

Economic Valuation of Football Players Through a Media Value Model

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Abstract

Using the methodology developed by the Economics, Sport and Intangibles research group (ESI-rg) and building upon data on media value of players and teams, this paper estimates fair transfer fees for professional football players. Media value in sports, based on popularity and notoriety, is the main intangible asset that players and teams possess to generate income. The ESI-rg index of media value is computed through combination of notoriety (press attention) and popularity (number of supporters, measured by number of web pages referred to each player). Then, we apply econometric techniques in order to establish the fair transfer fees of the players. Our valuation model provides a new tool for evaluating intangible assets in sports and differs from other existing models insofar it includes just information linked to media value. We do not take into account the players' sport performance, since such information is already captured by the index of media value.

We provide in the paper information concerning the estimations of players and teams' media value.

The second and more appealing part of the study deals with the empirical analysis of fair transfer fees of 84 professional football players. The explanatory power of the model reaches an adjusted R square of 0.73. Our estimations indicate that each additional 1% increase in media value implies an increase of 0.5% in the players transfer fees. Other factors affecting the final payment are the relative strength of each team involved in the agreement, the age of the player and his nationality. Paradoxically, the higher the media power of the buying team, the higher the final price that the selling club will obtain for a player. This effect is due to the fact that top teams do fiercely compete for a small number of top players. This also reflects the fact that financially powerful clubs are more capable to generate greater economic returns from the players' media value, thereby allowing them to afford a price premium. A similar argument explains that, at the time of selling players, powerful teams receive smaller amounts of money for them than clubs with lower media value profile. Finally, we contrast the "fair transfer" fee estimation of 112 players in the market during the season 2007 resulting with our model with the independent estimation provided by 14 FIFA agents participating in a survey. The correlation between both estimations reaches a value of 0.75, and increases to 0.89 for those FIFA agents who received information about our estimations, revealing that the professional experts tend to prefer the value produced by the ESI-rg model rather than the actual prize paid by teams.