

# **Big Market Advantage and Competitive Imbalance: Evidence from Spanish Football League**

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## **Abstract**

This paper examines the relationship between the league standing of Spanish professional football teams and the size of local market in which they are located. Location seems to play a relevant part in modern football. Indeed, the geographic basis of this sport is widely apparent at a variety of geographic scales: global, national and local. From this perspective, an interesting research topic is the analysis of the spatial distribution of successful sport teams within a geographical area.

A priori, according to economic theory, larger cities may have a revenue-generating advantage over smaller markets and the clubs located in smaller markets are unable to generate sufficient revenues to support the level of payroll necessary to be competitive on the field. Some of the main studies in this field addressing this kind of issues are Walker (1986), Bradbury (2007), Castellanos et al (2007).

The main aim of our research is to obtain empirical evidence that confirms or rejects some widely held beliefs regarding market size and winning in professional Spanish football. All of the major professional Spanish football teams represent geographic areas and they play as representatives of cities or regions. A recent history of professional Spanish football seems to confirm that the populations' bases of teams influence the play of the game on the field.

Undoubtedly, some teams have inherent advantages due to the markets they serve, but the critical question is how large is the big-city advantage or to what extent it explains the difference in wins between the best and worst teams..

Our approach is markedly empirical and the analysis was designed to uncover the connection between cities market size and their football teams' success. In order to reach this objective, we use regression analysis to estimate the magnitude of the impact of market size on on-field success and to identify how much differences in values of this variable are associated with differences in wins.

The previous analysis allows us to measure how market size translate into wins and losses and to test whether big-market football teams in Spain have an insurmountable advantage over clubs in small markets. In particular, the data set along with the econometric modelization used provide (i) a reliable and valid tool for testing the effect of city size on wins and for verifying if the hypothesized size-success relationship will be more or less strong than theoretically anticipated (ii) evidence about how well teams performed above/below the wins predicted by population size, (iii) a rational basis for discussing de impact of market size on competitive balance

and (iv) a starting point for evaluating why some teams with bigger markets that offer more potential fans to generate revenue fail to further exploit this advantage.

To sum up, the empirical evidence derived from the present research allows to gain a greater understanding the influence of local market size in Spanish football teams' performance. Some of the results emerging from our analysis suggest that despite the theoretically assumed centrality of the market size as explanatory variable of teams' performance, it would be excessively simplistic to reduce the performance determinants of major football clubs to factors related to market size.

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