

FOOTBALL EPISODE 3 – FOOTBALL TRANSFERS: HOW MUCH IS A PLAYER WORTH?



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Although relatively useful for ‘standard’ players, player valuation models no longer work for the stars.

The amounts publicised in recent transfers (Neymar, Mbappé) have been very prevalent in news coverage lately. The sums involved in the transfers raise the question of how to value them. Are such amounts justified? Do they follow some form of economic rationale or are they merely an expression of the ‘irrational exuberance’ so dear to Alain Greenspan and in play here in the player transfer market?

To begin, let’s remember the factors that determine the financial value of a transfer. First, clubs evaluate the physical (resistance, speed, etc.) and technical (assists, tackles, etc.) potential of a player. Moreover, certain positions, such as the centre forwards, are highly sought after and are worth more at an equivalent level or age.

Anything that contributes to a player’s visibility in the media will increase the value of his or her contract (national team selection, number of followers on social media, etc.). A transfer also requires a contract of engagement, which qualifies as an asset in football (one of the particularities of football accounting). The longer the engagement stipulated in the contract is, the higher the contract’s value will be because the club will have a longer usage right.

Finally, the rapid progression of television rights in certain championships (notably the English championship), the arrival of international investors such as Qatar or Abu Dhabi and the globalisation of the football economy have all created the ideal conditions for the inflation of player transfer values.

NO CONCLUSIVE MODEL

Economic and financial literature provides different approaches to estimate the financial value of transfers. Some analysts have attempted to explain the values noted using certain variables (player age, position, nationality, performance both on the pitch and off, etc.). Others have modelled the uncertainty associated with future sporting performance or even the capacity of a club to utilise fully a player's potential.

None of these approaches is wholly convincing, however, when it comes to understanding the entirety of the transfer market. Too many parameters come into play: it is necessary to model the performance of the player both on and off the pitch, to consider the characteristics of the contract, to review the financial capacity of the buying and selling clubs as well as their results, etc. All this in a context where the importance of the different variables changes over time.

A VERY HETEROGENEOUS 'MARKET'

Another major difficulty: the transfer 'market' is far from homogeneous. The average value of a transfer comes in at much lower levels than the amounts communicated for the most publicised transfers. For 'standard' players, which represent the majority of transactions, financial theory and the models in place are relatively accurate. Clubs have numerous points of comparison in the transfer market and can use an analogical approach to value them.

The term 'market' as understood in financial theory is ill-suited to discussions of 'star' players, however, due to their exceeding rarity and the lower number of clubs able to buy and sell them. It would therefore seem inappropriate to value 'star' players using a classic financial approach.

The inflation of transfer values does not benefit the clubs involved because they have to reinvest their capital gains in other transfers and salaries, if they do not wish to see their performance decline. In a market with little regulation, large flows of capital, and rare resources, it hardly seems surprising that in the current context the only beneficiaries are the players and their agents.