

Purchasing passion

A case study on the valuation of football players in Swedish clubs

“People come from the business sector and think this is easy. They enter with a bang and think this must be a joke compared to running a large public company, but this is something entirely different. Most of them leave quietly after a few years because they have failed. There are so many feelings and so much else that is happening which is not strictly commercial.”

Abstract

Every year football clubs across the world spend billions of dollars combined on acquiring new players. To purchase a player from another club, a transfer fee must be paid. Putting a monetary value on a human requires significant consideration. This case study investigates the valuation process in Swedish football clubs. Similar research on the valuation process has been done in art, and a theoretical framework introduced in this setting was used when the research question was investigated. The case study was conducted using semi-structured interviews with people involved in the transfer process at Swedish clubs. The study found that the valuation process follows four steps, *setting up the valuation*, *informing the valuation*, *forming a value opinion*, and *offering a value opinion*. The first step starts with either a need or an opportunity, and both can be influenced by a *sporting*, *business*, or *fans logic*. In the second step, information is gathered and analysed with benchmarking and gut feeling. Thirdly, considerations are made for the factors surrounding the player. The final step focuses on how clubs use information in negotiating with other clubs. Our analysis shows that the procedures for valuing a player are more based on feeling and experience than data analytical models. Another key finding was the existence of a third logic, *fans logic*, where the will of the fans is an important consideration for clubs.

Acknowledgements: We would like to express our gratitude to all the interviewees who generously took their time to participate in this study. We would also like to thank our supervisor, Henning Christner, for his valuable feedback and guidance.

Keywords: Valuation, Football, Institutional logics, Transfers

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1. Introduction

1.1 Background

Football clubs spend billions of dollars in every transfer window to acquire new players and build better teams. A total of 18,068 transfers were recorded internationally in 2021, with a combined value of USD 4.86 billion (*Global Transfer Report 2021*). Carmichael and Thomas (1993) argue that there are two primary purposes of a transfer market, facilitating team development and providing players with better opportunities. They further claim that the core of a transfer fee is the negotiation between the selling and the buying club, where the selling club wants the transfer fee to be as high as possible, and the buying club wants it to be as low as possible. However, the selling club has a “lowest price,” where the benefit of keeping the player outweighs the transfer fee. Similarly, the buying club has a “highest price,” where the benefit of not having the player outweighs the transfer fee (Carmichael, Thomas 1993).

The setting in Sweden’s highest league for men, *Allsvenskan*, differs from many of the other domestic European football leagues. The 51% rule states that the members must own at least 51% of a Swedish club (Riksidrottsförbundet 2021). This regulation influences the ownership structure, and unlike international clubs, private investors can not buy clubs in the Swedish league (Carlsson-Wall, Kraus et al. 2016). It has also been established in previous research that organisations within sports face institutional complexity. The overarching logic of how to set goals and run the organisation does not have a single objective. Instead, organisations are run as a balancing act, combining *business logic* and *sports logic* (Gammelsater 2010, Carlsson-Wall, Kraus et al. 2016).

Over the past few years, there has been an upsurge in transactions in the Swedish league. Five of the ten largest transactions in *Allsvenskan*’s history have occurred in the past three seasons (Transfermarkt 2022). Svensk Elitfotboll, an organisation with the goal of developing Swedish Football, has created *Project 500*, an initiative to increase the transfer fees generated in *Allsvenskan* (Svensk Elitfotboll 2022, Bachner 2022). The organisation argues that the development in recent years has been alarming, as the transfer fees in *Allsvenskan* have been falling compared to its Danish and Norwegian counterparts. Given the increased interest in

the transfer market for Swedish football players, we argue that investigating how different actors value players ahead of a potential acquisition is of general interest.

Putting a monetary value on a human is complex, and the practice has drawn the interest of accounting scholars in other settings. Notably, the sinking of the Titanic and the consequent lives lost provided the world with a clear valuation event where a tragedy forced the families involved to hear what their lost loved ones were worth in cold hard cash (Jeacle 2022). A football transfer tends to be less dramatic, but it also provides a valuation event where clubs are forced to put a monetary value on a human. The challenges of the valuation of humans led us to look at valuation studies of objects considered hard to value.

1.2 Prior research and research gap

Previous qualitative research studies of the valuation of hard-to-value objects include research into tomatoes (Heuts, Mol 2013) and real estate and art (Plante, Maire et al. 2022, Plante, Free et al. 2021). These studies on valuation suggest that more research into other objects that are hard to value is a welcome addition to the research field. In addition, previous research into the valuation of football players has been dominated by quantitative studies, primarily focusing on the attributes and factors that affects the transfer fee (Müller, Simons et al. 2017, Kirschstein, Liebscher 2019, Kharrat, McHale et al. 2020, McHale, Holmes 2022). They have not been concerned with the process in clubs and the underlying reasons for the valuation. Therefore, we believe that earlier research into the valuation of hard-to-value objects, and especially football players, is incomplete. This study aims to close this research gap by looking at the transfer process in hybrid organisations, football clubs.

1.3 Research question

The report will examine the valuation process in Swedish football clubs by exploring what information is considered relevant and how clubs use it. As the method of the thesis will be qualitative, the research question is not trying to investigate the correlation between external parameters, such as goals and on-pitch performance, and player valuation. Instead, it focuses on how organisations use this information when making decisions. Concretely, the question is the following:

What does the valuation process before a player acquisition look like in Swedish football clubs?

1.4 Contribution

As for academic contribution, this will add to the field of research covering the valuation of assets that are hard to value. Similar to items such as real estate and art, valuing a football player involves putting a monetary value on something that is generating more than a cash flow. We also add to the valuation research by investigating it in a new setting, *Allsvenskan*. We found a third logic that needs to be considered in addition to previous literature's logics, *fans logic*. This includes the considerations that clubs make to serve the will of the fans, which can not be fitted into the currently established *sporting* or *business logic*. Furthermore, this study differentiates itself from its international predecessors as it is qualitative and not quantitative. Instead of focusing on the correlation between performance stats and transfer price per se, it focuses on how specific clubs process this information.

2. Literature review

The literature used in this thesis has been structured into two parts, valuation of items that are hard to value and accounting in sports. The overlap of these two fields is what we are investigating. How valuation is done has been primarily researched in the art and real estate setting, where benchmarking, despite its problems, is a standard method for determining value. The accounting in sports literature has mainly served to explain the particular setting of the football world, where different logics need to be considered in the decision-making process. However, literature on the quantitative determination of transfer fees, which mainly focuses on building and using data analytics to estimate a value, has been included to show what on-field parameters usually influence the transfer fee. Although this is not directly connected to the aim of the study, it is helpful to understand the context in which the qualitative processes take place.

2.1 Valuation of items that are hard to value

According to the IFRS Standards, “an asset is a present economic resource controlled by the entity as a result of past events,” and an economic resource is “a right that has the potential to produce economic benefits” (The Annotated IFRS Standards 2021). According to Damodaran

(2012), putting a value on an asset, regardless of the characteristics of the object, is central to successful investing. Every asset can be valued, although some require more complex and detailed estimations. There are three primary forms of *other assets*, defined as things in addition to financial assets and real estate. First, some assets are expected to generate cash flows, which should be discounted back to their present value. Second, some assets hold value not because of their ability to generate cash but because they are scarce, generating utility for their owner, or simply because they are perceived to be valuable. Thirdly, some assets hold value for their option-like characteristics (Damodaran 2012). It could be argued that a football player holds value for all of the above reasons. They are likely to indirectly generate cash by aiding their team in winning competitions and through increased match-day revenue (Neri, Russo et al. 2021). A player can also be scarce because he holds a combination of unique characteristics, such as being the star player of a team (Kirschstein, Liebscher 2019). It could also be the case that players are valued because their talent will become valuable in the future, in which case they show option-like tendencies.

Art, according to Damodaran (2012), is usually valued by looking at other paintings by the same artist as a benchmark. For example, a Picasso is usually valued by what other Picassos have sold for recently. The first issue is that this is not a liquid market, with few transactions of this sort. Consequently, the sale of a painting by the same artist might have occurred years ago, and the market may have changed significantly during that time. The second issue is that no two paintings are identical, even if the same artist paints them (Damodaran 2012). We argue that football players are similar to art in this regard. They are unique since they are humans and will always be different, even if they have the same position in teams on similar levels. However, that is not to say that two players can not have the same value, but that value will be a consequence of different combinations of characteristics. Different ages, positions, and physical attributes may summarise to the same value.

Although there are similarities between pieces of art and football players, such as their uniqueness and hard-to-value factor, there is also a significant difference. The difference stems from the two parts of the concept of valuation, evaluation, and valorising (Vatin 2013). Evaluation is the assessment of value from an outsider's perspective, from someone unable to interfere and change the object in question. Valorising is the production of value, meaning that the valuer can change the object and, therefore, its value (Vatin 2013). An art valuer is not allowed to, for example, add lines to raise the value of the painting, and art valuation is

therefore to be considered as evaluation. (Heuts, Mol 2013). According to Nappert and Plante (2022), a sports club can improve specific characteristics of the player. This means that the club's resources and capabilities may impact the valuation. Furthermore, the players can valorise too. For example, they can hire personal coaches to become better, or agents to negotiate more effectively. The player's goal is to maximise their human capital since they are so-called entrepreneurs of the self and incentivised to become as valuable as possible (Nappert, Plante 2022). We argue that this could impact the valuation, since it adds another aspect that clubs need to consider: the player's personality.

2.2 Accounting in sports

According to Kirschstein and Liebscher (2019), the market value of a football player is subjective and difficult to assess since it is determined by the money that can be linked to the player's performance for the club. The market value is reflected in the transfer fee, which comes as compensation that a buying club pays to a selling club for a player whose contract has not yet expired. The player's performance is, in turn, determined by physical attributes in combination with tactical and technical skills. The physical skills are more easily measured and, therefore, more consistent from player to player, whereas technical and tactical skills are more challenging to assess (Kirschstein, Liebscher 2019). According to Carmichael and Thomas (1993), the primary motive for a transfer by a buying club is to strengthen the sporting performance of the team. However, a secondary motive is the financial aspect of a transfer since sporting success may lead to financial success through increased income from ticket sales and prize money (Carmichael, Thomas 1993).

What makes the Swedish football league different is the 51% rule, which states that clubs need to be owned by their members (Riksidrottsförbundet 2021). Consequently, Swedish clubs are either non-profit associations or sports-modified limited liability companies (Baxter, Carlsson-Wall et al. 2019). The board is appointed by voting, and the votes are proportionate in that there is one vote per member. In other European countries that do not have the 51% rule, private investors have bought clubs outright. The 51% rule ensures that control remains in the hands of the members (Carlsson-Wall, Kraus et al. 2016). We argue that since the majority owners of Swedish clubs are its members, sporting success is an important objective for clubs', which in turn could affect the valuation of players.

It is established that sports organisations are subject to institutional complexity, with a plurality of logics influencing how goals are defined (Gammelsater 2010, Carlsson-Wall, Kraus et al. 2016). Carlsson-Wall, Kraus et al. (2016) chooses to focus on the distinction between two primary institutional logics, the *business logic* and the *sports logic*, when exploring the specific setting of football. Carlsson-Wall, Kraus et al. (2016) argue that the two logics could either agree on what the correct course of action is or be ambiguous about the optimal strategy:

“We can thus conclude that, on the organizational level, logics are not compatible or incompatible per se, but are accorded different priorities in different situations. And the relationship between logics in a particular situation is either unambiguous (i.e., a matter of fact) or ambiguous (i.e., subject to how actors enact the logics and interpret the consequences of a given set of actions or events for the logics at hand). With this in mind, we can look at how logics that are enacted as being incompatible can be managed.”

The article by Carlsson-Wall, Kraus et al. (2016) provides an example of this ambiguity, stating that a costly undertaking in the short term, such as investing in a new stadium, can be consistent with better sporting performance while not completely aligning with the *business logic*. We argue that investments in a player can follow the same line of reasoning. Sometimes increased merchandise and ticket sales motivate the cost, and sometimes sporting success is more likely with the specific player in the team. In the same way, the logics may also be contradictory, as the purchase of a player with inadequate sporting abilities can be reasonable through the lens of financial performance. For example, if the player has a large personal following or a strong personal brand.

Previous literature on football valuation, specifically transfer fees, is mainly quantitative and analytical. It attempts to determine a transfer fee by putting player attributes and other factors into analytical models and using machine learning to find an estimate (Müller, Simons et al. 2017, Kharrat, McHale et al. 2020, McHale, Holmes 2022). One way to estimate transfer fees is by using basic performance metrics such as goals scored and then doing a multilevel regression analysis. Comparing the results with crowdsourced market values at Transfermarkt, a website for market values and transfers, and actual transfer fees, the model was shown to be accurate, especially for the lower 90% of transfers (Müller, Simons et al. 2017). Another way is to use advanced player performance metrics as an alternative to basic

performance metrics and then use machine learning algorithms to identify value-for-money transfers (McHale, Holmes 2022). A third way is to use the plus-minus rating first used in baseball, modified for football, with expected goals (xG) plus-minus and expected points (xP) plus-minus to identify value-for-money players. The authors use four types of machine learning: logistic regression, random forests, gradient boosting, and neural networks (Kharrat, Mchale, et al. 2020).

The valuation process in some European football clubs involves significant amounts of advanced data analytics, with the English *Premier League* clubs Brentford F.C. and Liverpool F.C. as noteworthy examples. (Kharrat, Mchale et al. 2020, Mchale, Holmes 2022). Using machine learning, Kharrat, Mchale et al. (2020) show that the transfer of Philippe Coutinho from Liverpool F.C. to F.C. Barcelona for a reported £146M in 2018 was a good deal for Liverpool F.C. despite the controversy of the decision. The modified plus-minus rating suggests that out of the four attacking players in Liverpool F.C. at the time, Coutinho was the least valuable. However, he was perceived as the most valuable player externally. Consequently, it was an informed decision from Liverpool F.C. to sell. We believe these types of analytics could be helpful for clubs in *Allsvenskan* to utilise, and consequently, we intend to investigate if this approach is used.

To conclude, qualitative research focusing on the valuation process in football has not been conducted. However, this has been done in other fields, and we will use this research for our theoretical framework. Earlier research into football provides a good understanding of the unique setting, with different logics and ownership structures. The quantitative research into the determination of transfer fees mainly shows that these could be used, and are used, by larger clubs abroad.

3. Theoretical framework

When studying the valuation process for art and real estate, Plante, Maire et al. (2022) described the procedure using four sequential steps. They found that valuation experts construct value opinions progressively, using these phases without being consciously aware of the process' existence. In the following sections, the four-phase approach will be described and applied to the setting of Swedish football.

In the first step, *Setting up the valuation*, information is gathered regarding the grounds on which the valuation should be constructed. This includes the question of defining value and understanding the context (Plante, Maire et al. 2022):

“When a valuation engagement is secured, initial efforts are directed to grasping the context of that engagement. Valuers gather contextual information—cues that will fuel their interpretation—to define the grounds on which the valuation should be done. The cue-gathering is centred on discussion with clients.”

In the Swedish football context, this could include defining whether the acquisition should be made with a *sporting* or a *business logic*. According to a valuation consultant interviewed by Plante, Maire et al. (2022), it is essential not to say that value is value, but to determine what value means in this specific situation. Plante, Maire et al. (2022) further states that the reason for the valuation is important. In the case of football, this would translate to understanding whether the valuation will be undertaken to stay aware of the value of the team or if it would be initiated to enable a future transaction. One of the respondents in the study by Plante, Maire et al. (2022) argues that the context for the valuation is likely to influence the complexity required, with replacement cost being called easy to define and fair market value needing more thorough consideration. It could be argued that the same logic applies in the context of this thesis. A valuation conducted to obtain awareness of the internal state of the organisation is likely to require less consideration of detail than one used for generating a transfer price.

Informing the valuation is the second step of the process, and it commences once the valuer has a firm enough understanding of the ground upon which the valuation will take place. The article describes the process of informing a valuation as two-fold. First, data is gathered in a research phase before reaching a state of analysis. The state of analysis is further divided into *Calculate* and *Relativize*, where the valuers digest the data to yield adequate insights (Plante, Maire et al. 2022):

“Despite some divergence relating to the recognition of attributes, valuers were found to explain the process of calculating to inform valuation in a similar way. Interviewees described their calculations using language drawing on arithmetic (e.g., summing,

averaging, factoring, weighting) and further explained that these calculations involved factoring and weighting the sum of an asset's attributes to grasp a value."

Plante, Maire et al. (2022) focus on art and real estate valuers, but the same methodologies are also present in football transfers. The relation between player attributes and transfer values is well-documented (Kirschstein, Liebscher 2019). Although this relationship is not the primary aim of this study, it suggests that weighting and comparing attributes between football players can be important to determine their fair value.

When the valuation is informed to a satisfactory level, the valuers focus on *forming a value opinion*. According to Plante, Maire et al. (2022), forming a value opinion is not necessarily related to the value generated by the analysis, and the analysis does not always have to precede the forming of opinion:

"A sense of value and the value indicated by an analysis were stressed by interviewees as distinct concepts leveraged to construct a value opinion. While one of these concepts is an embodied sense that an asset should be represented at a certain value, the other is the outcome of an analysis, albeit one conducted under a certain practical sense."

In the paper by Plante, Maire et al. (2022), expert valuers reinforce that a value opinion should be made with the underlying data in mind. Nevertheless, they go on to problematise regarding the use of judgement, or gut feeling, and the respondents' opinions seemed to diverge regarding whether or not a "sixth sense" should be used when formulating an opinion of an object's value. Given the institutional complexity present in the sport setting, which is described by Carlsson-Wall, Kraus et al. (2016) as the clash between *sports logic* and *business logic*, a personal judgement could be part of the valuation of football players. The varying requirements on different player attributes across teams also seem challenging to incorporate consistently into the valuation process. This suggests that the gut feeling of sports directors, CEOs, and coaches could be considered when formulating a value opinion.

To conclude the process, valuers *offer a value opinion*. In the setting described by Plante, Maire et al. (2022), this often entails handing over a valuation report to the client. In football, the equivalent could be considered the negotiation phase, where the two clubs involved in the

transfer try to agree on a price. Plante, Maire et al. (2022) describe the fourth step in the following manner:

“A valuation engagement is completed once a valuer has enacted their value opinion, namely once they have handed the valuation report to the client. The construction of sense at this phase of the valuation process pertains less to the value itself and shifts to bundling together the cues relating to the broader context of the valuation engagement for which the valuer was hired.”

They further state that expert valuers tend to lean in a particular direction when communicating their value opinions to the client. Nevertheless, it is stated that the value opinion should be fair and justified, and several of the respondents highlight the need to be able to justify the value opinion to clients. In conclusion, this phase aims to navigate client relationships and risks rather than construct a precise value estimate. In a football setting, we see this as tightly intertwined with handling agents and opposing clubs during negotiations. In that stage, a club's perception may not be what is important, and the primary objective may be to sell him for as much as possible regardless of his “fair value”.

4. Method

Our *research design* was formed by looking at previous qualitative studies of the valuation of hard-to-value objects. We noted that they have been conducted using interviews (Heuts, Mol 2013, Plante, Free et al. 2021, Plante, Maire et al. 2022). Therefore, we determined that this approach would be the best fit for our study as well. An interview guide was used (see appendix 1), but the interviews were semi-structured and focused more on relevant follow-up questions rather than strictly using the guide. Qualitative research is commonly criticised for anecdotalism, as it relies on a small number of telling examples, and the robustness of the explanations offered (Silverman 2000). In order to overcome these pitfalls, we interviewed people from different clubs and asked them the same questions to get a nuanced picture. A quantitative method would have been suboptimal since the primary focus is on exploring a process and how something is done, rather than finding a correlation between factors. Furthermore, the cultural and social construction of the process is important and needs to be considered, cementing that a qualitative method should be applied. Silverman (2000) explains the issue of using a quantitative method in this case:

“a dependence on purely quantitative methods may neglect the social and cultural construction of the ‘variables’ which quantitative research seeks to correlate”

Since multiple factors which could impact the valuation are of interest at the same time, thorough interviews with key people appeared to be the optimal way to design our study. In addition, we want to differentiate our research from its quantitative predecessors since they have only focused on determining a fee rather than looking at the process in itself (Müller, Simons et al. 2017, Kharrat, McHale et al. 2020, McHale, Holmes 2022).

The research approach is abductive since it is somewhere in between inductive and deductive, and includes elements from both. We are performing hypothesis-generating research rather than hypothesis-testing research, which means it is not deductive (Silverman 2000). However, we have a theory and an idea of how the valuation is done, and thus it is not inductive research either. Theory, data, and previous literature serve to enhance our analysis.

Our *data collection* involved 5 out of 16 clubs in *Allsvenskan*. Since the number of clubs in *Allsvenskan* is limited and the number of people working with transfers is small, we decided to send emails to all clubs asking for people involved in transfers and willing to participate. The study was conducted during the final weeks of the Swedish football season, and many people consequently declined the invitations since they wanted to focus on the last games of the year.

We conducted seven interviews with five clubs competing for different positions in the league, with some in the title race and some in the middle to lower half. None of the clubs were in a relegation battle. The clubs had different amounts of capital accessible for acquiring players (according to the financial statements of the clubs). The varying access to capital also affects the possibility of hiring personnel, which could lead to different approaches in player acquisitions. The clubs varied in the number of people involved in the transfer process, ranging from two to seven people. The average interview was 50 minutes long. (See appendix 2)

All but one interview were conducted in person, and the exception was motivated by distance and time constraints. All interviews were recorded, with permission from the participants, to

guarantee a correct representation of their statements. The recording also allowed us to focus solely on the interview rather than taking notes. The interviews were held in Swedish since the daily operations of the people involved are primarily in Swedish. The quotes in the thesis were translated into English and then sent to the respective interviewee, asking if they accepted the translation and felt they were represented correctly.

When conducting the *data analysis*, the interviews were transcribed directly after the interview, and the text served as our empirical section's primary source. When all interviews were conducted and all texts transcribed, they were reread in succession to highlight similarities and differences between the interviewee's answers. The analysis was done through the theoretical lens introduced by Plante, Maire et al. (2022), which aided us in finding suitable themes for structuring our analysis. The transcribed interviews were discussed, and key findings were picked out, organised, and colour-coded after the four themes introduced in the theory section: *setting up the valuation*, *informing the valuation*, *forming a value opinion*, and *offering a value opinion*. These themes became more pronounced after every new interview, and clear patterns and similarities were noted. These quotes made up the basis for our analysis and our discussion.

Due to *ethical considerations*, the names of the interviewees and their clubs were anonymised to avoid compromising their identities. We decided to disclose the participants' positions in their clubs to show their importance and relevance to the study. Furthermore, we found it essential to distinguish between CEOs and sports directors due to their different roles and the basis on which they are evaluated. Due to the small number of CEOs and sports directors in Swedish football, we decided not to disclose any personal information, such as age and time in the industry, as that would have made it possible to deduct the interviewee's identity. Furthermore, players, individuals, and the transfer fees discussed have been anonymised to avoid jeopardising the respondents' identity.

The study's *delimitations* included its qualitative approach, geographical scope, buy-side priority, and male focus. First, it focuses qualitatively on how actors conduct the valuation in practice and disregards the relation between player performance and valuation. Second, the study only considers the process in clubs from *Allsvenskan*, the highest football league in Sweden, and therefore excludes international and lower-level Swedish clubs. Thirdly, the study is focused on the buy-side of transfers, looking at the process from the perspective of

the acquiring club. Examples from a sell-side perspective have been used when considered necessary, but the primary focus is on the acquisition of players. Lastly, we decided to only focus on male players due to the larger sums involved and the more extensive literature available. Furthermore, the men's *Allsvenskan* has a longer history and more established practices.

5. Empirics

The empirics section will be structured following the theoretical framework of the thesis. The four-step approach will provide a structured way to tackle the raw data, enabling better insights and more clarity for the reader. The four stages of the theoretical framework are *setting up the valuation*, *informing the valuation*, *forming a value opinion*, and *offering a value opinion*. The approach was initially introduced by Plante, Maire et al. (2022) and has been customised for the football setting. Before going into the details of the gathered empirics, important concepts will be introduced in the background section.

5.1 Background

The background describes two critical concepts to be aware of when reading the central part of the empirics section. These are the rules and regulations, which affect how negotiations are initiated, and a description of how agents work, as they have become an influential actor in recent years.

5.1.1 Rules and regulations

The two main types of player transfers are of players under contract and players without a contract, and the rules differ between the two (Amir, Livne 2005, Risaliti, Verona 2012). The regulations for players under contract state that a buying club must first approach the selling club to get acceptance of a fee before initiating talks with the player, often through intermediaries like agents. (Carmichael, Thomas 1993) Directly approaching a player with more than six months left on the contract without the permission of the player's club is commonly referred to as "tapping up" and is a prohibited practice that could lead to fines (Brand 2017). After the initial approach between clubs, personal terms such as salary and bonuses are negotiated, and a contract is signed if the buying club and player can come to an agreement (Amir, Livne 2005). Before 1995, a transfer fee had to be paid by a club to acquire

a player from another club, even if the player's contract had expired. However, in 1995 the European Court of Justice ruled that this practice was contrary to the provisions of the European Economic Community. This is known as the Bosman ruling, named after the player involved in the case. Previous literature shows that the length of the player's contract could impact the player's valuation (Poli 2022, Coates, Parshakov 2022).

5.1.2 Agents

Agents have become a significantly more important part of football in recent decades. This is due to their roles as intermediaries on the transfer market, coupled with their other services for the player (Bull, Faure 2022). Their role is, contrary to that of the clubs and players, not built in part on *sports logic* but solely on economic motives. According to Bull and Faure (2022), agents can be considered a necessary evil in the football industry. On one hand, they facilitate transfer deals and employment contracts. On the other hand, they could raise transfer fees for players and make deals that are more beneficial to themselves rather than the player. We, therefore, believe that the agent involved could affect the valuation process.

5.2 Valuation framework

The study's results will be presented in the upcoming paragraphs, structured in accordance with the thesis' theoretical framework. The theoretical framework uses a four-step approach consisting of *setting up the valuation*, *informing the valuation*, *forming a value opinion*, and *offering a value opinion*.

5.2.1 Setting up the valuation

The first step in the valuation process is *setting up the valuation*. It includes understanding the context in which the analysis will be conducted and exploring the purpose of buying a specific player. The material gathered showed that a valuation could either be initiated to fulfil a spontaneous opportunity or satisfy a specific need. The valuation, and potentially the subsequent transfer, would then be carried out using a *business* or a *sports logic*, and sometimes a combination of the two. We also found that clubs tend to follow a *fans logic* at times, where the fans are prioritised before both financial and sporting performance.

Given the setting that this report aims to explore, the valuation will always be carried out with the purpose of making a transfer. Still, there were two identifiable reasons for why the

transfer would be carried out, and the chosen reason holds the potential to influence the rest of the process. According to the Sports Director at Club 3, the transfer is often initiated as a result of either an opportunity or a need:

“Well it starts with a need really that's where it starts and then you start planning quite far ahead with that. Then great opportunities might present themselves and then you proceed from there. [...] He is so good that we will take him anyway. Even though the need might not be there. That could happen but oftentimes you start from a need.”

According to the CEO in Club 1, there are also different reasons why a player can be purchased. However, the strategic direction behind most acquisitions is decided similarly. He claims that people higher up the hierarchy usually set the organisation's strategic direction and that the acquisitions are carried out with this direction in mind. In the organisation, there are frameworks used for fulfilling these strategic goals:

“First and foremost it is a strategy we set at the top somewhere. What do we want and how do we want to build value in [Club 1] in the long term. Then it is parameters like age structures. We put players into different designations and purposes and how they will function from a squad perspective. Some “young potential”, some “key players”, some “top players” depending on the role they are expected to play.”

The same reasoning is further developed by the Sports Director at Club 3, who states that some players are purchased only with a *sports logic*. He acknowledges that sporting success is sometimes more important than financial performance, further confirming that different logics can be used to motivate a transfer:

“Some players we take are simply for performance, it is not a business case. Of course, it is important for us to compete in Europe, and that we have players that can handle that.”

Another factor that can come into play is a factor that was highlighted by the CEO at Club 1, who admits that some transfers have been made only to serve the fans:

“I'd like to say no to that, but of course we, like anyone else, get affected from the outside and in this world it's about building heroes and icons. Today I'd say it's less and less. The

better we get and the better we perform the more new heroes we create. But have we through the years bought players on old merits and because of the love of the supporters, Yes, definitely.”

Arguably, this could fall into another type of logic as it is neither concerned with financial performance nor sporting success. However, it is important to note that the *sports logic* can be extended to include a good atmosphere at games and high support for the club's players. Furthermore, given that supporters are stipulated to be majority owners in Swedish football clubs, it could be argued that satisfying them is in line with *sports logic*. Depending on the definition of sports logic used, this could be classified as a third type of strategy, where the primary goal is to satisfy the fans by whatever means necessary.

In conclusion, the first step of the valuation process is done to ensure that the context is clear. The person that is about to do the valuation must know why and in what context the valuation should be carried out. In practice, this involves looking at whether a transfer should be done to fulfil a need or an opportunity, what the strategic concerns are, and whether or not the fans can influence the decision.

5.2.1 Informing the valuation

For the second step of the valuation framework, the focus is first to gather information and then to conduct the analysis. Generally, this process is sequential, with the analysis initiated after material has been gathered from internal and external sources. *External sources* are defined as sources that contain information regardless of a club's activities. Examples of this would be agents and databases. On the other side of the spectrum, *internal sources* of information arise from the club's actions, such as hiring scouts or receiving information from players, trainers, and sports directors.

5.2.1.1 Information gathering

The information gathering is about combining *external* and *internal*, as well as quantitative and qualitative sources of data to provide input into the analysis. One source of information is external databases, such as Transfermarkt and Wyscout, a platform for scouting and match analysis, which was used by Club 2:

“We use primarily what's called Wyscout and we look at that all the time. There you can make a screening based on different criteria, such as searching for a left back or a right back.”

However, the CEO at Club 1 says that the available tools could be better, stating that Transfermarkt has become the industry standard for finding player values. He is, however, quick to point out that these websites are primarily used for gathering the “hard” data and that a complementary analysis is conducted with a club’s specific need in mind. This is necessary given the contextual nature of a football player, as both sporting and financial success are influenced by how well a player functions together with other players and the club as a whole:

“Unfortunately there are poor tools for this. What has become the general tool of the industry is called Transfermarkt. Which is [...] where the final transaction is valued. And then we can see how every time a player is sold, his value increases or decreases.[...] but I wouldn't say that we use it much more than just the value on the players which you find on the final transfer fee so that is the hard value, then we can value the player based on our needs.”

None of the respondents made transfer decisions based on information gathered only from external sources, and the data from websites was always complemented with new information from internal sources. For example, the CEO at Club 2 states that the information process involves a lot of gut feeling and first-hand information. Although involving a degree of gut feeling, the information is not taken out of thin air. As a team plays against another team, coaches and players often have input regarding what opponents are “very good”:

“I would say that it is quite a lot of gut feeling and then it is also if we purchase players from Allsvenskan for example which happens, well then you have a feeling because you have played against the players and then of course, take [Player] who played for [Another Swedish Club] until last year. The coaches wanted him because they thought he was very good when we played against [Another Swedish Club].”

“The players can also come with suggestions ‘this [Player]’ when we needed a right back after we sold [Another Player] last year then it comes up internally, ‘he is really good and we have had a very difficult time with him. He runs constantly and is just so annoying [...] so the inflow of ideas is just constant. ”

Another source for gathering information is to use scout and agent networks. The CEO at Club 1 says that when they have identified a type of player they need for the team, they initiate a process to find suitable candidates. In this case, the responsibility is handed over to the Sports Director, who is in charge of the club's strategic direction. The organisation has many different tools for finding players, including the scout and agent networks. At this point, the people in charge often have a rough idea of how much they think the player is worth:

“And when we have identified what type of player to acquire to make it work in the strategy, then it is up to [Sports Director], who owns this strategy. He and his department come up with suggestions and say that we need to invest in this type of player because they are on their way out, or we feel that we need to strengthen there, and then they simply scout. Then it is usually [Sports Director] and his Chief Scout, who have this responsibility. Then they have scout networks and agent networks. There are many ways to find the player, and then we usually have a first price range.”

In summary, the process for gathering information is extensive in the clubs that have been interviewed. There are multiple available sources, both external and internal, and organisations have many different tools for finding players. These include agents, scouting networks, their own players' and coaches' recommendations, and databases such as Transfermarkt and Wyscout. None of the clubs use only external or internal sources, but combine the two to get a more nuanced picture of reality.

5.2.1.2 Analysis

When the clubs have gathered information about the candidate, the next step is to analyse and determine the adequate price. The Sports Director at Club 3 describes benchmarking as a frequently used tool in the industry. According to him, it helps to see how well players fare in more demanding games, especially in an international context. He gives the example of buying a player from the Peruvian league, calling it “hopeless” as there was no way to compare him to players in the Swedish league. In this case, the respondent could watch the player's international performance against opponents such as Brazil and Argentina, enabling him to backtrack and see what players of the same calibre had sold for in the past:

“If we are out and playing against tough teams, it's sort of the same when I too look for players. It is always good to see what level they can compete at. And is there another level? When I took [Player], for example, from Peru who played in the Peruvian league. It is hopeless to know. Then this puts it into context, it is very difficult. You play for the national team against Argentina and Brazil, you get a different context.”

Furthermore, the same respondent acknowledges that the valuation is difficult and that the latest transfer price can be used as another reference point. If a club buys a player for 50 million and sells him for the same amount three years later, it does not feel like an excellent deal. On the other hand, if a player is purchased for seven million and sold for 50 million, it feels like the deal is good, as the price development has been good. In practice, 50 million will always be 50 million, but the respondent claims that the selling price can feel different depending on what the player was initially purchased for:

“That valuation is really hard. But of course, you can look at similar cases. Is there a reference point, has this type of player been sold in Sweden before? What was the price then? Then the purchase price can have an impact as well. If we paid 7 million or so. Then of course 40-50 million is a great deal, it is still a great development of the player value. If we had bought him for 50 [million], then perhaps the deals wouldn't feel as good. All these factors play a part. You look at the references, and then you look a little bit at the performance. Sometimes you notice something when you are out there yourself.”

Benchmarking is emphasised by another respondent, the CEO from Club 1, as important for another reason. It is not only about finding what similar players have been selling for, it is also important to know if the player will fit into the team. By comparing the player of interest with players closer to the club, it is possible to get a better grasp of whether or not he will work well with the current starting eleven. The importance of knowing what the player wants is also accentuated:

“We evaluate his significance for the club of course. Then we evaluate his will. That is super important.”

On the same topic, the CEO at Club 2 explains that this is not a stock market. Football players are human, and emotions play a role in how they perform on the pitch. If a player is

forced into playing, or if his wants are not considered, he will not be able to deliver as well as if he is motivated. This highlights the importance of considering player motivation when conducting the valuation, as performance is crucial for the club:

“That results in disappointed football players, and disappointed football players do not perform on the pitch. [If we don't honour the handshake] it is almost like blackmailing, and it is people we deal with, it is no stock market. Unmotivated humans who are disappointed at the club won't perform on the pitch.”

Another person, the CEO of Club 1, further highlights the vagueness of the industry's current analytical processes, driving home the point that it is no stock market. The club generally looks at parameters such as player performance and personality. It is important to ensure that the player fits into the team and can deliver sporting success. He states that they do not use tools or models for this process and that many decisions stem from gut feeling. However, he believes that tools building on data analysis will become more established in the industry. In addition to gathering information and establishing an internal estimate of a player's value, he accentuates the strong position of agents, calling it the agent's market. Clubs that are interested in doing a transfer will almost certainly have to deal with an agent when negotiating about the price, making it into a game where compromise and discussion sometimes are more important than a concrete estimate of the value:

“Yes, but it's probably a mixture, I think, so we analyse players and try to get a clear picture of how players perform and how they are as people as well. And then of course it is, so you have to value it also based on what needs you have. [Sports Director] and [Chief Scout] are perhaps some of the Nordic region's most experienced sports managers and scouts, and I think a lot of [the valuation] is in their backbone and in their gut, and they know roughly what a player is worth. [...] We know that a certain age plays a huge role as well as it determines whether we are going to be able to develop a player and sell so that there are these parameters that you always consider. But I don't think we have built any model where we sort of add 19 years, African, this speed, this mentally and get the player's worth. No, we do not have that. But I would say we have a lot of systems we look at to make sure this is the player we want and to know our estimation of the value. Then it is also the case that there is an agent's market out there. There are a lot of agents and you get signals quite quickly of what a player costs. You scratch the surface and ask about a certain player [...] then you

always know that if you get 10 million, maybe it's 7 then? [...] It's a trade that you learn a little bit. But I think the more money we spend on this, the more we will probably invest in tools. Recently, we have started to work a little more with external parties.”

The role of gut feeling is further confirmed by the CEO for Club 2, who states that the process is not “very scientific” and that the people responsible for transfers at the club are emotional, focusing on feelings and human relations rather than numbers. He also believes that other clubs are more likely to use quantitative models than they are:

“It is not very scientific. I think many people work with these issues in a more structured way than us, kind of pushing it towards a moneyball-approach¹. I would say that we use more of a feelings-based approach, [Sports Director] often does what feels good [...] I would say that is quite a lot of gut feeling.”

In conclusion, the clubs use two tools to analyse a player and determine his value. Benchmarking is used by some respondents, where players are compared to similar players and their previous transactions to get a sense of what they could be worth. Although this is admittedly not a perfect way to estimate value, respondents use it to add consistency to their estimates. Other than that, a lot of the analysis comes from gut feeling. In practice, one or a few of the club’s senior members often “know” what a player is worth, even before the analysis commences. The following part of a quote from the CEO at Club 1 (previously presented under 5.2.1 *Information gathering*) highlights this issue:

“[...] Then it is usually [Sports Director] and his Chief Scout, who have this responsibility. Then they have scout networks and agent networks. There are many ways to find the player, and then we usually have a first price range.”

Despite not having begun analysing the player or trying to estimate his value to the club, the Sports Director and Chief Scout at Club 1 have a price range in mind.

¹ In this setting, Moneyball refers to the practice using data instead of traditional scouting and wisdom to find undervalued players

5.2.3 Forming a value opinion

When the analysis has been conducted, the next step is to form an opinion of the player's value. It is worth noting that the outcome of the analysis is not necessarily what the acquirers consider a player to be worth. Several considerations still have to be made, which do not necessarily have to do with the value of the player per se. However, it may still influence the acquirer's willingness or ability to buy or sell a player. This step is, therefore, less about the player as a player and more about human factors and the environment surrounding him.

When *forming a value opinion*, one important factor is to behave ethically towards the player by "honouring the handshake". According to several respondents, *Allsvenskan* is a selling league, so clubs often count on losing money on their day-to-day operations and try to compensate for the loss by selling players. As such, it is important to be fair toward the players and let them go if the right opportunity presents itself. Because no player wants to be in a club that does not sell their players, as the CEO at Club 2 said:

"We thought it was a good environment for him, and then we made a deal. We wanted to honour the handshake that we made two years ago, because we know that all players speak to each other about their former clubs. Nobody wants to be in a club that doesn't sell their players, and those clubs find it a lot harder to recruit new players. Now it's the opposite, now [Player] speaks positively about [Club 2] handling this in a great way and recommends other players to go there, as they sell their players when the opportunity presents itself."

There are other cases where the player's value is detached from the logic underlying the purchase. Some players are so-called "return players," meaning that they return to the clubs where they started when they approach the end of their careers. For clubs, this represents an opportunity to acquire solid on-field performers for "less than they are worth". The transfer sums for these players are often low due to their age and the players may feel compensated by the personal satisfaction they get from seeing "their" club succeed. Although the players often receive high salaries, this presents a case where the value, defined as the potential output of the analysis described in the previous section, is not reflected in the transfer price. The Sports Director at Club 3 extends this line of thought:

“Return players that we have taken, those are no business case [as we can not sell them later]. On the other hand, [...] they have brought enormous sporting success to the club.”

If there are cases to honour the handshake, and cases to buy returning players, there are also certain contexts during which a transfer may not occur at all. This could be because of the high degree of emotion from the majority shareholders, the fans. The fans’ pride and passion, combined with industry praxis, could stop the sports management from acquiring players from their closest rivals. The Sports Director at Club 2 highlights this:

“We are tracking players. We ask ourselves, where can we realistically purchase players from? We can’t buy players from [Local Rival 1], or [Local Rival 2].”

The importance of the fans’ will and their power as majority stakeholders was further emphasised by the CEO at Club 5, who went so far as to claim that the fans change the entire market due to the legislature in Sweden today.

“What’s affecting the entire market for players is the fact that we are owned by the members in accordance with the 51-percent rule”

Furthermore, there are timing considerations to keep in mind. As the Swedish league is played between April and November, some respondents consider it impossible to carry out too many player movements during the summer transfer window and stay competitive. These respondents prefer to do a significant part of the transfers during the winter transfer window and consider that to be the best opportunity for restructuring the team. As such, a player may be worth more for them in June than in October, as he can significantly influence the team's position in the league in the former case. The Sports Director at Club 2 elaborates on this:

“You can’t have [too many] player movements in the summer and be successful. It is impossible, and then you have to foresee that. As we did with [Player], that’s why we sold him in January instead of having the discussion in the summer. [...] I can say in November, I am pretty sure that we are going to sell [Player], but we have to start the process and search for a replacement already.”

Although this fluctuation seems odd at first glance, the short-term focus is described by the CEO at Club 4 as an inevitable consequence of having supporters. Drawing on his experience from leading a club in a lower division, he says the following:

“And it is much harder to succeed with such a strategy in a club like [Club 4]. Do you know why [Another Swedish Club] runs straight through Superettan and right into Allsvenskan? Because nobody cares if we are going to be completely honest. Me and the Sports Director could pursue the same strategy for three years straight [when I was there], because there are no supporters [in this club]. If we start a three-year strategy and we don’t succeed in the first year; maybe the second, then we are all gone. So the balance between the short and the long term is incredibly challenging.”

Another important factor that can prevent a player’s value from being reflected in the transfer price is agent considerations. The CEO of Club 2 says that they try to reduce their dependence on individual agents by minimising the number of players in the team that have the same agent. He lays out a fictive scenario that highlights the potential dangers of such a strategy:

“I think the key for our club is to control how many players in our team have the same agent. It is easy for negotiations to be mixed together otherwise. Say that we wish to extend with one player while we simultaneously try to purchase another player with the same agent. Then the agent says that if you do not pay this specific amount, then you can forget about extending with the other player.”

The Sports Director at Club 3 continues on the same topic. According to him, negotiating with agents is a major part of generating the final transfer sum. They generally follow a process where they try to gather as much information from the agent as possible:

“We try to get some information on the price and speak to agents and try to get them to find some details. What could be a possible price, and perhaps you get an offer back from the agent that is a bit higher. You try to find as much information as possible.”

There is also a criminal element present when it comes to agents, something that several respondents highlighted. They said that their clubs might choose not to buy a player

regardless of how good the deal is if the agent is criminal. The regulatory and moral costs of doing the deal may be too great, even if the transfer is beneficial in all other aspects. The Sports Director at Club 5 describes the reasoning for why they only work with a selected network of agents:

“There are good agents, absolutely. Unfortunately, there is also a criminal element that has found its way into this market, chasing the money. [...] and of course, we build up a network of agents that we choose to work with.”

In summary, the third step of the valuation process considers factors that may not be directly related to the player’s value, with value defined as the output of the preceding analysis. Respondents highlight many factors, such as “honouring the handshake”, buying returning players, excluding certain clubs, timing, and not dealing with agents as important when forming an opinion of what the player is worth. Generally, it is about considering the fact that a player is a human being and not an object and that risks can come from “human sources,” such as a potential lack of motivation.

5.2.4 Offering a value opinion

The fourth step of the valuation process involves offering and communicating the valuation. In the paper by Plante, Maire et al. (2022), the people interested in the result were often the same people that paid for the valuation in the first place. In the football context, however, the set of stakeholders is broader, including fans, the opposing club, agents, and others. We have chosen to classify negotiations as a part of *offering a value opinion*.

Several respondents stated that a key factor in negotiating with the counterpart is the position in which one enters the negotiations. The Sports Director at Club 3 says that if somebody truly needs a player, they are already in a bad position. For example, if a club is at the end of a transfer window without a key player, it will most likely have to accept that the price will be higher than what would otherwise be the case:

“If you really need a player, then you are already in a bad spot in the negotiation. Then the price can go up compared to if you are not desperate. You tend to sit in different positions

over time, and sometimes you will have to accept that you must pay too much for a certain player. At other times, you will be lucky and the counterpart may be in a bad spot instead.”

As entering the negotiation with bargaining power is important, every piece of information that can be obtained from the counterpart is crucial. The CEO at Club 2 describes how they made use of their information advantage in the face of a sizeable intra-league transfer:

“We understand that it will be expensive to sign [Player], we understand that from the very beginning. The best thing for [Another Swedish Club] would be to sell him to a foreign club, we would have done that if we were in their position as well. But they had no offers, and we knew that they didn’t have the offer. At the same time, we knew that [Player] wanted to take the next step, so it would be very difficult to keep him motivated in [Another Swedish Club]. There was some time left on the contract, but I guess they felt that it is probably better to take these millions from [Club 2] with some performance clauses as they still make a great deal.”

The same respondent described another instance in which this technique was useful during the selling process. Thanks to the quantitative data the club gathered during games and training sessions, they had definite proof that one of the players they were selling was the fastest in their team. During the negotiation with the buying club, they highlighted this to push the price, creating an artificial information advantage.

There are also more traditional negotiation techniques involved in the process. The Sports Director at Club 3 talks about how they usually ask for a higher price than they expect to get to test the market. If they throw a number out and are met with complete silence, that says something about the general interest for the player:

“When someone shows interest, you often try a bit higher. You ask for a little more than you hope to get. If that is met with complete silence, the market is telling you that no one wants to pay those amounts.”

Another strategy used at Club 3 is to look at the other club in the negotiation to get an indication of the price. If Club X approaches a player, everyone knows how much money the clubs have and how much they usually pay for players. The respondent uses the Belgian club Gent as an example, saying that the club has never paid more than SEK 50 million for a

player, rendering it pointless to ask for SEK 150 million. Several clubs, including Club 3, cited below, used this technique to choose which offers to engage with:

“Then it is also about what clubs are interested. There are large clubs that can pay high transfer sums. Then you have another category [of clubs]. If you take clubs from the Netherlands and Belgium, they have had a limit historically for how much they pay, which is often telling for the price. If a club like Gent approaches us. We know that they have never purchased a player for more than 50 million. Then it might be stupid for us to ask 150 [million]. The price may be 150 [million], but then we know that Gent can not buy. Then the big dragons are the only candidates.”

Domestically, the hierarchy seems to be common knowledge. The Sports Director at Club 5 says that different clubs in the Swedish league will pay different amounts for the same player. According to him, Malmö is currently at the top of the “food chain”:

“To some degree, all clubs know where everyone else is in Sweden. There is a food chain. Malmö F.F. is at the top at the moment, and we know that if we buy a player from them, or if they buy a player from us, the transfer sums will be higher. In the same fashion, [Club 5] has to pay more than Värnamo or Degerfors, and Malmö will pay the most.”

Other than trying to get as much money as possible from the other club, there also seem to be moral considerations concerning the player. Club 2's CEO describes his respect for a player's will and says that it is important to understand that players often want to go to Europe as the salaries are a lot higher than in Sweden. As such, it is important to let a player go when the time is right, even if it means not capturing the last bit of profit from the transfer:

“When we sit down with the player, we always sit in this room when the players are about to sign their contracts, we have a discussion. We ask the players where they want to go next, what do you want with your football? And then we often end up in Europe, almost everyone wants to play in Europe. And you have to understand that, the salaries are significantly higher in Europe.”

In conclusion, the fourth step of the valuation process involves positioning yourself correctly toward the counterparts, gathering information about the club at the other side of the table,

and utilising traditional negotiation techniques. Honouring the handshake with the player and knowing how much the other party can pay is also something that has to be considered before communicating your perception of the player's value.

All in all, valuing a football player has been described using four steps: *setting up the valuation*, *informing the valuation*, *forming a value opinion*, and *offering a value opinion*. Many things can be done under each step, and the exact practices differ somewhat between the clubs. For example, some clubs are more strict than others when dealing with agents to ensure that they stay within legal borders. In the next section, implications and conclusions will be drawn from the gathered material. An analysis will be carried out to find common denominators and practices that seem widely used.

6. Discussion

Based on seven interviews with leading figures at Swedish football clubs, the discussion describes the process for valuing players in Allsvenskan and uses the theoretical framework as a complement. The analysis has been divided into two parts, where one focuses on the process, and the other describes the problems with following it. The first section was built primarily upon the gathered material and the theoretical framework, with an illustration of the model to provide clarity. The second part goes into detail about how player valuation is done and why the process is complex in this specific setting.

6.1 Key steps of the valuation process

According to what was described in the empirics, the process used by Swedish clubs is similar to the four-step approach for valuing art and real estate presented by Plante, Maire et al. (2022) (see figure below). The process is not explicitly expressed by any of the interviewed clubs, but we argue that the approach is adequately described using the four-step framework. Swedish clubs usually start by defining whether the transfer will be made to pursue an opportunity or to fulfil a need and with what logic the transfer should be done. Previous accounting literature Carlsson-Wall, Kraus et al. (2016) has identified two distinct logics, but we argue for the existence of a third, the *fans logic*. When the context is defined, the clubs gather information from external databases, players, coaches, agents, and scout networks. With the material, an analysis consisting of benchmarking and gut feeling

commences. When forming the value opinion, clubs make adjustments for the fact that the player is a human being, such as whether he will fit into the team and if he is motivated to play for the club. To conclude the process, a negotiation is carried out, where two clubs offer their value opinions to each other and try to reach an agreement. It is worth highlighting that the clubs, similar to what was found by Plante, Maire et al. (2022), were unaware of the existence of this process. Also, the valuation process does not have to follow these steps sequentially and the interviews show that clubs sometimes formed a value opinion before carrying out a formal analysis.

Setting up the valuation

Need/Opportunity

Sporting logic

Business logic

Fans logic

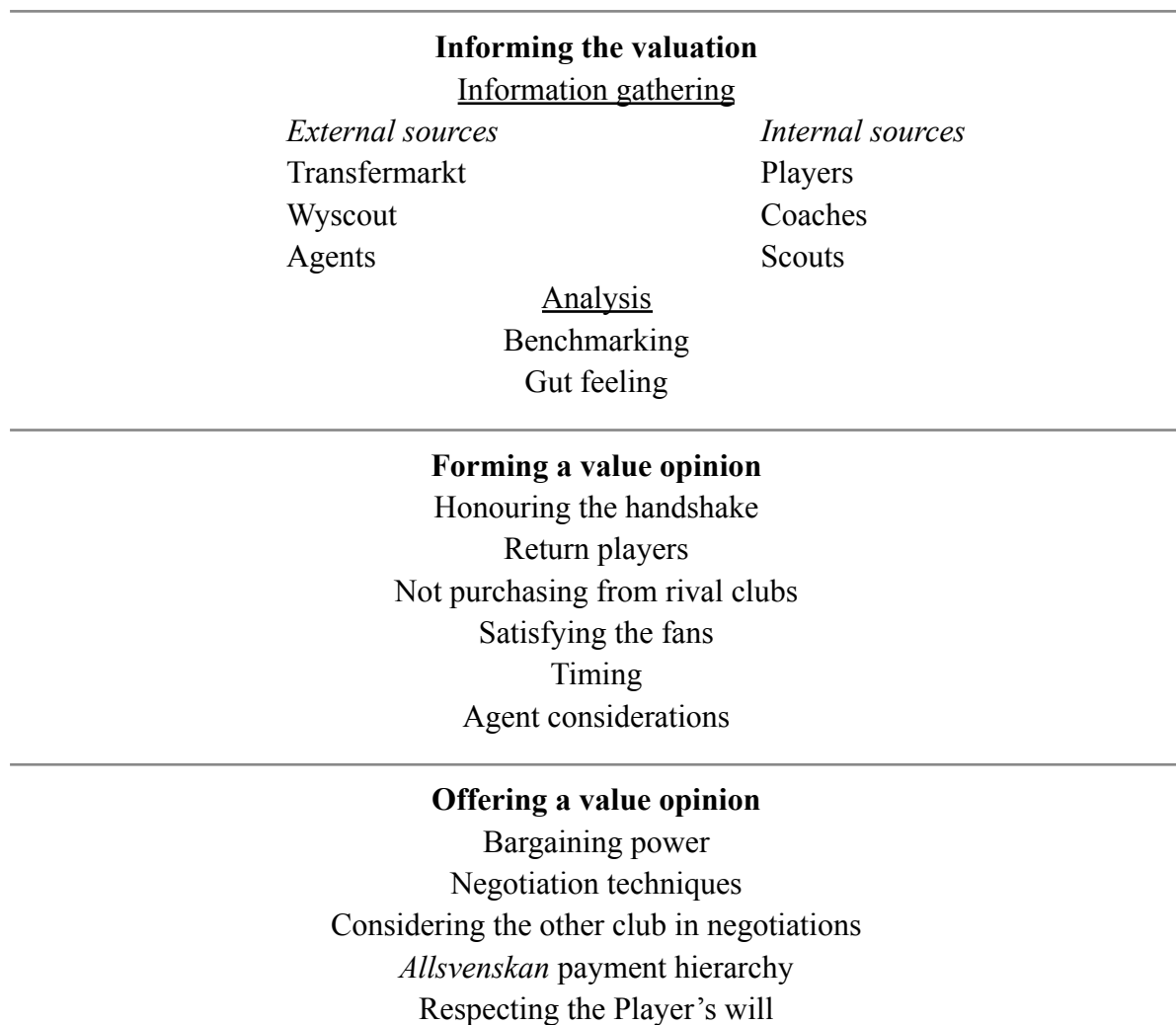


Figure 1) Four-step process (appendix 3)

6.2 Problematisation

This section is focused on describing the current analytical processes in Swedish football and why it is difficult to follow them. The analytical process will be described using the four-step valuation process introduced as the theoretical framework. There were also multiple reasons for why the process was considered difficult in practice. The difficulties stem from the conflicting institutional logics, players' ability to influence their value, different clubs' varying perceptions of value, and negotiations' tendency to alter the transfer price. This will be elaborated upon in the second part of this section.

6.2.1 Current practices in Swedish football

In accordance with what has previously been described, the valuation process tends to follow the four-step process introduced by Plante, Maire et al. (2022). In the upcoming paragraphs, the focus will be aimed at discussing the Swedish practices using the structure of these four steps.

For *setting up the valuation*, Swedish clubs do many things. Several respondents deemed it to be crucial to know the context in which the valuation would be conducted and whether the process should follow a *business*, *sport*, or *fans logic*. For this stage, we argue that Swedish clubs act in a way that is somewhat consistent with what theory prescribes. The process is generally well-established in the organisations, and similarly to what Plante, Maire et al. (2022) found, they let this information guide them by adjusting the degree of complexity and their intentions during the rest of the process. An example of this would be the Sports Director at Club 3, who argues that sometimes they just buy players because they stumble across a great opportunity. This indicates that the remaining three steps of the valuation process are ignored to enable a swift response to this opportunity.

However, a difference between theory and real-life practices arises when considering what was discovered by Carlsson-Wall, Kraus et al. (2016), that football clubs usually follow two different logics as a basis for their decisions. Their article uses the example of an investment into a new stadium, arguing that it can be consistent with better sporting performance, while not being an entirely legitimate business case. When it comes to player valuation, we believe that a third type of logic, *fans logic*, is also present. The CEO at Club 1 admits that his club sometimes has bought players simply to satisfy the fans, a behaviour that seems to disregard the need for both *sports* and *business logic*. If a football club does something that reduces both their sporting and financial performance, it seems irrational at first glance. However, as the CEO at Club 2 highlighted, there is so much more that is happening here than what is strictly commercial. He argues that the fans of a club are not just purchasing a ticket for a game, they are investing in a feeling, or *purchasing passion*. As such, we argue that what the CEO at Club 2 calls “*so much more*” includes an element of *fans logic*, in addition to the *sports* and *business logic* that has been explored in previous literature.

Regarding *informing the valuation*, Swedish clubs use external databases, players, coaches, agents, and scout networks for *gathering information*. In general, the process can be described as rigorous. Without having explicitly measured the length of the different processes, we estimate that this is where the clubs spend most of their time during a valuation. The type of data that is gathered ranges from technical details about a player's on-pitch ability to the financial situation of the opposing club. Some pieces of information will be used in the next step, the *analysis*, whereas others will be used later in the process to, for example, strengthen the club's bargaining power in negotiations with other clubs. The data sources have been classified into internal and external sources, and it is worth noting that no club ever took a decision without using at least one internal and one external source. External sources, including databases and agents, were often used to find potential candidates, and internal sources, such as scouting networks and player recommendations, were then used to confirm the candidates' potential. We believe that the extensive information gathering is interesting, especially when contrasted to the second part of *informing the valuation*, the *analysis*. It seemed that Swedish clubs had a lack of systematic analytical practices, and that extensive information gathering is a mechanism for coping with this shortage.

When exploring the *analysis*, which is the second part of *informing the valuation*, several observations were interesting. Considering the modernisation of football that is taking place in many large European clubs, with an increased focus on data analytics in the recruitment and valuation process (McHale, Holmes 2022), it was surprising to find the low level and sometimes lack of data-driven processes in the Swedish clubs. As one respondent mentioned, they do not have a model where they add different parameters to get a player's value, even though previous literature shows the availability of such (McHale, Holmes 2022, Kharrat, McHale et al. 2020, Müller, Simons et al. 2017). More so, the overall conservative attitude that the respondents showed towards the so-called Moneyball approach was interesting, with only Club 1 being positive towards it. When asked about their views on football moving more in that direction, the clubs appeared sceptical. In contrast to European giants such as Liverpool F.C., where data analytics is ever-increasing in the recruitment and valuation process (Kharrat, McHale et al. 2020), there appeared to be some pride in not taking that route. We believe that using more informal modes of analysis, such as gut feeling, is a way of coping with the complexity of this market. Instead of tackling the uncertainty by choosing a more data-analytical approach, they gathered large amounts of information and relied upon

the experience of highly skilled personnel. Despite the broad information-gathering process for one respondent, who spent 50 hours of labour on one player transfer alone, the analysis boiled down to a “*not very scientific*” process of mainly experience and gut feeling. The aim of this study has not been to determine whether qualitative or quantitative models are more efficient. Still, it is worth noting that valuers’ opinions seem to diverge regarding the use of gut feeling as a component of a valuation in previous literature (Plante, Maire et al., 2022).

There was, however, one tool that was frequently used in the analysis, benchmarking was used by several of the respondents for conducting a player valuation. The literature describes benchmarking as standard practice in other hard-to-value assets. For art valuation, Damodaran (2012) suggests looking at similar paintings from the same artist and examining what they have sold for in the past. Benchmarking is similar to the aspect of the valuation process that Plante, Maire et al. (2022) describe as *calculate* and *relativise*, where valuers digest and analyse the data to come up with a conclusion. Although this type of benchmarking is used in many clubs by comparing players by setting them in relation to each other and historical transfers, we argue that it is still not enough to determine a player’s value precisely. We elaborate on this difficulty in section 6.2.2.

Forming a value opinion is the third step of the valuation process. It includes factors that relate primarily to the fact that players are humans, such as “honouring the handshake”, excluding certain clubs, buying returning players, timing, and not doing deals with certain agents. Compared to previous literature on player valuation, which has mainly been quantitative (Müller, Simons et al. 2017, Kharrat, McHale et al. 2020, McHale, Holmes 2022) this is where Swedish clubs differentiate themselves. We argue that some of the factors that Swedish clubs consider in this stage, such as honouring the handshake, is hard to replicate using quantitative models. At the end of the day, football players are human and will not play at the top of their abilities if they are unsatisfied with their current situation, something that was highlighted by the CEO at Club 2. Arguably, acquiring a football player can be considered to be as much of a relational process as a business case. If the relation between a player and his team is dysfunctional, it will not help to show an accurate estimate of the player’s value in relation to his expected goals.

Offering a value opinion is the last step of the valuation process, and it provides an opportunity in which a qualitative approach can provide benefits as compared to an approach

focused primarily on numbers. According to theory, this step of the valuation is primarily about offering and communicating the valuation (Plante, Maire et al. 2022), which has been defined as the negotiation phase in the football setting. Many of the respondents highlighted various techniques for trying to influence the final transfer price. This was clearly demonstrated by Club 2, which chose to highlight the fact that the player they were currently selling was the fastest in the team. They got this data point through monitoring games and training sessions using data analysis and monitoring equipment. This provides an example of when the qualitative negotiation was supported by selected pieces of quantitative data, which, in combination, might have increased the price of the player. We argue that this might be a great way forward for Swedish clubs. Data analysis should not be met with scepticism, but it should not be embraced recklessly either. By carefully merging the two approaches, we believe that Swedish clubs can improve their analytical processes.

In conclusion, the process in Swedish clubs is currently skewed towards a more qualitative approach. Much data is collected, and transactions are usually relational in their nature. The information gathering is often extensive, with less being done in terms of systematic analysis. There are currently only two analytical tools used by Swedish clubs for analysing players, gut feeling and benchmarking. The former is hard to define clearly, as it is often the result of experience. It manifests itself through skilled personnel deciding as they see fit, without making their calculations explicit. The second approach is more systematic, with comparisons of transfer prices between players and over time. We come to the conclusion that as there are a multitude of institutional logics at play, the valuation approach should be equally diverse. We highlighted one example where a qualitative and quantitative approach was combined with beneficial results, and argue that this practice should be developed further.

6.2.2 What makes valuation difficult

Given the lack of systematic analytical processes in Swedish clubs, it is interesting to summarise why football players are so difficult to value. As stated previously, the IFRS Standards define an asset as “a present economic resource controlled by the entity as a result of past events”. When it comes to other assets, defined by Damodaran (2012) as things in addition to financial assets and real estate, they can hold value for three reasons: cash-flow generation, scarcity, and option-like characteristics. We have previously argued that football

players can hold value for all of the reasons above. This threefold nature of value makes valuation a problem. However, it gets even more problematic. First, there are two institutional logics to satisfy, described by Carlsson-Wall, Kraus et al. (2016) as *sports logic* and *business logic*. This makes it difficult to know how value should be defined and for whom the valuation should be done. Furthermore, we argue that there is a third type of logic, *fans logic*, that also has to be satisfied. Second, problems arise because individual players and their feelings can affect the valuation. Third, there is not one value for a player. The player can hold different values depending on which club he plays for, similar to what Vatin (2013) calls valorising. Finally, there is not always causality between a player's value and the transfer price. Negotiations play a vital role, where bargaining power, agents, and time constraints all have the potential to affect how much a player sells for.

Forming a strategy that aligns *sports logic*, *business logic*, and a *fans logic* is a struggle. After conducting interviews with seven of the most influential actors in Swedish football, it is evident that fans are at the core of every club. This is especially true in Sweden, with the 51% rule stipulating that fans should own at least 51% of a club. Most fans claim that their interests are aligned with the club's, but this is only partially true. From the interviews with the club's executive personnel, it becomes clear that the fans care primarily about sporting success in the short term. They are less concerned with the organisation's financial position and long-term prospects. As the CEO of Club 4 said, if they do not succeed within a year or two, they are gone. He compares this to a club he was in charge of previously, where the lack of fans enabled long-term thinking, making the club successful over the next few years. This finding is interesting for several reasons. As suggested by Carlsson-Wall, Kraus et al. (2016), both *sporting* and *business logic* are present in most clubs. This dual logic suggests stakeholders prefer financial or sporting success, or a combination of the two. However, satisfying the fans seems to require going against both logics at times. By focusing solely on the short-term sports performance of the club, the fans seem to apply a significant discount rate to future sporting success, as prioritising the short-term often requires sacrifices that will hurt the club in the long run. In combination with respondents admitting that they sometimes purchase players only to satisfy the fans, we are led to believe that there is a third type of logic present in a football club, *fans logic*. It could fall into the *sports logic*, depending on how it is defined, but sometimes the two seem directly contradictory. One clear example is the widespread practice of not trading with close rivals, highlighted by multiple respondents as impossible due to the fans' inevitable reaction. At first glance, this could be seen as a

sporting consideration, as the club will have a more challenging time winning the league if its rivals get better. However, we believe that this argument is not satisfactory. What is important is not the absolute abilities of the club's opponents but their relative abilities. If the club can make a financially viable transfer that improves its team more than it enriches the opponent's, it is aligned with both *sporting* and *business logic*. We found that clubs sometimes have to choose not only between financial or sporting success, but also whether they should satisfy the fans. This begs the question of how fans weigh advancements across different periods. We argue that research into quantifying the discount factor used by supporters in different clubs would make for interesting future research, not the least in helping clubs understand the motivations of their primary stakeholders.

One more problem we see with this market is that players are human, with everything it entails. If a player gets permanently injured or unwilling to play, his value is essentially zero. Assuming that an estimate of a player's value exists, it is not mathematically difficult to account for this uncertainty. It can be done by estimating the probability of adverse events occurring and writing down the valuation accordingly. However, human motivations are complicated to predict, something that many respondents accentuated. It was stated to be incredibly difficult to know whether a player would fit into the team or if he would feel at home in a new city or country. Overall, this uncertainty can be contrasted with a painting. A painting will look the same regardless of where it hangs. It will not lose motivation and fall down or start arguments with its closest painting neighbour.

Another thing that makes the valuation of football players complex is that the law of one price is not applicable. Contrary to, for example, a share on an exchange, football players can have different values depending on what club they play for. In a sense, this makes the transfer market imperfect, as several viable prices can co-exist. It is closely connected to what Vatin (2013) and Nappert and Plante (2022) described as *valorising*, where the valuer can change the value of the object through their own processes. A football club can *valorise* by making a slow player faster or teaching a player to shoot more accurately. This indicates that a player's value will depend to some degree on what a specific club can do with him. This could be a potential explanation for the payment hierarchy that exists in *Allsvenskan*, as described by one respondent during an interview. Malmö F.F. may be willing to pay more for a player not only because they have more money than other clubs but because they have better training facilities, coaches, and other players, which all could contribute to improving a player's

skills. Extending this line of thought, it may not be irrational for clubs of varying sizes, such as Malmö and Degerfors, to value the same player differently. It is simply an expression of their internal capabilities, which affects how they can shape players according to their needs. Concretely, comparing players with other players is difficult, as the value will depend on the club they play for.

An additional aspect that further problematises the use of benchmarking is negotiation. Often, only a few parties are involved in actively negotiating for a player, making negotiations an important determinant of the final transfer amount. The price could change drastically depending on how the bargaining power is distributed. Several respondents describe the position with which the discussions are entered as crucial, stating that if the club is in a bad spot, it will most likely have to accept that the transfer will be made at an unfavourable price. It is also crucial to be able to motivate the valuation to other stakeholders. This is similar to the importance of having reasonable arguments for a specific valuation when communicating the value opinion to external parties, as highlighted by Plante, Maire et al. (2022). As mentioned previously, the clubs' estimates of a player's value can vary depending on their internal capabilities. Suppose only one buying club and one selling club are involved in a transfer, with widely different perceptions of the value and skewed bargaining power. In that case, the transfer price will likely end up at an "irrational level". It may even be impossible to reach an equilibrium where the player's price reasonably reflects the average of the involved clubs' internal value estimates. Also, the length of the negotiations will always differ, as some may arise from a genuine need, whereas others result from a spontaneous opportunity. Plante, Maire, et al. (2022) write that the context for the valuation, which is determined under the first step of our theoretical framework, will likely influence the degree of complexity that has to be used in the valuation. In the setting of Plante, Maire, et al. (2022), replacement cost is said to be faster to estimate than fair market value. Similarly, we argue that there might be differences between the analysis preceding the replacement of a player and the analysis preceding the acquisition of a new star player. Consequently, a valuation process varying in length does not have to be irrational, but depending on how fast the club has to act, the time that can be spent on the analysis will be affected. If the club is less sure about its estimates, it seems sensible to pay a lower price to account for this uncertainty. On the topic of timing considerations, several respondents stated that the price of a player could be affected by when the transfer will take place during the transfer window. If a club is still looking for a player with three days left until the window closes, it says something about that club's bargaining

power. It is also worth noting that one respondent unknowingly had fallen into the sunk-cost fallacy. He described how it feels better to sell a player for 50 million if he was purchased for 7 million rather than 50 million, showing that human biases are present when benchmarking in this setting as well. Although the issues described in this paragraph are not problems with benchmarking per se, they could potentially be a reason why analytical processes are not widely used. Suppose a club feels that the bargaining power is skewed, that the time is limited, or that they may fall for cognitive biases. In that case, they may not give systemic analysis a fair chance, as the transfer price will be detached from the actual valuation anyway.

To summarise the discussion, valuing football players is considered problematic in *Allsvenskan*. Fans and the dual logics in sports complicate things, and the intuitive scepticism of new quantitative models does not facilitate clarity. Benchmarking and gut feeling are used to analyse player values. However, conflicting institutional logics, players influencing their value, clubs' different perceptions of value, and negotiations make things more complicated. Many of the people responsible for the acquisitions seem to think that realising fair value in the transfer market is overly ambitious. Instead of applying more systematic modes of analysis, the same people fall back on tradition, experience, and gut feeling.

7. Conclusion

The conclusion has been divided into two parts. The first focuses on answering the research question, and the second describes potential future research.

7.1 Findings

This thesis describes the current practices of how player valuation is performed in *Allsvenskan*. It differentiates itself from previous research on the valuation of football players by focusing on qualitative practices rather than the quantitative relationship between on-pitch performance and player value. The valuation process was found to follow a four-step approach, similarly structured to how valuers have been tackling other fields where objects are hard to value such as art, real estate, and tomatoes. The four steps include defining the context for the valuation, informing the valuation, forming an opinion of value, and offering this opinion to stakeholders. The analytical tools used were benchmarking and gut feeling, where gut feeling emphasises the experience and capabilities of the people conducting the

valuation. The lack of systematic quantitative models was notable compared to the large clubs in Europe.

Through exploration of the processes, multiple difficulties with the specific setting were found. These are clashing institutional logics, players influencing their own value, clubs' different perceptions of value, and negotiations. In addition to the *sporting* and *business logics* explored in previous literature, *fans logic* was found to be an influential factor in club's decisions. This logic has been defined as a logic where fans indirectly force clubs to make decisions that contradict both sporting and financial performance.

The broader implications from the research is the importance of combining a quantitative and qualitative approach. A quantitative approach can give a sophisticated and objective analysis that processes large amounts of factors and removes human error. However, by only using statistical models it is easy to overlook important aspects that are hard to quantify. A person's will, character, and the negotiation are all important considerations that only a qualitative process can evaluate. These human factors can not simply be expressed and interpreted by numbers in a model. To put a monetary value on a human being is not a simple process, because, at the end of the day, a human is a human.

7.2 Directions for future research

We argue that this report lays the groundwork for future research. There are two primary areas where more focus could be especially interesting, namely regarding the benefits of quantitative models and investigating the *fans logic*.

As mentioned, the lack of quantitative models in *Allsvenskan* was notable. By approaching this shortage using data analysis, we believe that it would be possible to quantify the potential benefits that Swedish clubs could reap from more systematic modes of analysis.

For the *fans logic*, studies of how supporters weigh sporting success and business success, especially over time, could yield interesting insights. In addition to specifying what exactly this logic entails, such a study would help clubs understand the motivations of their majority stakeholders, aiding them in the tradeoffs involved in their daily operations.

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9. Appendix

Appendix 1. Interview guide

Overall information on the person, their job and the club:

What is your role in the club?

Which people are involved in the transfer process at your club?

If I was to do your job during the next transfer, what would be important for me to think about?

How do you balance sporting and financial performance?

In what way are football clubs different from companies?

How do you factor in your own abilities to improve the player?

How are you affected by the 50+1 rule?

Can you describe the process of buying a player from start to finish?

Information gathering

What are the underlying reasons for purchasing a player?

Where do you get information from when you are interested in a player?

What type of information is gathered?

Are you using some sort of analytical tool to value players before an acquisition, and if so what and how are you using it?

Specific player was brought up for each club in order to get a specific case

Why did you pay [sek] for [Player X]? Where does that number come from?

Why did you buy [Player X] instead of the other options?

Why did you choose to sell [Player Y] in the middle of the season?

How do you motivate selling [Player Y] in the middle of a title race to the fans?

How do you weigh selling [Player Y] in the middle of the season versus selling [Player Y] at the end of the season?

Externals

Are you using any form of external valuers? If so, who and to what extent?

How does the agent impact the valuation? Do you have a strategy on handling agents and if so what is it?

Valuation

Do you value your players on an annual basis or any other basis? Or do you do it only before a transfer?

Which factors affect the player's value?

Do the fans affect the valuation? If so, how?

Where does the budget fit into the valuation process?

How quickly does the value of a player change?

How does the timing of the transfer affect the valuation?

How is the valuation affected by the existence of similar players?

How do you convert goals and assists to a monetary value?

Negotiation

When you have decided what you are prepared to pay for a player, how do you get the other club, agent and player to agree with the sum?

How do you use information on other clubs?

How do you handle the negotiation? What factors are you considering?

What information do you use during the negotiation to lower the transfer fee?

Appendix 2. Summary of interviews

Club	Date	Position	Length (mins)	Format
1	19-10-2022	CEO	43	In person
2	13-10-2022	CEO	45	In person
2	19-10-2022	Sports Director	31	In person
3	28-10-2022	Sports Director	33	Online
4	02-11-2022	CEO	65	In person
5	01-11-2022	CEO	58	In person
5	01-11-2022	Sports Director	74	In person

Appendix 3. Valuation process

Setting up the valuation

Need/Opportunity

Sporting logic

Business logic

Fans logic

Informing the valuation

Information gathering

External sources

Transfermarkt

Wyscout

Agents

Internal sources

Players

Coaches

Scouts

Analysis

Benchmarking

Gut feeling

Forming a value opinion

Honouring the handshake

Return players

Not purchasing from rival clubs

Satisfying the fans

Timing

Agent considerations

Offering a value opinion

Bargaining power

Negotiation techniques

Considering the other club in negotiations

Allsvenskan payment hierarchy

Respecting the player's will
