



# THE ECONOMIC IMPACT OF THE **BUNDESLIGA**

Summary of a report by  
McKinsey & Company, Inc.

The significance of  
professional football for  
the German economy



# Foreword

People the world over are enthralled by the Bundesliga week after week. For this to continue, it is essential that the Bundesliga be placed on a sound economic footing, and German professional football is therefore committed to sustainability, stability and above all to the highest possible transparency.

The Bundesliga's economic position is pretty impressive, particularly when seen in contrast with other top European leagues: any number of European clubs are facing considerable financial problems, but the Bundesliga as a whole has a sound equity base to fall back on. A balanced mix of income from media rights, sponsorships and gate receipts makes the professional German clubs less vulnerable to income shortfalls in any one area.

Despite the difficult economic environment, the League Association's 36 clubs and joint stock companies achieved record revenue for the fifth time in a row in the 2008-09 season at €2.03 billion. This is a rise of 5.3% over the 2007-08 season, and has also benefited the country: the clubs and joint stock companies paid over €683 million in direct taxes and other duties, the highest ever in the history of professional football.

The first ever comprehensive study of the economic impact of professional football has now been presented. The management consulting firm McKinsey & Company has provided a well substantiated factual base for the public debate on the economic significance of professional football. The findings are both surprising and impressive. To reveal just one figure, professional football generates added value of more than €5 billion every year, contributing as a result one in five hundred euros to the gross domestic product of Germany. Expressed in other terms, that's the gross domestic product of a medium-sized German city.



# Introduction

The Bundesliga plays an important role in today's society. But how important is professional football for the economy in Germany? The answer can be found in the new report by McKinsey & Company, one of their regular industry reports which focus not only on traditional industries such as the automotive business and emerging sectors such as solar energy, but also on economic areas traditionally not necessarily considered industries in their own right – such as professional football. Professional football in Germany is organised and marketed for the League Association by DFL Deutsche Fußball Liga GmbH. The results discussed below were elaborated and validated on the basis of key economic data for the 2007–08 season in cooperation with the DFL, a competent discussion partner and the source of the basic data required for a report of this nature.

A spotlight on some of the main findings highlights just how important the economic aspect of professional football is in Germany:

- Professional football generates added value of more than €5 billion every year, thus contributing one in five hundred euros to the gross domestic product of Germany. That's the equivalent of the gross domestic product of a medium-sized German city.
- Around 110,000 jobs in Germany are associated with professional football. When adjusted to account for part-time and temporary staff, that's the equivalent of 70,000 full-time employees. Professional football thus provides more jobs than two in three DAX 30 companies in Germany.
- The economic activities related to professional football result in a net annual €1.5 billion in taxes and duties, enough to finance public spending on the country's five largest universities, for example. This calculation takes into account and deducts all state spending.

What has not been taken into account in this purely economic review is the social and socio-political significance of professional football and its function within society. With over 18 million spectators in the stadiums each year and another 15 million people following the matches on TV each weekend, the response to the Bundesliga is better than that accorded any other leisure activity in Germany.

The findings outlined above are presented and explained in more detail in this summary of the McKinsey report.



# Indicators of economic significance

If the economic significance of professional football in and for Germany is to be evaluated, three questions must first be answered:

1. What indicators are best suited for an appraisal of the economic significance of professional football?

Three factors and thus three key indicators were chosen as a means of specifying the economic benefits associated with professional football.

- **Added value:** An evaluation of the contribution made by German professional football to the gross domestic product. The added value is the sum of the gross income from salaries and wages, depreciation, taxes and corporate profits generated by professional football, and thus represents only part of the revenue achieved by the companies involved.
- **Jobs:** An analysis of the impact professional football in Germany has on employment.
- **Taxes:** An evaluation of monies paid to the state by professional football in the form of taxes and other duties.

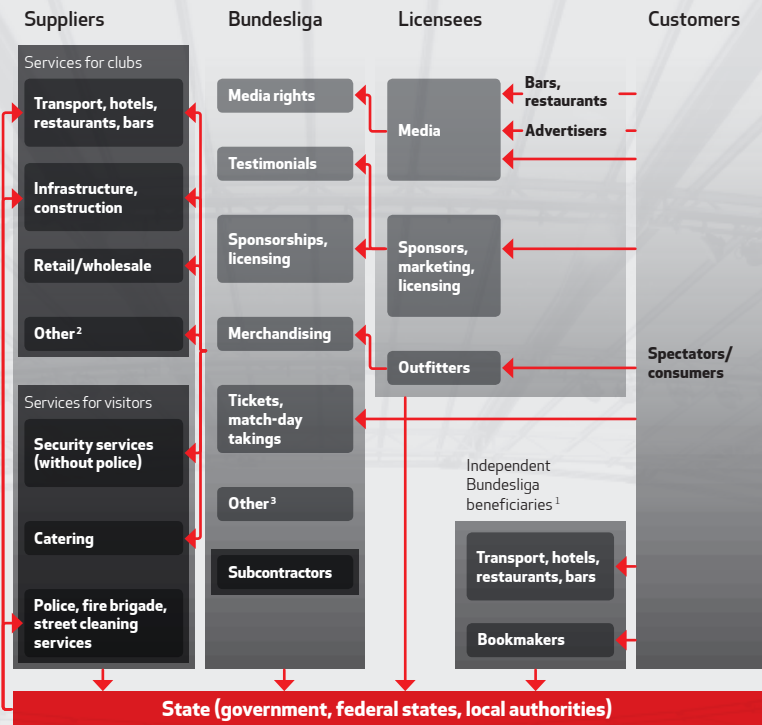
2. How can the economic aspects of professional football be defined and which competitions should be included in a consideration of its economic strength?

The report considered the club competitions, i.e. the Bundesliga, Bundesliga 2 and the German FA Cup, and the domestic effects of participation by Bundesliga clubs in European competitions. As expected, the Bundesliga and Bundesliga 2 – the heart of professional football – account for the majority of the economic effects discussed. The report also considered the national team, as most of the national players are trained and seconded by Bundesliga clubs. By definition, the report did not consider amateur football or the Third Division, which was founded in the 2008-09 season, nor did it look at women's football, as from a purely economic point of view this still has a semi-professional character in Germany.

3. Just how broadly must the economic significance be measured if the economic benefits associated with professional football are to be recorded adequately?

Match operations for the competitions mentioned above provide economic links, cash flows and employment impacts affecting many areas of the German economy. Figure I shows which groups have economic links to and profit from professional football.

Figure I  
THE PLAYING FIELD OF  
PROFESSIONAL FOOTBALL  
GROUPS AND CASH FLOWS ASSOCIATED WITH PROFESSIONAL FOOTBALL



← Cash flow

<sup>1</sup> Bundesliga and Bundesliga 2 clubs, including participation in German FA Cup and European competitions, and including national team and DFL.  
<sup>2</sup> Payments for referees, association fees etc.  
<sup>3</sup> Player transfers, membership fees etc.

Source: McKinsey

Football's influence on and within these groups varies, and the report therefore differentiates between the direct, indirect and induced impact.

- **Direct impact:** Revenue, added value and jobs generated directly by professional football providers (clubs, DFL etc.).
- **Indirect impact:** Revenue, added value and jobs generated by the licensees, suppliers and independent beneficiaries of professional football.
- **Induced impact:** Revenue, added value and jobs generated through consumption by the employees of professional football (e.g. car purchase or restaurant visit by a club employee).



## Report approach

First any available data on revenue, jobs and taxes for the entities involved was taken from publicly available sources, such as business reports. This information was validated in around 100 interviews with experts employed by the entities (clubs, suppliers, licensees etc.) on the basis of internal company data.

This made it possible to ascertain for example the revenue of the broadcasting corporations from professional football or the corresponding production costs. In the same way, total revenue related to broadcasts in sports bars were calculated from the number of subscriptions for sports bars sold by Sky, representative spectator data, and average revenue in bars during Bundesliga broadcasts. This information was then used to calculate the added value by factoring overhead costs out of revenue.

The DFL published a study into the economic status of licensed football in early 2010. This report provides information on jobs and taxes in licensed football which is based on internal club data, and its findings were also used in the McKinsey report. For a better understanding and comparability of the McKinsey report it should, however, be noted that far more information was processed, offering substantiated facts which go well beyond the scope of the DFL report. This is the first time, for example, that the indirect and induced impact of football has been evaluated and used in research.



Figure II

ADDED VALUE IN OTHER SECTORS FROM PROFESSIONAL FOOTBALL IN RELATION TO €100 IN FOOTBALL <sup>1</sup> IN € P.A.



<sup>1</sup> Not including induced effects.  
<sup>2</sup> Including VAT (approx. 1/3 of total tax receipts), which is not included in added value.  
<sup>3</sup> Bundesliga and Bundesliga 2 clubs, including participation in German FA Cup and European competitions, and including national team and DFL.

Source: McKinsey

# Added value in professional football

Professional football in Germany generates an annual added value of €5.1 billion<sup>1</sup>. This is the equivalent of 0.2% of Germany's gross domestic product or one in every five hundred euros generated in Germany. While this added value lies well under that of conventional industries such as automotive or mechanical engineering, the effect of professional football is on a par with sectors such as mining or mail order.

€4.3 billion of this added value is generated directly and indirectly, while only €0.8 billion falls to induced effects (consumption by direct and indirect employees of professional football).

A look at figure II shows not only how impressive the absolute added value of professional football is, but also how widely spread it is. More than two thirds of the added value is not generated directly by professional football, a fact which illustrates on the one hand that many economic sectors benefit from the spin-off effects of professional football and at the same time shows how necessary it is to choose a broad economic definition if the economic significance of professional football is to be assessed adequately.

In summary, €100 of added value in professional football generates an added value of around €240 in other areas of the German economy, and if the induced impact is taken into account this figure rises to over €300. In the clothing industry, for example, professional football alone accounts for 2–3% of the total added value, and in the media industry this figure lies at over 1.5%.

All of the figures and calculations have been based on assumptions which tend to be conservative in nature. For example, the fact that the advertising expenses of sponsors are offset by income in the same or often a higher amount is not factored into the calculation of added value. If in doubt, the results highlighted in the report should therefore be considered to represent the lower threshold: the actual effects may well be considerably greater.

With the exception of products offered by the state, the economic effects of the sports betting market were not taken into account in the report, as under current legislation these are generated abroad.

<sup>1</sup> Considerations of this nature cannot be applied conversely to the economy, i.e. if professional football were factored out, the fall in general economic performance would not be identical with the economic significance calculated here, as available income would be used in other ways.





## Employment in professional football

In all, professional football provides more than 70,000 full-time jobs in Germany when indirect and induced effects are taken into account. Its impact on employment is thus lower than that, say, of Siemens AG, but it still employs more people full-time than two in three of the DAX 30 companies in Germany.

With part-time employment typical in the industry, these 70,000 full-time jobs are taken by more than 110,000 people – translating into more employees than there are residents in Kaiserslautern. Less than 10% of the jobs are actually with professional football itself, i.e. with the Bundesliga clubs or the DFL. The equivalent of over 10,000 full-time employees in German bars, restaurants and hotels owe their jobs to professional football – this is the highest number in any single industry – and as many as 3% of all jobs in the German clothing industry are related to professional football, mainly because the major outfitters adidas and Puma are based in Germany. Going on down the line, more than one in a hundred employees in the media industry have jobs related to professional football. As a result, the Bundesliga has a very high employment multiplier due to the concentration of indirect and induced revenue in the people-intensive service industries.

In summary, professional football can by no means be seen merely as a branch of industry employing higher-income professionals. In fact it offers jobs to a large number of people with lower qualifications. Professional football thus makes a not-to-be-underestimated contribution to the world of work, where the emphasis on higher qualifications grows daily. The average net income in jobs which owe their existence to professional football is around €25,000 p. a. and it is much lower in those sectors which benefit highly from football such as retail or catering, where the average net wage is just €20,000 p. a.





# Professional football as a tax contributor

The German state collects taxes and duties amounting to €1.7 billion p.a. from those involved in professional football in the sense of this report. In contrast, public spending on professional football is assumed to be around €200 million p.a. for public services such as policing <sup>2</sup>, investment in stadiums or depreciation thereof, infrastructure and local public transport.

Professional football thus provides the country with net income of at least €1.5 billion each year. This is enough to finance public spending on Germany's five largest universities, as illustrated by figure III.

<sup>2</sup> The highest amounts revealed in public documents were assumed for police operations.



Figure III  
TAX FROM PROFESSIONAL FOOTBALL VS  
PUBLIC SPENDING IN 2008  
IN €BN



<sup>1</sup> In 2006.  
<sup>2</sup> In 2007 for the universities of Cologne, Munich, Hamburg, Münster and Mainz (size based on number of students).  
<sup>3</sup> Net tax burden.

Source: Federal Statistical Office; budgets; McKinsey

If a national average distribution of taxes and duties to the public authorities is assumed, professional football is not merely a significant net tax contributor: the taxes paid are higher than what is given back at every level (state, federal states, local authorities). Around 45 % of these taxes are paid by professional football itself, while a further 30% come from the licensees (e.g. media companies, sponsors and outfitters). As is to be expected, the most significant types of tax are income tax on wages and salaries, and VAT.



# Professional football pulls the crowds

While not subject of this report, the social significance of professional football is very clear. It is an indispensable part of the way an annual 18 million stadium spectators (Bundesliga and Bundesliga 2 only) and a weekly 15 million television viewers spend their free time. It also motivates people to take up a sport themselves, or to do voluntary work in a club. It is thus the Bundesliga and its stars, from whom the national team are culled, that make the DFB the world's largest sports association with 6.7 million members.

The importance of professional football over other leisure activities becomes particularly clear when its limited availability is considered. While a visit to the cinema is possible on a daily basis in many of Germany's towns and cities, and the theatre is available nearly as frequently, professional football is played almost exclusively on the 34 Bundesliga and Bundesliga 2 match days, and in only 36 venues. This fact puts figures such as 20 million visitors to Germany's 65 amusement parks and almost 31 million visitors to theatre, opera and musical performances in more than 300 locations very much into perspective. A comparison with other sports also confirms the outstanding status of professional football: the Bundesliga 2 is the second largest professional league in Germany after the Bundesliga.

What is more, the number of Bundesliga spectators has been on a continuous rise for decades, a development which stands out in stark contrast to the stagnating demand for other leisure activities. An international comparison of the most important professional football leagues (Germany, England, Italy, France and Spain) also highlights the love of professional football shown by the Germans (figure IV): Germany's stadiums were the most popular in the 2007–08 season on which this report is based, with around 39,000 spectators per Bundesliga match. Since then, the average number of spectators has risen to over 42,000. The situation is very different in other countries such as England, where numbers have fallen significantly. At the same time, the average price of a ticket is cheaper in Germany than anywhere else: a match-day ticket can be bought for as little as €25<sup>3</sup>, while the equivalent of €43 must be paid in England. German professional football has made a conscious decision to restrict its potential for value creation to the good of the fans.

<sup>3</sup> For ease of international comparison this price was calculated on the assumption that stadiums are always full and no discounts (such as season tickets) are offered. The real average price of a Bundesliga ticket is actually much lower, and lies at €20.

Figure IV  
ATTRACTION OF PROFESSIONAL EUROPEAN LEAGUES FOR FANS 2007–08 SEASON

	Spectators per match <sup>1</sup> in thousands	Cost of match-day ticket in €
 Bundesliga	39	25
 Premier League	36	43
 Primera División	25	40
 Serie A	23	27
 Ligue 1	22	26

The Bundesliga has the highest number of spectators and the lowest ticket prices of the top five European leagues

<sup>1</sup> Figures based on top division in each league.  
Source: Weltfußball.de, DFL, Simon Kucher, McKinsey

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The structure of professional football

On 18 December 2000, after 39 years in the stewardship of the German Football Association (DFB), the clubs and joint stock companies of the Bundesliga and the Bundesliga 2 moved to independence by founding the League Association. Since then the League Association and the DFB have formed the two pillars of German football. Equal in status with the regional and sub-regional FAs, the League Association is an ordinary DFB member association vested with the right to vote at the DFB's tri-ennial Congress. It has commissioned the DFL with the operation of the Bundesliga and Bundesliga 2 on its behalf. The DFL is monitored by a six-man supervisory board comprising the League President, Vice-President, and four persons elected by members of the League Association. The Supervisory Board is also responsible for appointing the three DFL directors. The League Association is managed by a ten-man board comprising the League President and his two vice-presidents, four elected members, and the three DFL directors.

Members 36 Bundesliga and Bundesliga 2 clubs and joint stock companies

