency specifically for the country. Another way Wolves has used players for branding purposes was the use of a partnership with Portuguese agent Jorge Mendes that resulted in a small "Portuguese Army" of players that gained the attention of the Portuguese audience. National clubs are already doing some efforts of this kind, e.g., by having social media pages in foreign languages (like Rio Ave in Japan) or soccer schools in foreign countries (like FCPorto in Colombia). Yet, it does not look like these bonds have a long-lasting impact after the players exit the club. (Rio Ave 2021).

The **aging population watching football in mature markets** like Brazil and Europe is also leading to efforts to reach younger populations. These can materialize in: (i) choosing countries with younger & growing populations, as is the case of some major football consuming countries and of emerging markets; (ii) investing in interactive content on social media platforms most used by the youth, i.e. Youtube, Instagram and Tiktok (which is, for example, done by the FPF and Feyenoord); (iii) entering sports with younger audiences, like Esports (Wolves' strategy for China); and (iv) having football schools and projects abroad to embed the club into children's and their families' lives at an early stage, creating a community feeling around the club's brand.

To deal with **communities and fans abroad**, clubs can make use of the widespread Portuguese diaspora. Some innovative ways to do this are to create global, digital memberships, that have different discounts and attractive opportunities. An example is how Wolves' international members have access to "Wolvesland", an initiative that organizes public viewings of the games for fans. Feyenoord also has personalized international memberships, despite their current focus on the national market. Large clubs, like Flamengo, have departments in charge of managing the interaction with non-local communities. For Portugal, the American market, in particular, can be an opportunity, given the large Portuguese community and the large rising interest in Football

All in all, for these strategies to materialize into revenue, targeted countries must have access to games and content of the league and clubs. After that, and having the infrastructure for growth in place, clubs can set their target markets, aligned with Liga's joint efforts, and start more practical actions like doing pre-season tours abroad (SLBenfica's tour in the US was highly criticized in the media some years ago, as it was seen as harmful for sports performance, what highlights the need for managing local and nonlocal markets), having organized local structures and schools, among other.

5. Conclusions

Portugal is an exporting country in what concerns football and has a small and saturated national market, which emphasizes the importance of internationalization for the country. For clubs to be prepared for the expected positive impact of centralized broadcasting rights (although there are opposing visions), it is important that the league takes a first step of setting key areas of intervention and creating the structure necessary, as well as advertises the quality of Portuguese Football abroad, taking advantage of the "made in Portugal" talents playing around the globe. Having the league as a support and the right tools, teams will be able to establish clearer lines to internationalize, making use of the image of quality talent creation (e.g., through soccer schools) and of the still rather untapped PALOP countries.

Portuguese football seems to be taking the right steps for internationalization. Key for this process will be the official Internationalization Plan, after which actions can start to be put into place and the centralization of broadcasting rights that will take Liga Portugal to the markets it wants to tap.

Finally, it is important to say that Portugal must be careful not to get in too deep into the process without having the managerial tools to deal with it adequately. CRM tools, which have a proven positive impact on growth and revenue on a national level, are increasingly important as firms diversify into new customer segments (Feyenoord, LCFT, WW). Given Portugal's position as a latecomer, it is important that football institutions see the importance of data for entering and optimizing the markets, and do not try to come in without the infrastructure required for success and often by major sponsors in the industry. The use of data for internationalization in sports is a subject that should be looked at in more detail and quantitatively in further research. Citing Leicester City's Marketing Manager, Liam Docherty, the biggest cultural change in football is going from seeing supporters to seeing consumers, which is key for changing attitude and for business.

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