

Module 4. Merchandising - Licensing Agreements and the Value of Licenced Products

Unit 4.1

Introduction

In the course of this module, we will take a more in-depth look at some of the sections that we covered in module 1, providing more detail as we do so. The structure that we will follow with merchandising: what it is, its development, and its financial importance to the sporting organisations that use it.

We will then move on to licensed products and their value to these same sporting organisations. Within this bit of the module, we will look into subsections including licensing agreements and their benefits and drawbacks.

Merchandise

Sports merchandising is the placing of a logo, name, or additional brand markers of a sports team on a product (Kircova, 2019). Within sport contexts, as we have already identified, these are often seen on articles of clothing, replica kits, training, or leisure wear in club shops.

Remember that the sport merchandise market, including that of replica kits, has become especially lucrative for sports organisations. Billions of dollars are made within these markets and can provide significant revenue streams for those organisations that make merchandising a large part of their business. Sporting organisations are right to place merchandising at the front and centre of their business models due to the demand for these products by fans in the modern age.

While fans of sporting organisations have, for a long time, worn scarfs or hats in club colours, the market for merchandise continues to expand. They have previously provided revenue streams for these organisations from almost the very beginning of organised sports and continue to do so in large quantities; however, other products also exist. These products can vary from water bottles and luggage to home wear. Through the development of sport, merchandise has also developed as the consumers have demanded more and the market has expanded to keep pace.

Development of merchandise within sport



While some form of merchandise has been sold surrounding organised sport since very early in its beginnings, it is not the modern-day mega industry that we know today. Mertes (2020) provides a detailed timeline of the developments of merchandise in sport in the United States, starting from the selling of tobacco with cards featuring high-profile players included in them. This further developed into more outlandish items, such as giant fingers with “#1” printed on them, and assorted smaller products, such as key chains which then began to be sold by the sporting organisations.

While the market was beginning to develop, it was still done on a very informal scale with no clear goal or outcome for the sports teams producing this merchandise. It was, on some occasion, left to the fans themselves to come up with merchandise to display their loyalty. This rag-tag and very unofficial approach developed further as sport became more commercialised.

Merchandise in the modern day

Even through commercialisation was in full flow, it was evident that sporting organisations, and the markets they operated in, were still lagging behind. In the 1980s, Athletic Supply, a local sports store in Dallas, Texas, began selling some leftover stock they had refurbished for the American football team Dallas Cowboys. Initially, the league responded to this by sending representatives to close the store down. Only after a meeting between the NFL and the owner, Norm Charney, did the league relent and embrace the revenues offered by these sales (Layden, 2016).

As we have previously mentioned within this module, replica kits, which was initially designed and marketed as something for children to wear, have become a significant part of sports culture and identity (Stride, Catley & Headland, 2020). Fans, both inside and outside the stadium, will wear replica kits to show their support to that particular club, team, or even individual.

However, it must also be noted that we have moved on from just selling shirts by a significant number of products from our chosen club or team. The evidence of the breadth of sporting merchandise can be seen in Figure 1 and the products on offer to fans of English Premier League teams.



Figure 1: European Football Benchmark



From *European Football Benchmark*. Brandt, M. (2018). Statista. <https://www.statista.com/chart/15107/ownership-of-premier-league-merchandise-products/>

As you can see from the graph, there are all types of merchandise that can now be bought from a sports organisation. It really demonstrates the variety that is now available to these consumers and how hard sports organisations are having to work to make sure that these needs are catered for and that revenue can continue to be generated.

What is also interesting is that 31% of fans in this survey held no merchandise. This might suggest that sporting organisations do not have it all correct when trying to sell merchandise to every element of their fan base. Perhaps, products are not what some consumers want, or they are too expensive, among other barriers to purchase.

We must also consider the types of consumers that we have. The products we offer may contain a wide breadth as we try to cater for everyone but some fans, whatever the product, will not engage. Research has suggested that groups of fans, typically the most heavily involved fan that travels to every match (sometimes involved in ultra or hooligan groups), will not buy merchandise. They view fans who do buy merchandise as inauthentic and will often ostracise them from their groups.

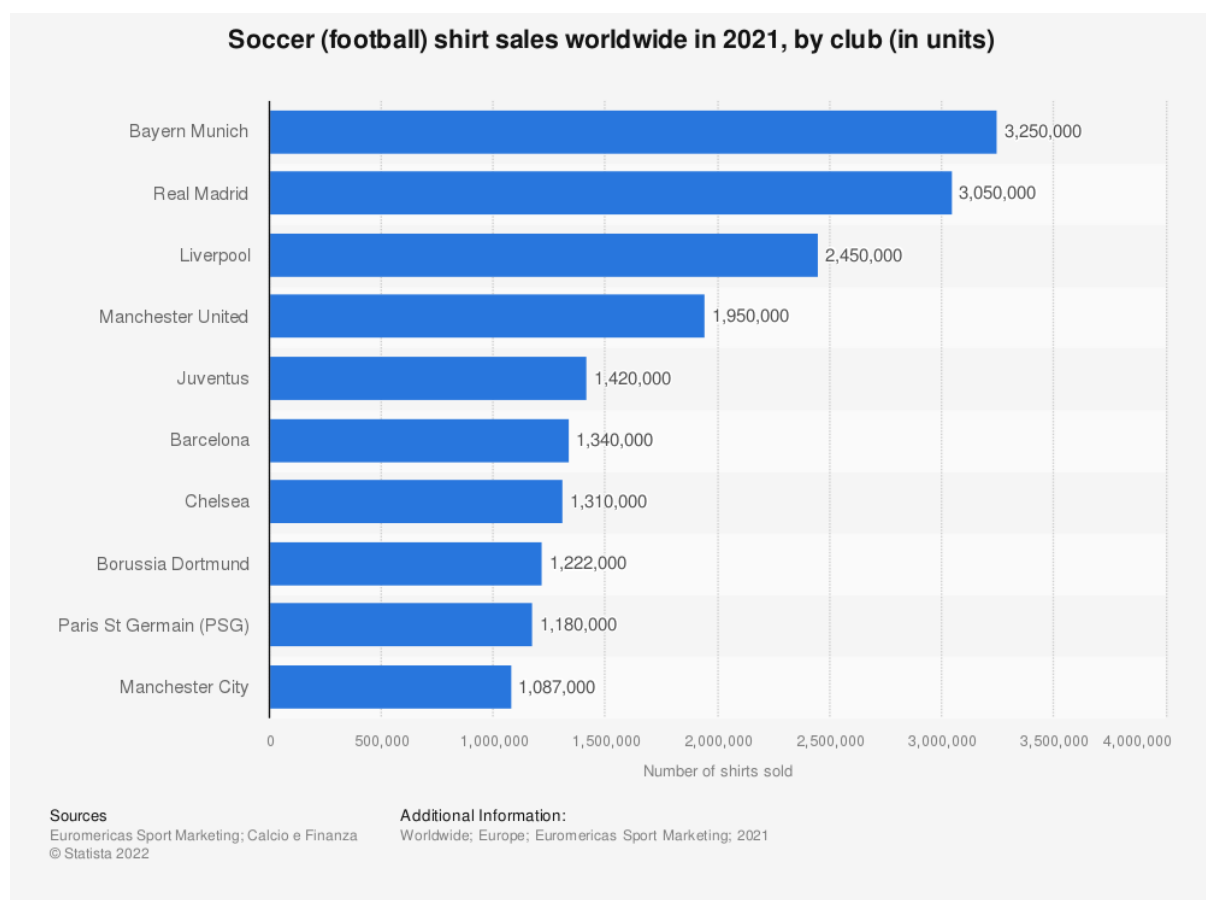


Sporting organisation must be aware that they will not be able to satisfy everyone and that consumers will need different approaches to how merchandise is sold to them. Although we recognise that selling merchandise can indeed be tricky, it does not diminish its financial importance to many sporting organisations.

Financial importance of merchandise

As merchandise itself has developed, so has the market and its importance to the revenue streams of sporting organisations. Within this module, we have referenced the importance of merchandise and its revenue streams in modern-day sport. Figure 2 shows the importance of this market to football clubs worldwide in 2021.

Figure 2: Football shirts sales worldwide in 2021 by club



From *Football shirts sales worldwide in 2021 by club*. Tighe, D. (2021). Statista. <https://www.statista.com/statistics/1118294/football-shirt-sales-by-club/>

The figure above really details the importance of merchandise sales at the top football clubs. Considering that each of these units can retail for somewhere between \$75-\$100, you can begin to see the amount of money that can be accumulated by a good sales process. But let us also consider what can impact our merchandise sales and whether this is something that we can control or not.



It is perhaps not a surprise that when a team or club is performing well, merchandise sales will increase, and when a team or club is doing poorly, sales often tend to decrease. This, to some extent, depends on the type of fan that an individual is and the way they will respond to successes or failures by their club or team.

The idea that some fans will react differently to this success or failure was considered in concepts originally developed by Cialdini et al. (1976). The research found that some fans would participate in merchandise-related behaviour that became known as “Basking in Reflected Glory” (BIRG). These fans who participated in BIRG behaviours will wear or display merchandise when the team or club they support has won a fixture. They will also use positive language when referring to the team, such as “We played well”, in an attempt to make a connection between the team and themselves to further link a positive performance with their self-image.

On the other hand, some fans will react much differently to defeat or failure by their teams. In this instance, the individual will remove linkage to the club they follow by cutting off reflected failure (CORF) (Jackson, 2012). When fans CORF, they do so as to limit their connection to a club and also any potential damage that the failure may do to their image. When displaying this behaviour, fans will reference themselves and their club as separate entities by using phrases such as “They were rubbish” when talking about the team.

The simple solution is to win all the time, but, as we know, this is not a realistic aim. This is one of the uncontrollable factors that sporting organisations have to deal with when running their business operations. As we have spoken about in earlier modules, teams will try to increase their chances of winning by investing money into players that can deliver that aim. By pursuing a win maximisation approach, this can also be beneficial for merchandise sales as the products become desirable and even customers who are not fans of the club might buy these products.

Additionally, a team or club in the spotlight, for the right reasons, will also tend to see their sales increase. If a club is in a winning run, or have a big cup match on the horizon, then individuals who might not have previously bought merchandise will want to. This can increase a club’s sales markedly and make the period one of financial success. For example, in England, when a lower league team does well in the FA Cup, it has been shown that their merchandise sales will increase during the period of these matches.

Savvy clubs will also not just rely on their existing merchandise; specific merchandise will be developed for this period to take advantage of this new-found interest. Products such as special shirts, half-and-half scarfs, or match specific merchandise can all be utilised to create further interest and drive revenues over a short period.

Additional external factors outside of matches and other club business can also cause issues for merchandise sales. In module one, we spoke about the issue of COVID-19 on the market. For example, West Ham United reported a 15% fall in commercial revenue during the 2020-2021 financial year, in large part, due to the inability of fans to get to the



stadium and purchase these products (Maguire, 2022). West Ham were not alone in this fall: Deloitte also reported that across the Premier League, this lack of fans contributed to a 12% fall in total revenue from the previous season (Deloitte Football Money League 2021, 2021).

Furthermore, the behaviour of players or others associated with the club can also cause sales to increase and decrease dramatically. This can be both positive and negative, for example, police charges or doing good work in the community.

When these are negative behaviours by an individual, the manner in which sports organisations respond to these issues can also determine future merchandise sales. When Baltimore Ravens' player Ray Rice was arrested on charges of assault, the team offered fans the opportunity to return any merchandise they had purchased with his name and number on it (Rovell, 2014). By offering this service, Baltimore was able to positively influence their fans despite the negative actions of their player. It also kept their fans displaying and purchasing merchandise. If they had not offered this service, perhaps the outcome would have been different.

On occasion, merchandise sales can be impacted by the behaviours of the club. An example can be observed in the recent history of Blackpool FC. The club owners began a bitter conflict with the fans due to criticism about the management of the club (Poole, 2019). This resulted in attendances and merchandise sales dropping due to a sustained action by the fan base who refused to support the club with their finances until a change in ownership happened. However, the damage that this action caused meant that the club was losing money and eventually was rescued by a new ownership group.

Points of sale

The points of sale can have a large impact on the amount of merchandise sold. If a club is to be successful in capturing this sought of revenue, then (as with other items we have mentioned in other modules, such as tickets), they need to get this correct. Club shops have been an almost ever present at grounds for clubs to sell associated merchandise, with the most successful clubs these stores have grown to extremely large retail outlets. Some larger clubs are even able to run stand-alone stores away from their stadiums in an effort to attract further custom outside of the traditional match day environment.

By having merchandise on display and in vast quantities, while also offering the ability for additional services such as shirt printing, clubs can attract a large number of customers to their club shops. The most successful, even though they are located in the clubs' stadium or near to it, can experience a high level of traffic every day of the week and not just on match days. As fans are attracted to the club to take up other offerings such as stadium tours, the club shop can be an important stop to purchase goods.

Once again, as previously noted, the development of e-commerce has made the process of buying merchandise of your favourite team much simpler and possible from further



away. The benefit of this is that it has allowed sporting organisations to open up revenue streams globally, regardless of size.

To illustrate this point, we turn to the case of Clapton Community FC. Clapton Community were formed due to fans dissatisfaction at the running of their existing club, Clapton FC. The new club was founded in 2018, but began life without players, kit, or a ground. After entering at nearly the bottom of the English football pyramid and ground sharing outside of their London borough, their prospects for owning their own ground appeared bleak. However, with the design of the away kit mirroring the colours of the Spanish International Brigades, to line up with the clubs' left wing ethos, the kit found plenty of takers all across the globe. Through various methods of e-commerce, the club were able to sell a staggering 11,000 shirts, including 5,500 to Spain itself, shortly after the shirts release (Belam, 2018). The revenue from these sales enabled the club to eventually move back into the ground of the old club in late 2021.

This story shows that, whether the organisation is large or small, it can have the positive impact of bringing more money in, but also making sure that the business is sheltered from any market issues that might occur in one country or region.

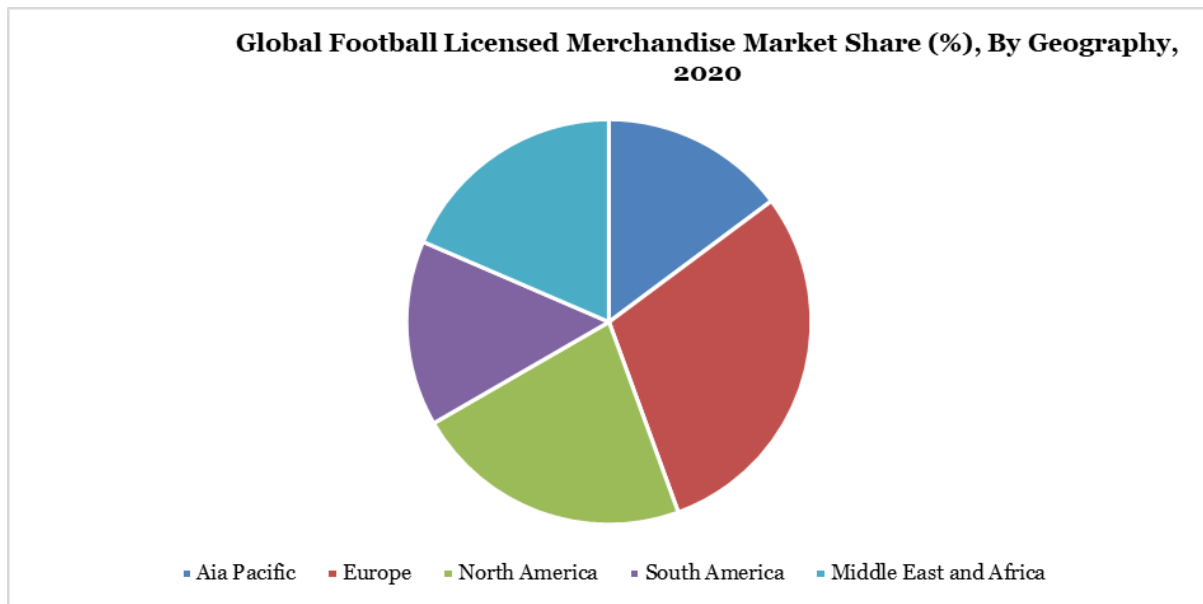
Future merchandise developments

It would be wrong of us to think that, purely because the industry has expanded to such a degree that it is now worth billions of dollars, the market has reached its saturation. As sport, the organisations and leagues that govern it continue to grow and develop; it is not hard to imagine that merchandising will move in the same direction. One of those possible developments can be suggested in Figure 3. While the market is indeed heavily competitive, the global markets continue to be slightly skewed in the worth of each market, and there is perhaps an angle that the major sporting organisations could exploit, by developing merchandise products that would find more consumers in these markets. This might require some level of adaptation, which, of course, would include some level of cost, but the returns could be significant if these are right.

With the increasing development of mega clubs that are operating within leagues and tournaments around the world, this is a possible development that these clubs should take seriously. The largest clubs, organisations, and leagues are forever looking for ways in which to develop their global reach; and these locations where merchandise sales are currently low would be a high priority.



Figure 3: Future merchandise developments



From *Licensed Football Merchandise Market Size, Growth | Industry Analysis, 2022-2029*. (2021) DataM Intelligence Analysis. <https://www.datamintelligence.com/research-report/licensed-football-merchandise-market>

It is also more likely to be a focus on selling globally across markets and clubs developing their offerings to match these markets, even those clubs lower down in the leagues who would not normally be considered as global marketers. It can be noted that niches will have to be carved out by these teams wishing to compete, as the bigger players in the market have much higher marketing budgets. For example, Forest Green Rovers have managed to do this through their adoption of green business practices, which is likely to become an issue of ever-increasing importance.

Additionally, future developments in the sector might begin to focus on the experience of the consumer as a way of selling merchandise. A move away from tangible products to more intangible experiences could begin to make up a more significant part of a sporting organisations revenue. The integrated use of technology in these products such as virtual reality or 3D printing is also expected to become a major factor within this development.

Merchandise, whether it is sold now or will make an appearance in the future, is increasingly relying on licensing. The licensing agreement and the licensed products that make up this valuable market are our next stop in the module.

Licensing agreements

The best place to begin is with the question “what are licencing agreements”?

If we go back, we also spoke about this in module 1. Sports licensing is an agreement between the sports entity and another company that gives permission for that company



to use the name, logo, and other trademarks on that companies' products or promotional material (Linton, 2010).

There are two parties here: the licensee and the licensor. The licensor owns the rights to their intellectual property, and they enter into an agreement with a licensee, who is given permission to sell items containing this intellectual property, often a club badge, for a period of time. These sales are often done in places where the licensor does not have a presence yet to avoid cutting into existing market share.

Now that we know what they are, the next question is "why do we want to engage with them?". The following subsections will discuss both the benefits and drawbacks of these agreements from the perspective of both the licensee and the licensor. The licensee is the group that receives the licence from the licensor, who gives permission and grants the licence.

Benefits of licensing agreements

Due to the vast sums of money that are involved in this industry, done correctly, the benefits of this type of revenue generation can be numerous for both the licensee and the licensor. There are several steps that both organisations involved in the agreement need to overcome if they are to realise these benefits.

Benefits of licensing agreements to the licensee

By going into a licencing agreement, the licensee can benefit from a reduced need to invest finances into a stand-alone project while creating new business opportunities. There are two main reasons for this: firstly, there is no need to have a product development stage for the licensee, and, therefore, as soon as the license is granted, they can begin making money; secondly, the licensor will have a strong brand and command a good position within the market they wish to enter, which means that marketing can be less costly than if going it alone within a new market. Even with this possibly limited marketing, the licensee can be confident of success as the brand they are licensing is likely to already be commercially successful.

Of course, by reducing investment, the licensee can also reduce their risk and are more likely to make a profit. This could mean that all things remaining the same will stay in the market longer, making profit; and this is also good news for the licensor. If the licensee stays in the market and is profitable while doing so, then the fees to which the licensor is entitled to will also keep coming, continuing this revenue stream.

Benefits of licensing agreements to the licensor

Firstly, as mentioned in the previous subsection, the benefits of sharing cost can be beneficial for both. The entry and staying in markets can all be achieved for a much-reduced cost due to existing experience and distribution networks developed by the licensee.



Taking these factors into account provides an opportunity for sports organisations to increase their reach into additional markets that they might not currently operate in; therefore, doing it attracts even more sources of revenue. The licensee, for example, will often already operate within the market, meaning that costly entry strategies can be avoided. The barriers to entry, such as problematic taxes or shipment of goods, can be avoided, since goods will often be produced in the country of the licensee. Besides, a level of knowledge will be already accrued by the licensee; this means that sales strategies are more likely to be successful to drive revenue and profit. Much like the licensee, with a successful project, revenue can be earned from the very first day of the agreement. With revenue coming in, the organisation can make assessments as to whether or not this is a valuable relationship with good data on profit from the very beginning without having to wait over weeks.

The reduction in cost can also be matched by the reduction in risk. As the level of investment is reduced, due to production and transport costs declining, the risk decreases. It would not, of course, be ideal if any product that a company had an interest in failed, but, if it were to do so, then you would want it to be one where you did not have much financial outlay involved in.

Furthermore, these types of licensing agreements not only provide a valuable source of continued revenue in the form of passive revenues: passive revenues can be collected in the form of royalties for continued use of the licence and require little time or financial investment from the licensor organisation. As mentioned previously, if the product is successful and the licensee is making a profit that they are satisfied with, then they are likely to be very happy to stay in this market. Therefore, these passive revenues can continue for a substantial period of time, contributing positively to an organisations balance sheet and allowing them to spend this money on other business interests.

However, as we know, where there are positives, there are also drawbacks; and organisations must be careful about using these types of agreements. It is this topic that we turn our attention to now.

Drawbacks of licensing agreements

As we know, this area of business can be extremely lucrative. However, we only make these substantial revenues if we get these agreements right. If we don't, we might still make some money, but the relationship will not last, and long-term revenue and profit will remain elusive.

Drawbacks of licensing agreements to the licensee

The contract that is signed between the licensee and the licensor will be legally binding and rigorously enforced. Any breach is likely to cause significant legal issues for the licensee. Of course, only rarely will any organisation break a business contract intentionally, and it is more likely to be done by accident or in response to severe financial



pressures. But these contracts also play another role: they will tie the licensee and licensor together for a period of years. However, they may not take into account factors that could affect the profit or revenues derived from a product. If, for example, the market crashes or the product that is being licensed suddenly has a competitor, this can cause issues for both parties.

For the licensee, anything such as the above happening may cause a significant decrease in revenues and potential profits, though they would still be liable for the amount payable to the licensor as part of the agreement contained within the contract. The value of the contracted amount may end up exceeding the amount of profit made by the licensee, which, of course, is not good for the financial health of the licensee company.

It is perhaps this lack of control that is the most dangerous to the licensee. They are, to some degree, under the control of the licensor and, in some cases, depend on them for their own survival. If the licensor, at the end of the agreement, decides that they will stop selling the product in the region of the licensee or, perhaps worse, give the license to another company, then this could cause significant harm to the business of the licensee. Additionally, new products developed by competitors may make the existing product license held by the licensee obsolete.

In this regard, the relationship with the licensor is, no doubt, very important. If the relationship between the two actors remains good, then, if any of these issues were to occur, the organisations might be able to come to some sort of agreement which could lessen the financial impact. However, if the relationship declines, then more hard-line approaches are likely to be taken, which might involve financial penalties or a withdrawal of services.

Drawbacks of licensing agreements to the licensor

Some of the same issues that impact on the licensee will also impact on the licensor. The risk of having an obsolete product due to the development of a new one by a competitor can be equally as damaging for the licensor. This would mean some reduction in revenues including passive revenues, which may impact the long-term financial health of the organisation. In addition, contracts are also important for the licensor to be aware of. While we spoke about the licensee not keeping up with their side of the agreement, this is a similar issue for the licensor. For example, an issue that causes the lack of products or services to be provided to the licensee might be considered to be a breach of contract, perhaps causing long-term issues for the licensor.

A further significant issue is that an organisation (in this example, the licensor) has to rely upon the expertise and distribution of the licensee to overcome any problems that could occur, possibly far away from the licensor's sphere of influence. While, with an experienced operator, this may not cause a problem, with an inexperienced operator, the relationship may not be successful.



Sporting organisations may also be concerned about the lack of control of a licenced product and how the licensee chooses to interact with their product, for example, using trademarks and logos on inappropriate products that the organisation would not wish to be associated with. This, of course, will all hopefully be sorted out in the contract stage and logos and trademarks will only appear on the items that they are supposed to, but that does not always happen. We must also remember that things can change quickly: a licensor might be perfectly happy with the service that the licensee is providing one day and not the next. This may happen due to internal or external issues over which both entities have little control, but they will still necessitate the withdrawal from an agreement to use the associated brand.

Now that we have considered the general benefits and drawbacks of these agreements, we will now investigate what sort of products exists and what products are most suited to this environment.

Licensed products

Licensed products are becoming increasingly popular as a way to make additional revenue for sports organisations. To reiterate the model, the company that holds the original product is called “the licensor”, and the one that buys it is called “the licensee”. In this model, permission is granted by one company (licensor) to another company (licensee) to manufacture or sell products that, in some way, contain their trademark.

The way in which the licensor makes money out of this arrangement is that it charges a fee for the use of the license to the licensee. This fee can be a one-off fee that is paid on upon the signing of the initial contract and lasts for a number of years. Other finance methods include paying a percentage of revenue or profit over a set period.

The next question is: “where are these agreements likely to be possible and where do we make our money?”. Talbot (2022) suggests that the licensing agreements are most commonly to be found within the following sectors:

- Film & television
- Sporting teams & events
- Tourist attraction & famous places
- Brands & well-known companies
- Cars, motorbikes & other vehicles
- Clubs & organisations
- Major events

As this list shows, it is important to remember that it is not just traditional businesses or indeed major sports teams that get involved with this method of revenue capture. Even sports organisations that lower down their respective pyramids can earn some form of revenue from this model, although it will not be to the same degree as those who do



possess a bigger following. By allowing merchandise to be printed with their trademarks and sold on to consumers, revenue can be gained.

Examples of licensed products

If we consider some of those areas stated by Talbot, we can recognise some products that sporting organisations –in particular, football clubs– might put out. Barcelona, for instance, have a vast portfolio of licensed products that they manage in markets all over the Globe. A quick search on one of the many Internet search engines will come up with a vast array of products that can be bought. This is often focused around clothing but can also include pictures, home wear, and toys.

How sporting organisations make the most of these products is, as we know, a tricky balancing act with many decisions that need to be made. The quote below, taken from the FC Barcelona website, makes this clear.

In 2018, the Club recovered the use of its merchandising and retail rights, until then in the hands of FCB-Merchandising, a company 100% owned by Nike. Since then, FC Barcelona has taken on the direct management and operation of the business, creating the company Barça Licensing & Merchandising (BLM) with the aim of being able to directly control the more than 7,000 internationally licensed official products to thereby consolidate its global expansion. (FC Barcelona extends its official e-commerce platform for sale of products from Barça Store at Camp Nou to the whole of Europe, 2021, para. 7)

This quote can remind us of the previous subsection where we discussed the advantages and disadvantages of these agreements. By bringing these licensing agreements in house under the direct control of the club, Barcelona feel that they can respond with greater efficiency and therefore a greater chance of additional revenue.

Nevertheless, it is not just clubs who license their products in this age of hyper commodification of sport. Reiff (2020), for instance, notes that Fédération Internationale de Football Association (FIFA) possess a large licensing portfolio. This is often centred around tournaments that the governing body is hosting, the upcoming Qatar 2022 World Cup being the main focus currently. The intellectual property (consisting of names, brands, logos, designs, etc.) that FIFA produce for this tournament is incredibly valuable to them and accounts for a significant chunk of yearly revenue. As such, FIFA protect this property vigorously and strongly threaten legal action should their rights be infringed upon. FIFA also seek to limit theft or unlicensed reproduction by stating that only their official products are of sufficient quality and free from such practices as child labour (FIFA, 2022).

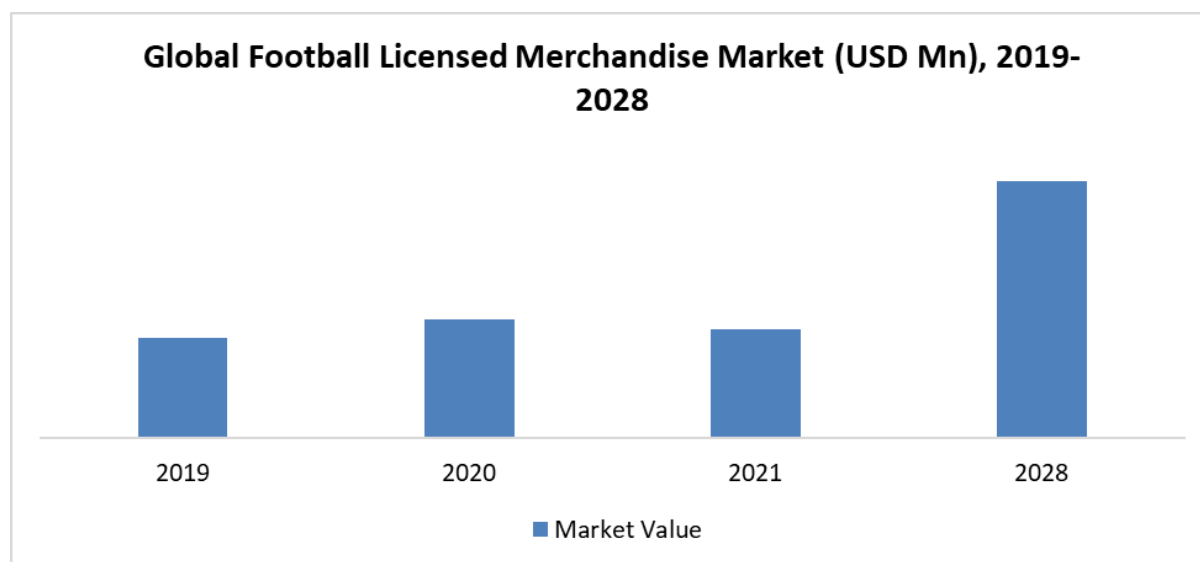
Value of licensed products

As we discussed in the very first section, this area of business is vast and is only getting larger. If we return to FIFA, their licensing rights were sold for a combined \$600M in the



lead up to the Russia 2018 World Cup, which was an increase of a staggering 114% on the previous three-year cycle (Reiff, 2020). The increase in value of licenced products over the last few years and the expected increase in future value, in terms of the global football market, are shown in Figure 4 below.

Figure 4: Increase in value of licenced products over the last few years and the expected increase in future value



From *Future merchandise developments*. (2021). DataM Intelligence Analysis. <https://www.datamintelligence.com/research-report/licensed-football-merchandise-market>

The agreements that sports organisations enter into now, while perhaps not enough to make or break a season or long-term cycle, are definitely enough to have an impact on revenue that might make a lean year into a good one, and vice versa. How organisations can increase this revenue stream depends on the competencies that the organisation themselves has. While, of course, any club can attempt licensing, they must have a brand that is worth licensing. Unsuccessful or poorly marketed clubs are unlikely to be of much use to the licensing world, as potential licensees will struggle to make money from them. Maybe, as Barcelona have done, it is a case of taking this arm of the business entirely under the operation of the club itself in an effort to draw further revenue from the area. The organisation can decide which products it wishes to license and sell, and keep a high level of control of the output. This will cost more, as the benefits of leaving all of this to a licensee will not be realised. A mixed approach, where certain markets are left with experienced licensee's and others taken under direct control, could well be the way to realise a good level of revenue and profit.

As we have seen, despite the potential wealth provided, there are both positives and negatives of entering into licensing agreements which can impact on the value received from them. We will touch on one of the negatives now.



Value creation issues

An additional issue could be found in the reputation of the products. An example of this can be shown in the relationship between Glasgow Rangers FC and sports apparel manufacturer, Castore. In 2020, Castore signed a deal to provide clothing and teamwear for Rangers, which was heralded as a good deal for both the club and the company. However, initially the relationship was besieged by issues such as concerns over quality, wrong kit being sent out, or missing items caused some friction between the club and its fans (McDougall, 2020). While this particular instance did not result in major issues for the club or the company, due in part to some swift apologies by both, it does provide an illustration of the potential issue. It must be remembered that the reputation of an organisation can be lost very quickly if not correctly managed, and this can result in reduced revenues across the business.

The availability of fake products poses a major problem for the value of goods in this sector. There are many ways in which fakery can be observed within the sporting field. However, one of the main methods of this is counterfeiting. Counterfeiting is defined as the manufacturing and/or distribution of goods that are protected by someone else's trademark. This type of fakery is extremely common within the sports market and can be extremely damaging given the ease of manufacturing fake shirts, often the major earners for sports organisations.

If you could buy a shirt that looked and felt the same for significantly less money than another, more official version, which would you choose? For some, having the brand name and the real product is reason enough to choose the more expensive and official product. Loyalty to a team or club and recognising that it is important to buy the official product as revenue is generated from these sales and can be important for the club. But not everyone thinks like this.

For example, imagine that you did not have such a strong relationship with the club or team in question. Perhaps, you just wanted a souvenir from a trip, and having seen a cheaper version that looked the same, or almost the same, you bought that one. While an individual purchase like this is not going to bring a mega club to its knees, we must be aware that it is not just an individual purchase. The manufacture of counterfeit items is done on an industrial scale and is a huge market. Each sale made of counterfeit good is, in effect, depriving the club of revenue that they could have made through a sale. Furthermore, if an organisation is regularly the victim of this practice, we might see in extreme cases of equipment sponsors not renewing their agreements due to the lack of sales of official goods.

Considering the impact of this, what can we do to stop it? Well, it is well known that sporting organisations use copyright and trademark law regularly to stop this kind of behaviour occurring. They can shut down those companies who are manufacturing or selling counterfeit goods like this as they are infringing on the logos of the sporting



organisation. These selling organisations can also be subjected to large fines if they continue this practice.

Summary

In this module, we have covered a number of topics relating to revenue generating structures of sports organisations. Firstly, we tackled merchandise and the development of these products and their place in the future consumer model of sports organisations. In addition, we discussed licenced products as a whole, the licencing agreements currently observed within the sporting business world and the benefits and drawbacks of entering into such agreements. Finally, we covered the overall value of such agreements and limiting factors in both the internal and external environment which can limit these revenues.

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