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Non-tech Innovation Applied to Sports Management - How Marketing Innovation and New Business Model Elements Improved Football Management in the 21st Century

Inovações Não Tecnológicas Aplicadas à Administração Esportiva - Como a Inovação de Marketing e os Novos Modelos de Negócios Alavancaram a Administração Futebolística no Século XXI

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Abstract

In the 21st century countless administrative changes were made in the most diverse business areas and this included the world of sports. Based especially on the strategies adopted by Ferran Soriano as a member of the FC Barcelona board of directors, this article shows two key aspects of these changes in the football world: The new business models adopted by major international clubs and their innovative sports marketing strategies, as they have driven clubs to become world famous brands, generating revenues that are compatible with or larger than traditional companies. As new business models, including creating boards, assigning business positions (as a CEO) and making the club truly a multinational company, teams such as Barcelona, Real Madrid, Manchester City, among others have become multi-million dollar companies within the sports world, without neglecting the potential within the field. In the marketing area, for example, stricter expansion strategies were adopted, mainly seeking to enter the Asian market, with simple but effective moves to attract this audience. Such movements show, not only in football but in various sports, how this sports market is capable of producing results far beyond the competition itself. As globalization has been a key factor in this expansion, this exit from the national to the international markets would open the door for good sports management to raise its standards and set aside some of the traditionalism of emotional management and aim for more rational management. Thus, it can be said that non-technological innovations are fundamental to all administrative and business areas. There is no need to create a new product, but a method or service that can abruptly leverage your business, especially in the sports market.

Keywords: Innovation. Non-technological. Sports management. Globalization. Marketing. Business models.

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Resumo

No século 21 inúmeras mudanças administrativas foram feitas nas mais diversas áreas empresariais e isso incluiu o mundo dos esportes. Baseado principalmente nas estratégias adotadas por Ferran Soriano, quando membro do conselho administrativo do FC Barcelona, este artigo mostra dois principais aspectos dessas mudanças no mundo do futebol: os novos modelos de negócios adotados pelos grandes clubes internacionais e suas estratégias inovadoras no que tange ao marketing esportivo, como eles impulsionaram clubes a tornarem-se marcas mundialmente famosas, gerando receitas compatíveis ou maiores que as empresas tradicionais como os novos modelos de negócios, incluindo criar conselhos, atribuir cargo empresariais (como um CEO) e tornar o clube realmente uma empresa multinacional. Times como Barcelona, Real Madrid, Manchester City, entre outros, se tornaram companhias multimilionárias dentro do mundo esportivo, sem deixar de lado o potencial dentro dos gramados. Na área de marketing, por exemplo, estratégias mais rígidas de expansão foram adotadas, principalmente, buscando a inserção no mercado asiático com movimentos simples, mas eficazes na hora de atrair esse público. Tais movimentos mostram, não somente no futebol, mas em diversos esportes, como esse mercado esportivo é capaz de produzir resultados muito além da própria competição. A globalização foi um fator fundamental para que essa expansão, essa saída do mercado nacional para o internacional, abrisse as portas para boas administrações esportivas elevarem seus padrões e deixarem de lado um pouco do tradicionalismo de gestões emocionais e visarem uma gestão mais racional. Logo, é possível afirmar que as inovações não tecnológicas são fundamentais para todas as áreas administrativas e empresariais. Não há necessidade de criar um produto novo, mas um método ou serviço que pode alavancar abruptamente o seu negócio, principalmente no mercado esportivo.

Palavras-chave: Inovação. Não tecnológico. Administração esportiva. Globalização. Marketing. Modelo de negócios.

1 Introduction

The 21st century brought to sports some interesting innovations in the most different areas. Think about technological advances, new uniforms for athletes, food supplements, equipment, better places for training and other things that improved the conditions for all people involved with sports. This is probably the condition that made them breaking records and running over old records from previous athletes, but that is not our focus. The idea of this work is to show the other side of innovation in sports: The non-technological innovation.

Financial viability turned into a very common subject of matter inside sports, mainly in football (Souza, Comini, Carelli, & Lanna, 2016). Clubs debts (it does not matter if they are small, medium or big), teams' expansion to other sports, countries or even clothes brands, new arenas being created by governments or banks and all other things combined turned around the environment off sport-entertainment.

It is not easy to innovate in traditional areas, mainly when it is so specific as sports.

Innovation requires capacity, knowledge, good environment and other amount of variables. You cannot define it as inventing something, you need to improve one process, make it different from previous one, cause good economic impacts. Developing one traditional process has it barriers but will lead you to the top of the market Organization for Economic Cooperation and Development (OECD) (Oslo Manual, 2018). And this happened with the cases we will present in this work. Success cases of clubs becoming international brands.

Besides the technological innovation, the non-tech changed the sports as well as the first one. Not thinking about the athletes, but about the teams and clubs. Sports management has always been focus of studying, but on the last decades it has changed a lot. Some clubs decided to invest much more in having one specific person for its financial and social work, as known as CEOs, like traditional companies and old-fashioned firms. They also created boards with managers, economists and marketers to improve the club name as an international brand (Soriano, 2011).

This movement was responsible for globalization in sports, mainly in football, the most popular sport in the world and our focus in this study. Football evolved more than any other sports in the last years, even now it is possible to compare it with some of the big companies in world. They reached the firm level, the organizational processes inside clubs. Not only for the brand name, but the profitable business that it turned on, as Soriano (2011) shows in his book:

Anybody analyzing the football market would first be surprised by the growth that had taken place during the 1990s and the first decade of the 21st century. Generally, clubs' annual incomes had increased very significantly and consistently year on year, at between 10 and 25 percent, which is far higher than that seen in most industries. Few readers will have had the privilege of working in an industry that has grown so much for so long.

This means one thing: Football managers started to realize how to turn their clubs into a more profitable business than never before. Using marketing strategies, market research and a totally new business model, one thing that was only about football, became an interest company to invest. It is not about hobby anymore. That is the difference between technological innovation and non-technological innovation. Changing the perspective over the business and the way of approaching to this new model. It is not all about the new equipment, but it is about a new service to deliver to the costumers, as known as supporters before (Soriano, 2011).

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Of course it is not easy to take one hometown club and turn it into global business. Other point is that technological innovation had such important role in this development too. It is not something to left behind. The new arenas, training centers, better equipment and a bunch of others products offered to athletes in this century improved their capacity to play and be better than the previous ones. Watching all this transformation of the sports environment, managers could notice the opportunities to expand their ideas (Mooney, 2014).

Globalization is a key factor too. The improvement of global brands, new technologies for communication, television shows from different countries reaching the most distant parts of the world and the speed with which information is transmitted, helped a lot the idea of delivering a new service for sports fans. It does not matter the country, but the idea to bring them to your business, turn people around the world part of your club. Doing this, they could expand the brand and increase sells internationally, what made teams like Real Madrid Club de Futbol, FC Barcelona, Paris Saint-Germain Football Club or Manchester United Football Club being fundamental for their countries GDP growth, sometimes more important than some companies (Souza et al., 2016).

Rohde and Breuer (2016b) focus in understanding this process of globalization or internationalization, the way tends to call this new structure adopted by great clubs. This can be one of the main responsible for football starting to receive great amount of foreign investments, even from businessmen from non-traditional countries or countries with "weaker" leagues. For example, Russia, with one very famous investor Roman Abramovich and China/Saudi Arabia, places where groups of investors decided to try the European market (Rohde & Breuer, 2016b).

On the other hand, this groups or solo investors try, at the same time, these "different" internal markets, bringing famous football players to Asia or United States (Rohde & Breuer, 2016b). Famous environments that used to pay more attention to other sports, like Basketball, American Football or Olympic modalities.

This means that, all topics of non-technological innovation combined: marketing innovation; new business model for structure, partnership and financial sources; market research and service innovation, plus outside aspects, as well as new technologies and athletes' improvement, played the main role in developing sports business, more precisely in football management. Identifying this process is the responsible to understand how sports become more profitable every year, it does not matter which one and where, but the business model being applied over it.

2 Marketing Innovation

It is not something new to observe how marketing has evolved all over the years. Does not matter the field it was applied, but the impacts it caused around the world. Some hometown brands that used to have its clients based on its neighborhood could transform themselves into national or even international firms (Soriano, 2011). The same idea is valid for sports. There has always been international competition between the best football clubs of Europe against South Americans, called Clubs World Championship, but the projection over this event was not so great and there was no direct transmission for different countries. This means that, in the past, was difficult for clubs to show themselves in other country besides their own.

Before heading into the ideas from this century, it must be clear in your head what is "marketing innovation". This can be defined as a strategy or concept that changes almost 100% from the previous strategies adopted for marketing in that same exactly market. You need to explore the potential of that market niche, offering products and services considered "new" for the costumers, as explained by Angela Hengsberger (2018). In this case, being football our

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product, the transformation is in the promotion of the clubs that plays fundamental roles for this sport. Innovation in management in football means changing the way you want your costumers (supporters) to see your brand.

With the technological advance, football has had a great impact. Good managers at big clubs knew how to use this and had some advantages over that breakthrough, especially in the marketing area. When expanding your brand to different places became easier, meant that expand football clubs to other countries than its own would be easier too. But how to do it? For example, how to make a Brazilian or Argentinian person buying the Futbol Club Barcelona shirt instead of some national club that this guy supported his whole life, like Santos Futebol Clube or Club Atletico Boca Juniors? You must remember too that is not only about the passion. The financial aspect sometimes can be the main problem if you think that an imported material from FC Barcelona is much more expensive than national ones (Soriano, 2011).

Once again, former FC Barcelona's board member, Ferran Soriano, explained some marketing strategies that improved his team's brand. First-of-all, you should never go straight to one market that already is passionate by its own home country teams. So, South America will be a future market. You don't need to disregard it, but think about this market as difficult for insertion due to its traditionalism. The second point is to see how people's life if affected by the money they want to spend in sports clothes. This means that, you cannot choose the market only by its passion or size, but by its willingness to spend money on your product. Third, you should offer something else besides the material. In this case, Soriano created the idea to "turn the person a club member".

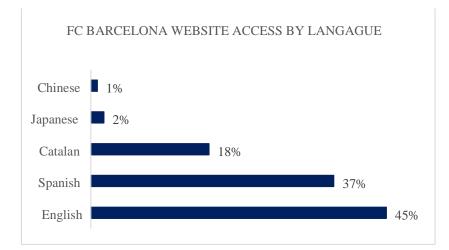
The Asian market is the most attractive of the three. China may become, in the future, the world's biggest football market and Japan is already a very attractive market. The scores are good in all three variables: interest in football is high, the people have very high disposable income, and spending power is also high; but the quality of the JLeague teams cannot yet be compared with the European clubs. (Soriano, 2011).

This can be considered the first three steps for marketing innovation in sports management. But let's discuss more about the third part or being a member of the club. This idea was interesting not only for the membership, but to expand the brand in other cultures. Before, only people from to city or country, real supporters from the club used to pay the membership card. For tickets discount, voting for president and etc. This is still common for small or medium clubs.

The idea to expand the brand for a big club brought the idea to expand not only sales for material, but to make people feel they are important for the team, for example, offering the membership card for people in other countries, like Japan. So, instead of just going to some countries to play one friendly match and then go home, why not invest in supporters from other countries? One step that may not look so important changed FC Barcelona's projection around the world. Besides the Spanish/Catalan language for the website, they decided to put it in English, Chinese, Portuguese, French, Turkish, Arabic and Japanese (Figure 1). This simple move made the club a global product, increasing the visits to the website, which means becoming more attractive in international perspectives. The idea is calling the attention of different sports fans from different places, to make it easier for them, put the website in their language (Soriano, 2011).

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Source: De "Goal the ball doesn't go in by chance: Management ideas from the world of football" de F. Soriano, 2011, p. 57.

After analyzing how other markets, besides Europe, could be profitable for big clubs, the investment (mainly in Asia) increased. The difference is that this investment is not coming all from the European clubs. Chinese and Indian investors started to see football as an option for their business. Using European teams in their countries, football turned into a very profitable business for the Asians. Now, these investors prefer to host a good match between two traditional English or Spanish clubs than a friendly match of Europeans against some hometown Asian club (Avison, 2016).

The Chinese market for sports, for example, overcame even the national index growth rate. In 2016, national sports industry generated U\$\$ 295 billion, which means 11,1% of growth in one year. Other interesting point is that the government totally supports this idea of elevating sports to a whole new level in China. By 2025, they intend to invest more U\$\$813 billion in sports. So, nowadays became impossible for big football clubs to no choosing the Asian market as it second option. Or even as it first option in some cases (Rick, 2018).

Sponsorship and property rights also had an interesting participation in football management increase. Besides legal parts, such as the contracts, sponsorship attracts the attention of people in different markets when it comes to trust in the brand. This usually mean an increase in sales of clubs` material (Rohde & Breuer, 2016b).

When it comes to contracts signed by those companies willing to sponsor any traditional football team around the world, it became more profitable all over the years. The impact of these contracts grew alongside with sports management (Rohde & Breuer, 2016b).

The point here is trying to fit your business into this different markets, escaping from the old and traditional ones. As for the main role of marketing innovation, the point is transforming the experience for costumers better than before. Making them feel more comfortable in visiting the website, going to matches or having the clubs` shirt. On the other hand, exploring those possibilities around the world, these new markets, like North-America and, mainly, Asia. The research throughout sports management is increasing and becoming even more important nowadays and marketing is playing one of the most important roles in this scenario, which will lead us to the next step: Business innovation in football.

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3 New Business Model

Business innovation is approached in the new Oslo Manual, published in 2018, as a concept strictly related to acquiring knowledge. As it is shown, knowledge is fundamental for all firms and their expectations about what to do and how to reach the next step (Oslo Manual, 2018). And this word will perfect fit into football business as it fits for firms on 21st century. Knowing the steps, acquiring the knowledge before entering different markets and before the expansion of the club brand changed all concepts of management in this area.

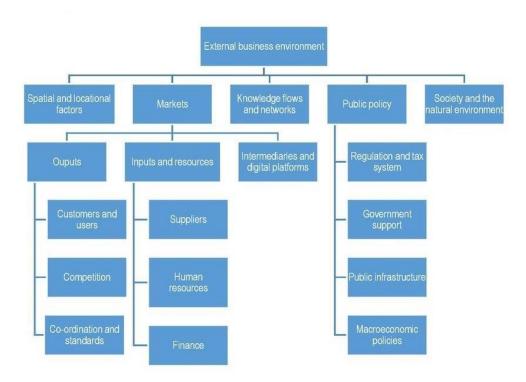


Figure 2 - Main elements of the environment for business innovation Source: Oslo Manual, 2018.

The figure provided by the Oslo Manual in 2018 (Figure 2) shows exactly how difficult and how deep must be the studies to enter a new market. In case of football, as Soriano (2011) described, the box "Society and the natural environment" requires a lot of care. Followed very closely by the other boxes, such as competition, costumers and users or public infrastructure. You are not able to perform a great match without the fans having access to stadium, of course.

It is totally necessary to understand the environment around your firm. Using statistics, strategies, collecting data is the beginning of research and development inside sports. Innovation brings the concept of something different from the previous model, it is about taking new decisions, changing the structure, lead your product to other targets (Oslo Manual, 2018). Applying this for something that used to be a match between twenty-two people running with a ball tends to be more difficult than they were expecting, but not impossible.

Following these explanation, other kind of innovation that caused impact in football in this new century was the business model adopted by some big clubs. The idea to provide something else besides matches and players or "service innovation" and the changes in management that improved the revenues and turned clubs into a more profitable business. Corporate finance for football generated USD 16 billion (including all football organizations around the world) in 2006, for example (Somoggi, 2007).

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How can we identify these innovations in business for football? As seen in the previous chapter, service innovation had suffered some changes. The idea is to offer more than matches. Clubs started to offer membership cards around the world (turn the supporter from other country part of your business). Other example was making deals with city tours for them to pass through the stadium as it was a touristic point, for example, FC Barcelona used this strategy, then, at the city tour, people visit the stadium, go inside, can eat there and of course, buying some gifts (Soriano, 2011).

Service innovation also includes other things besides city tours. For example, in Rosario, a famous city in Argentina, being a CA Rosario Central support-member, means having private space in one area at the river-beach. A few meters from the stadium, one small part of the beach is private, cleaner, with more options for eating and spending your day. If you are member of the club, its free for you. If not, you pay to go into this area. In other words, service innovation in football is showing the advantages for your costumer to be immersed in the product.

Television contracts also improved club's incomes in the last years. As Soriano (2011) shows, managers changed their way to deal with television companies in their countries, changed the contracts and started to ask for more advantages to their clubs based on their "size", for example. Instead of a common income transfer between all of them, they wanted more. Not only the money, but more time appearing on TV shows, more matches being transmitted and more international transmissions.

This will be extremely important for clubs in developing countries, environments that other contents offered in Europe or USA are not so effective because points showed before, like lack of investments and the society question or amount of money available to spend with sports.

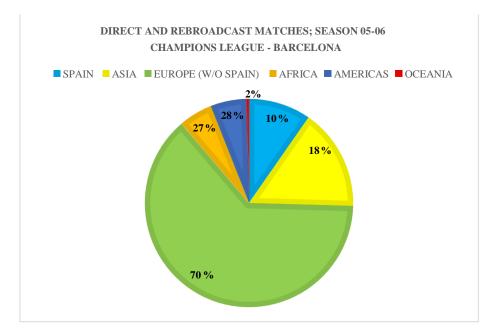


Figure 3 - Direct and Rebroadcast matches

Source: De "Goal the ball doesn't go in by chance: Management ideas from the world of football" de F. Soriano, 2011, p. 57.

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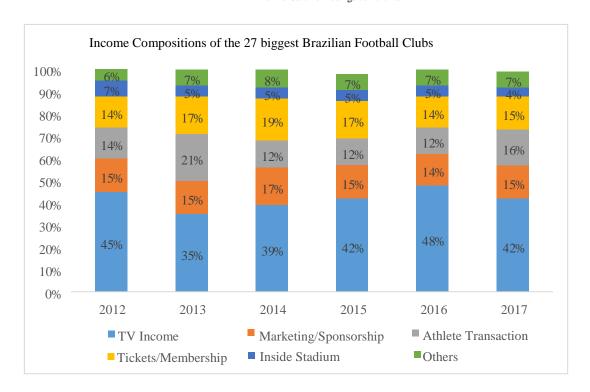


Figure 4 - Income Compositions of the 27 biggest Brazilian Football Clubs Source: Itaú BBA, 2018.

The second graphic shows how Brazilian clubs income composition is totally dependent of television rights and financial overpayment. Considering what they call the "27 big clubs" inside the country, almost 50% of the income in some years came from TV. In 2016 and 2017, the total income of them all together was almost R\$ 5 billion, which means U\$\$ 1.5 billion nowadays. The author even explains the difference between football and the country economy, as the Brazilian GDP decreased 3,6% on the same year and unemployment as well as inflation increased, football profits generated 41% more than in 2015, year that less than U\$\$ 900 million were made with football (Capelo, 2017).

Brazilian market still struggles with creating content as other leagues appear to make it easy. In USA, for example, the four big sports content creators: NHL (Hockey), NFL (American Football), NBA (Basketball) and MLB (Baseball) were responsible for almost US\$ 18 billion in revenues in 2006. Similar to this scenario to the European football confederation, UEFA (Union of European Football Associations) and FIFA (Fédération Internationale de Football Association) generated US\$ 16 billion in that very same year (Somoggi, 2007).

On the other hand, the South-American country presented a US\$ 560 million market. Comparing to the other ones, it seems impossible to expect that the new business models for Europe, Asia or USA could fit in countries like Brazil, Argentina or Mexico. As showed before, the television revenues were the golden chance for this sectors to follow closely and trying to increase as much as possible before other markets reaching an elusive proportion (Somoggi, 2007).

Besides the service innovation, new business model changed a lot inside the administration offices of football clubs. Improving the profitability of business is not easy, so, managers started changing the way finance was controlled from inside or even from outside. The 21st century brought to football (and other sports) something that was unusual before: Outside money. This outside money can be seen from two different perspectives, the good one, which means more players, high salaries and more wins. On the other hand, "the bad side" of

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it was teams getting unbeatable and the new wave of high salaries, which caused some damage for competitions, leagues and championships (in all kinds of sports). Michael Lewis show this in *Moneyball: The Art of Winning an Unfair Game*.

You have \$40 million to spend in twenty-five baseball players. Your opponent has already spent \$126 million on its own twenty-five players, and hold perhaps another \$100 million in reserve. What do you do with your forty million to avoid humiliating defeat"? (Lewis, 2003).

The same can be seeing in investments all over European football. For example, the Premier League, the biggest football tournament in England. Foreign investments in club all around the country became a common thing in the last few years, buying clubs, players, stadiums or constructing high-tech training centers. Mainly, this money is coming from Chinese and middle-east investment groups and creating a debate inside the country: How can we be affected by this "invasion"? It is obvious that this can create a lack of competitiveness (Rohde & Breuer, 2016a), but, on the other hand, the supporters don't mind to see their club winning more and more, and maybe this will help you increasing your sales in those regions.

So, the new-business model inserted in football can be easily seeing as one things the authors called "commercialization and internationalization" of the clubs. It the case of England, for example, 90% of the teams are owned by groups of investors, being 60% from different countries than the queen's land. In the point of view for what authors call "overinvestment", even with more money there is always the danger of weak financial perform, mainly for reasons such as fragile management or not corresponding with results inside the pitch, which can lead this groups or investors to look for other club (Rohde & Breuer, 2016b).

One simple conclusion about this new business model is that, besides being kind of controversial, it is working for most of the teams. Of course it can suffer some changes over the next years, but the main business seems to be very stable right now. By main business we are able to understand as this new kind of investments coming from different places. Apparently, football management with this point of view indicates the future of the sport.

4 Conclusion

Thinking about all fields of innovation, the non-technological one can be amazing when you try to understand it from its own perspective. Applying methods, ideas and not a tangible product. It is about a concept, a model being introduced into a sport and one of the biggest sports we have ever seen. Innovation is everywhere, from governments to firms, organizations to individual's daily basics (Oslo Manual, 2018). So, why not including it to "show-business" management?

What was only "playing something" requires now empirical studies for impacts in society. By impacts you can understand as political, economic and social ones, as sport can improve the environment around it. Investors treating and dealing football as main business (Rohde & Breuer, 2016b). It is not secondary anymore, not a simple hobby for the weekend. This process of internationalization from clubs elevated the numbers to a whole new scale.

Marketing innovation and new business model or the service innovation applied in football clubs after the 2000's improved this sport's economy in a way never seen before. It made the market expansion of football reaching a whole new scale of profitable business, turned clubs into companies and created a new environment for management in sports. This means, clubs are becoming more and more global brands than only local things. Sports are

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consuming great part of GDP in different countries, not only in the Olympic potencies anymore (Rohde & Breuer, 2016a).

Starting with the Europeans biggest teams, from Spain, England, Germany, Italy or even France (in case of France, the national clubs struggle to reach the same standard as the other Europeans. One difference can now be seeing in Paris Saint-Germain Football Club with new Qatar sponsorship as main investment), football suffered a massive change in the way it is seeing and managed. New ideas brought to business new ways to follow, goals to reach besides the sport, besides playing in the field. It became basically the same thing as running a company. Share your brand with the world, make it profitable and turn your club into a famous corporation.

Decisions became more important than never before in sports. Choosing good members for the board (even creating a board), studying markets, countries, regions and population is a new task for club managers. As seeing in OSLO Manual (2018) is basically the same idea, the market insertion requires great effort from different areas inside the company, mainly a good research to decide how to approach the desired environment. It is a product now like never before (Soriano, 2011). What matters is that, apparently, it is working perfectly.

Marketing innovation and business innovation brought to sports the idea of researching, planning and understanding that there is a place for changing, increasing and turning it into one of the most profitable business nowadays. Call it globalization, internationalization or other word to describe what became now, all of them will end at the same purpose and goal aimed by sports managers. Investors from all countries saw the chance here, saw the opportunity for good business, for a structural change into sports (Rohde & Breuer, 2016a).

So, the relation between football and firms follow one very similar way during the process of evolution and the increase inside the society. Both are always seeking for the perfect environment for evolving and transforming, both faces common issues, such as the huge difference between markets around the world. For football, the traditional Europe or South America now know new competitors as Asia, USA and the Middle-Eats starter to increase they investments into this sport.

One thing we can be 100% sure: that football and other sports will never stop evolving in the way they are managed. The progress for them comes alongside with society progress, they demand basically the same things as small, medium or big companies. Innovation and knowledge being applied will continue increasing in all sectors, followed closely by technological development (Oslo Manual, 2018). Sports can create opportunities for business, countries and population. This case shows exactly this. How the change was huge, quickly and important for the most different areas around one football club.

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