
Social media and financial value of professional sports clubs reconsidered

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Type: Scientific

Category: A: Benchmarking and financial valuation in sports

Abstract

1. AIM / RESEARCH QUESTION

In the past, we tested the determinants of the number of Facebook fans for professional clubs and the impact of this number on the financial value of clubs. Our main conclusions were a significantly positive impact of being a European football club on the number of Facebook fans and of this number and being a NFL club on club value. However, these results were based on only 141 observations, due to a lack of available data on social media. The increased availability of data means that it is now possible to reconsider the questions of the determinants of the social media fans' number and its impact on club value, including a distinction between Facebook and Twitter not previously considered. Our aim is to update our previous research, observe if there are differences between the determinants of the numbers of Facebook fans and Twitter followers and test if either has a significant impact on club value.

2. THEORETICAL BACKGROUND

Several articles have considered the determinants of professional club value (see, for example, Alexander and Kern, 2004; Büschemann & Deutscher, 2011; Miller, 2007, 2009). However, despite social media being ever more important for professional clubs, none of these have incorporated the number of social media fans into their research. Thus, it seems timely to consider its impact on their value. We were the first to test its impact, but with some limitations due to a low number of observations and also a focus only on the number of Facebook fans and not on the number of Twitter followers. Now, a distinction between the numbers of Facebook fans and Twitter followers could be useful to observe if they have different determinants and/or a different impact on professional clubs.

3. METHODOLOGY AND DATA

Our methodology is a two-step approach based on ordinary least squares applied with SPSS which deletes variables in case of multicollinearity: first, we tested the determinants of the numbers of Facebook fans and Twitter followers, including a proxy for quality of players, population, attendance, sports performances and league effects; second, we tested the determinants of club value, including operating income, population income, number of other clubs in the local area, age and type of ownership of the stadium or the arena and alternatively the numbers of Facebook fans and Twitter followers. Our data correspond to 423 observations for all the American clubs in the four major leagues and the European soccer clubs evaluated by Forbes over the period 2011-2013.

4. RESULTS, DISCUSSION AND CONCLUSIONS

For the number of Facebook fans ($R^2 = 0.740$), our 12 determinants are significant (positive other than the league and year effects that are negative compared respectively with European football and 2013). We did not find exactly the same results previously (proxy for quality of players and sports performances in t not significant).

For the number of Twitter followers ($R^2 = 0.502$), attendance and NBA are not significant. Nevertheless, Bayern Munich had no Twitter account in 2011, whereas Manchester United had very few followers in 2011 and 2012. When we tested our model again without these three observations, R^2 becomes 0.703 and attendance becomes significant whereas population becomes insignificant (NBA still insignificant).

The number of Facebook fans has a significantly positive impact on club value ($R^2 = 0.916$, 13 significant variables out of 18). We found less significant variables in our previous research (8 out of 15).

The number of Twitter followers has no significant impact with all the data ($R^2 = 0.909$, 11 significant variables out of 18) but its impact becomes significantly positive when we exclude Bayern Munich in 2011 and Manchester United in 2011 and 2012 ($R^2 = 0.911$, 13 significant variables out of 18 with one inversion compared with the results with the number of Facebook fans).

Results are slightly better with the number of Facebook fans compared to the number of Twitter followers. This could be due to the fact that Twitter is more recent and as yet the number of followers for some clubs does not represent their full potential. Beyond our econometrical approach which confirms the importance of social media on club value, further research is required to determinate whether social media is linked with globalisation and precisely how a greater number of Facebook fans and/or Twitter followers leads to a more valuable team (actions that clubs implement to monetise these fans and followers).

References

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