



FORENSIC

# Football Transfer Monitor

ADVISORY





## Disclaimer

The report is based upon information extracted from KPMG's Football Transfer Database. The methodology used in populating the database is explained in further detail in the Methodology section of this report.

KPMG gives no assurance as to whether or how closely transfer fees actually paid and ultimately received will correspond to those reported by respected media sources and no reliance should be placed by any party on such estimates.

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# Objectives

Welcome to the first edition of KPMG’s Football Transfer Monitor. The publication of this report comes at the end of another busy summer transfer window which has once again provided many talking points for those involved in the business side of the game as well as supporters.

The report has been prepared by KPMG Forensic’s Sports Disputes team and analyses transfer fee data for over 1,000 player transfers<sup>1</sup> involving teams in the top three English leagues between the 2003–04 and 2007–08 seasons. We also include some initial analysis and highlight some key trends based upon transfers which occurred during the summer 2008 transfer window.



**Geoff Mesher**  
Head of KPMG  
Forensic’s Sports  
Disputes Team

## Transfer valuation issues and litigation

Our analysis highlights a significant upwards trend in the total amount spent by clubs on transfer fees. The significant increase in the value of transfer fee spending has been driven by higher broadcast revenues received from the lucrative Premier League broadcasting deal which came into effect for the 2007–08 campaign and the willingness of many new club owners to invest heavily in playing staff.

Investing heavily in playing staff may help some clubs to achieve on the pitch success, but such investments are not without risk. By investing increasing levels of resources into playing staff, clubs are exposing themselves to the risk that the value of these assets can be adversely impacted by a range of factors. The most recent transfer window has highlighted a number of off-the-field issues which have impacted upon the valuation of players. These have included:

- Allegations of players being ‘tapped up’ by other clubs and agitating for a move.
- FIFA Article 17 which allows players over the age of 24 to buy-out the remaining years of their contract.
- Off-the-pitch disciplinary problems with players impacting upon resale values or leading to a cancellation of their contract.
- Tribunal compensation systems not reflecting the desired valuation of selling clubs in relation to youth players.

<sup>1</sup> Excludes free transfers and nominal fees.

There have been and are currently several high profile pieces of litigation in the football world. These include the case that Chelsea has initiated against Adrian Mutu following his sacking and the case that Sheffield United brought against West Ham United in the wake of the Carlos Tevez affair. The quantification of loss in such situations where player values need to be considered has been a subjective area. Our research allows us to bring a degree of objective analysis into the argument. This will be increasingly important as values increase and incidents of dispute continue.

#### **How KPMG Forensic's Sports Disputes team can help**

As the value of player registrations increases so does the potential for litigation if disputes arise over player valuations. Our Sports Disputes team is able to provide experienced and independent specialists to quantify financial loss related to issues impacting upon transfer fee valuations.

The Sports Disputes team is also able to provide access to specialists who can provide money laundering awareness training and practical internal controls guidance to clubs. This is particularly important as the search for football talent widens geographically, and English clubs make significant transfer fee payments to clubs in less well regulated jurisdictions such as Eastern Europe and South America. While there is currently nothing to suggest that English clubs have wittingly or unwittingly been involved in illegal or money laundering activity, it is important that club officials are aware of their responsibilities in relation to taking a proactive approach towards meeting their anti-money laundering obligations.

The Sports Disputes team is also able to provide corporate intelligence services to clubs which will help them to conduct appropriate levels of background research into third parties with whom they are planning to have business transactions with in the future. This could involve researching the backgrounds of agents, overseas clubs and potential new investors in order to determine if they are suitable parties to conduct business with.

As the 2008/09 season kicks off, I hope that you find the report informative.



*Geoff Mesher, Head of KPMG Forensic's Sports Disputes Team*

# Methodology



KPMG's Football Transfer Fee Database contains transfer fee information as reported by respected media sources for over 2,500 player moves that involved clubs in the top three English divisions between 1 June 2003 and 1 September 2008. Around 42 percent of the player moves recorded in the database involved the exchange of a transfer fee for the players' services and it is these transfers that are analysed in more detail in the main body of our report.

The transfer information populating the database is taken from a range of sources including information published by clubs, governing bodies and respected media sources. In some cases KPMG has noted that different sources have quoted different transfer fees for the same transaction. In such circumstances KPMG has taken the average fee quoted by a range of sources for use in our analysis.

For a small number of transfers, the fee was undisclosed and no accurate source could be found to estimate the value of the transaction. In such cases the transfer has not been included in our transfer fee analysis.

Free and nominal transfer fees have not been included in determining average transfer fees.

# Trends from 2008–09 summer transfer window

Fears that the credit crunch would reduce the spending power of Premiership clubs have proven to be unfounded. The Monitor analysis indicates that Premiership clubs spent over £468 million in reported transfer fees during the Summer 2008 transfer window, an increase of over £37 million compared to the Summer 2007 transfer window. The analysis shows that this increase in spending has largely been fuelled by a significant increase in spending by Premiership sides outside of the traditional Big 4<sup>1</sup> sides.

## Key insights include

- English based clubs spent over £500 million in reported transfer fees during the Summer 2008 transfer window. Over 47 percent of Premiership transfer spending (£221.9 million) went to non-English based sides.
- The spending power of the clubs involved in the Champion's League is highlighted by the average transfer fee paid by a Big 4 Premiership side of £10.1 million which compares to an average transfer fee paid by a non-Big 4 Premiership side of £4.8 million (i.e. on average Big 4 sides spend £5.3 million more per transfer than other Premiership sides). However, the gap in spending power has reduced as in the Summer 2007 transfer window, the Big 4 sides were outspending other Premiership teams by an average of £6.8 million per transfer.
- On average Premiership clubs pay a premium price for forwards over all other positions. The average fee for a Premiership forward was £10.0 million which compares to average fees of £2.4 million for goalkeepers, £4.5 million for defenders and £4.4 million for midfielders.
- Players in the 25–28 year old age group command the highest average transfer fees when purchased by Premiership clubs. A player in the 25-28-year-old age group will be bought for an average fee of £6.8 million which compares to an average fee of £3.4 million that will be paid for players in the 29–31-year-old age category.

## Transfer transactions

£m	Summer window 2008			Summer window 2007		
	Fees received	Fees paid	Net fees received/paid	Fees received	Fees paid	Net fees received/paid
Premiership	257.9	(468.3)	(210.4)	217.3	(431.2)	(213.9)
Big 4 Premiership	55.9	(101.1)	(45.2)	102.9	(138.5)	(35.6)
Non-Big 4 Premiership	202.0	(367.2)	(165.2)	114.4	(292.7)	(178.3)
Championship	62.4	(30.6)	31.8	97.3	(45.4)	51.9
League 1	14.0	(2.9)	11.1	11.6	(1.7)	9.9

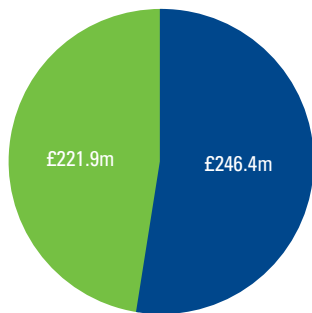
<sup>1</sup> Manchester United, Chelsea, Arsenal and Liverpool

**Average fee paid by position**

£m	Summer window 2008					Summer window 2007				
	Premiership			Championship	League 1	Premiership			Championship	League 1
	All teams	Big 4	Non-Big 4			All teams	Big 4	Non-Big 4		
Goalkeeper	2.4	3.5	2.3	0.3	n/a	3.9	2.5	4.6	0.5	n/a
Defender	4.5	3.9	4.5	0.6	0.2	3.0	4.9	2.9	0.6	0.2
Midfielder	4.4	9.2	3.6	0.5	0.1	5.3	11.5	3.7	1.0	0.1
Forward	10.0	17.7	8.6	1.1	0.2	6.2	15.2	5.1	0.9	0.1
All positions	5.4	10.1	4.8	0.7	0.2	4.9	10.7	3.9	0.8	0.1

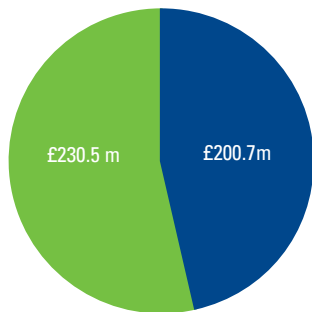
**Cash destination of Premiership transfer spend**

**Summer 2008 window**



Total Premiership spend: £468.3m

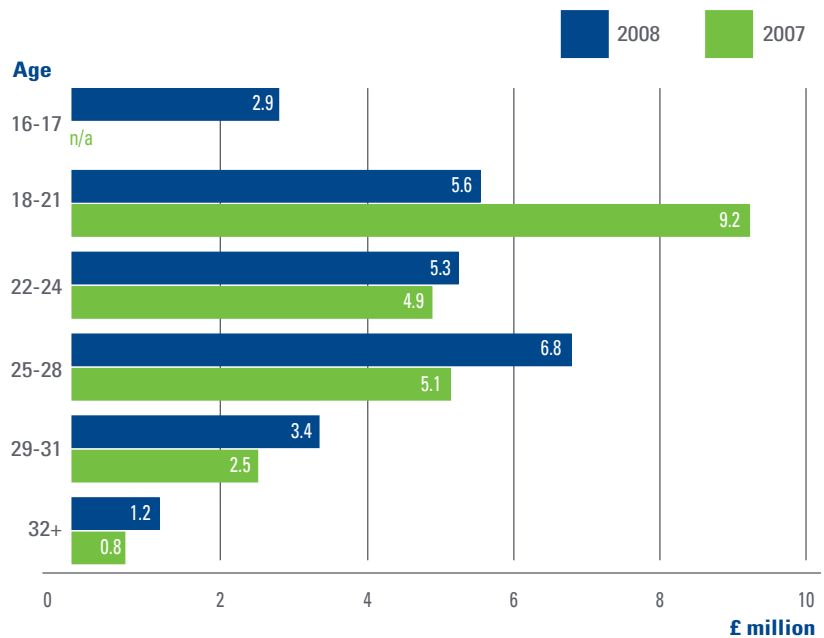
**Summer 2007 window**



Total Premiership spend: £431.2m

- English based sides
- Non-English based sides

**Average fee paid by age: Premiership**

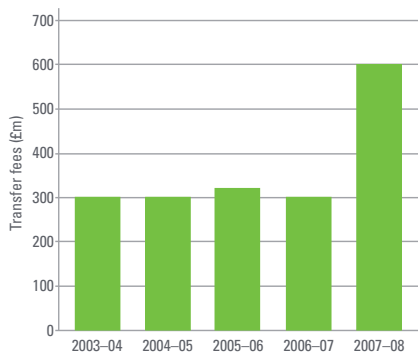


# 2007–08 Season



# Total reported transfer spending

Transfer fees paid: Premiership

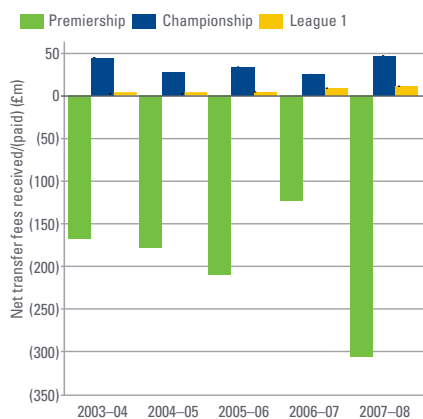


## Lucrative broadcasting deal fuels Premiership spending boom

The level of transfer fees paid by Premiership sides more than doubled between the 2006-07 and 2007-08 seasons to well over £600m. This was largely driven by the lucrative broadcasting deal secured by the Premier League which started in the 2007-08 season. It would appear that the increased revenues from the broadcasting deal and investment by new club owners has allowed non-Big 4 Premiership sides to increase their transfer outlays by nearly £200 million in comparison to the prior season.

Even after taking into account fees received by Premiership sides, the net transfer fees paid by Premiership sides as a whole amounted to £305.7 million. There appears to be some evidence of indirect spill-over benefits from Premiership transfer spending to Championship and League 1 sides who had net transfer fee received balances of £44.6 million and £8.9 million respectively.

Net transfer fees



By tying up so much cash investment in player transfers Premiership sides are increasing their exposure to the risk that players could significantly lose their resale value through traditional causes such as injury, poor performance and falling out of contract in addition to off-the-field factors such as tapping up of players, buying out of contracts, disciplinary issues and tribunal decisions.

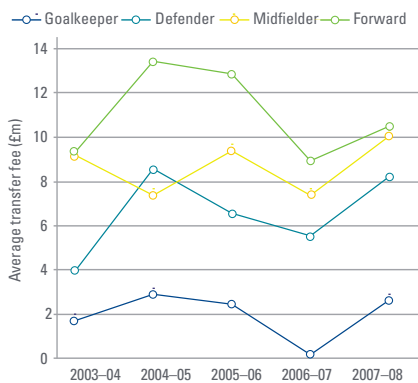
With increasing levels of investment in playing staff it is almost inevitable that clubs will seek to turn to litigation when disputes arise over player valuations. This has already been seen with, for example, Chelsea taking action over loss of transfer value against Adrian Mutu who was sacked after a positive drug test.

## Transfer transactions 2007-08 season

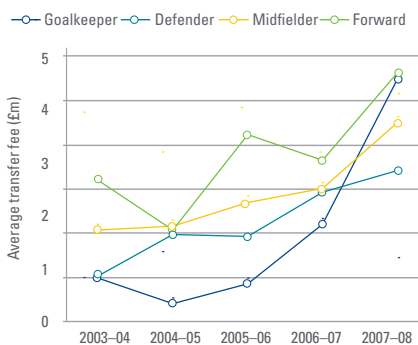
£ million	Fees received	Fees paid	Net fees received/(paid)
Premiership	301.2	(606.9)	(305.7)
Big 4 Premiership	120.6	(188.0)	(67.4)
Non-Big 4 Premiership	180.6	(419.0)	(238.4)
Championship	124.0	(79.4)	44.6
League 1	15.5	(6.6)	8.9

# Average fee paid by position

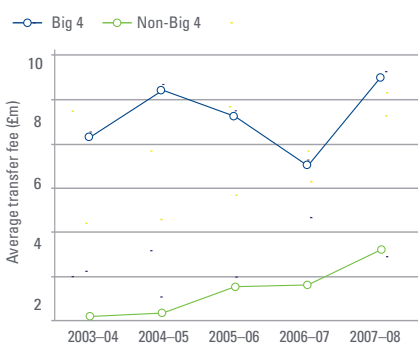
Average fee paid by position: Premieriership Big 4



Average fee paid by position: Premieriership non-Big 4



Average fee paid by position: Premieriership all positions



Average fee paid by position 2007-08

£ million	Premiership all teams	Premiership Big 4	Premiership non-Big 4	Championship	League 1
Goalkeeper	3.9	2.5	4.6	0.5	n/a
Defender	3.4	8.2	2.9	0.6	0.2
Midfielder	4.9	10.1	3.8	0.7	0.1
Forward	5.6	10.6	4.7	0.8	0.4
All Positions	4.6	9.4	3.7	0.7	0.3

## Premiership Big 4 maintain spending gap over rivals

In the 2007-08 season the spending power of the Premieriership Big 4 is clearly illustrated by examining the average fee they paid in comparison to their Premieriership rivals. On average, the Big 4 paid more than double the transfer fee paid by other Premieriership teams in all outfield positions. Indeed, it was only in the goalkeeping position that the Big 4 did not surpass their rivals and this was largely due to the record £9 million fee that Sunderland paid Hearts for the services of Craig Gordon which significantly affected the non-Big 4's average fee spent for this position.

However, it is worth noting that our analysis seems to suggest that the non-Big 4 sides have been closing the gap slightly in average transfer fee spending over recent years. It will be interesting to see if this trend continues to gather pace as new club owners outside of the Big 4 continue to invest heavily in order to mount a real challenge for the Champions' League places.

## Forwards attract highest average transfer fees

It is often quoted that the hardest thing in football is putting the ball in the back of the net and this adage would seem to be borne out by our positional analysis of average transfer fees in which forwards command the highest fees of all positions. Indeed, our analysis shows that higher fees are commanded as we move through the positions up the pitch as midfielders command higher average fees than defenders.

# Average fee paid by age

## Average fee paid by age 2007–08: Premiership

Age	£ million
16–17	0.2
18–21	5.8
22–24	4.9
25–28	5.2
29–31	3.1
32+	1.3

On average, the Big 4 paid more than double the transfer fee paid by other Premiership teams in all outfield positions.

Indeed, it was only in the goalkeeping position that the Big 4 did not surpass their rivals.

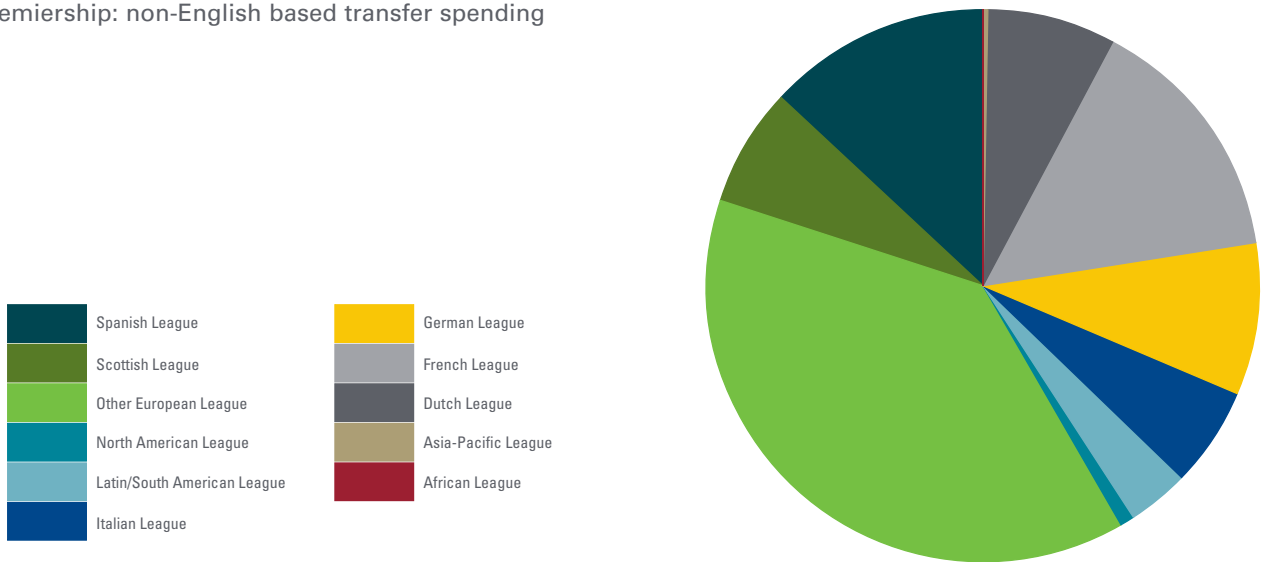
### Premium on younger players

The valuation of players is a combination of many factors but one key factor appears to be the age of the player involved. Increasingly, Premiership clubs are seeking to secure the services of the best young players at an early stage in their careers. This has inevitably led to an increased transfer premium being paid for players who have relatively little experience in the game. Our analysis shows that last season players in the 18 to 21 year old age category commanded the highest average fees of all age groups, with Manchester United leading the way with the purchases of Nani and Anderson for significant fees. Average transfer values fall as players near the end of their career as potential resale value lowers significantly.

The valuation of out of contract youth players by tribunals has caused significant controversy this summer. Crystal Palace Chairman Simon Jordan was outraged at a Football League tribunal valuation of former youth player John Bostock in his move to Tottenham Hotspur which fell far short of the valuation that Crystal Palace placed on the player. The tribunal valuations no doubt reflect the risk that many promising young players do not go on to have successful professional careers. However, Mr Jordan's anger at the ruling may be understandable given that our analysis shows that slightly older players on professional contracts command significantly higher transfer fees on average compared to the compensation payments awarded by tribunals. For clubs receiving compensation payments to maximise their financial outcome, in future cases they will have to submit robust valuations evidence to the tribunals.

# Destination of Premiership transfer spending

Premiership: non-English based transfer spending



## Cash destination of Premiership transfer spend 2007–08

	£ million	Percentage
English based sides	272.1	44.8%
Non-English based sides	334.8	55.2%
<b>Total Premiership spend</b>	<b>606.9</b>	<b>100.0%</b>

## Cash destination of Premiership non-English transfer spending 2007–08

Country	Transfer spending (£ million)	Percentage of non-English spending
African League	0.7	0.2%
Asia-Pacific League	0.5	0.1%
Dutch League	25.7	7.7%
French League	49.3	14.7%
German League	29.8	8.9%
Italian League	19.3	5.8%
Latin/South American League	11.5	3.4%
North American League	3.0	0.9%
Other European League	128.5	38.4%
Scottish League	23.6	7.0%
Spanish League	43.0	12.8%
<b>Total Non-English Spending</b>	<b>334.8</b>	<b>100.0%</b>

**Majority of Premiership transfer spending with non-English sides**

Our analysis for the 2007–08 season demonstrates that over 55 percent of transfer fees spent by Premiership clubs went to sides based outside of the English game. The largest beneficiaries of this outflow were the French and Spanish leagues which accounted for over a quarter of all fees spent outside of the English leagues.

However, it is interesting to note that significant amounts were also spent in potentially less well regulated jurisdictions such as South America and Eastern Europe. While there is no suggestion that Premiership clubs have wittingly or unwittingly been involved in any illegal or money laundering activities, it is important that club officials are aware of their anti-money laundering obligations when conducting business in such jurisdictions. The importance of this issue has been recognised by the Football Association which issued a formal guidance document to clubs earlier this year which covered the implications of money laundering regulations and the Proceeds of Crime Act for football clubs. Clubs were urged to take a proactive role in tackling this issue and the Sports Dispute team is able to provide advice to clubs in raising awareness and implementing control safeguards.

In preparing the Transfer Monitor, KPMG Forensic's Sports Disputes team has drawn upon its extensive knowledge and experience gained in carrying out the analysis work which underpins this report and the maintenance of KPMG's Football Transfer Database.

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