



Franchising: Is The North American Model About to Be Duplicated in European Soccer?

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Abstract

In 2021 and 2023, the attempt by a handful of powerful soccer clubs to create a European Super League gave rise to heated debate about importing the North American franchising model into European professional sports. The governance of professional soccer in Europe, in the hands of the Union of European Football Associations (UEFA), is effectively based on the principle of recognition of sporting merit: the best teams win the trophies, the worst teams are relegated to a minor league. In contrast, the governance of the four major leagues in North America is based on keeping franchised teams in a major league regardless of their sporting results. To maintain fan interest, mechanisms have been put in place to ensure that a team ranked poorly in season S has a chance to shine in season $S+1$, thanks to the addition of some excellent players. The franchising model reduces economic uncertainty, and consequently attracts many investors; this is why the owners of powerful soccer teams in Europe have been tempted to implement it. This research note addresses this issue, pointing out the hindrances to implementing this model in Europe, notably for cultural reasons.

Keywords: European soccer, franchising model, leagues, professional sports

1. Introduction

Major North American professional sports are widely known in Europe, particularly through the high-profile success of basketball players such as Tony Parker and Victor Wembanyama. Fans may be familiar with the performances of these players, but they are often unaware that in North America, the governance of professional sport has nothing in common with the European situation. Indeed, the managerial model adopted since the end of the 19th century is that of the franchise, for which the franchised teams of a league must respect common coercive rules to sell an attractive product: the sporting spectacle. This has an impact on the valuation of each franchised team, which depends on the media power of each sport. For example, every year, in February, the Super Bowl (American football) attracts over 100 million viewers, and 30 seconds of advertising costs between six and seven million US dollars (2023). Any reorganization of the league, with the entry of new teams or the exit of existing ones, is planned exclusively by a commissioner (i.e., the franchisor), which also defines the principles of governance. Such governance, which Andreff (2007) does not

hesitate to describe as “socialist” in the land of triumphant neoliberalism, is characterized by an original strategy of territorial coverage, some dimensions of which can be found in traditional commercial franchising.

North American consumer models have been widely disseminated around the world for decades, as have the manufacturing models of the Fordist era. In the gradual evolution towards the “Americanization” of the world (Shimemura, 2002), could the sports franchise model be imported to Europe in the same way? The question is even more burning given that European professional soccer is increasingly operating on a “quasi-league basis,” as evidenced by the recurrent domination of some fifteen clearly identified powerful teams. The economic reality is therefore that of a *hybrid form*, in which some of the characteristics of the North American model are present, in an environment where the sporting merit is deemed inescapable by the fans. Quite naturally, many observers advocate the introduction of a franchise system in Europe, at least for the Champions League competition organized by the Union of European Football Associations (called “UEFA Champions League”), even if it means retaining the original model of membership of minor national leagues for lesser-rated teams. There are, however, significant hindrances to the creation of a European professional league, despite several attempts in recent years. Hence the following question, which the research note aims to address: *does the old European culture of sporting merit prevent the implementation of a franchising model for professional soccer?*

2. Fundamentals of the North American model

Unlike Europe, North America has opted for a system of leagues in which the number of teams –the franchisees– based on the existence of a consumer market for each team. This number changes little over time, and sporting performance has no influence on the presence of franchisees in the league from one year to the next. On the other hand, a franchised team can move from one city to another, depending on the decision of the owners, in search of a more lucrative consumer market (Jozsa & Guthrie Jr., 1999). From an economic viewpoint, North American leagues are effectively organized according to the principle of *conquering a sports entertainment market*, which they segment to avoid direct competition between teams, as is the case in Europe. For example, for the 2023-2024 season, London hosts 13 professional soccer teams! In North America, by contrast, only economically more profitable metropolises justify the presence of at least one team from one of the four major leagues: the National Basketball Association (NBA), the National Football League (NFL), the National Hockey League (NHL), and the Major League Baseball (MLB). Of course, for giant metropolises such as New York or Los Angeles, several different sports teams can coexist, given the size of the population and economic activity (Semmelroth *et al.*, 2022).

In order to underline the convergence between the governance of North American leagues and the governance of commercial franchises, Table 1 shows the four usual characteristics of the contractual management of franchise networks: (1) the right to use a trademark granted by the franchisor to the franchisee; (2) the transmission of know-how from the franchisor to the franchisee; (3) the technical and/or commercial assistance provided by the franchisor to the franchisee; and (4) the legal independence enjoyed by franchisees. Professional sports leagues implicitly or explicitly adopt these four characteristics, even when the system formed by the “franchise network” suffers a violent external shock such as the Covid-19 pandemic in the spring of 2020 (Smith & Casper, 2020). In North America, for example, major league commissioners have assumed a significant part of the cost of screening for Covid-19 and reorganizing play-offs in secure places. Support for franchised teams, combined with intense lobbying to revive sporting activity, is another facet of the assistance provided and is akin to the

traditional practices of the franchising model. The dynamic of North American professional leagues is therefore based on the collective creation of value and the pooling of risks, with reference to a market shared out between members to derive maximum revenue.

Table 1. Professional sports leagues in reference to the franchising model

Features	Definition of characteristics	Examples of application to professional sports leagues
<i>Right to use a trademark</i>	The franchise contract indicates that the franchisor transfers to a franchisee the right to use a commercial brand understood as a sign of rallying and support of customers.	Fans show enthusiasm for a franchise, i.e., a given sport, an attachment powered by the sale of a myriad of derivative products on the franchisors' websites.
<i>Transmission of know-how</i>	The franchise contract is based on the transmission from the franchisor to the franchisee of know-how, a substantial and identified set of practical information resulting from the franchisor's experience.	Franchisors have extensive experience, often several decades, of franchise failures and successes, allowing them to provide the keys to a winning business model.
<i>Technical and/or commercial assistance</i>	The franchise contract guarantees the franchisee commercial and/or technical assistance from the franchisor during the entire contract period, which specifies its characteristics.	Franchisors help teams with optimal cash flow management, particularly in terms of ticketing, and manage the negotiation of TV rights with major networks.
<i>Independence of franchisees</i>	The franchise contract guarantees the independence of the franchisee as an entrepreneur, responsible to third parties, and to its customers and employees.	Teams have a certain freedom in the decision of possible relocation from one city to another, which amounts to transferring a commercial unit and changing catchment area.

Source: The author.

From a spatial viewpoint, a franchise network's territorial coverage strategy is based on the choice of appropriate locations, which not only have a large population (many potential customers), but which have also experienced steady demographic growth in recent years—a strong signal of a dynamic economy. As the fast-growing economic zones of the Sun Belt become increasingly important, the major professional sports leagues are expanding in their direction, either with the creation of new franchised teams or the relocation of existing franchised teams, as indicated above, which still comes as a surprise in Europe. Two examples illustrate the mobility that characterizes the various major leagues: in the NBA, the Hawks have played successively in Moline, a small Illinois town, Milwaukee, St. Louis, and Atlanta; in the NFL, the Raiders have played successively in Oakland, Los Angeles, Oakland again, and Las Vegas. Step by step, major settlement areas—in other words, North American metropolitan areas with populations of over one million—will have at least one major team, covering the high-potential catchment areas that can ensure a satisfactory level of ticket office sales. By way of illustration, the location of NBA franchised teams is largely aligned with the spaces of prosperous and populous America, forcing increasingly long and environmental catastrophic journeys, even though environmental awareness has been growing since the Covid-19 pandemic (Triantafyllidis, 2021).

3. The European context

The work carried out by numerous research in sociology, notably Bromberger (2018), underlines that for fans, European soccer can in no way refer to the model of North American leagues, despite its increasing “commoditization.” Sporting merit must always have the last word. In the eyes of the fans, it is normal for a team with a good reputation, but which accumulates sporting under-performance in the major league, to be relegated to a minor league at the end of the season. In the same way, it is also normal for a “small” major league team to win a championship if its sporting results are exceptional. In other words, since the creation of professional football in Europe, the dominant culture has always been one of recognition of sporting merit, with a “David” who can topple a “Goliath” by his own merits alone, as was the case in the United Kingdom with Leicester’s Premier League title (2016), or in France, with Montpellier’s Ligue 1 title (2012). While this reality is indisputable, it should not conceal the fact that at European level, a pseudo-league *de facto* exists, implicitly resembling a variant of the franchising model. A glance at the list of clubs who have participated in a UEFA Champions League final between 2005 and 2023 shows that a core group of some fifteen clubs is always present, including Real Madrid, Bayern Munich, Liverpool, and Barcelona FC (see Table 2).

Table 2. UEFA Champions League final appearances between 2005 and 2023

Team	Country	Years	Number of appearances
Liverpool	England	2005, 2007, 2018, 2019, 2022	5
Real Madrid	Spain	2014, 2016, 2017, 2018, 2022	5
Barcelona	Spain	2006, 2009, 2011, 2015	4
Bayern Munich	Germany	2010, 2012, 2013, 2020	4
Chelsea	England	2008, 2012, 2021	3
Manchester United	England	2008, 2009, 2011	3
Atlético Madrid	Spain	2014, 2016	2
Inter Milan	Italy	2010, 2023	2
Juventus Turin	Italy	2015, 2017	2
Manchester City	England	2021, 2023	2
Milan AC	Italy	2005, 2007	2
Arsenal	England	2006	1
Borussia Dortmund	Germany	2013	1
Paris Saint-Germain	France	2020	1
Tottenham Hotspur	England	2019	1

Source: The author.

Even if the “small” teams have put in place safeguard mechanisms to maintain a degree of suspense in the competition, the fact is that only a few major professional teams can invest themselves with an information and monitoring system that promotes managerial sustainability and recurrent sporting results. In other words, as indicated with the UEFA Champions League, we can identify few teams that regularly monopolize the top places in the “sport hierarchy” and win the most prestigious trophies year after year. Moreover, by negotiating the amounts of TV rights for the competition and by retaining absolute control over its marketing (Schotté, 2014), is not UEFA already positioning itself as the commissioner of an “invisible” franchise? Csató’s (2022, p. 1008) conclusion is along these lines: “UEFA has undeniably raised the barriers to participation in the Champions League for most European champions since the 2018-19 season. Consequently, the Champions League has become rather a playground of leading European associations and has moved farther from

its original concept of being a ‘league of champions’.” However, powerful hindrances to the institutionalization of a franchising model are still very much in evidence in Europe. The main hindrance is cultural: on the one hand, the value of a team is measured by its sporting results; on the other, a strong sense of nationalism leads to a preference for “battles” between teams from the same country, or even region.

Indeed, soccer is still viewed as a sporting activity, before being a show and a marketing product. It is the expression of a passion for many fans (Bromberger, 2018), and even a reason for living in a sometimes-difficult economic context in areas plagued by unemployment (Northern France, Northern England, South of Italy, etc.). However, the creation of a European Super League based on the North American model would undoubtedly kill off the national leagues and risk jeopardizing the entire financial equilibrium of European soccer. A team like Real Madrid, despite being at the forefront of the construction of a hypothetical league based on the North American model, derives 70% of its revenues from its domestic market. Not to mention the reactions of Spanish *aficionados* if Real Madrid and Barcelona FC, sworn enemies since the Spanish Civil War (Fitzpatrick, 2012), were to disappear from “their” Spanish league. So, in a 16-team European league, Paris Saint-Germain and Marseille would undoubtedly have their place, but what would the fans of Lille or Nice think? What is more, it is very likely that many European countries would not be involved in a European Super League, which would obviously be detrimental to the difficult task of uniting the continent and would be particularly unfair according to sporting ethics.

4. Discussion and conclusion

The study of governance mechanisms in European professional soccer is of great interest for management research. Although it does not correspond to the characteristics of the franchising model, Europe’s most prestigious competition, the UEFA Champions League, takes the form of a quasi-franchise insofar as the teams participating in the competition’s final play-offs are virtually always the same. This reduces the uncertainty linked to the variability of sporting results, and consequently reassures current and potential investors. It remains to be seen whether it would be worthwhile for the most prestigious teams in European professional soccer to switch completely to the franchising model, with a commissioner ensuring its governance. This perspective could then attract massive amounts of new capital, ready to invest in an economic sector characterized by strong stability, even if, at the margin, sporting results may not fully live up to expectations. The example of Paris Saint-Germain in France is interesting: since 2011, Qatar Sports Investments (QSI) has “injected” over 1,6 billion euros in player purchases without the team winning the UEFA Champions League, even though this is a priority objective for Qatar (affirmation of soft power [Bianco & Sons, 2023]). It is to be feared that the owners of Paris Saint-Germain will eventually tire of this succession of failures, which lead to growing frustration (Mather, 2022).

More generally, it is possible to speak of a clash between two cultures. European culture is focused on sporting merit, as Besson (2008, p. 130) reminds us in his analysis of the mechanisms for improving the competitiveness of French professional soccer, but stresses that “not all professional clubs are structured in such a way as to ensure their full participation in the competitions in which they are engaged.” This is why the North American culture, focused on managing an entertainment industry for the economic prosperity of each member, tempts the most powerful European teams. Their aim is not to be at the mercy of sporting under-performance which could, in the most dramatic cases, result in a financially ruinous relegation

in a minor league. This is the case in France with Saint-Etienne, Bordeaux, Nancy, and Sochaux, who were once “benchmark teams” in France, and now play in Ligue 2 and Ligue 3. However, the attempt to create a European Super League is a clear indication that UEFA wishes to preserve the culture of sporting merit, while implementing mechanisms to protect the best teams.

To answer the question introduced at the beginning of this research note, it therefore appears that the old European culture of sporting merit prevents the implementation of a franchising model for professional soccer. This is all the truer given UEFA’s desire to retain total control of a lucrative business, with annual revenues more than five billion euros. However, it is important to question the future of the European model in an environment where the amount of investment required to provide a competitive team (purchase of players) and a high-quality welcome for fans (stadium equipment and animation) is increasingly high. Against this backdrop, it is hard to imagine private companies and pension funds continuing to take risks, and the main threat is that many clubs will disappear for lack of sufficient financial resources. The situation is made even more delicate by the fact that European professional soccer has been living for several years in a veritable “speculative bubble,” with a real risk of bursting (Richau *et al.*, 2021). Ultimately, the franchising model from North America could soon prevail *over* sporting merit to save soccer where it was born at the end of the 19th century, in Europe (with the definition of “Cambridge rules”).

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