

Crowdfunding: A Strategy For Acquiring Money And Increasing Fan Loyalty?!

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Aim of research

Within the professionalization of football, additional economic and management challenges have emerged for the individual clubs and more financial resources are necessary to remain the own competitiveness (Bezold & Lurk, 2016). Conversely, traditional financial institutions such as banks have increasing problems granting credits to professional football clubs owing to limited securities and a high degree of intangible assets of the football companies. Hence, crowdfunding could be a contemporary approach of fan-based financing to solve this financial gap. This was confirmed in the studies about fan bonds in German football as the motivation of fans to buy fan bonds seem to be primarily the support of the club than an investment decision (Bezold & Lurk, 2016; Huth et al., 2014). Nevertheless, so far it was not analysed whether both parties could profit from such a cooperation and how any financial commitment to a club influences the supporter's loyalty afterwards. The main research question of this paper is whether crowdfunding and crowdlending could be additional and cost-effective elements within the financing as well as customer relationship strategy of a professional football clubs. It will be considered how a crowdfunding campaign should look like regarding its objectives, conditions, rewards as well as the communication with potential investors to be successful for both club and fan.

Theoretical background

Crowdfunding is an online-based approach of financing that has both emerged in practice and in academia within the last ten years. Although the underlying principle of crowdfunding is not new, a milestone for modern crowdfunding are the recent developments in information technologies such as the spread and growth of the internet (Moritz & Block, 2016). One major difference to traditional forms of financing (such as venture capital, business angels or bank loans) is that crowdfunding allows capital seekers to address the consumer as a source for funding directly in a decentralized way (Alaei, Malekian, & Mostagir, 2016). In the context of football this offers possibilities for an enhanced relationship between the club as capital seeker and the fan as potential investor. Crowdfunding has various subtypes such as crowdsupporting, crowddonating, crowdlending and crowdfunding. In this paper, the focus is on crowdlending and crowdfunding as in those subtypes the investor receives a financial reward in form of the interest or any other profit-sharing mechanism (Beck, 2014).

Methodology, research design and data analysis

The study is based on the data derived from 15 semi-structured interviews with financial managers of German football clubs within the three highest divisions. Each interview lasted for approximately 60 minutes and focuses on crowdfunding in general, fan-based financing especially in form of fan bonds and if applicable, existing crowdfunding campaigns have been discussed. Content analysis tools are used for the analysis of the data.

Results

The interviews with financial managers confirm that external investment will increase significantly within the next years in football in Germany. Fans are a potential target group for this development as they are possibly a more committed and loyal partner than is could be the case with other professional investors. Increasing problems with traditional institutions such as banks as creditor caused by more legal regulation has been reported. It was found that owing to the different financial capabilities of the three professional leagues in German football, the evaluation and development of crowdfunding campaigns varies strongly. On the one hand, for clubs of the 3. Liga any fan-based financing campaign is crucial for maintaining current competitiveness or even to avoid crisis (or worst bankruptcy) situations. On the other hand, the clubs from the 1st Bundesliga regard the Euro 2.5 million (the amount which can be raised due to German legislation) as not sufficient for any investments project. However, for them crowdfunding is considered more as a valuable customer relationship tool to increase fan loyalty by allowing supporters to participate into various projects of the club. Hence, from the interviews the idea derived that the willingness to participate in a campaign and the level of fan loyalty influence each other mutually. It was acknowledged that crowdfunding is a modern form of fan bonds with an easier implementation (through the support of the platform) and higher flexibility, but that financially spoken, the costs are comparable for most clubs to fan

bond campaigns as in comparison to traditional fan bonds (with decorative certificates) the money must be paid back completely.

References

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