Department of Business and Management

Chair of Corporate Strategies

Chinese ownerships in European football: the example of the Suning Holdings Group

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Introduction

The primary purpose of this thesis is to make the most comprehensive analysis possible about economic and managerial aspects of Chinese ownerships in the modern football market. Focusing on both the Chinese sport situation, the European market, and in particular Italian championship, this paper is focused on creating a good outline of the phenomenon, its entrepreneurial and political implications, and the main vision that lays behind the expansion of Chinese proprieties in football.

In the last decades, a very large number of international actors entered into the European football market: *tycoons* coming from Russia, Saudi Arabia, Qatar, USA or Asian Middle East have made a big revolution in the modern sport conception, bringing in a large amount of money and a professional management control never seen before. Focusing on the only Chinese buyers, we have seen a huge amount of European football clubs changing hands in the last years: since 2015, teams like Aston Villa, WBA, Birmingham, Auxerre, Nice, and Internazionale Milano, lay under Chinese control, while other important European clubs like Manchester City, Atletico Madrid and Lyon experienced significant Chinese participation (usually 20% or over) in their directory board. The attempt to understand this phenomenon, and the reasons that caused this huge foreign money flow - straightly related to the Chinese State Council's guidelines - will be one of the key arguments of this paper.

In attending this purpose, a strategical focus will be set on F.C. Internazionale Milano, which lays under Chinese ownership since the summer of 2016, when it was acquired the Suning Holdings Group, the family holding of Mr. Jindong Zhang, founder and owner of Suning.com (home leader in the electronic retailing market). F.C. Internazionale Milano represent a unique case of study, because it has been the first and most important Chinese acquisition in Italian football (until the short-living A.C. Milan acquisition by Yonghong Li in April 2017), and for the importance of the purchaser: the Suning Holdings Group (whose founder, Jindong Zhang, is closely bound to the Chinese Communist Party and its leader Xi Jinping) is one of the most profitable Chinese private companies, with its main subsidiary, Suning.com, making more than 50 billion Euros of annual revenues. Nevertheless, it represents a perfect model of the Chinese expansion program in football thanks to its Suning Sports division, which owns the local football club of Jiangsu Suning. Owning two very different football clubs in both the Italian and Chinese First Divisions, and trying to make a common management policy under the Suning Sport control (and a very unique attempt of having a single Joint Technical Coordinator for both of them, in the person of Mr. Walter Sabatini), the Suning Holdings Group's running on Inter represents a unique case in the modern football panorama, helping to understand the real goals that the Chinese expansion is trying to achieve.

We will start from a short economical, legal and "historical" description in order to understand who the actors are, what their common needs are and the causes of their joining. An accurate analysis of these acquisitions will allow us to understand much better the very unique "scenario", where these particular and very different actors are moving: the wider Chinese and Italian football diversified worlds. It is clear, however, that such a big scenario is impossible to understand, without focusing on the biggest differences between European and Chinese cultures: millenary traditions, history, and philosophical evolution lay under those two actors. A multidisciplinary approach, embracing both social, economic and historical analysis, will be one of my principal purposes. As Thucydides said, history is an everlasting possession (κτῆμα ἐς αἰεί), which helps us understanding the present and foreseeing the future: with this in mind, I will try to summarize the Chinese sports expansion of the last decades – a phenomenon strongly related to the Maoist "cultural revolution" – which established the pivot for the actual Xi Jinping's aim of making China a sports superpower, with a focus on the world's most popular ball-game, football itself.

Indeed, the first chapter of the present thesis will be focused on answering one simple question: why Chinese entrepreneurs are entering the European football market? Notwithstanding the simplicity of the query, it implies a widest approach, which embraces not only economic reasons, but also political, legal and social habits. As we will see, in fact, the key for understanding the Chinese purposes on football market derives from a sociological analysis: even if, in the last century, China has become a global superpower, the country's daily life is still shaped on the ancient Confucian principles of the "*shame society*", meaning that keeping an honorable image – both on individual and collective sides – is one of the primary purposes of every Middle Kingdom's inhabitants. While living in the most populated and rich country in the world, the awareness of having a very weak sports scenario, is seen by them as a very big shame for the entire country. This is the reason because the Chinese government strongly applied for reforming the sports panorama, investing in infrastructures and training facilities in order to develop a superior generation of Chinese athletes, who could compete and possibly outmatch their worldwide rivals. Indeed, the government purposes, as we will see, had a very important counterpart in the sports conception of the Chinese society: despite several athletes emerged in "individual" sports - such as gymnastic, swimming or weightlifting – there have been bigger problems in developing competitive teams in "ball games", such as basketball or football.

The analysis of this phenomenon will lead us to a very important subsequent consideration: when the Chinese government realized that the problem was not only sport itself, but the cultural and sociological comprehension of the games, the investment focus changed from "facilities" to "training skills": summarizing, the State Council stated that the simplest way to reduce the gap with the Western teams was to directly acquire their superior competences, entering the American and European sports market in order to understand the most effective ways to develop the local athletes. This intent is the key for understanding the Chinese acquisitions in European football, and it will be the driver for all of my succeeding considerations: unlike Saudi or Russian *tycoons*, who entered the European football market with selfish purposes (and, most important, without any direct interest in improving their local championships), Chinese entrepreneurs invested in the market because of the direct impulse of their local government, which emitted several guidelines in order to enhance the competitive level of the Chinese Super League – the local, upper class football championship – and simultaneously boost the number of local professional players. The focus of the Middle Kingdom's State Council, as we will notice, has always been directed towards their national tournament: the foreign acquisitions, indeed, were just a direct implication of this policy.

As long as we have understood the implications that induced the Chinese expansion in European football, the second chapter of my thesis will be focused on a clear, extensive example: the Suning Group running over F.C. Internazionale Milano, an historical Italian team which represents the most valuable asset in the Middle Kingdom's "club portfolio". In fact, even if there have been some richer teams with significative Chinese shareholding ratios (such as Manchester City or Atlético Madrid), the Italian club is the only one with a solid, consolidated Chinese majority in its Directory Board, with a 68,55 % stake participation from Suning Holdings Group, and even a Chinese President in the person of Mr. Steven Zhang. In analyzing the F.C. Internazionale Milano case, my focus will be on the Chinese ownership's corporate strategies, in order to evaluate both positive and negative aspects of the acquisition, the related implications for both actors, and the possible scenarios that such an operation could entail for the whole football market.

One of main factors for completing my task will be the validity of the sources: as everybody could notice, the "modernity" of the paper's topics implies that almost all of the references will come from the Internet, since those arguments are relatively too young to have a comprehensive, related literature. Indeed, web references present a deep trustworthiness problem: although there are several institutional sources, whose reliability cannot be questioned, the specificity of the case implies that I often had to refer to blogs, newspapers and unofficial websites, whose validity and trustworthiness depends on the reliability of the writer. In order to solve this crucial problem, and preserve at the same time the qualitative standard of my thesis, I relied again on the ancient Greeks' wisdom, in particular on Herodotus' historiographical method: this is why, when analyzing a specific subject, my first purpose was to find the most direct sources available, discerning indirect, distant viewers from those who had "seen with their own eyes" (αὐτοψία). For example, when talking about the Chinese's State Council guidelines which routed the local entrepreneurs into the football market, rather than consulting indirect Italian or English sources (which made their personal rendering of the topic) I preferred to pick out a textual translation of the guidelines themselves, a very harder but more reliable process that allowed to make clearer analysis of the subject. In the same way, when focusing over the Suning Group and F.C.

Internazionale Milano's cases, my primary references have been the official websites (and the relative balance sheets) of the two societies; however, oftentimes my analysis needed some external, unbiased data, which I had to seek on newspapers, blogs or trade magazines, whose trustworthiness derives from common habits.

Finally, one of the main drivers for my thesis has been the impartiality and fairness of exposition: although, as it could be evident for a normal observer, I chose the example of F.C. Internazionale Milano because of a natural sympathy for the team, my analysis will be the most unbiased possible, as due to the purposes of a graduation dissertation, and I will not fail to provide my critics and my personal considerations about the club's management and the main vision that lay under the Suning Holdings Group running.

Chapter 1: Chinese Ownerships in Football

"The ball is round, the (ball) wall rectangular,

A symbolic image (of the universal elemental forces) yin and yang.

Using the (twelve) moons (months) as a guide (for the number of players), they lay siege to one another.

With six (members) each, (the teams) are balanced.

A head (referee) is named and an assistant appointed.

Their interpretations of the rules must be constant.

Unprejudiced (they must be towards team members) near or far.

There shall be no currying favour nor high-handedness.

With an honest heart and balanced thoughts.

No one can find fault with wrong decisions.

(If) football is regulated correctly like this,

How much this must mean for daily life."

Li You, “Ju Cheng Ming” or “Inscriptions on the ball wall”; ca. 55-135 A.D.

(Official FIFA translation, taken from “*The cradle of football*”; October 19th, 2004, on FIFA.com, https://www.fifa.com/news/the-cradle-football-94490)

1.1 The economic and legal background: revenues diversification and Financial Fair Play

The first step for understanding *why* Chinese entrepreneurs penetrated into the European football market is to answer some key questions which arise spontaneously: how did the Chinese managers operate in this new environment? What kind of obstacles have they faced, and what policies have they adopted in order to jump over them? The answer comes clearer if we analyze the points in common and the divergent ones between the Chinese and European markets (with a focus, obviously, on the professional football business). Indeed, this kind of process could lead to very subjective results: although the analysis of the market's risks is a determined, objective process (as some of the market's failures - such as the so-called "Middle-Income trap" or the actual "price-cap" of players' sports performance rights, which I will analyze in the following chapter – could be clearly observed without considering the actors involved), understanding the Chinese managers' new strategies could be difficult, without involving a subjective, stochastic analysis.

1.1.1 A mountain to climb: profits drivers in football

First of all, there is only one reason for rational investors to enter in a new market: profits. Without a clear revenues program, and the (relative) security of making new profits, no one player would involve his own money, time and energies in any hazardous, competitive business. In order to better understanding the specific football business' profit drivers, it must also be specified that revenues could be direct (deriving from the primary entrepreneurial business) or indirect (deriving from collateral operations, such as the "popularity increasing" that an investor could reach after entering the sport business). In the case of professional football business, profits derive from a straight relation between sports and economics results -

meaning that sports results are the driver for boosting the economic capacities of the club, attracting better players and sponsors, and participating in more competitive (and remunerative) tournaments. In order to create a sustainable, self-financed business, however, economic results should be separated from the sports counterpart: in fact, grounding the club's subsistence just over the "field" results could be very risky, both for smaller and bigger clubs. Since sport teams were allowed to pursue profit purposes (in Italy, it happened thanks to the law n.° 586 of November 18th, 1996), European clubs had to face up some newest dangers: being able to make profits, in fact, means that there is possibility to fail too, if collected revenues are not sufficient for covering club's expenses. It is easy to conjecture that, in such a competitive contest, every club could fail because of a single, negative sport season (for example, because of the relegation to a minor tournament). This is the main reason for untying the economic and sport results: a virtuous club is able to survive to negative sport seasons, thanks to the diversification of the risk. As the new A.C. Milan president, Paolo Scaroni, said while opening the club's Shareholders Meeting of October 2018:

"*There are two mountains to climb, on one side we want sponsors, merchandising and on the other sports results. If the latter are disappointing, the sponsors will not come in*" [1].

These are perfect words for understanding the main tasks for a club which needs to enter a virtuous cycle: attracting sponsors, selling the club's merchandising and multimedia products, subscribing season tickets, making capital gains over players' trading, and exploiting the club's brand in all the feasible ways (the biggest example of a successful branding policy is given by Manchester United, which leads the Deloitte Football Money League – the list of the richest football teams made by Deloitte consultants – even if the "field" results have been very weak in the last years). Those policies are effective both for top and small clubs: every football team, from the Champions' League winner to the weakest club of the Finnish

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[1] Source: "*Milan, Scaroni: 'Stadium decision by the end of the year*'"; October 25th, 2018, on calciomercato.com (https://www.calciomercato.com/en/news/milan-scaroni-stadium-decision-by-the-end-of-the-year-19975)

Kakkonen[2], have a balance sheet to write, and economical rules to respect. Obviously, the turnover is very different in relation to the league level; but the economical results must be the same, and this is the reason for considering some "minor" team even more efficient than historical, richest clubs.

In my personal opinion, one of the better examples of virtuous football club management, in relation to both financial and sport results, is the Italian U.S. Sassuolo Calcio[3]: fully owned by Giorgio Squinzi, former Confindustria president and single administrator of Mapei S.p.A. (a family-owned worldwide producer of building materials, which generates more than one billion Euros of annual revenues), this little club of the province of Modena entered the Italian Serie A for the first time in the 2013/14 season, and achieved an historical Europa League qualification for the 2016/17 edition. In spite of the detractors, the *Neroverdi* have been able to stay in the top Italian championship, outclassed some historical clubs, strongly invested in the youth academy (as demonstrated by the prestigious Viareggio Cup winning in 2017) and, in the same time, kept a positive net profit (more than 4 million euros for the 2017 fiscal year) for all its Serie A years. The secret that hides under the Squinzi's team miracle consists in the adopted managerial policies: first of all, Sassuolo Calcio is directly sponsored by Mapei, which provides the richest jersey sponsor contract of the entire Serie A (18 million euros for the 2017/18 season, even more than Juventus – which receives 17 million from Jeep) and bought the neighboring Reggio Emilia stadium (properly renamed "Mapei Stadium") in order to make the club one of the few Italian teams with an owned stadium. Secondly, the club management undertook a successful self-financing policy, based on strong capital gains from players trading, a small debt to banks (for the 2017 fiscal year, the total debt of the club was 50,24 million euros, while the debt to banks amounted to just 17,5 million euros), a guaranteed business continuity, and a positive solvency index (1,18 in 2017, which means that the club could be able to payback all its debt by selling its properties). This business model

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[2] The third level of Finland's football league.

[3] For all Sassuolo's accounting and multipliers provided below, see (in Italian language): "*Bilancio Sassuolo 2017: utile di 4 milioni con 17 milioni di plusvalenze*", by Luca Marotta; August 7th, 2018, on luckmar.blogspot.com (http://luckmar.blogspot.com/2018/08/bilancio-sassuolo-2017-utile-di-4.html)

provided the club with a very solid economic and financial situation: in particular, some of the U.S. Sassuolo's relative multipliers (e.g. 15,2 % of Equity ratio; a net debt to EBITDA ratio of 2,01; and a positive Net debt –the main driver for the UEFA Financial Fair Play approval- of 28,33 million euros) are very strong, if related to Italian and European top club, making the *Neroverdi* one of the most efficient example of virtuous football club management.

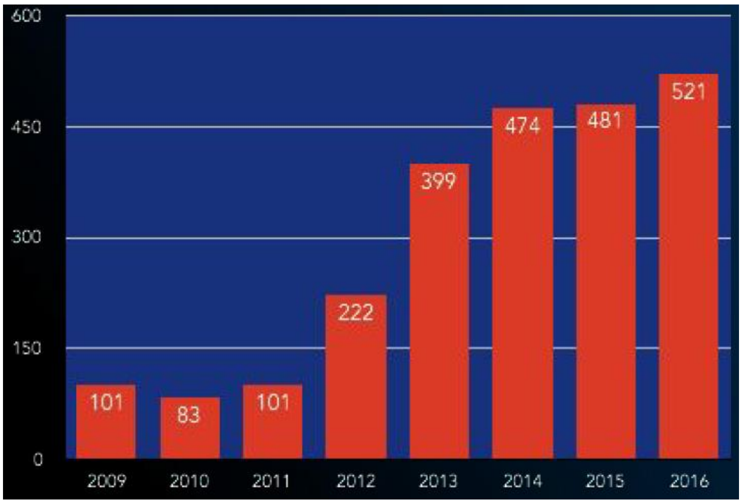
The example provided above is helpful for understanding how, in the modern business, a club with scarce resources, history and supporters can howsoever reach and sustain the highest level of professional football, thanks to the cleverness of its management class; anyhow, the peculiarity of the football business produces a significant separation between top and small-medium clubs, a kind of "impassable wall" that makes top clubs very different from their smallest rivals. There are many economic discriminants for considering a club as a "top" one: the most important, in my opinion, are the so-called "*localization advantage*" and "*brand exploiting*".

Localization advantage[4] is a very popular concept among scholars, which explains that clubs from the biggest cities or regions have significant advantages in term of wider user basin, more supporters, and more potential local talents for the youth academy. The localization advantage notion is consolidated in the richest sport leagues, just like the NBA: the main national basket teams ("*franchises*") are settled up considering the potential advantage deriving from their strategical positioning, and they can be moved in more efficient markets if the required economical return is less than expected. Even in the modern era, when social networks are able to link a club with its supporters ("*followers*") all over of the world, the localization advantage creates the solid *roots* that help the team strengthening the *tree* of the club's revenues. In my personal opinion, the most significant example of a good "localization exploiting" in modern football is given by the rapid rise of Paris Saint-

[4] For a depth analysis of the "localization advantage" phenomenon, with a focus on Serie A teams, see (in Italian language):
Di Domizio M., *Localizzazione geografica e performance sportiva: un'analisi empirica sul campionato di calcio di Serie A*, in Rivista di Diritto ed Economia dello Sport, ISSN 1825-6678, Vol. IV, Fasc. 3, 2008
(https://www.researchgate.net/publication/23779900_Localizzazione_geografica_e_performance_sportiva_un%27analisi_empirica_sul_campionato_di_calcio_di_serie_A)

Germain: until 2011, the club from France's capital city was a medium class team from a medium class championship, with a very scarce *palmarès* in relation to its potential user basin. Despite of the club's poor history, the Oryx Qatar Investment Authority, which took the *Parisien*'s control in 2011, understood the huge, occult potential of the team's brand: a club from the most crowded city of the country, with a large number of supporters, a constant flow of tourists, and an historical forge of talents (some of the strongest players of France's football history were born in the Paris' suburbs - the so-called *banlieue*), could represent a very remunerative investment. History proved that the investors were right: since they purchased the club for an estimated 130 million dollars, PSG has become the most powerful team of the country, winning several domestic trophies (despite of the unlucky Champions' League campaigns), signing a large number of international top players, and incredibly boosted its turnover, as demonstrated by Figure 1[5].

Figure 1: PSG's turnover growth from 2009 to 2016 (in million euros)



Source: Paris Saint Germain FC Business Project *(page 23), by Edward Graves, on* lionelmaltese.fr

[5] Source: "*Paris Saint Germain FC Business Project*", (p.23) by Edward Graves; December 17th, 2017, on lionelmaltese.fr (http://lionelmaltese.fr/wp-content/uploads/2017/12/17ParisSaint-GermainProject.pdf)

Brand exploiting, on the other hand, means that, once a club has established its *brand awareness*, it can use its logo, its mark, and even its top players, in order to reach completely different markets, enlarging and diversifying its revenues sources. There are two main drivers of brand exploiting: *media* creation, and *consumer products*. In the social media era, several football clubs created their personal broadcasting channels, embracing both free-to-use policies (e.g. dedicated YouTube or Instagram channels), which creates revenues through advertising, both direct monetization through dedicated TV platforms (such as an owned TV channel, or a partnership with professional operators, as Manchester City F.C. did with its documentary series - *All or Nothing: Manchester City* – produced by Amazon Prime). The goal is to create a product both for historical supporters, both for new potential fans, who could be interested just in a couple of team's players, rather than in the whole club's result. The same reasons lay under the other main *brand exploiting* policy: creating consumer products with the club's logo. Top clubs entered almost every business, from food to luxury to electronics, undertaking specific sponsorship contract with successful business operators in order to create a diversified portfolio of branded products. This kind of brand exploiting policy is, without any doubt, a clear example of *vertical integration*: and the key to success for such a policy lays in the specific product and market segment that the club plans to reach (e.g.: if an Italian, expert consumer, needs to buy some good quality Italian wine, he knows exactly were and what to buy; but for an inexpert, abroad consumer, buying a bottle of Italian wine with the Juventus or Inter logo over it, means to buy a trusted Italian product).

1.1.2 UEFA and Financial Fair Play: the end of football patronage?

Hitherto, I analyzed the main policies that football clubs use in order to create capital revenues sundered from the sport results: diversification of risk, brand exploiting, localization advantage, and so on, however, are some relatively new conceptions in the football business. In fact, until 2009, clubs were not forced to pursue any budget balance, and the richest and most powerful clubs were tacitly allowed to spend much more money than they earned: if the end-of-the-year balance sheet presented some huge loss, the club's owner, just like a romantic Maecenas, would simply cover the balance difference with a personal capital inflow. This phenomenon created a very unfair situation, in which the disparity between clubs derived from economic reasons, rather than sport results: being a virtuous, profit-oriented team was not the rational strategy, as the main driver for economic surviving derived from the tycoon's patronage. In order to stop this "*financial doping*"[6], which leads to a non-competitive situation, the Union of European Football Association (UEFA) decided to set up a specific regulation in order to stop the clubs' financial instability and formalize the economic criteria for participating the European tournaments: that's how, in 2009, the UEFA Executive Committee published the first version of the so-called "Club Licensing and Financial Fair Play Regulations"[7], a periodically-updated strict regime of rules that any European club must comply in order to participate in UEFA competitions. The basic criteria for respecting the Financial Fair Play (F.F.P.) are:

- The observance of the "Break-even rule" (which means, a club cannot overcome a 30 million euros deficit on a three-year balance basis – even if there are some "*acceptable deviations*"[8] for virtuous, programmatic expenses, such as investments in youth academies or infrastructures);
- The absence of overdue payables towards employees, tax authorities or other clubs;

[6] It is thought that Arsène Wenger, former Arsenal F.C. head coach, has been the first one using this phrase for criticizing the aggressive policy of modern billionaires in the football transfer market.
For a better exemplification: "*Arsène Wenger accuses Manchester City and Real Madrid of 'financial doping'*", by Jeremy Wilson; August 7th, 2009, from the Telegraph's website (https://www.telegraph.co.uk/sport/football/teams/arsenal/5985204/Arsene-Wenger-accuses-Manchester-City-and-Real-Madrid-of-financial-doping.html)

[7] For the detailed 2018 version: *UEFA Club Licensing and Financial Fair Play Regulations*, Edition 2018, from the Official UEFA website: https://www.uefa.com/MultimediaFiles/Download/Tech/uefaorg/General/02/56/20/15/2562015_DOWNLOAD.pdf

[8] "*Notion of acceptable deviation*", Art. 61 of the "UEFA Club Licensing and Financial Fair Play Regulations" (p. 40)

- The transparency of financial information provided, including the annual balance sheet and the report of commissions paid to players' attorneys;
- The demonstration of business continuity provided by the clubs' owners.

The F.F.P. Regulation also instituted a dedicated monitoring unit, the UEFA Club Financial Control Body (CFCB), which supervise over the respect of the parameters and decrees the penalization for those clubs which violated them; usually, before a penalization is stated, the violating club and the UEFA meet up in order to draw up some bilateral agreement (there are two specific ways: a *Voluntary Agreement*, directly proposed by the club, and a harsher *Settlement Agreement*, provided by the CFCB itself).

According to the UEFA, "*Financial Fair Play (FFP) has led to a step change in the health of the finances in European club football. Seven years ago, European clubs had cumulative losses of €1.7bn* (billion, ed). *Last year, it was a profit of €600m* (million, ed). *Without question, it has been a success for the game across Europe*"[9]. But is this really healthier? Despite of the irreproachable financial improving, there are still enormous criticisms to the F.F.P. system, both in sport and economic sides. According to the detractors, the UEFA regulation has been unfaithful to its mission to guarantee all clubs a fair and equal treatment. Indeed, it tacitly allowed the creation of a *status quo*, in which smaller clubs simply cannot compete with the richest and most powerful ones: according to Birkhäuser, Kaserer and Urban (2017), "*the criticism mostly was based on the argument that by effectively limiting new outside capital injections, the current hierarchy in the European football leagues will be frozen and future development is jeopardized*"[10]. Summarizing, the F.F.P. raised barriers to new capital injections, impeding smaller clubs to really compete with top-teams without using some external financing "loopholes" (such as "third party ownerships" or unrealistic sponsorship deals –

[9] Source: "*UEFA Statement on Financial Fair Play*", November 12th, 2018 (https://www.uefa.com/insideuefa/protecting-the-game/club-licensing-and-financial-fair-play/news/newsid=2581760.html)

[10] Birkhäuser, S. and Kaserer, C. and Urban, D.: *Did UEFA's Financial Fair Play Harm Competition in European Football Leagues?* (p. 3). July 04th, 2017; Review of Managerial Science, Forthcoming. (https://ssrn.com/abstract=2759335)

procedures that the F.F.P. regulation forbids, but that cannot be always contained). The most glaring, embarrassing example of F.F.P. failure is given by the 2017 "*Neymar case*": the Brazilian top-player moved from Barcelona to PSG after paying his previous team a 222 million euros buyout clause, a mastodontic amount of money that broke any previous transfer record in worldwide football panorama. The Brazilian player signed a five-year contract for an annual 30 million euros after tax salary, which means a gross 54,7 million euros per year under the French tax rules[11]; adding the transfer and gross salary costs together, Neymar signing would cost to PSG approximately 99 million euros per year, almost 1/5 of the entire club's turnover we saw in Figure 1. The question is: how can they sustain such an enormous expense? Answering is still very hard: according to the Spanish regulation, when a player wants to exploit his buyout clause in order to join another club, it will be the player himself to directly pay the full clause amount to his previous club. Regarding to Neymar's case, it was stated that the 222 million euros of the buyout clause could have been provided by the Qatar Tourism Authority, an institutional body closely related to the PSG's owners (and reportedly main sponsor of PSG itself, as it provides the team almost 175 million euros per season[12]), on the pretext of making the Brazilian star a worldwide ambassador for the upcoming 2022 Football World Cup[13]. UEFA itself seems to be doubtful regarding the Neymar's case, as the CFCB Investigatory Chamber decided to re-investigate over PSG in September 2018[14].

[11]Source: "*Neymar earns £900k-a-week at PSG as French giants' salary details revealed by Football Leaks*", by Joe Brophy; November 10th,2018 The Sun (https://www.thesun.co.uk/sport/7707298/neymar-earns-900k-week-psg-salary-details/)

[12] Source: "*Paris Saint Germain FC Business Project*", (p. 21), by Edward Graves, on *lionelmaltese.fr* (http://lionelmaltese.fr/wp-content/uploads/2017/12/17ParisSaint-GermainProject.pdf)

[13] "*It has been reported that part of Neymar's PSG earnings could come via payments from the 2022 World Cup organizing committee in Qatar. But PSG and Qatar 2022 have denied that Neymar will become a World Cup ambassador and such a maneuver would be easy for UEFA's regulators to expose*".
Source: "*How soccer's financial rules impact Neymar's move to Paris*", by Rob Harris; Associated Press News, August 3rd, 2017
(https://www.apnews.com/639d4e3430a54a198d93fdfef3990a84)

[14] Source: "*Paris Saint-Germain case referred back to CFCB Investigatory Chamber*", September 24th, 2018, from the UEFA official website.

Whatever the decision about PSG will be, the Neymar's case opened the "*Pandora's box*" about the modern football situation. On one side, it demonstrated that the F.F.P. rules still need to be corrected, as the planned improving in European football fair competition is still far from achievement. On the other side, it showed how a club's commercial revenues have become crucial, and even more important (in an economical perspective) than the sport results themselves: a club bought by a billionaire Asian businessman, with a scarce European *palmarès*, can steal a star player from one of the most prestigious team of the world, just because it can afford it. For better or for worse, this is a lesson that all new football entrepreneurs shall learn.

(https://www.uefa.com/insideuefa/protecting-the-game/club-licensing-and-financial-fair-play/news/newsid=2572975.html)

1.2 A new Silk Road: brief history of the phenomenon

1.2.1 The internal expansion: State Council's guidelines and the development of Chinese football

Chinese history and culture, with their unique, millenary traditions, are straightly related to sports and sport philosophy. The apocryphal stories about the Xia Dynasty, dated approximately in the 2200 B.C., are useful for understanding that the Chinese culture is as complex and ancient as the Old Continent one: while Europe was still stuck in a primitive, almost prehistorical age, China already was a well-developed country, with a sport culture focused on martial arts, in particular on *wushu* (**武** 术, from the Simplified Chinese characters 武 *wǔ* – "war" - and 术 *shù* – "technique"), worldwide-known with the most famous word *kung-fu*. It was also stated that football itself was probably invented in China: the practice of *Cuju*, or *Ts'u Chu* (**蹴鞠**, literally "kick ball") [15] was mentioned in the ancient book "*Strategies of the Warring States*" (战国策 – "*Zhan Guo Ce*") and was the preferred hobby of the Han Dynasty's founder Liu Bang[16].

Nevertheless, we can say that the name of the People's Republic of China powerfully entered the international sports history just in the last decade. In fact, two main events changed the world's perception about the real Chinese power in sports industry: the 2008 Olympic Summer Games taken in Beijing, when the Middle Kingdom's athletes and structures were discovered worldwide, and the 2014 State Council's guideline named "Opinions on Accelerating the Development of Sports Industry and Promoting Sports Consumption"[17], that boosted the Chinese

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[15] Source: "*History of Football- the Origins*" (no author specified), from FIFA official website (https://www.fifa.com/about-fifa/who-we-are/the-game/index.html)

[16] Simons R., *Bamboo Goalposts: One Man's Quest to teach the People's Republic of China to love football*, Macmillan (2015)

[17] For the Chinese version: http://www.gov.cn/zhengce/content/2014-10/20/content_9152.htm; for the English version: http://china-football-8.com/reform-programme-2014/.

expansion into the sport industry all over in the world, with a focus on football, volleyball and basketball. Before these two dates, the Chinese sport industry was not really developed in a professional, business-oriented way: except for the traditional national sports, such as table tennis (everybody knows about the so-called "Ping-Pong Diplomacy" of the early '70s) and kung-fu, very few Chinese athletes were known in the worldwide sports panorama.

The main example of the Chinese "weakness" in the sports scenario comes by looking at the Olympics medal tables[18]: even if a first Chinese delegation participated the 1952 Summer Games in Helsinki, Chinese Olympic Committee was not allowed to compete until the 1980 Winter Games taken in Lake Placid, due to the international dispute that followed the Chinese Civil War and the political status of Taiwan. Even after the end of that international boycott, athletes from the People's Republic of China have had very modest results at the Olympic Games, with the main medals coming from just six sports: table tennis, badminton, weightlifting, diving, shooting, and gymnastic. The situation turned upside down in 2008, when the Olympic Summer Games were taken in Beijing: China ranked first in the medal table that year, with 48 golds, 22 silvers and 30 bronzes. Besides their usual dominium in traditional sports, Chinese athletes had significant results in sports like archery (with Zhang Juanjuan winning the first China's gold medal in *women's individual*), boxing (with the first China's golds obtained by Zhang Xiaoping and Zou Shiming) and fencing (with Zhong Man's gold in *man's sabre*). These incredible results, strongly related to the Chinese Olympic strategy named "*Juguo Tizhi*" (举国体制; literally, "the whole country support for the elite sport system")[19] were repeated in the two following Summer Olympic Games, with a

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China Football 8 is a blog featuring academic contributes and general information on Chinese football, taken by Mr. Ilker Gündoğan, PhD candidate at the Ruhr-University Bochum and ESSCA School of Management, and brother of the famous Manchester City player, İlkay Gündoğan.

[18] Source: "*China at the Olympics*" from Wikipedia (https://en.wikipedia.org/wiki/China_at_the_Olympics)

[19] Hong, F., and Zhouxiang, L., *From Barcelona to Athens (1992-2004): "Juguo Tizhi" and China's quest for global power and Olympic glory*, the International Journal of the History of Sport (2012)

second place in the 2012 London's medal table and a third place in the 2016 Rio de Janeiro's edition.

However, despite of this sudden improving in China's sport performances, there is a serious lack that has not yet been resolved: ball-games competitiveness. Actually, best results of Chinese's squads come from women's volleyball (with three Olympic gold medals, two World Championships and four World Cup winning) and football (the "Steel Roses" won 8 Asian cups and reached the World Cup Final in 1999): this is probably the aftermath of the Chinese Cultural Revolution, strongly sponsored by the Great Leader Chairman, Mao Zedong (whose famous pronouncement "*women hold up half the sky*" has become a feminist slogan worldwide), when the traditional Middle Kingdom's women condition has been rejected and females all over the country started using sport as an emancipation driver[20].

The real "problem" derives from men's national teams: at this moment, China is ranked 20th in volleyball[21], 30th in basketball[22] and only 74th (on a par with Panama) in football[23]. Those are very weak results for the most populated nation in the world, with more than a billion inhabitants: so weak, that the State Council itself intervened for understanding why such a crowded nation was not able to find about twenty men able to form a competitive team in sports like basketball and football. In a "*shame society*" like the Chinese one is (due to Confucian teachings), the need of improving those weak results was seen as a need for the country itself: talking in particular about football, Liu Yandong, one of the most powerful woman in the country (former PRC's Vice Premier and State Councilor, and member of the

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[20] For a focus about the Chinese women's sport condition:
Dong Jinxia, *Women, Sport and Society in Modern China: Holding Up More Than Half the Sky*, Routledge (2002)

[21] Source: "*FIVB Men Senior World Ranking*", as per October 2018 (http://www.fivb.org/en/volleyball/VB_Ranking_M_2018-10.asp)

[22] Source: "*FIBA Men World Ranking presented by Nike*", as per February 2019 (http://www.fiba.basketball/rankingmen)

[23] Source: "*FIFA/Coca Cola's Men's Ranking*", as per April 2019 (https://www.fifa.com/fifa-world-ranking/ranking-table/men/index.html)

Communist Party's Politburo from 2007 to 2017), who held the national health portfolio and headed the Leading Small Group for Football Reform (足球改革领导小组), stated that "*raising the profile of the Chinese football is a significant part of the construction of a global sports power*"[24].

The result of that State interference is the 2014 guideline named "Opinions on Accelerating the Development of Sports Industry and Promoting Sports Consumption": with this document, PRC's State Council assumed a key role in programming the future of the nation's sport industry, understanding that "*in recent years, China's sports industry develops rapidly, but the overall size is still small, vitality is not strong and there are still some institutional problems*"[25]. The importance of this guideline consists in the fact that, for the first time, the Chinese government directly linked sport and economy together: in fact, without an efficient industry, a strong economical basis, a professional system of policy, regulation and supervision, the sport and health cultures could not reach their purposes. In order to hit this achievement, one of the main tasks of the guideline consists in the "*innovative institutional mechanism*": bureaucracy must be reduced and, at the same time, the government itself must provide the services and facilities needed by every sport activity, both locally (considering that, in China, "*the number of people that frequently take part in physical exercise reached 500 million*"[25]), both globally ("*Support the dominant enterprises, brands and projects [...] "to go global"*"[25] and "*encourage large-scale cross-regional chain operations of fitness clubs*"[25]). Understanding that the sport practice is very diversified and unstandardized, the State Council guideline promoted the use of football, volleyball and basketball as a breakthrough, supporting at the same time the development of traditional Chinese sports, such as martial arts or dragon boat.

[24]Source: "*Xi Jinping's Soccer Dream*", by Jonathan Sullivan; July 12th, 2017, on *jonlsullivan.com* (https://jonlsullivan.com/2017/07/12/xi-jinpings-soccer-dream-mo/)

[25] Source: "*The State Council's opinion on how to accelerate the development of sports industry to promote sports consumption (2014)*", from China-Football-8.com (http://china-football-8.com/reform-programme-2014/)

Last, but not least, the State Council guideline promoted many policy measures to meet the sport industry's development tasks. Some very good examples are: a reduction of tax and price policies ("*For sports enterprises that are identified as high-tech enterprises, the enterprise income tax should be imposed at a reduced rate of 15%*"[25]); a deep enforcement of financing channels ("*Support qualified enterprises to issue cooperate bonds, short-term financing bonds, medium-term securities, small and medium enterprises to gather securities, private placement debt and other non-financial enterprise debt financing instruments*"[25]); a support of rural areas' sport activities; the strengthen of sport industry's qualified business management classes (by creating specified major courses); an improved protection of intangible assets such as sport brands, logos, and athletes' public image; a promotion of fair competition and circulation of resources ("*[...]such as the right to host competitions, the right to broadcast competitions, the right to transfer athletes*"[25]); and a revision of PRC's Sports Law.

The 2014 State Council guideline had a key role for the understanding of the local sport needs, and boosted the expansion of Middle Kingdom's professional leagues (such as the CBA, the local basketball league, which has developed as an NBA "development stage" and hosted some very famous American athletes); however, the real aim of the Chinese Congress emerged in the following years, when two other relevant guidelines were released: "The Overall Chinese Football Reform and Development Programme"[26], released by the State Council in March 16th, 2015, and "The Medium and Long-Term Development Plan of Chinese Football (2016-2050)"[27], approved by the State Council itself in April 2016 (after a jointly cooperation of the Office of the Inter-Ministerial Joint Conference on Football Reform and Development, the General Administration of Sport, the National Development and Reform Commission -N.D.R.C.- and the Ministry of Education), were focused on the local football situation, which was lagging behind the rapid

[26] Source: "*The Overall Chinese Football Reform and Development Programme(2015)*", from China-Football-8.com (http://china-football-8.com/reform-programme-2015/)

[27] Source: "*The Medium and Long-Term Development Plan of Chinese Football (2016-2050)*", from China-Football-8.com (http://china-football-8.com/reform-programme-2016/)

development that the game faced worldwide. Many objectives were stated in the development programs: short-term goals, such as improving the management models and reorganizing the Chinese Football Association; mid-term goals ("*The men's national football team should be the best in Asia*"[26], thanks to a strong enforcement of youth academies); and even a very optimistic long-term goal of a whole society participation and an attempt to host the Men's World Cup. A strongest emphasis was given to the local CFA, which must lay under direct control of the Communist Party and develop a hierarchical management model to stably develop the local professional football teams and the formation of coaches, referees and other professional figures related to the game. The government itself undertook the role of active investor in football, through the intervention of state-owned investment companies (such as the powerful CITIC - China International Trust Investment Corporation, one of the country's biggest conglomerate with a very large foreign portfolio), the establishment of the non-profit China Football Development Foundation, and by investing in the creation of new football pitches both in urban and rural areas. Youth development entered the reform program too: in order to promote the popularity of the game, football was included on the physical education syllabus in elementary and secondary schools, and it was stated that the number of football-specialized academies in the country must rise to 25.000 by 2025, even with the participation of current professional clubs (which must help the transition from academies to professionalism). Finally, a strong emphasis was given to the strengthen of the national team, which must have dedicated training bases, top-class coaches (the manager of Chinese national team, actually, is the 2006 World Cup Winner, Marcello Lippi) and, by the words of the reform program, must "*Enhance national pride and social responsibility*"[27].

The 2014 and 2015 State Council guidelines had immediate aftermaths on the Chinese society: driven by the government intervention, a large amount of Chinese enterprises from different business started to strongly invest on the sport industry. Dalian Wanda group, and Evergrande Real Estate group, are two of the main examples of this policy: both were oriented over very different business, such as real estate, hospitality and financial services, but, after the 2014 guideline, they started to strongly diversify their main business, entering the sport industry (with a huge focus on football) with aggressive policies of M&A and vertical integration.

Evergrande Group acquired Guangzhou F.C., a professional football team from the Guangdong Province, in 2010. After the State Council guideline (with a strong participation of one of the most powerful Chinese enterprises, Alibaba Group, who acquired almost 40% of the club's stocks in 2014), they started to pump a huge amount of money and resources in the club, which was strategically renamed Guangzhou Evergrande Taobao F.C.; the results were immediate, as the club started to win several national titles and became the first Chinese club to win the AFC Champions League, the most important Asian Football Confederation's tournament. Under the technical guide of former Italian football legend Fabio Cannavaro, Guangzhou Evergrande has become one of the top valued clubs in the world, with a 3.35 billion dollars valuation (even higher that historical European clubs such as Real Madrid or Manchester United) as it was listed for the first time on China's National Equities Exchange and Quotations (NEEQ) in November 2015[28], and it is actually ranked 4th in the 2018 edition of the prestigious Soccerex Football Finance 100[29], thanks to the limitless investment potential of the club's owners (despite of a poor valuation of the players portfolio, "only" 46 million dollars).

Dalian Wanda's example is even more striking for understanding the Chinese's economic power. This multinational conglomerate based in Beijing, with a very diversified portfolio (including businesses such as real estate, entertainment, industrial manufacturing, hospitality and health care), started to strongly invest in football after 2015: on March 31st, 2015 they acquired a 20% ownership stake of Club Atlético de Madrid SAD, thanks to the subsidiary Wanda Madrid Investment. This participation had a very short life, as in February 2018 Wanda Group planned

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[28] Source: "*Guangzhou Evergrande Allegedly Replace Real Madrid as World's Most Valuable Club*", by Rory Marsden; March 10th, 2016, on bleacherreport.com (https://bleacherreport.com/articles/2623519-guangzhou-evergrande-allegedly-replace-real-madrid-as-worlds-most-valuable-club)

[29] Source: "*Soccerex Football Finance 100, 2018 Edition*", on mysoccerex.com (http://mysoccerex.com/Soccerex_Football_Finance_100_2018_Edition.pdf)

to disinvest in the Spanish club to focalize on the local Dalian Yifang F.C. (even if the decisions was not officially announced, it is glaring that two very important Atlético's players, Nico Gaitan and Yannick Ferreira Carrasco, joined the Chinese team in that period)[30]; however, Wanda Group have been in the club long enough to gain the sponsorship's rights over the new Atlético's stadium, which is actually known all over the world as the Wanda Metropolitano. In addition to the Spanish team participation, Wanda group started other very important sport businesses: in 2015, it acquired the World Triathlon Corporation for 650 million dollars, and the next year it announced a major sponsorship with both FIFA and BWF (Badminton World Federation). Indeed, the most significant operation of the Dalian Wanda group was the acquisition, in February 2015, of Infront Sports & Media. Worth more than one billion dollars, Infront owns media, broadcast and marketing rights for several sport events and organizations, such as the FIFA World Cup, the German Bundesliga, the Italian Lega Serie A and Italian Athletics Federation (FIDAL), the Indonesian Super League of football, the Ski World Cup, the European Handball Federation, the Chinese Basket Association, and several more. This acquisition made Wanda group a world leader in the broadcast industry, with some of the most important sport events of the planet being under direct or indirect Chinese control.

The impulse of both the State Council guideline, and some of the richest and most powerful enterprises of the country, was a driver for a lot of different corporations to join the market: following a very common policy from other foreign sports, Chinese enterprises acquired and directly sponsored a large number of national teams, changing the club's names in order to be strongly related to their owners (this is common, for example, in Italian basketball, were we have teams like "A|X Armani Exchange Olimpia Milano", "Sidigas Avellino" or "Benetton Treviso"). If we have a look at the 2018 Chinese Super League teams, we can see how deep this phenomenon has become: almost all the national football teams have changed their owners and their names, with enterprises from very different businesses entering the market and pumping funds over it. We have clubs like Shandong Luneng

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[30] Source: "*Dalian Wanda plans return to Chinese Super League*", by Asia Times staff; February 23rd, 2018, on atimes.com (http://www.atimes.com/article/dalian-wanda-plans-return-chinese-super-league/)

(former Shandong Province F.C.; Luneng Group is a subsidiary of Shandong Electric Power Group Corporation, the biggest electric energy supplier of the region), Shanghai SIPG (former Shanghai Dongya; SIPG is the acronym of Shanghai International Port Group, which controls the busiest[31] container port of the world), Tianjin Quanjian (former Tianjin Songjian; Quanjian Natural Medical Group is a Tianjin-based herbal medicine company), and Jiangsu Suning (former Jiangsu Sainty; we will discover very soon in this paper what the Suning group is, and how it has become crucial in the football panorama…). Even if the acquiring enterprises came from very different businesses, the policies adopted in their new teams were very similar: rapid and constant flow of capitals through sponsorships and direct investments, strengthening of the clubs' squad by millionaire transfers of players from abroad (often with out-of-the-market offers), signing of top managers and trainers from Europe and South America, and, in some cases, developing of a youth academy through direct synergies with local or regional academies[32].

1.2.2 The external expansion: some very good (and a few, very bad) examples

In spite of the state exhortations, the rapid and powerful flow of resources didn't close the gap between the Chinese League and the top South American and European competitions: the international football market, with its large number of fans and shareholders, seems not to be truly interested in the Chinese Super League, which is seen as an uncompetitive tournament where former glories of the sport migrate to find a final, enormously remunerative contract. Furthermore, the Chinese consumers themselves look like not being really interested on football: as showed

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[31]Source: "*Top 50 World Container Ports*", from the World Shipping Council website (http://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports)

[32] For a deeper analysis of the youth football academies industry in China, see: "*Inside the Multi-Million Dollar Industry That's Driving Youth Soccer Academies in China*", by August Rick; March 28th, 2018, on Forbes website (https://www.forbes.com/sites/augustrick/2018/03/28/inside-the-multi-million-dollar-industry-thats-driving-youth-soccer-academies-in-china/#2080ff2533ae)

by a 2017 report of the Centre for Sports and Management at WHU-Otto Beisheim School of Management[33], the first short-term goals of the State Council guideline are far from achievement, as the Middle Kingdom's sports fans are more interested in e-sports or basketball, and the average football "consumer" is 40 years old, male, and coming from the growing middle and rich classes[34]. The largest slice of the market simply doesn't understand the game's rules, and the actual consumers have a very different approach to football respect of their counterparts from the rest of the world: only 7 % of them actively practice the game, and 49 % of Chinese fans declare to have a "favorite player" rather than a "favorite team". Even the approach to international superstars is very different: rather than technical skills or scoring capabilities, Chinese fans base their preferences on personality, charisma and aesthetical good-looking, in order to create a personal "role model" both in the game and in real life (when asked about their favorite player, 18 % of Chinese fans named David Beckham, who retired in 2013…).

Notwithstanding the massive investments and the State Council interference, why is the Chinese football not growing as expected? A brilliant study taken by Melanie Krause and Stefan Szymanski[35] demonstrated that two key economic factors intervened in explaining this phenomenon: unconditional convergence, and the so called "Middle-Income trap". Convergence – "*whether poorer countries are catching up with richer ones*"[35] - is easy to demonstrate in football, even easier than in most other modern markets: in fact, football is a standardized, internationally comparable service, with a facilitated and almost free technological transfer (consisting in adopting stronger nations' techniques of training and players'

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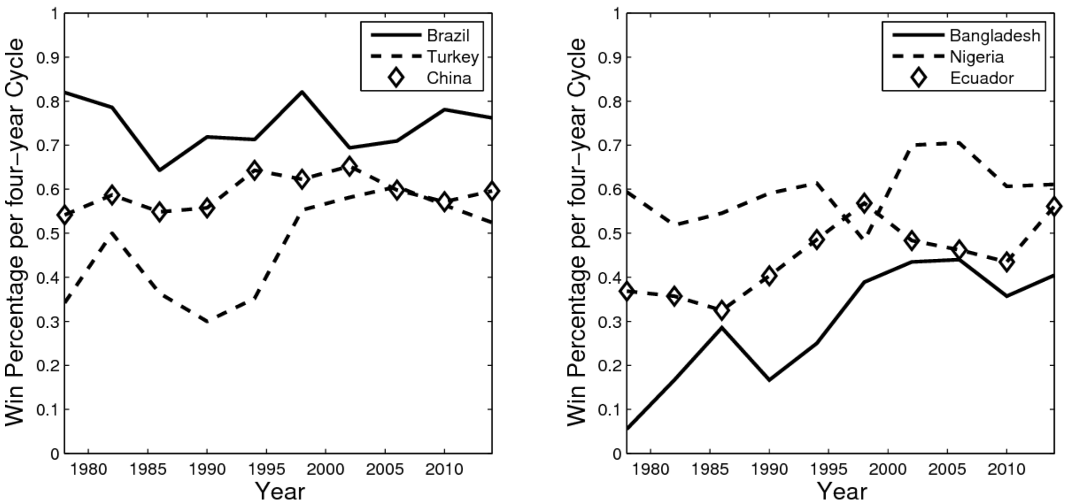
[33] WHU-Otto Beisheim Scholl of Management CSM Report, *Dancing with the Dragon – the quest for the Chinese football consumer*, 2017

[34] For another focus on the Chinese football consumers situation, see:
"*Too old, too lazy and more interested in e-sports – is the Chinese football consumer to blame for the game's failures?*", by Jonathan White; March 16th, 2018, from the South China Morning Post website
(https://www.scmp.com/sport/china/article/2137349/too-old-too-lazy-and-more-interested-e-sports-chinese-football-consumer)

[35] Krause, M. and S. Szymanski, *Convergence vs. the Middle-Income Trap: The Case of Global Soccer*, 2017
(http://www.soccernomics-agency.com/wordpress/wp-content/uploads/2017/10/soccer-convergence-1.pdf)

selection), and a very powerful worldwide regulation (it is funny to notice that "*the world governing body of football, FIFA, currently has more members (211) than the United Nations (193)"*[35]). The Krause-Szymanski study, which analyzed about 32.000 football matches results from 1950 to 2014, focusing on two easy performance measures – the winning percentage, and the average goal difference – demonstrated that there is a significant β- and σ-convergence in results among different national teams, which explains the good results obtained in modern times by untraditional, weaker countries. However, the biggest beneficiaries of this phenomenon are not Asian teams, but weaker nations of Europe or South America (like Turkey, Iceland or Ecuador), which beneficiated of the continuous competition with the world's top national teams, as shown in Figure 2[36].

Figure 2: Win percentage evolution in selected national teams (including China)



Source: Krause-Szymanski (2017), figure 5

[36] Source: https://www.semanticscholar.org/paper/Convergence-vs-.-The-Middle-Income-Trap-%3A-The-Case-Krause-Szymanski/40104374e6b79482bec9749f1df06f1f37b8b3c3/figure/9

This phenomenon can be explained through the theory of "Middle-Income trap"[37], synthesizable in the statement that making significant progresses in a market is harder for a new entry, if the traditional opponents make progresses too. The starting condition, in fact, cannot be changed with just a few reforms: even if China planned to create 20.000 football academies by 2020[38], it is clear that Chinese athletes will not be comparable with those from top ranked European and South American national squads, until the talents emerging from those academies reach a professional, adult level; transferring foreign top players could help the movement competitiveness to rise up, but the real aftermaths will emerge just in the following decades, and the actual situation gives back a national tournament not strong and attractive enough to compete with the world's top leagues.

Apparently, the Chinese government understood this phenomenon, and acquisitions did not stop just in the national league: after the 2014 guideline, some Chinese enterprises understood that the local tournament was not developed enough to attract the international market, so they started to directly go abroad for finding some acquirable teams in the top European leagues. The purpose of these new policies is easy to understand: if I cannot improve my local tournament only by acquiring top players and coaches, I can try to accelerate the phenomenon by internalizing stronger nations' policies of training, scouting and youth development (as explained by the theory of convergence). Thus, the easiest, fastest way to acquire these competences is to directly acquire the stronger nations' clubs. Indeed, with this important awareness, Chinese entrepreneurs strongly entered the foreign football market since 2015: particularly, as shown by Table 1, the main acquisitions are related to clubs from France, Spain, Italy and England (with a very particular

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[37] Gill, I. and H. Kharas (2007), *An East Asian Renaissance: Ideas for Economic Growth*. The World Bank Publications

[38] Source: "*China Wants to Become a 'Soccer Superpower' by 2050*", by Charlie Campbell; April 12th, 2016, from the Time website (http://time.com/4290251/china-soccer-superpower-2050-football-fifa-world-cup/)

example of regional integration, as the largest part of the English acquisitions came from the Midlands city of Birmingham's surroundings)[39].

Table 1 : Short list of Chinese acquisitions in European football

Team Name	*Team Nation*	*Acquired by*	*Stake %*	*Price (in million €)*	*Notes*
Aston Villa F.C.	England	Recon Holdings	45 % (100 % at first)	84	55 % of the stake sold to NSWE group
West Bromwich Albion F.C.	England	Yunyi Guokai Sports Development	88 %	230	//
Wolverhampton Wanderers F.C.	England	Fosun International	100 %	49	//
Birmingham City F.C.	England	Trillion Trophy Asia	50,64 %	13,5	//
Southampton F.C.	England	Lander Holding	80 %	232	//
Reading F.C.	England	Renhe Sports Management Limited	75 %	Undeclared	Same owner of Beijing Renhe and KSV Roeselare
R.C.D. Espanyol de Barcelona	Spain	Rastar Group	56 %	17,8	//

[39] Source: "*China invests big in European football clubs*", by Ludovic Ehret; April 14th, 2017, from the Alto Broadcasting System – Chronicle Broadcasting Network (ABS-CBN) website (http://news.abs-cbn.com/sports/04/13/17/china-invests-big-in-european-football-clubs)

Granada C.F.	Spain	Double-Edged Sports	100 %	33	Same owner of Parma Calcio and Chongqing Dangdai Lifan; integrated some Chinese talents in the youth academy
FC Sochaux-Montbéliard	France	Ledus Lightning Technology Ltd.	100 %	7	//
O.G.C. Nice	France	Chien Lee and Alex Cheng	80 %	20	Chinese – American Internationa l Investor Group
Olympique Lyonnais	France	Chinese private equity fund (managed by IDG Capital Partners)	20 %	87	//
Parma Calcio 1913	Italy	Double-Edged Sports	90 % (60 % at first)	10	Same owner of Granada C.F.; 60 % sold to Barilla in 2018
Internazionale Milano F.C.	Italy	Suning Holdings Group	68,55 %	270	Same owner of Jiangsu Suning

Source: personal elaboration through collected data

Aston Villa. The Birmingham-based club, founded in 1874, was acquired on June 14th, 2016 by Recon Holdings, a fund specialized in healthcare and information technology, owned by Tony Jiantong Xia. The Chinese businessman paid a reported 76 million pounds for a total ownership of the club[40], but, after suffering of financial difficulties, he was forced to sell a 55 percent stake to the Egyptian NSWE group. The Villans are currently running the EFL Championship, but they are the most historical club of the West Midlands region, with seven Premier League titles and a Champions' League win in the 1981-1982 edition.

West Bromwich Albion. Acquired in August 2016 by Yunyi Guokai Sports Development – an investment fund headed by construction tycoon Lai Guochuan- with an 88 % stake worth 230 million euros, with a declared aim of establishing the team in the top of the Premier League – even if the results have not been satisfying at the moment, with the West Midlands club suffering a relegation to EFL Championship, the second tier of English football, in the 2017/18 tournament.

Wolverhampton Wanderers. The football club and its owned properties (including the historical Molineux Stadium), under the club parent company "W.W. (1990) Limited", were acquired on July 21st, 2016 by the Chinese conglomerate Fosun International via its wholly-owned subsidiary, Prestige Century Holdings Limited, for a declared 45 million pounds payment to the previous owner, Steve Morgan and his company Bridgemere Group[41]. Founded in Shanghai in 1992, Fosun International is one of China's biggest international investors, with more than fifty current projects worldwide; the appointed *Wolves* chairman, Jeff Shi, stated that the main ambition of the Chinese property was to take the club back to the Premier League as soon as possible, an objective that was reached after the team won the 2017/18 edition of the EFL Championship.

Birmingham City. The *Bluenoses* were officially acquired in October 2016 by Trillion Trophy Asia, a British Virgin Islands-based investment vehicle hold by

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[40]Source: "*Club statement: sale confirmed*"; June 14th, 2016. from the Aston Villa F.C. official website (https://web.archive.org/web/20160615112812/http://www.avfc.co.uk/page/NewsDetail/0%2C%2C10265~5650044%2C00.html)

[41] Source: "*Wolves bought by Chinese conglomerate Fosun International for £45m*", July 21st, 2016, from the BBC website (https://www.bbc.com/sport/football/36852323)

Paul Suen Cho Hung, a Hong Kong businessman specialized in turning around distressed businesses[42] (as Birmingham City itself was after the unsuccessful 2007 Carson Yeung run). Mr. Suen paid an estimated 15.4 million dollars for a 50,64 % participation in the club, which currently runs for a Premier League promotion via the EFL Championship. This acquisition was the last one in the Birmingham surroundings, making the West Midlands the first Chinese "football conglomerate" abroad; such a strong phenomenon, with four top clubs from the Premier League and the EFL Championship acquired just in the 2016 summer period, is characteristic of the Middle Kingdom's business operators, who are interested in creating a global network in the local football in order to exploit the English superior knowledge about sport structure, marketing and business administration (whose sharing is the main purpose of the Chinese expansion).

Southampton F.C. In August 14th, 2017, after more than one year of contracting, the Chinese businessman Gao Jisheng, through his personal Lander Holding, acquired an 80 percent stake on the club by paying 210 million pounds[43]. Through its operative subsidiary Lander Sports Development Co. Limited, headquartered in Hangzhou, the Chinese businessman directly controls the Hampshire's club, which currently runs the Premier League.

Reading F.C. In May 2017, the Chinese businessman Dai Yongge and his sister Dai Xiu Li acquired a 75 percent stake in the club, via their subsidiary Renhe Sports Management Limited (which also controls two minor football clubs, the Chinese Beijing Renhe F.C. and the Belgian KSV Roeselare)[44]. The historical Berkshire's club, founded in 1871, actually runs the EFL Championship.

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[42] Source: "*Who is Birmingham City's owner? The lowdown on Paul Suen and Trillion Trophy Asia*", by Conor Keane; August 2nd, 2018, on the Birmingham Mail website (https://www.birminghammail.co.uk/sport/football/football-news/paul-suen-trillion-trophy-asia-14338939)

[43] Source: "*Southampton sell 80% stake to Chinese businessman Gao Jisheng*", by Ben Fisher; August 14th, 2017, on The Guardian website (https://www.theguardian.com/football/2017/aug/14/southampton-sell-80-stake-to-chinese-businessman-gao-jisheng)

[44] Source: "*Reading FC takeover completed as Chinese investors become majority shareholders*", by Jonathan Low; May 16th, 2016, on getreading.com

R.C.D. Espanyol. The Barcelona-based club was acquired in January 29th, 2016 by Rastar Group (world leader in the gaming industry, with videogames, toys and model-cars manufacturing as core businesses), owned by the 48-years-old businessman Chen Yansheng who directly invested 17.8 million euros for a 56 percent stake in the Spanish club, and an additional 45 million euros for covering the club's business and transfer expenses.[45]

City Football Group. This holding company controls Manchester City F.C., New York City F.C., Melbourne City F.C., Girona F.C. and other minor football teams; founded in 2008 by Abu Dhabi United Group, which lays under direct control of Sheikh Mansour bin Zayed Al Nahyan (deputy prime minister of United Arab Emirates and member of the Abu Dhabi royal family), the group aims to be a global football competitor, owning a club per each continent under the identifier "City" mark. On December 1st, 2015, a 13 % stake of the company was acquired by a consortium composed by China Media Capital and CITIC – China International Trust Investment Corporation[46].

Granada C.F. and Parma Calcio. Jiang Lizhang, founder and president of Double-Edged Sports (DeSports), bought the Spanish Granada C.F. in May 2016 (a 37 million dollars payment for a 100 percent control of the club[47]) and the Italian Parma Calcio in November 2017, just in time for the historical promotion to Serie A[48] (after the original, twice UEFA Cup Winner Parma F.C. had ceased to exist due

(https://www.getreading.co.uk/sport/football/football-news/reading-fc-takeover-completed-chinese-13045988)

[45]Source: "*China Billionaire's Rastar Group Buys Majority Stake in Spanish Soccer Club*", by Russell Flannery; November 3rd, 2015, on Forbes website (https://www.forbes.com/sites/russellflannery/2015/11/03/china-billionaires-rastar-group-buys-majority-stake-in-spanish-soccer-club/#55c657e368a8)

[46] Source: "*Manchester City owners announce £265m deal with Chinese investors*", by Jamie Jackson; December 1st, 2015, on The Guardian website (https://www.theguardian.com/football/2015/dec/01/manchester-city-265m-deal-chinese-investment-group)

[47] Source: "*Granada CF in Chinese takeover*", May 26th, 2016, by the Soccerex.com staff (https://www.soccerex.com/insight/articles/2016/granada-cf-in-chinese-takeover)

[48] Source: "*Back From the Dead, Parma Embraces a Soccer Renaissance*", by Rory Smith; August 19th, 2018, by The New York Times website (https://www.nytimes.com/2018/08/19/sports/soccer/parma-serie-a-italy.html)

to a declaration of bankruptcy - and the city's successive football organization was registered in Serie D, the amateur fourth tier of Italian football - just in 2015)[49]. The Chinese businessman, who has several investments in sports (including a 5% participation in the NBA franchise of Minnesota Timberwolves), owns a 90 percent stake in the CSL's Chongqing Dangdai Lifan too, and established a deep partnership between his Chinese and Spanish teams: some selected Chinese talents have been integrated in the Granada's youth academy, a very good strategy for boosting the realization of Xi Jinping's dream by exporting Chinese players in Europe (hoping that they will be able enough to face the competition with the local athletes)[50].

FC Sochaux-Montbéliard. The historical Peugeot-owned team has been the first relevant French acquisition, since it was sold in 2015 to Ledus Lightning Technology Ltd., a Hong Kong-quoted subsidiary of Tech Pro Technology Development Ltd.

OGC Nice. A pool of investors, headed by the Chinese-American entrepreneur, Chien Lee, and the influent Chinese investor Alex Cheng (founder of one of the largest hotel chains in Asia, Plateno Hotels Group, and already interested in French businesses with his Albar Hotel Collection), bought an 80 percent of the club's stake in June of 2016[51].

Olympique Lyonnais. The historical OL president, Jean-Michel Aulas (who owns the club since 1987), accepted a 100 million dollars payment by a Chinese private equity fund, managed by IDG Capital Partners, for a 20 percent stake of the club.

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[49] For clarity of exposition, it must be said that in the moment I am writing, Parma Calcio no longer lays under Chinese majority ownership: on October the 23rd, 2018, the 60 % of the club's stake passed to Guido Barilla, owner of the world's largest pasta producer – while DeSports Group kept a 30 % minority participation.

[50] Source (in Spanish language): "*El Granada incorpora a dos futbolistas chinos tras firmar un acuerdo de colaboración*", July 27th, 2016, by the Mundo Deportivo website (https://www.mundodeportivo.com/futbol/20160727/403511935979/granada-incorpora-al-portero-chino-wang-zixiang-tras-acuerdo-de-colaboracion.html)

[51] Source (in Italian language): "*Alex Zheng (Plateno Hotels Group), dall'OGC Nice a nuovo azionista di minoranza dei Phoenix Rising FC* ", by Nicholas Gineprini; February 16th, 2018, on Calcio8Cina.it (http://www.calcio8cina.it/6349-2/)

The acquisition helped the club facing the contingent borrowing deriving from six years running deficit; however, the club's goal is to expand the Olympique supporters the Asia too.

Internazionale Milano. At the moment, the Nerazzurri are the most important acquisition made by Chinese investors, in relation to the club's history and the relevance of the new owners' participation: a 68,55 % of the club's stake, worth 270 million euros, was acquired in June 6th, 2016 by the billionaire Zhang Jindong, founder of the Suning Commerce Group, Chinese leader in franchised electronic retailers and e-commerce, and former president of the Nanjing-based Jiangsu Suning[52]. Mr. Zhang acquired the club through Great Horizon Sàrl, a Luxembourg-based subsidiary of Suning Sports International Limited, directly related to Suning Holdings Group, the family holding company of the Chinese tycoon. Steven Zhang, the 1991-born new owner's first heir, was in a first time declared vice-president, and then became the youngest Inter President in October 2018[53], as the former Indonesian president Erick Thohir progressively faded away, even maintaining a 30% minority participation (indeed, his decisional power and his veto on strategical decisions - such as capital increases – put an awkward sword of Damocles over the new Chinese entrepreneurs, as we will see in paragraph 2.1.3); however, Zhang Jindong himself declared the objective of that investment were wide and long-term oriented:

"*Suning's involvement in Inter doesn't mean a Chinese company is taking control of the Nerazzurri, but that the Italian branch of Suning is merging with the club*"[54].

The Suning and Inter partnership helped the club running a difficult period of UEFA Financial Fair Play (FFP) limitations, as resulted by the Settlement Agreement made between the club and the European football controlling body in order to solve

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[52] For a detailed profile of the new Inter owner, check his official Forbes description: https://www.forbes.com/profile/zhang-jindong/?list=china-billionaires#66a6f540324c

[53] Source: "*Steven Zhang named President of F.C. Internazionale Milano S.p.A.*", October 26th, 2018, from Internazionale F.C. Official Website (https://www.inter.it/en/news/64721)

[54] Source: Zhang Jindong's speech after the June 26th, 2016 Shareholders' Meeting, from Internazionale F.C. Official Website: https://www.inter.it/en/news/53335/zhang-jindong-we-want-to-strengthen-inter

the debt situation of the historical Italian team[55]. After a couple years dominated by uncertainty, with an unusual attempt to have a single Sport Director for both Jiangsu Suning and Inter F.C., in the person of Walter Sabatini (who lasted in that double role just from May 2017 to March 2018), the club finally gained a Champions' League qualification in the 2017/18 Serie A edition (becoming the first football team with a Chinese president to enter the competition), making significant progresses in the Zhang's purpose of entering the Top 10 European Clubs List.

1.2.2.1 A.C. Pavia and A.C. Milan

The list of acquisitions in European leagues demonstrates that the Chinese investors can be very various, more or less powerful, with singular core businesses or diversified competences; in all the successful cases, the common driver is the professionalism and the money disposability. However, some Chinese investors did not have much success in their effort of European football expansion: lack of money, lack of decisional competences, lack of institutional covering from the homeland, or simply the desire to make easy money (a very difficult task in the football industry…) could be the discriminant between a successful and a failed investment project. Two of the most awkward examples come from the Italian league, a very difficult market territory for foreign football investors (as a very little number of Italian clubs have a foreign settled property, excluding top clubs such as Inter and Roma).

The A.C. Pavia case: On August 2014, the local news announced that the Italian Lega Pro team was set to become the first Italian professional football team wholly controlled by a Chinese investor, to be precise the Pingy Shanghai Investment fund, in the person of the businessman Xiadong Zhi and Qiangming Wang, a rehabilitation doctor settled in Milan[56]. The new property had no limits but the sky

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[55] UEFA and Internazionale Milano F.C. Settlement Agreement, from UEFA Investigatory Chamber, CFCB – Club Financial Control Body (p. 1-2): https://www.uefa.com/MultimediaFiles/Download/OfficialDocument/uefaorg/FinancialFairPlay/02/24/58/35/2245835_DOWNLOAD.pdf

[56] Source (in Italian language): "*Promesse, business, debiti, fughe: i fallimenti del Pavia cinese*", by Nicolò Schira; October 6th, 2016, by La Gazzetta dello Sport website (https://www.gazzetta.it/Calcio/06-10-2016/promesse-business-fughe-fallimenti-pavia-cinese-170330208308.shtml)

itself: taking the club to Serie A in the following five years, building a 20.000 seats multi-purpose new stadium, expanding the club's finances and involving the full city in its football "renaissance", even with the production of a movie, "Magic Card", which was released in China and used the Pavia city for some locations (the Italian actress Maria Grazia Cucinotta was involved too). Xiadong Zhi's words, however, were no more than an illusion for the little Lombardy team: mayor Depaoli never received the project for the new stadium, and the club's debt raised to an unsustainable level in the successive year, when the Chinese investor suddenly disappeared, and the club faced a failure declaration by the Pavia Tribunal, with more than two million euros of entitlements claimed from players and employees (an unaffordable level of expenses for a little Lega Pro team).

A.C. Milan: The *Rossoneri* example is even more complex, carrying a halo of uncertainty and suspect deriving from its negative outcome (and from the ambiguity of the actors involved). In August 2016, Silvio Berlusconi, A.C. Milan president for 31 years-in-a-row, signed a preliminary agreement (trough his personal holding, A.C. Milan real owner, Fininvest) with Sino-Europe Sports Investment Management Changxing Co., Ltd., a Chinese investment vehicle represented by David Han Li, Yonghong Li's close collaborator, in order to sell the 99,93 percent of the club stake, valued 740 million euros; the investor committed to fulfill the acquiring within December 2016, and paid a deposit of 100 million after the deal[57]. Even if he didn't appear in the Sino-Europe Sports boards, the person behind the Chinese investor was Yonghong Li, a 1969 born Chinese investor with a well-diversified company portfolio, including businesses in the packaging sector and phosphate mines[58] (even if, strange to say, his official Curriculum Vitae has never been published). The new Chinese buyer faced real difficulties on collecting the requested amount: the initial December deadline was postponed to the Spring, as

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[57] For the full agreement, see the official Press Release from Fininvest, August 5th, 2016 (Italian language): http://www.fininvest.it/assets/press/it/CS_Fininvest-Milan_5.08.16.pdf

[58] Source: "*Who is Yonghong Li and AC Milan's new Chinese owners?*"; April 14th, 2017, on Goal.com (http://www.goal.com/en/news/who-is-yonghong-li-and-ac-milans-new-chinese-owners/1q9wm8jsd217418pazqxk6v2ek)

the payment was stated to be accrual, with a first significant deposit needed in December. Thanks to the crucial intervention of the U.S. hedge fund Elliott Management Corporation, which provided a 300 million euros loan at a 11% interest rate (to pay back by October 2018)[58], and after a very long journey around a large number of abroad investment vehicles, such as the "Rossoneri Sports Investment Co., Ltd." from Hong Kong, the "Rossoneri Sports Investment Luxembourg S.à.r.l.", the incorporated "Willy Shine International Holdings Limited" from the British Virgin Islands (which provided the 102 million euros needed for the crucial second deposit of December 14th, 2017; a very suspicious operation from a declared fiscal paradise, which fed the rumors of an illegal return of foreign capital from the former Italian president[59]), Yonghong Li finally became the new A.C. Milan chairman on April 14th, 2017. Marco Fassone was nominated as new CEO, and the established management used the new funds pumped in the club to undertake a very expensive summer transfers campaign, with ten new players that joined the club in the 2017 summer, for a total amount of 215.3 million euros[60]; however, the doubts about the new society did not cease to exist. In fact, the total anonymity of Yonghong Li in the Chinese billionaire panorama (unlike the common football investors, which most of the time are institutional entities or very important business operators), thanks to his residence registered in Hong Kong, and the controversial debt underwritten in order to sustain the payment deadlines (in practice, the whole A.C. Milan society and structures were used by Mr. Li as covering guarantee, so if the loan was not repaid at its end the U.S. hedge fund could become the new Rossoneri owner), represented an unwelcoming business card for the new Milan chairman. Furthermore, a New York Times investigation about the real worth of the Chinese investor discovered some very bad news for the

[59] For a deeper analysis about the A.C. Milan and "Whilly Shine International" case, see Carlo Festa's article from Il Sole24Ore.com, January 5th, 2017 (Italian language): http://carlofesta.blog.ilsole24ore.com/2017/01/05/milan-tra-il-mistero-delle-isole-vergini-e-i-dubbi-di-fassone/

[60] Source: "*Who have AC Milan signed this summer?*", by Mark Doyle; July 20th, 2017, on Goal.com (http://www.goal.com/en/news/who-have-ac-milan-signed-this-summer/aob5w1tf7bvw1pln2dil3d8jn)

Rossoneri fans[61]: the mining empire he claimed to hold in his country land was revealed to be inconsistent, as the real owner of that businesses was not the Milan president.

"*In the case of Mr. Li, the mines that he told A.C. Milan he controlled have been owned by four different people since last year, according to Chinese corporate records. The business changed hands twice for no money, the documents show*"[61].

This is the demonstration that Mr. Li running over Milan is an operation sundered from the Chinese Government policy, which was never related in any way to the Rossoneri transfer (unlike the Inter and Suning example, as Jindong Zhang has an influent public and political image in his homeland, with several appointments at the National Committee of CPPCC[62] since 2008). With such a negative background, the international credibility of the Chinese entrepreneur was destined to collapse: when the new CEO presented a very optimistic business plan to the UEFA Control Body, in order to solve the issue between the society and the FFP Regulations, Mr. Li's ambition where destroyed, as the CFCB Investigatory Chamber officially rejected the Settlement Agreement, specifying that "*there are still uncertainties in relation to the refinancing of the loans to be paid back in October 2018 and the financial guarantees provided by the main shareholder*"[63].

As the summer of 2017 have been optimistic and hopeful, the Rossoneri fans lived a very tumultuous 2018 summer: first of all, in June 4th, 2018, an investigation by the popular Rai3 transmission "Report" discovered the inconsistency of Mr. Li's assets, as his presumed headquarters in Hong Kong revealed to be uninhabited, with computers that were missing motherboards, phones disconnected for unpaid bills,

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[61] Source: "*China's Soccer Push Puts a Storied Team Under Murky Ownership*", by Sui-Lee Wee, Ryan McMorrow and Tariq Panja; The New York Times DealBook, November 16th, 2017 (https://www.nytimes.com/2017/11/16/business/dealbook/china-soccer-acmilan-ownership.html)

[62] Chinese People's Political Consultative Conference (CPPCC), or simply the PCC, is the analogous of an advisory legislative upper house in a bicameral legislature (comparable to Italian Senate, even if the CPPCC National Committee has only annual deadline).

[63]For the CFCB Investigatory Chamber decision, see: "*AC Milan request for voluntary agreement rejected*", December 15th, 2017 from the official UEFA website: https://www.uefa.com/insideuefa/protecting-the-game/club-licensing-and-financial-fair-play/news/newsid=2526997.html

and worms covering rests of spoiled food[64]. In June 27th, even more harshly, the CFCB Adjudicatory Chamber excluded the club "*from participating in the next UEFA club competition for which it would otherwise qualify in the next two (2) seasons*"[65], canceling in fact the qualification to UEFA Europa League that A.C. Milan had reached due to its 6th place in the 2017/18 Italian Serie A edition. The epilogue of the vicissitude was tragic for the Chinese investor: on July 6th, it was declared that Mr. Li had not repaid the last fee of the Elliott loan, so the U.S. hedge fund retaliated on the mortgaged company shares and became the new majority shareholder of A.C. Milan[66]. The new owners injected 50 million euros in the society for the current fees, fired the hold Board of Directors and nominated Paolo Scaroni (Italian delegate of the Rothschild investment bank, which collaborated with Elliott in the Rossoneri running) as new A.C. Milan president.

Mr. Li simply vanished, with his enormous loss (more than 500 million dollars invested for the club acquisition, totally lost just because of a final 32 million missed payment…) and all the question marks that hung over his head. The vaunted mining entrepreneur, however, leaves a hard warning for all future Chinese investors who wants to expand their football business: without a clear and official State support, the Middle Kingdom's entrepreneurs could not effort their lack of competences with such a different market ground as the European professional football is.

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[64] For the integral Report investigation (in Italian language): "*Le scatole del cinese*", by Luca Chianca; June 4th, 2018, (Video) from Rai's official website http://www.rai.it/programmi/report/inchieste/Le-scatole-del-cinese-227356f6-5a36-4142-bfca-eec64832e916.html

[65] Source: "*CFCB Adjudicatory Chamber renders AC Milan decision*", June 27th, 2018, from the official UEFA website: https://www.uefa.com/insideuefa/about-uefa/news/newsid=2563654.html

[66] Source: "*Elliott to inject €50m of equity capital into AC Milan*", by James Fontanella-Khan, Rachel Sanderson and Murad Ahmed; July 11th, 2018, from the Financial Times website (https://www.ft.com/content/e5d25386-84a9-11e8-96dd-fa565ec55929)

1.3 Strategies change: Chinese capital control policies and their aftermaths on football

The list of main Chinese acquisitions in European football, provided in the overlying chapter, helps us understanding a crucial trend in the actual PRC's investment policy: if Chinese entrepreneurs, until 2017, were practically allowed to undertake any internal and external acquisition in order to improve the quality of the Middle Kingdom's football, in the last two years the number and quality of investments has dramatically decreased, especially regarding the abroad market, as we saw several Chinese owners to disinvest (or directly disappearing, as for the A.C. Milan case). This phenomenon finds its main implications in the financial and macroeconomic scenario: since 2015, in fact, Chinese markets had to deal up with a strong and problematic capital outflow, determined by a shock in the yuan devaluation that caused private and public investors to increase their demand for foreign currency. According to a 2017 Bloomberg investigation[67], more than 1.2 trillion dollars have moved from China since the 2015 shock evaluation, reducing the national foreign-exchange reserves for an estimated 800 billion: this was caused both by small domestic households, who started using their yuan savings for buying safer foreign currency, both by richer and more powerful corporate investors, which strongly entered the abroad M&A markets in order to acquire a very large number of foreign companies and diversify their portfolios. Furthermore, the "*trade war*" policy adopted by U.S. President Donald Trump, who announced tariffs on the Chinese annual exports to United States, is leading to even heavier pression on the yuan, as analysts estimated a reduction in foreign direct investments and a subsequent drop of China's trade surplus[68] .

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[67] Source: "*What's Causing Those Capital Outflows from China: QuickTake Q&A*", by Bloomberg News; January 13th, 2017 (https://www.bloomberg.com/news/articles/2017-01-13/what-s-causing-those-capital-outflows-from-china-quicktake-q-a)

[68] Source: "*China constricts capital outflows with eye on yuan stability*", by Samuel Shen and Andrew Galbraith; October 11th, 2018, on the Reuters website (https://www.reuters.com/article/us-china-markets-soft-landing-analysis/china-constricts-capital-outflows-with-eye-on-yuan-stability-idUSKCN1ML1SW)

The Chinese authorities, mainly represented by the People's Bank of China (PBOC), the Ministry of Commerce (MOFCOM), the National Development and Reform Commission (NDRC) and the State Administration of Foreign Exchange (SAFE), could not be blind to this danger, and started interfering in order to stop or reduce those irrational investment trends: as reported by the Forbes website[69], several regulatory documents have been promoted since November 2016 by the Beijing government, promoting stricter rules to limit unrighteous, potentially dangerous outward remittances of foreign exchange which were causing a deep problem in the Chinese economy. In particular, a press conference held on December 6th, 2016 by leading officials of PBOC, MOFCOM, NDRC and SAFE, confirmed the Chinese support on trusted overseas investments made by qualified operators (under a straight regulation made by SAFE itself and its main pilot programs, such as QDII and QDLP/QDIE[70]), while the main government focus was on irrational trends of "*outbound investment in properties, hotels, cinemas, entertainment, sports clubs, and equity investment funds*"[71], which could be the main drivers for unrighteous operations and illegal money laundry. Those

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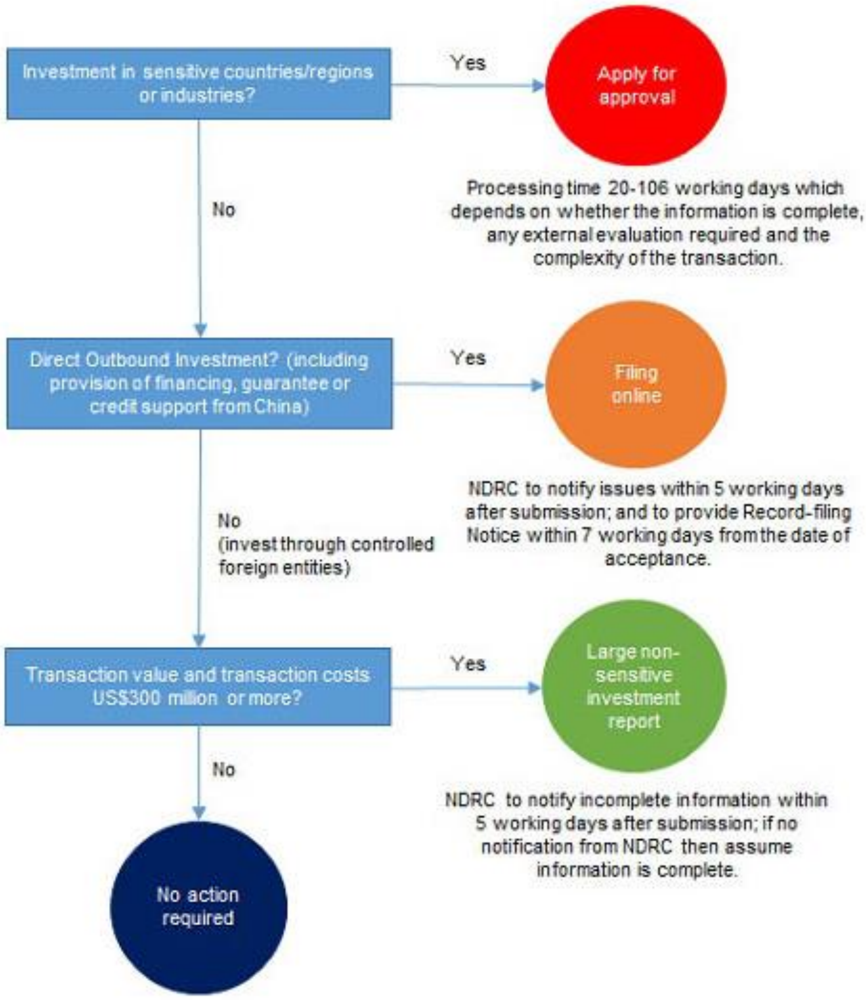
[69] Source: "*China Tightens Overseas Investments to Reduce Risks*", by Sara Hsu; December 22nd, 2017, on the Forbes website (https://www.forbes.com/sites/sarahsu/2017/12/22/china-tightens-overseas-investment-to-reduce-risks/#68223f45772c)

[70] Qualified Domestic Institutional Investors (QDII), Qualified Domestic Limited Partners (QDLP) and Qualified Domestic Investment Enterprises (QDIE) are the main programs promoted by SAFE in order to pilot and regulate financial investors such as – respectively – domestic financial institutions (QDII), offshore asset management institutions (QDLP) and mainly domestic entities (QDIE). While the QDII have been launched in 2006 and is provided with three different, straighter regulatory commissions for - respectively - banking, securities and insurance, the two other programs were implemented in the main financially-developed regions of Shanghai (QDLP) and Shenzhen (QDIE) in order to face the emerging investment opportunities of the Chinese market.
For a deeper legal explanation of the SAFE regulatory programs, see:
"*From QDII to QDLP –Constantly Exploring the Liberalization of China's Capital Markets*", by Yin Ge; April 20th, 2018, on the Han Kun Law Offices website (https://hankunlaw.com/downloadfile/newsAndInsights/8e0b845268f942e2e6f124f478f288fb.pdf)

[71] Source: "*China updates 'sensitive sectors' for outbound investment*", by Xinhua News Agency (the official state-run Press Agency of PRC); last update February 12th, 2018, from China Daily's website (http://www.chinadaily.com.cn/a/201802/12/WS5a80eb08a3106e7dcc13c27f.html)

declarations became the basis for another official State Council document[72] which was released on August the 18th, 2017, and set up a very specific “decision tree” for the NDRC approval which can be explained through Figure 3[73].

Figure 3: NDRC’s decision tree for outbound investment approval



Source: KPMG International website

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[72] For the official State Council paper (in Chinese language) see: http://www.gov.cn/zhengce/content/2017-08/18/content_5218665.htm

[73] Source: “*Understanding the New Chinese Outbound Investment Regulations*”, by Doug Ferguson and Sunny Song; February 16th, 2018, on the KPMG International website (https://home.kpmg/xx/en/home/insights/2018/02/chinese-outbound-investment-regulations-16-february-2018.html)

As we noticed, *sports clubs*, and consequently football ones, are a crucial part of the Chinese government's capital controls: in particular, the focus is on those operations representing a capital outflow which bring not to a direct improving of the national economy – in summary, foreign clubs and players acquisitions. But, if the overseas club's acquisitions can be directly piloted by the government itself – as the SAFE body of rules could prevent any irrational operation, and directly investigate over the actors involved – the internal players' transfer market is still an uncertain battleground, as sports clubs are historically very able to play *around* the rules.

As we saw in paragraph 1.2.1, the latest State Council's guidelines attempted to accomplish two main objectives for improving the local CSL: thwarting the overspending for foreign players, and consequently boosting the field presence of Chinese footballers, especially those from the local youth academies. But as the local media had often reported, Chinese football clubs systematically circumvent the government limitations:

"*A rule was introduced last season that forced all CSL teams to start at least one under-23 domestic player and have another one on the bench. But nothing was said with regards to how many minutes these players had to play. With varying degrees of brazenness, the U23s were often hauled off in the first few minutes of each game, effectively sacrificing a substitution to legally circumvent the rules — but kicking the spirit of those rules squarely in groin*"[74].

As for the Under-23 rule, the CSL teams found some loopholes even for the other main Association's directive: the limit to foreign players signing. It was stated that, in order to stop the excessive spending for international footballers (which was causing a speculative bubble in the worldwide market), every foreign transfer surpassing 45 million yuan (about 6 million euros, a very little amount in the modern football panorama) was subjected to a 100% tax regime, with the collected

[74] Source: "*Ways in which Chinese football teams circumvent every rule*", by Mark Dreyer; January 26th, 2018, on supchina.com (https://supchina.com/2018/01/26/ways-in-which-chinese-football-teams-circumvent-every-rule/)

emoluments to be devolved in a youth developing fund. But, even if this solution temporarily dropped the foreign acquisitions, it was only a matter of time before Chinese clubs found out some solutions, using loopholes such as expensive multi-year loans, or third-party intercession (such as for the Bakambu's case[74]: the Congolese player paid "himself" his 40 million € release clause to his previous team, Villareal C.F., and signed on a "free transfer" with Beijing Guoan in the 2018 winter market session, a legal but totally "above the lines" situation that embarrassed the CSL).

Anyhow, even if the Chinese internal market still faces several problems, the government instruction of reducing irrational overseas spending entailed a strong deceleration in the European football rush: since 2017, we saw several entrepreneurs to disinvest in their football clubs (such as Tony Xia, former Aston Villa owner, who sold a 55 % majority stake in June 2018; or Wanda group, which abandoned its Atletico Madrid participation in February 2018), whereas many others Chinese *tycoons* faced a significative reduction in their foreign club spending. All the club's directors found themselves harnessed in the tight "shackles" of Chinese bureaucracy. The Internazionale F.C. 2017 summer campaign is a clear example of this policy changing: in the middle of the summer market, the *Nerazzurri* fans suddenly discovered their billionaire owners could not face any other expensive player acquisition. Even Italian medias, riding the wave of the traditional lack of information about the Middle Kingdom's internal situation, tried to explain this unexpected situation. It was supposed that the Chinese government imposed a capital restriction until the end of the XVII Communist Party Congress in the Fall of 2017; some others even reported that Suning Group was going to disinvest due to a loss of interest in the Italian market. Indeed, we can rather confirm that those Suning policies had been directly related to the 2017 macroeconomic scenario, and the subsequent Chinese Government aim of enforcing the control on overseas irrational money outflow.

What kind of conclusions shall we made about the latest Chinese policies? The previous paragraphs help us understanding the intricate pattern of the Middle

Kingdom's investment situation: such as for all economic booms, when a State declaration is made about a new entrepreneurial purpose, several agents intervene in order to gain their "piece of cake" in the succeeding economic scenario – and not all of them enter the market with righteous purposes (such as the A.C. Milan case unfortunately explained). Afterwards, when the Government understands the situation has gone above the boundaries, it tries to enforce the regulatory impact and discourage irrational expansions, slowing down both profiteers and correct agents which effectively entered the market with righteous purposes. This situation can be properly explained through the following statement:

"*What's happened in football is typical China [...]. There's a green light and everyone is 'go, go, go'. Then there's a red light. And now we're kind of on a yellow light* "[75].

Nevertheless, the government limit on foreign acquisitions doesn't mean that football has suddenly become an irrational entrepreneurial branch: State Council's guidelines, and Xi Jinping's aim of making China a global superpower in the sports panorama, are still effective, and the latest capital control policies must be seen as an awareness of the lack of experience of Beijing's regulators about this new competitive market. Chinese *tycoons*, instead of their Saudi counterparts, are very sensitive to money wasting and government instructions: they all know that every future sports acquisition will be carefully examined by the national political bodies, and they agree to a stricter regulatory control, if this could imply an improvement in their entrepreneurial possibilities. The Chinese government itself knows that limiting investments is not the rational solution: buying a football team doesn't mean to simply put local currency in an irrational overseas acquisition, but it can boost the Middle Kingdom's reputation in the worldwide panorama, both on sports and market segments (the Suning example still helps us: who knew about Suning, outside China, before they bought Inter F.C.?). Summarizing, the capital control policies will help Beijing's government to qualify different investors, sundering

[75] Source: "*How China's football investors are staying positive amid government crackdown*", by Ben Bland; May 4th, 2018, on the Financial Times website (https://www.ft.com/content/a5548adc-43fd-11e8-97ce-ea0c2bf34a0b)

good and bad entrepreneurial possibilities, and achieving the indispensable acquaintance that will lead China to become a long-term sports superpower.

Chapter 2: The example of the Suning Holdings Group

"This wonderful night bestows us with the colors of our crest: black and azure against a gilded backdrop of stars. It shall be called International, because we are brothers of the world."

Giorgio Muggiani, one of F.C. Internazionale's founder; 9th March 1908

(translation from Wikipedia.org: https://en.wikipedia.org/wiki/Inter_Milan)

"This is an unprecedented opportunity for Inter Milan to grow further in China, and China will become the second home of Inter Milan. In addition, Suning's capital investment and abundant resources will enable Inter Milan to return to its glory days and become a stronger property able to attract top stars from across the globe."

Jindong Zhang's statement about the club's acquisition; 6th June 2016

(from F.C. Internazionale Milano's Official Website: https://www.inter.it/en/news/53335/zhang-jindong-we-want-to-strengthen-inter)

2.1 From Massimo Moratti to Mr. Zhang

Going into the details of the managerial aspects that drove Chinese entrepreneurs (whose economic and political implications have been outlined in the previous chapter) into the European football market, the next pages will be focused on the most important of those acquisitions – Suning Group's running on F.C. Internazionale Milano – in order to provide empirical evidences of the Chinese real purposes on the market. However, as anyone could deduce, it is impossible to talk about those arguments without summarizing the latest history of involved actors: this is why, before explaining the Suning Group's intent on the club, I must spend a few pages talking about the situation that induced those two entities to merge. My reasoned compendium of FC Internazionale's last decade, obviously, will take for granted the previous, centennial history of the club, whose acknowledgment is not essential for the comprehension of the actual situation[76]: I will only take into account the 2010-2019 club's history, starting from the club's financial crisis that followed the Champions' League winning in 2010, and I will briefly analyze the succeeding changes of ownerships that lead to the Suning Group's acquisitions in 2016.

2.1.1 2010-2013: the arduous situation after 2010 Champions' League winning

The latest history of F.C. Internazionale could ironically be seen as a modern fairytale: just like in childhood's stories, at the beginning there was a rich and powerful king, Massimo Moratti, offspring of a very influent family in Milan's business environment, who was one of major shareholders of Saras S.p.A. Raffinerie Sarde (Italian leader in the oil refining market, founded by Massimo's father, Angelo Moratti, in 1962) and lead his beloved football club to the top of the

[76] For a deeper explanation of Inter's history, since the club's foundation in 1908, refer to the "History of Inter Milan" page on Wikipedia.org (https://en.wikipedia.org/wiki/History_of_Inter_Milan)

world - just like his father have done in the 60's with the *Grande Inter* epopee - represented by the prestigious 2010 *Treble*, with the club being able to win all the most important seasonal tournaments it participated (Italian Serie A, Italian National Cup and UEFA Champions' League). But, like in every fairytale, a frightening, powerful dragon was threatening this romantic idyll: and the name of this dangerous beast was Financial Crisis.

Table 2: Inter's Profit & Loss Account for the 2008-09 biennium (*all data are in million Euros*)

FC Internazionale Milano S.P.A. - Profit & Loss Account

€ mlns	2008	2009	Growth	2009 (£ mlns)
				1.1741
Match Day	28.4	28.2	(0.2)	24.0
Television	107.7	115.7	8.0	98.5
Commercial	36.8	52.6	15.8	44.8
Turnover	**172.9**	**196.5**	**23.6**	**167.4**
Wages & Salaries	(180.5)	(205.1)	(24.6)	(174.7)
Administrative Expenses	(104.8)	(102.7)	2.1	(87.5)
Expenses	**(285.3)**	**(307.8)**	**(22.5)**	**(262.2)**
Operating Profit/(Loss)	**(112.4)**	**(111.3)**	**1.1**	**(94.8)**
Player Amortisation	(34.9)	(49.9)	(15.1)	(42.5)
Profit/(Loss) on Player Sales	8.2	11.6	3.4	9.9
Player Trading	**(26.7)**	**(38.4)**	**(11.7)**	**(32.7)**
Net Interest Payable	(3.3)	(3.8)	(0.6)	(3.3)
Profit/(Loss) before Taxation	**(142.4)**	**(153.5)**	**(11.1)**	**(130.7)**
Taxation	(5.9)	(0.9)	5.0	(0.8)
Profit/(Loss) before Taxation	**(148.3)**	**(154.4)**	**(6.1)**	**(131.5)**

Source: bleacherreport.com

Let's have a look at the club's financial situation in that period: Table 2[77] shows us that the 2009 profit and loss statement was very problematic, as the club faced a cumulative after-tax loss of 302,7 million Euros in the 2008 and 2009 balance

[77] Source: "*The Price of Inter Milan's Success*", by Swiss Rambler; August 24th, 2010, on Bleacher Report website (https://bleacherreport.com/articles/442218-the-price-of-inters-success)

sheets. This exorbitant amount mainly derived by the Wages & Salaries expenses (180,5 million in 2008 and 205,1 million in 2009), and by Player Amortization costs, two historical Achilles' heels in President Moratti's era, as it is said that he have spent more than a billion Euros during his *Nerazzurri*'s patronage – with a declared 730 million Euros loss directly covered by the President himself through his personal funds[77]. Furthermore, those huge expenses were not respectively covered by a righteous turnover: in 2009, for example, the largest part of the club's 196,5 million Euros of revenues where represented by Tv rights (58,9 %), while Commercial revenues just affected for a 26,7 % of the total. This irrational, uneconomic situation could be sustainable only under two key assumptions: the relative liberalism of the football market before the Financial Fair Play era, which has been properly analyzed in paragraph 1.1.2, and the thriving wealth of the club's Maecenas, with Mr. Moratti being able to cover his beloved club's significant losses thanks to the annual dividend of the family's core business. However, it is easy to understand how such a precarious balance was subject to dangerous shocks, in case of adverse economic conditions: without a righteous, rational self-financing policy, the club based its sustainability just over its owners' coverages, hoping that Saras would produce positive cash flows forever – a vain expectation, which has been broke in 2008 with the global Great Recession and the contextual crude price crisis, when oil price went up from 100 to 140 Euros a barrel from January to June, and then dropped to less than 30 Euros a barrel in December; a disruptive event for the oil market, which created deep consequences in the following years. Without going into details of the historical oil price fluctuations, the main troubles for Moratti's core business derived by a series of unfavorable events: the Asian market "dumping", the 2011 so-called Arab Spring (a political turmoil which affected the Middle East countries, the biggest suppliers of the Moratti enterprise), the U.E. embargo on Iranian petroleum, and the American shale-oil revolution, caused a significant decrease in oil demand from the main Saras customer[78]; this implied a

[78] For a deeper analysis of the Saras situation after the 2008 oil prices crisis, see (in Italian language): "*Moratti ha finito la benzina*", by Luca Piana; January 30th, 2012, on L'Espresso website (http://espresso.repubblica.it/affari/2012/01/30/news/moratti-ha-finito-la-benzina-1.39924)

series of negative balance sheets closing for the enterprise, which directly reflected on F.C. Internazionale's finances.

However, it must be said that the club's financial crisis could have been prevented with a rational self-financing policy: even before that Financial Fair Play regulations entered the European football market, it was out of doubt that every team should have accomplished a righteous balance program, expanding its revenue resources and discouraging excessive multi-year financial losses, in order to stand on its own and prevent any possible shock. And the lack of programming of F.C. Internazionale is the main reason for starting my analysis in 2010: at that period, in fact, the club had the biggest opportunity to restructure its financial position and become a global sport superpower, profiting the UEFA Champions' League winning on two sides – attracting better sponsors, and reducing the Wages & Salaries costs by obtaining capital gains over the club's roster. But none of those possibilities have been adopted by Inter's management: the club decided upon a conservative solution, didn't exploit the summer trading opportunities (while several over-30 players could have been sold with significant capital gains) and simply missed an unrepeatable growing opportunity, as President Moratti decided to preserve the team structure that lead its club to the top of the world – the last, and somehow romantic, uneconomic operation of a benevolent father who simply didn't want to see the structural troubles of his beloved club. This lack of programming was the kick-off for the succeeding downfall: as Inter faced some negative sport seasons, without being able to qualify to Champions' League group stages (whose payoffs represented a primary source of revenues), its roster rapidly depreciated, and the missed turnover (combined with Mr. Moratti business misfortunes) determined a vicious circle that tied the management's hands. When the club's financial misfortunes had been finally recognized, Mr. Moratti had only two possible alternatives (without involving a declaration of bankruptcy): recapitalizing, with further, personal capital injections, or selling the club to a reliable investor, who could make up for the financial needs and take charge of the necessary structural reforms. But the first option was simply out of the question, because of the aforementioned Saras' instability: this is why Mr. Moratti regretfully started to look round in order to find some trusted investors, who could – at a first stage – support his struggle for the club's financial stability, and eventually take his place in the club's chairmanship.

From the first moment, it was out of doubt that such an investor should have been a foreigner: finding an Italian businessman able to invest a significant amount of money in a football top club, competing with Russian or Arabic tycoons, proved to be almost impossible. This is why Inter's financial advisors, mainly represented by the American Lazard & Co., focused on the international market: at first, it emerged the name of China Railway 15th Bureau Group Co., a subsidiary of China Railway Construction Corporation (CRCC), which actually reached an agreement with the club for a 15 % participation, and started to cooperate with Inter's General Manager Marco Fassone "*for the construction of a new proprietary stadium expected to be completed by 2017*"[79]; but such an agreement was resolved with nothing done, as CRCC suddenly stepped aside because of the burdensome, bureaucratic difficulties related to such an agreement (in fact, CRCC is a state-controlled company, which implies it cannot make private abroad investments). As we know, China and F.C. Internazionale were destined to meet up, sooner or later[80]: but, once the CRCC agreement broke off, Mr. Moratti needed to find another reliable investor, who could quickly save his beloved club from the financial troubles it was facing. And this requested "charming prince" resulted to have the tubby, easy-going appearance of a rich Indonesian businessman, Erick Thohir.

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[79] Source: "*PRESS RELEASE: INTERNAZIONALE HOLDING S.R.L – Agreement reached for the acquisition of a stake in the club by a group of Chinese investors*"; August 1st, 2012, from Internazionale F.C.'s official website (https://www.inter.it/en/news/40469)

[80] F.C. Internazionale itself provided clear examples of this assumption: a deeper analysis of the historical relationships between the *Nerazzurri* club and China could be recognized through the following 2016 paper:
"*INTER AND CHINA: PAST, PRESENT AND FUTURE*"; June 9th, 2016, from F.C. Inter website (https://www.inter.it/en/news/53207/inter-and-china-past-present-and-future)

2.1.2 2013-2016: the Erick Thohir's triennium

" *Milan, 15 October 2013 – Today F.C. Internazionale Milano S.p.A. ("Inter") and its majority shareholder Internazionale Holding S.r.l., wholly controlled by Massimo Moratti, have signed a binding agreement whereby International Sports Capital ("ISC"), a company indirectly owned by Erick Thohir, Rosan Roeslani and Handy Soetedjo, three prominent Indonesian businessmen, will become the controlling shareholder of Inter with a 70% stake by means of a dedicated capital increase* ".[81] These worlds changed the history of the club forever: for the first time, F.C. Internazionale was controlled by a foreign pool of investors, with Massimo Moratti passing the baton – even if he formally kept the club's office of honorary chairman – after 18 years of presidency. It was reported that the club have been valued 350 million Euros, with I.S.C. reaching its 70 % controlling stake by paying about 255 million Euros (in detail, 180 million for the debt recapitalization – a sum that Thohir never directly disbursed, as we will see – plus 10 million for a capital increase and 65 million as a premium to Mr. Moratti)[82]. The new international partners, headed by the millionaire Erick Thohir (founder and chairman of Mahaka Group, an Indonesian multinational interested in media and entertainment, and, during that time, co-owner of two important clubs in American sport – D.C. United in M.L.S. and Philadelphia 76ers in N.B.A.) were announced to be a guarantee for the club's future wins and for the economic stability, while Mr. Thohir himself declared to be a true supporter rather than just a simple entrepreneur.

Nonetheless, who really were the new owner of F.C. Internazionale? According to the Italian economic newspaper Il Sole 24Ore[83], the answer was not as easy as it

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[81] Source: "*F.C. INTERNAZIONALE MILANO S.P.A. SIGNS AN AGREEMENT TO OPEN CAPITAL TO NEW INVESTORS*"; October 15th, 2013, from F.C. Inter website (https://www.inter.it/en/news/43937)

[82] Source: "*Moratti reign ends as Inter name Thohir as chairman*", by Stephen Jewkes and Justin Palmer; November 15th, 2013, from Reuters website (https://uk.reuters.com/article/uk-inter-moratti-thohir/moratti-reign-ends-as-inter-name-thohir-as-chairman-idUKBRE9AE0O120131115)

[83] Source (in Italian language): "*Inter, spuntano le Isole Vergini nella holding italiana di Thohir*", by Cheo Condina; November 22nd, 2018, from Il Sole 24Ore website

sounds: Erick Thohir's enterprise was made by a series of offshored holdings, based in Singapore, Hong Kong, Cayman, and British Virgin Islands (a very suspicious money circle which made the Italian *Guardia di Finanza* investigate over possible illegalities[84]). In detail, International Sports Capital S.p.A., the company mentioned in Inter's press release, was 100 % participated by the almost homonymous International Sports Capital HK Limited, and Hong Kong based holding which in turn was controlled by Asian Sports Venture, which in turn – again – was participated by three different entities related to the Indonesian *tycoon*: 20 % from Aksis Sports Capital, 60 % from Nusantara Sports Venture and another 20 % from Alke Sports Investments. In addition to this head-spinning corporate division, Mr. Thohir undertook an ambitious corporate reorganization program which split F.C. Internazionale into two different entities: "MediaCo.", which bear the TV rights and sponsorships contracts related to the club, and "TeamCo.", which on the other hand concerned with the club's merchandising, the stadium ticketing and the sports assets[85]. It is easy to understand the reason for such an operation: separating the sports and media contracts related to the club, Mr. Thohir diversified the corporate risk, creating a "MediaCo." entity which could be used as a guarantee asset for any potential investor, with the purpose of attracting capitals inside the company without charging the club's sports assets with the market systematic risk. Since I.S.C. arrival, in fact, it was out of doubt that the new investors didn't want to follow the "Maecenas" policy of the former chairman: rather than invest their personal cash in the new business, the Indonesian entrepreneurs planned to use the company and their financial guarantees as a vehicle for pushing the club's cash flows, operating over two separate fields – refinancing the famous 180 million Euros debt

(https://www.ilsole24ore.com/art/finanza-e-mercati/2018-11-22/inter-anche-isole-vergini-holding-italiana-thohir--191212.shtml?uuid=AE7MsklG)

[84] For details about G.d.F. investigation over Thohir's finances: "*Soccer and Money: Thohir's Inter purchase under investigation*", original article by Emilio Randacio, translated by Anna Martinelli; January 19th, 2018, from La Stampa website (https://www.lastampa.it/2018/01/19/esteri/soccer-and-money-thohirs-inter-purchase-under-investigation-iVosjrQM0FItGuz11o3raP/pagina.html)

[85] Source: "*ERICK THOHIR'S THREE PILLARS - Reorganization, revenue and financial discipline. Three key elements which will allow Inter to compete in the world*"; April 30th, 2014, from F.C. Inter website (https://www.inter.it/en/news/45538/erick-thohirs-three-pillars)

(and substituting Mr. Moratti's guarantees with banks and investors) and reducing the Salary/Revenues ratio to less than 50 %. This sort of "mortgage" made over the club was a very hazardous operation, as A.C. Milan case showed us: but it was made possible thanks to the refinancing and reorganization plan made by Thohir, who, making use of very reliable market operators (Ernst & Young for auditing, and Goldman Sachs for business consulting), was able to collect an estimated 230 million Euros used to repay the outstanding debts and refinance the club's activities[86].

Mr. Thohir's business plan, in its prudent attempt to transform F.C. Inter from a "family-owned toy" to a modern football enterprise, was in contrast with the first intent of Massimo Moratti, who was looking for a strong investor able to quickly refinance his beloved club and creating a new, successful circle: the frictions between the former and new Presidents became even harder when it emerged that Thohir was earning money from the club's financial disease, as he issued two different loans – a 27,1 million Euros loan with a 8% interest rate, and a bigger 76,6 million Euros loan with a 9,475 % rate – raking in a cumulative 4,2 million Euros in interests[87]. However, it must be said that Thohir's intervention, rather than being just a pure business operation, have been crucial for driving the club into the F.F.P. era. In 2015, in fact, UEFA's C.F.C.B. finally interrogated F.C. Inter about its iterative losses, whose consolidated financial statement presented a 140,4 million Euros net loss and a 137,2 million Euros negative equity just in that year[87]: not having respected the F.F.P. rules, the club was seriously risking a severe penalization, which could even imply the expulsion from the next UEFA competitions. But, thanks to Mr. Thohir's prudent multi-year business plan, and the relative patronage given by the club's investors, UEFA C.F.C.B. finally allowed F.C. Inter to come to a settlement agreement (together with other European teams

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[86] Source: "*C&F Exclusive/ Inter, all the numbers of the new industrial plan of Thohir*", by Calcioefinanza's Editorial Staff; June 25th, 2014, from Calcioefinanza.it (https://www.calcioefinanza.it/2014/06/25/numeri-nuovo-piano-thohir-uk/)

[87] Source: "*How Erick Thohir is managing to make money out of a money losing team*", by Gianni Dragoni; December 12th, 2015, from ItalyEurope24 – Il Sole 24Ore website (http://www.italy24.ilsole24ore.com/print/AC5Z8NrB/0)

such as Beşiktaş J.K., A.S. Monaco and A.S. Roma), whose terms have been published in that same year[88]. UEFA and F.C. Inter agreed on a four-year surveillance (from 2015/16 to 2018/19) in which the club should have satisfied some severe conditions:

- "*To reach full break-even compliance by monitoring period 2018/19 (i.e. reporting periods 2016, 2017 and 2018)*";
- "*To report a maximum break-even deficit of €30 million for the financial year ending in 2016 and no break-even deficit for the financial year ending in 2017*";
- Restrictions to the Salary/Revenues ratio, the Amortization and the Expenses over new players for the fiscal years 2015/16 and 2016/17;
- "*Limitation on the number of players that [Inter] may include on the "A" list for the purposes of participation in UEFA competitions. Specifically, for season 2015/2016, Inter may only register a maximum of 21 players on the "A" list, instead of the potential maximum of 25 as foreseen in the relevant competition regulations, and 22 players for the 2016/17 season*";
- Limitation on new players' registrations for the UEFA competitions "A" list, calculated "*on the clubs net transfer position in each respective registration period covered by the agreement*".

F.C. Inter was also subject to a 20 million Euros mulct, divided in a mandatory 6 million Euros payment, and another 14 million Euros conditional to the club's compliance with the imposed measures.

However oppressive such an agreement would sound, it demonstrated the UEFA appreciation on Thohir's business plan: thanks to the Indonesian *tycoon*, the club avoided more severe measures, and was made able to participate any European competition (which could bring very important revenues and represent a potential positive circle for F.C. Inter's business). Even if the UEFA settlement agreement tied the club's hands for several years (a critical issue for the whole F.F.P. "philosophy"), it represented a unique opportunity for cleaning up Inter's financial

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[88] UEFA and Internazionale Milano F.C. Settlement Agreement, from UEFA Investigatory Chamber, CFCB – Club Financial Control Body (p. 1-2): https://www.uefa.com/MultimediaFiles/Download/OfficialDocument/uefaorg/FinancialFairPlay/02/24/58/35/2245835_DOWNLOAD.pdf

statement, entering the route of virtuous and rich European top clubs: despite of the poor sports results of Thohir era, I think the settlement agreement – together with the Goldman Sachs debt refinancing – could be universally recognized as the best achievement of the Indonesian Chairman.

2.1.3 2016-2019: Suning Group enters the scene

One year after the UEFA settlement agreement signing, F.C. Internazionale Milano lived another crucial day in its centenary history: in June 6th, 2016, in the Chinese megalopolis of Nanjing, a press conference announced a new changing in the club's ownerships, with a majority stake bought by the Suning Holdings Group and its chairman, Mr. Zhang Jindong[89]. The agreement, officialized on an extraordinary shareholder's meeting on June 28th of the same year[90], allowed Suning Holdings Group to acquire a majority stake in the club (68,55 %) both from I.S.C., which became a minority shareholder (31,05 %), both from Moratti's Internazionale Holding, which definitely ceased its F.C. Inter's participation. A 0,4 % stake remained in the hand of historic individual shareholders, while Mr. Thohir was temporary confirmed as President and Executive Chairman, and Michael Bolingbroke (Fassone's substitute) was confirmed as Chief Executive Officer. According to Il Sole 24Ore[91], the new owners paid a total sum of 270 million Euros for their majority participation: 142 million for a capital increase and for paying back Thohir's personal loan (driving the club's equity value to an estimated 600

[89] Source: "*Zhang Jindong and Erick Thohir speak at press conference*"; June 6th, 2016, from F.C. Inter website (https://www.inter.it/en/news/53175/zhang-jindong-and-erick-thohir-speak-at-press-conference)

[90] Source: "*F.C. Internazionale Shareholders' Meeting - Capital increase approved as Suning Holdings Group acquires majority stake from ISC. New board appointed, Erick Thohir confirmed as president, Michael Bolingbroke as CEO*"; June 28th, 2016, from F.C. Inter website (https://www.inter.it/en/news/53333/f-c-internazionale-shareholders-meeting)

[91] Source (in Italian language): "*Inter ai cinesi: ecco l'operazione per l'acquisto del club*", by Marco Bellinazzo; June 28th, 2016, from Il Sole 24Ore website (https://www.ilsole24ore.com/art/notizie/2016-06-28/inter-cinesi-ecco-l-operazione-l-acquisto-club--180610.shtml?uuid=ADC4Umk)

million Euros), and the remaining for buying the former shareholders' stakes. Considering that Thohir paid just 75 million Euros for his former participation (as we saw how he was able to refinance the existing debt without investing his personal means), and that he kept a 31,05 % stake and a key role in the society, the Suning operation represented a huge capital gain for the Indonesian businessman.

In the twinkling of an eye, *Nerazzurri* fans started to be enormously interested in Chinese business operators and wanted to know much more about the new owner of their beloved club: newspapers and social medias provided a large amount of publications about this formerly unknown (from the commonalty perspective) Suning Holdings Group. It emerged that Zhang Jindong's control over the Italian historical football club has been achieved thanks to multiple societies, just in the same way Erick Thohir did with the I.S.C.'s offshore turnover we saw in paragraph 2.1.2: in fact, the club was formally owned by Great Horizon S.à.r.l., a Luxembourg-based company created just a week before the signing, which presented Mr. Yang Yang (one of Mr. Zhang's close associates) as sole director[92]. Great Horizon was 100 % owned by the Hong-Kong based Suning Sports International Limited, which was in turn controlled by another Hong-Kong based society, Suning Culture International Limited; this society is a property of Suning Culture Investment Management, another entrepreneurial vehicle of Suning network, which is based in China and is – finally – 90 % controlled by that famous Suning Holdings Group, which represents Mr. Zhang Jindong's personal holding.

The analysis on this kind of business could mislead a common observer, who could think that F.C. Inter has formally become a Luxembourg-based society: indeed, our attention should be focused not on the legal, but on the *physical* possessor of the club's majority shares, who is, without any possible doubt, Mr. Zhang Jindong himself. The history of this Chinese billionaire is the typical *self-made man* epopee: born in rural eastern China in 1963, Mr. Zhang started his business career in 1990, opening a modest air conditioners shop in Nanjing (the name "Suning" derives from

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[92] Source (in Italian language): "*Dalla Cina al Lussemburgo, i dettagli dell'operazione Inter-Suning*", by Matteo Spaziante; July 1st, 2016, from Calcioefinanza.it (https://www.calcioefinanza.it/2016/07/01/dettagli-operazione-inter-suning/)

the two streets at the intersection of which the shop was opened, JangSU Road and NINGhai Road[93]), which, in just a couple of decades, he was able to transform into Suning.com, the main Chinese electronic retailer and the second largest privately-owned enterprise of the Middle Kingdom, with about 11000 stores located in the Asian continent[94]. Besides Suning.com and F.C. Inter Milan, Mr. Zhang's personal holding, Suning Holdings Group, owns a very diversified industries portfolio, which made the former air conditioners retailer the 28th richest man of the entire Middle Kingdom[95]: Suning Logistics, Suning Financial Services, Suning Technology Group, Suning Real Estate, Suning Media & Entertainment (which owns PPTV, the largest Chinese video streaming website with a broadcasting rights portfolio including UEFA Champions' League, English Premier League and Italian Serie A), Suning Investment Group, and Suning Sports, which owns the Nanjing's football club of Jiangsu Suning F.C. (former Jiangsu Guoxin Sainty F.C.) since December 2015. The last information is the most interesting for our research: as we can see, the Suning Holdings Group acquired two top level football clubs, both on local and international markets, in less than one year – coincidentally, just in the same period the Chinese State Council was developing the 2015 and 2016 Guidelines on the football reform that we analyzed in paragraph 1.2.1. Keeping this information in mind, and remembering the occurrence that Mr. Zhang is also a very influent politician – he is a long-time member of the Chinese People's Political Consultative Conference (CPPCC) and has been elected as a delegate in the 13th National People's Congress (NPC, the highest organ of Chinese legislature) for the 2018-2023 period[96] – we can easily understand how crucial those acquisitions could be for the Chinese football expansion policy. If we need some other proof for

[93] Source: "*Zhang Jindong*" page on Wikipedia.org (https://en.wikipedia.org/wiki/Zhang_Jindong)

[94] Source: "Company Profile", from Suningholdings.com (http://www.suningholdings.com/cms/companyProfile/index.htm)

[95] Source: 2015 Forbes's China Rich List (https://www.forbes.com/profile/zhang-jindong/?list=china-billionaires#526d2581324c)

[96] Source (both in Italian and English language): "*Cina, Zhang Jindong eletto dall'Assemblea Nazionale del Popolo come delegato per il 2018-2023*", by Mattia Zangari; February 1st, 2018, from fcinternews.it (https://www.fcinternews.it/news/cina-zhang-jindong-eletto-dall-assemblea-nazionale-del-popolo-come-delegato-per-il-2018-2023-268543)

demonstrating the political and economic reasons that lay under the Suning's running over F.C. Internazionale Milano, we could directly refer to Mr. Zhang's words themselves, as he said in his settlement speech in June 6th, 2018:

"The Suning Group entered the world of football less than a year ago and now we have become a partner in a glorious club such as Inter. […]Becoming a leader in the sports industry is part of the Suning Group's strategy. Over the next five years, we want to become one of the main companies driving market growth and football is a new area into which we are expanding. Football in China is growing exponentially, so the decision to acquire Inter is one of great strategic importance. Ours is an international business and soon our brand will grow in Europe too"[97].

I think Mr. Zhang's words represents the biggest example for understanding the real purpose of the new investor: as cynical as it may seem, the "Maecenas" era for the Italian club has finished forever, and the Chinese entrepreneurs entered the club to reach their selfish purposes – which means, expanding their brand reputation in Europe and collecting top level football know-how to import in their local club. However, it should be easy to understand that, rather than considering this kind of policy a pure "brand exploitation", this could represent a unique opportunity for both of the actors: how could the Suning Group take advantage of Inter's brand for their core business, if the club doesn't reach a significative top level? It would be a very bad advertising for them, so they need their Italian club to compete with the most powerful European teams, if they want Suning to become a worldwide recognized brand; I think this could be the best assurance for all of Inter's shareholders.

After becoming aware of Suning's real purposes, the analysis over their conduct could begin over a new perspective: for every action they made in their *Nerazzurri* investment, we should have in mind that there is always some kind of reflection over their primal investment. The first and more important example of their purposes – which is, on the other hand, a negative example of their lack of experience in the football market, at least on early stages – was the appointment of Mr. Walter Sabatini, former Sports Director of S.S. Lazio, Palermo Calcio and A.S.

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[97] Source: refer to footnote n. 89

Roma, as Joint Technical Coordinator for both F.C. Inter and Jiangsu Suning[98], an experiment of corporate horizontal integration never ever tried by any other football entrepreneur. Mr. Zhang's intention was to restructure the clubs' management, putting new and reliable men in his societies (after the unsuccessful 2016/17 sport season) and creating a unique management model, which could realize any common needs of his two clubs – including talents scouting, assets interchange, Youth Academies development and so on – in a common perspective. As Mr. Sabatini himself declared[99], the first, ambitious purpose of the Suning Group in such an operation was to put both Inter and Jiangsu on the same level, without being influenced by the clubs' different history or turnovers. But such an experiment proved to be wrong, probably because of the relative lack of experience of the actors involved: in fact, if Mr. Sabatini had been hired because of his incontrovertible ability in player's trading operations, the lack of decision-making autonomy (with an excessive, slow internal bureaucracy, as Mr. Sabatini had to continuously refer both to Suning Group and to Inter's Sport Director Piero Ausilio) and the changing in the Chinese overseas spending policies (with the imposed restrictions we analyzed in paragraph 1.3) tied the Joint Technical Coordinator's hands, creating an irrational standoff which caused the separation between the actors involved, with Mr. Sabatini's voluntary resignation less than one year after his engagement[100].

As the Sabatini case proved us, the first stage of Suning Group's running over F.C. Internazionale is an expressive demonstration of the deep difference between a traditional corporate management and the football market environment: if joint

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[98] Source: "*Walter Sabatini appointed joint technical director of Inter Milan AND Jiangsu Suning*", by Sudipto Ganguly and Reuters; May 10th, 2017, from the Daily Mail website (https://www.dailymail.co.uk/sport/football/article-4492184/Sabatini-appointed-technical-chief-Inter-Jiangsu.html)

[99] Source (in Italian language): "*Tre squadre, un unico polo: l'inedito modello Suning col manager globale*", by Guido De Carolis; May 10th, 2017, from Il Corriere della Sera website (https://www.corriere.it/sport/calcio/serie-a/2016-2017/notizie/tre-squadre-unico-polo-l-inedito-modello-suning-col-manager-globale-walter-sabatini-35c16958-35ba-11e7-ae5c-ac92466523f8.shtml?refresh_ce-cp)

[100] Source: "*Inter Milan and Jiangsu remove Walter Sabatini from sporting director duty*", by Ben Gladwell; March 28th, 2018, from ESPN website (http://www.espn.com/soccer/internazionale/story/3434427/inter-milan-and-jiangsu-remove-walter-sabatini-from-sporting-director-duty)

ventures and horizontal integrations are common operating modes in multinationals administration, the football market – even in the modern, business-oriented perspective – represents an unique work place, in which the traditional management policies could lead to inefficient results. Nevertheless, the main ability of the Chinese entrepreneurs was to learn from their mistakes, and actively struggle for resolving the main issues related to their investment. The following paragraphs will provide better evidences of this assumption.

2.2 Steven Zhang and LionRock Capital: the 2019 handover

Since the start of the F.C. Inter running in 2016, as we saw in the upper pages, Suning Group had to face several problems, related both to their relative lack of competences in the football market panorama, both to the sluggish internal and external bureaucratic restraints which slackened the Chinese company's attempts of expansion: in fact, even if the Chinese restrictions on overseas capital outflows, and the limitations derived from FFP regulations, have been very important external handicaps, the new corporate by-law itself presented some significant restrictions in the new owner's decision-making autonomy. The first and most important of those restrictions was the presence of the former President, Mr. Erick Thohir, as minority shareholder and Executive Chairman, with a significant power of veto over any expansion plan: as he could practically forbid any corporate capital increase, in order to avoid share dilutions which could damage his position, the Indonesian *tycoon* obstructed the Suning necessities, forcing the Chinese owners to find other strategies for expanding the club's capital base. In addition to his "obstructionism", Mr. Thohir progressively started to lose interest in the club, reducing his Italian journeys and concentrating over different businesses – e.g. the Indonesian politic, since he was appointed as director of President Joko Widodo's reelection campaign, thanks to his successful lead of the 2018 Indonesian Asian Games Organization Committee (INASGOC)[101], and previously he has even been elected as President of the Indonesian National Olympic Committee (KOI)[102]. Nonetheless, his role in F.C. Inter was still very important, as the term of his presidential office expired in October 2018: with his veto on share capital increases,

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[101] Source: "*Erick Thohir tapped to lead Jokowi's campaign*", by Marguerite Afra Sapiie; September 7th, 2018, from the Jakarta Post website (https://www.thejakartapost.com/news/2018/09/07/breaking-erick-thohir-tapped-to-lead-jokowis-campaign.html)

[102] Source: "*Thohir elected President of Indonesia National Olympic Committee*"; November 9th, 2015, from the International Basketball Federation (FIBA) website (http://www.fiba.basketball/news/thohir-elected-president-of-indonesia-national-olympic-committee)

the new shareholders were unable to directly invest in the club, and were forced to find alternative ways to enhance the club's cash flows. The renaming of the club's Training Centre in Appiano Gentile[103], which allowed Suning Group to rename the ground as "*Centro Sportivo Suning in memoria di Angelo Moratti*" (The Suning Training Centre in memory of Angelo Moratti), was one of their first concrete actions: due to this important agreement, Mr. Zhang's society directly invested in the club, guaranteeing an annual 16,5 million Euros sponsorship revenue[104], and in exchange it obtained the naming rights over apparel and structures for both the First Team and the Youth Academies, an operation that directly helped the Suning.com brand to expand its media revenues. Another clear example of Suning's policy of refinancing the club without share capital injections, was the "Refinancing Transaction" of December 2017[105]: with this operation, the club's "MediaCo" division placed an high yield bond to institutional investors, collecting 300 million Euros with a 4,875% rate in Senior Secured Notes due to 2022. That sum was used to improve "*the maturity profile of the TeamCo group's debt*", erasing the previous bank debts (including the Goldman Sachs' agreement signed by Thohir) and providing the society with a more flexible financing structure.

Howsoever their commitment might be, the presence of Thohir still represented a bureaucratic restraint for Mr. Zhang's policy: with no possibilities for any direct share capital increase, as the F.F.P. Regulations still allow to European clubs[106], the Chinese entrepreneur needed to change the Directory Board composition again,

[103] Source: "*Inter Announces Official Training Grounds' Naming Partner and Training Apparel*"; December 20th, 2016, from F.C. Inter's website (https://www.inter.it/en/news/56235)

[104] Source: *Financial Results of Inter Media and Communication S.p.A* (p.15); 28th February 2019, from F.C. Inter's website (https://www.inter.it/media/downloads/2019/2019_01_28_09_46_02Q2%20FY2018-2019_Financial%20Results%20of%20Inter%20Media%20and%20Communication%20S.p.A..pdf)

[105] Source: refer to footnote n. 104 (p.7)

[106] Source: *UEFA Club Licensing and Financial Fair Play Regulations*, Annex X ("Contributions from equity participants and/or related party(ies)", p.102); 2018 Edition, from the UEFA official website: (https://www.uefa.com/MultimediaFiles/Download/Tech/uefaorg/General/02/56/20/15/2562015_DOWNLOAD.pdf)

replacing Mr. Thohir's representatives with trusted, more "compliant" partners, and at the same time guaranteeing the Indonesian *tycoon* a significant "severance pay" for selling his shares, recognizing the increase in the club's share and brand value. On a first stage, reporters stated that Mr. Thohir was going to disinvest in order to run over Oxford United F.C. (an English club which is currently participating the League One Championship), while Suning was going to raise to 100 % its F.C. Internazionale's participation[107]; notwithstanding, even if the Indonesian *tycoon* effectively entered the English club's Directory Board in November 2018[108], Suning's purpose was not to directly increase its Italian club participation, especially because of Chinese capital control policies which inhibited irrational overseas spending, as we saw in paragraph 1.3.

2.2.1 A family business example

Mr. Zhang's plan to "evict" Mr. Thohir became clear after the annual shareholders' meeting of October 26th, 2018[109]: on that date, after the forfeiture of Thohir's presidential mandate, the 27-years-old Zhang Kangyang (westernized in Steven), son of the club's owner, was appointed as new President of the club, making him the youngest Chairman ever for the historical Italian football team. Besides representing Suning's control over the club, this appointment started a new era for both the Chinese investors and F.C. Internazionale Milano, as the newly elected President himself stated[110]: in spite of his juvenility, Mr. Steven Zhang had a very

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[107] Source: "*Erick Thohir to swap Inter Milan for Oxford United? Asian Games chief reported to be looking at Tsun Dai's League One club*", by Jonathan White; September 27th, 2018, from the South China Morning Post website (https://www.scmp.com/sport/football/article/2165914/erick-thohir-swap-inter-milan-oxford-united-asian-games-chief)

[108] Source: "*Erick Thohir joins the Oxford United Board*"; November 8th, 2018, from F.C. Oxford United official website (https://www.oufc.co.uk/news/2018/november/erick-thohir-joins-the-oxford-united-board/)

[109] Source: refer to footnote n.53

[110] "*Today, I am extremely proud to lead this club into a new era. I feel the responsibility to satisfy the passion of the millions of fans all over the world and, I am more than ready to accept the*

extensive curriculum vitae, with a bachelor's degree in Economics from the prestigious Wharton School of the University of Pennsylvania, work experiences in Morgan Stanley's Investment Banking and Capital Markets division (where he enhanced his expertise in IPOs and M&As) and he has featured the Fortune China magazine's "40 Under 40", the list of the most influent young Chinese entrepreneurs[111]; in addiction, he participated the meetings of F.C. Internazionale Milano's Directory Board since Suning's settlement, representing his father's will and making him a fundamental intermediary between the Chinese and Italian sides of the club – a very useful apprenticeship for his coming appointment.

Steven Zhang's chairmanship, besides representing the new and ambitious generation of Chinese entrepreneurs, could involve some additional considerations, which in my opinion haven't been sufficiently stigmatized by economic operators: the decision to confer the Presidency to the 27-years-old first son of Mr. Zhang wasn't taken solely on a business continuity perspective, but it was a clear derivation from a family-run-business mentality. It is, as a matter of fact, a typical operation for an Italian observer: the country's entrepreneurial environment is full of family-run-businesses, a trend which could be observed both in small, regional enterprises, both in biggest and richest companies. This is a well-established phenomenon, even on historical basis: in fact, the Italian Association for Family Business (AIDAF – *Associazione Italiana delle Aziende Familiari*) asserts that 85 % of the country's companies are family-run businesses, and 66 % of them presents managements totally composed by parents or other familiars; in addiction, they represents 60 % of the country's listed companies, and 15 of the world's 100 oldest enterprises in the world are Italian family businesses, with some of them established even in Middle Ages[112]. In such an entrepreneurial environment, it is common to see some like Mr. Zhang Jindong to assign the Chairmanship of his overseas

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challenge of President in this, the 110th year of this prestigious club"; extract from Steven Zhang's settlement speech, from F.C. Internazionale official website (see footnote n. 53).

[111] Source: refer to footnote n° 53.

[112] Source (in Italian language): "*Le Aziende Familiari in Italia*", from AIDAF website (http://www.aidaf.it/aidaf/le-aziende-familiari-in-italia/)

investment to his first son: it could be interpreted as a further affirmation of the Chinese owner's control, waiting for the former President (Erick Thohir) to definitively leave the club, and at the same time as some sort of "apprenticeship" in order to promote his son, after some years, to Suning's core business management. However, Mr. Zhang's decision should be analyzed in a deeper perspective, considering the Chinese cultural and economic background: even if family-run businesses are common even in the Middle Kingdom, representing almost 90 % of private enterprises and contributing about to 60 % to the GDP[113] – some very positive number in a country where are established some of the biggest SOEs (State-Owned Enterprises) in the world – professional research in the country is very scarce about this corporate sector, probably because the Maoist regime prohibited family business itself until Deng Xiaoping's reforms and the XI Plenum of Chinese Communist Party of 1978. In addition, the recent succession crisis that affected the country's family business sector[114], combined with the traditional Chinese birth control policy[115] which limits possibilities in case of succession crisis, provides a very complicated conjuncture for Suning's owner and his heir.

Steven Zhang's presidency of F.C. Internazionale Milano, in such a business environment, could then imply different considerations: being the first and only heir of one of China's biggest private business empires, Inter's 27-years-old President is the better example of Suning's business continuity, in a way that could be commonly understood both by Chinese and Italian observers. Moreover, it

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113 Source: Wang, Y., Pei, R. and Liu, Y., "*The evolution of family business in China: an institutional perspective*"; the International Journal for Management Practice, 2014, Vol. 7, No. 2 (pp.89–107) (https://www.researchgate.net/publication/264814661_The_evolution_of_family_business_in_China_An_institutional_perspective)

114 The Chinese family business succession crisis is a very complex phenomenon, which implies sociological and historical considerations; some analysts report that, in a macroeconomic perspective, it could involve a global financial crisis, on the same level that the 2008 subprime mortgages default.
For a more detailed explanation of the phenomenon, see: "*China faces family business succession crisis*", by Naomi Rovnick; December 13th, 2017, from the Financial Times website (https://www.ft.com/content/5fa885ac-c61b-11e7-b30e-a7c1c7c13aab)

115 The "One-child policy" have been adopted in China from 1979 to 2015, when the country entered a "Two-child policy" regime – whose implications on business succession, however, are still very remote.

demonstrates that the club is now related in an ever stronger way to the Suning structure, and his constant presence at Milan (which compensate to the rarely appearances of his father) could be useful both for the Italian club, which needed a trusted, young and ambitious manager as reference from its overseas owners, both for the Chinese business succession panorama, which in the following years will need a new generation of prepared, experienced managers, able to follow their fathers' footsteps and lead the private sector of the second richest economy of the world.

2.2.2 LionRock Capital: strategical partners from Hong Kong

As long as Steven Zhang became the club's Chairman, it was out of doubt that Erick Thohir's *interregnum* was over: even if Suning couldn't directly acquire his shares, his dethronement was a clear declaration of his progressive exit from the society, as long as his professional and entrepreneurial interests had moved to other businesses, and his only reason for keeping his 31,05 % stake in the club was to raise his capital gains. The key aspect that should be focused when considering Thohir's succession is the company control perspective: if Suning really needed to circumvent the Chinese restrictions on capital exportations, its partner should have inevitably been a foreign investor, but as Mr. Zhang learnt from the Thohir's case, foreign investors could be difficult to deal with. Even some Italian partners could have been problematic: even if local investors could have increased the club's brand loyalty and its local integration, the business efficiency could have been compromised by the distance and the bureaucratic obstacles between the two actors. The solution to this trouble, anyway, was literally behind the corner: as long as a direct Chinese investment wasn't possible, Mr. Zhang focused on neighboring markets, especially over the richest Hong Kong Special Administrative Region, that, even being under the Chinese Government control, enjoys several economic and administrative independences, that allow local entrepreneurs to circumvent a very large amount of Chinese capital restrictions in order to protect the remunerative financial markets of the city. A Hong Kong partner was the best solution for Mr. Zhang's problems: it could ensure the club's capital inflows, circumventing the Chinese Government restrictions, it could remove the language barrier and the remoteness trouble that afflicted the top level decision process of their Italian investment, and it could represent a fast and profitable solution thanks to Suning's wide network – which already presented some Hong Kong investors over its business stratifications.

Once the solution has been picked up, identifying the new partner was just a matter of time: on January 25th, 2019, the club announced the agreement[116] that allowed Thohir's participation, under the International Sports Capital HK Limited stake, to pass under the LionRock Capital investment fund. This new partner, established in 2011 by Daniel Kar Keung Tseung (a Chinese - American experienced investor who graduated from prestigious Harvard and Princeton Universities)[117], was not an unknown entity for Mr. Zhang: the fund already participated the Suning Sports division, as we can notice from looking at the fund's portfolio from its official website. As Daniel Kar Keung Tseung himself, Founder and Managing Director of the Hong Kong fund, said about the investment:

"*We are very optimistic about the business development prospects of all sports-related activities and with over 110 years of history and global influence in the football area, FC Internazionale Milano has exciting future development potential. LionRock Capital will fully support Inter's key objective to make the Club one of the world's top football clubs both on and off the pitch*"[118].

The new investor's words are useful for understanding the philosophy and vision that lay under the Hong Kongese partnership: trained from the optimistic business development prospects of the sports market, LionRock Capital aims to support the Suning Holdings Group in order to make Internazionale Milano one of the most

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[116] Source: "*LionRock Capital acquires 31,05% of F.C. Internazionale Milano S.p.A.*"; January 25th, 2019, from F.C. Internazionale's website (https://www.inter.it/en/news/65983/lionrock-capital-acquires-31-05-of-fc-internazionale-milano-s-p-a)

[117] For more information about LionRock Capital and his founder, see the investment fund's website: http://www.lionrockcapitalhk.com

[118] Source: refer to footnote n. 116

important football clubs in the world, both on and off the pitch. This means, probably, that the new investor is less risk-adverse than his predecessor, Mr. Thohir, and could approve any increase in share capital that were almost forbidden in the previous managerial regime. The demonstration of LionRock Capital's ambitions for their overseas investment derives from the sum that has been paid to Mr. Thohir in order to acquire his shares: according to Il Sole 24Ore[119], the Hong Kongese fund paid an estimated 150 million Euros for Thohir's 31,05 % participation, a very high valuation if we consider that the Indonesian tycoon, in 2013, paid 255 million Euros for his 70% controlling participation. If we consider the stake valuations made by Mr. Thohir, over just 5 years the club passed from 350 million to 800 million Euros market evaluation: considering the previous situation, and the weak results obtained on the "pitch" division during his presidency, this valuation allow us to redeem the Indonesian *tycoon*, who literally saved Internazionale Milano from its financial troubles and helped to secure it with a very brighter future, making at the same time a huge personal capital gain.

The last F.C. Internazionale Milano handover, which involved Erick Thohir's farewell, provided us with a very different society, with a completely renovated organization chart: as resulting from the club's website[120], the Directory Board is now composed by only two Italian members, the Chief Executive Officer Corporate Alessandro Antonello and the Chief Executive Officer Sport Giuseppe Marotta (who entered the club in December 2018, after a durable and profitable career as CEO and GM of Juventus F.C.,), while the other members, excluding the new enters Daniel Kar Keung Tseung and his collaborator Tom Pitts, derive from the Suning side of the club's ownership (Zhang Kangyang himself, Ren Jun, Yang Yang, Mi Xin and Zhu Qing). Such a corporate asset, which presents a solid power division (with a net majority of Suning members in the Directory Board, and an advantageous collaboration with their Hong Kongese and Italian counterparts) and

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[119] Source (in Italian language): "*Inter: LionRock rileva il 31% da Thohir (che incassa a 150 milioni di plusvalenze)*", by Marco Bellinazzo; January 25th, 2019, from Il Sole 24Ore website (https://www.ilsole24ore.com/art/notizie/2019-01-25/inter-lionrock-rileva-31percento-thohir-che-incassa-150-milioni-plusvalenze--152506.shtml?uuid=AE5EGyLH)

[120] Source: "*Organization Chart*", from F.C. Internazionale's website (https://www.inter.it/en/organigramma)

splits the decisional tasks to professional, experienced managers – like Mr. Marotta himself, or the "veteran" Piero Ausilio who hold the club's Chief Sport Office since 2014 – originates from a very long path, started from Mr. Moratti's "paternalistic" and irrational administration, and could represent the better solution to guide and shepherd Internazionale Milano into the new era of football market: an era in which football clubs are transforming into professional, business-oriented entities, with an international, multiethnic perspective that is inherent to Inter's founders vision, reminding that "Internazionale" itself, back in 1908, was named in that way in order to remember that its members will permanently be "brothers of the world".

2.3 The Suning perspective: strategies and visions for the European investment

After the itemizing of F.C. Internazionale Milano's handovers, which led to Steven Zhang's Chairmanship and to the partnership with LionRock Capital in the first months of 2019, the consequent step is to enter into details of the club's owners' economic and financial policies that helped the society to raise its commercial revenues and exit the UEFA Financial Fair Play regime in the last months. Such an analysis must involve both financial statements considerations, both academic research on the Corporate Strategy theory: in fact, it is out of doubt that F.C. Inter's management adopted some characteristic entrepreneurial strategies – e.g. brand exploitation, marketing development, strategic alliances or bond issuing – adapting the general model to the specific football market environment, which presents unique elements. Another prominent aspect that should be externalized, before entering into specifics of the club's policies, is the evaluating criteria of the firm: being a unique case of study (an Italian historical football club, run by Asian investors, operating in a fast-growing economic environment such as the European football market), the criteria for analyzing Inter's performances must include both an historical comparison – remarking the main differences between Suning, Moratti and Thohir directions – both an external comparison with industry competitors, rebalancing the club's financial growth in order to match it with the whole European football market expansion.

In order to better understanding F.C. Internazionale Milano's performance under the Suning Holdings Group direction, I think a very useful approach will be "to start from the ending": in January 2019, Deloitte (one of the most important consulting and advisory network in the world) published the 22nd edition of its prestigious "Deloitte Football Money League" (DFML 2019), which is, by the firm's own admission, "*the most contemporary and reliable independent analysis of the clubs' relative financial performance*"[121]. Deloitte's document, which lists the Top 20

[121] Source: "*Deloitte Football Money League 2019*"; January 2019, from Deloitte Touche Tohmatsu Limited's website

most profitable football clubs in the world, saw Internazionale Milano to reach the 14th place, with 280,8 million Euros declared revenues and a considerable annual improvement, which made the *Nerazzurri* the second most valuable Italian team (and very close to the economic circle of important European clubs, such as Borussia Dortmund or Atletico de Madrid). The substantial growth of F.C. Internazionale Milano could be better exteriorized, if we compare the most recent data with the DFML 2016 Edition[122], which showed revenue profiles at the time that the Suning Holdings Group entered into the society.

Table 3: F.C. Inter's Revenue profile from DFML 2019 and 2016

(*all data are in million Euros*)

	DFML 2019	DFML 2016	*Growth (%)*
Ranking position	14th	19th	
Revenues	280,8 €	164,8 €	*70,39%*
Matchday r.	35,3 € (12%)	22,2 € (13%)	*59,01%*
Broadcasting r.	97,7 € (35%)	97,2 € (59%)	*0,51%*
Commercial r.	147, 8 € (53%)	45,4 € (28%)	*225,55%*

Source: personal elaboration through Deloitte data analysis

Table 3 provides our analysis with some very important data: we can see that, during the Suning era, the total revenues of the club has increased of 70,39 %, from

(https://www2.deloitte.com/uk/en/pages/sports-business-group/articles/deloitte-football-money-league.html)

[122] Source: "*Deloitte Football Money League 2016*", by Deloitte Sports Business Group; January 2016, from Deloitte Touche Tohmatsu Limited's website (https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/sports-business-group/uk-deloitte-sport-football-money-league-2016.pdf)

an initial 164,8 million Euros value. Even more important, the distribution of income sources dramatically changed during this period: while the 2016 performance showed a strong reliance on broadcasting revenues, that constituted 59 % of the total sum (while commercial incomes represented just a 28 %), DFML 2019 gave back a deeply different situation, with broadcasting revenues representing just a 35 % of the total sum, and, on the other hand, a gargantuan 225,55 % increase in the commercial side, with a total value of 147,8 million Euros in commercial incomes (a performance that is even superior than the one of some teams, such as Arsenal, Juventus or Atletico de Madrid, which are better ranked in the DFML 2019).

Analyzing the 2019 Deloitte Football Money League data regarding F.C. Internazionale Milano, a question arises spontaneously: how was it possible to reach such an high level of revenues, for a club that made scarce sport results, that didn't participated the UEFA Champions' League tournaments until the 2018/19 edition, and that moreover was subject to heavy, impelling limitations due to the settlement agreement signed with the UEFA Club Financing Control Body? The answer to this difficult question derives from the smart business strategy putted into execution by the club's management: as the CEO Corporate Alessandro Antonello himself said while commenting the DFML 2019 results[123], the key factor for boosting the team's commercial revenues was the brand development in the Asian market, that brought a large number of new investors to sign profitable sponsorship contracts with the Italian football team. The largest part of those new sponsors, indeed, came from China, demonstrating the attractive power of Suning Holdings in its local market: without being able to directly put Suning's money into its Italian investment, the club's owner turned to a brand exploiting strategy, collecting a large number of Chinese investors who could sign very important sponsorship contracts – a deal that isn't in contrast with the Middle Kingdom's irrational overseas

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[123] Source (in Italian language): "*Inter, aumentano i ricavi del 7%: 14mo posto nella Deloitte Money League 2019*", by Giovanni Parisio; January 24th, 2019, from Il Sole 24Ore website (https://www.ilsole24ore.com/art/notizie/2019-01-24/inter-aumentano-ricavi-7percento-14mo-posto-deloitte-money-league-2019-200752.shtml?uuid=AELMTVLH)

spending control, because the effects of a sponsorship contract directly fall back in the investor's marketing and brand recognition policies (as for the Suning sponsorship for the Training Center and apparel).

2.3.1 Scouting the Asian market: a virtuous brand exploitation policy

In order to raise its profits and comply with the UEFA settlement agreement, since Suning's arrival, F.C. Internazionale Milano started a long and patient sponsorship seeking, exploring the market opportunities (with an obvious focus on China): the idea of the club's management was to exploit the brand reputation of the team, attracting investors who would like to link their name with an historical European football team, and then to use the collected revenues to improve the financial statements of both "TeamCo" and "MediaCo". Indeed, the club adopted two different approaches to this policy: in the Asian market, they decided to assign their sponsorship marketing to reliable, professional operators, who could use their network to raise the club's revenues; on the European side, instead, Inter's managers opted for a direct involvement, with the aim of exploiting the internal network and collecting as many investors as possible.

The first, significant move of the club's management was the agreement with Beijing Yixinshijie Culture Development Co., Ltd., in November 2016[124]: this Chinese marketing agency acquired the right to negotiate and sign sponsorship contracts in the Asian market until the 2018/19 sport season, paying a guaranteed annual minimum fee of 30 million Euros. Starting from this important agreement, the club set foot in the remunerative Asian market, and several co-branding contracts were notified in the following months: thanks to the Beijing Yixinshijie agreement and Suning's wide professional networks, the Inter brand have been

[124] Source (in Italian language): "*Da Pirelli a Suning, ecco quanto valgono tutte le sponsorizzazioni dell'Inter*", by Calcioefinanza's editorial staff; December 21st, 2017, from Calcioefinanza.it (https://www.calcioefinanza.it/2017/12/21/quanto-valgono-gli-sponsor-dellinter-pirelli-suning-nike/)

affixed over a large number of products, from domestic appliances to wine, creating a well-diversified portfolio for every Inter's fans and helping the club to greatly raise its commercial revenues.

In particular, the main firms or entities which signed sponsorship or co-branding agreements with F.C. Internazionale Milano, during the Suning ownerships, are:

- TLC[125]: a Chinese electronic multinational which will produce 5 million of Inter-branded televisions;
- the Beijing Bayi School[126]: a prestigious state-owned school, attended by Xi Jinping himself during his childhood, which selected the *Nerazzurri* as "Academy partner" in order to improve its football teaching programs (a strategical partnerships whose implications could directly derive from the Chinese State Council guidelines and the Government's target of improving the quality of local football Academies, as we saw in paragraph 1.2.1);
- Cavalier Dario[127] and Gruppo Farchioni[128]: Italian wineries which will produce branded wine bottles for the Chinese market;
- Konka[129]: another Chinese electronic producer, that was Jiangsu Suning's jersey sponsor until 2018, which agreed to produce Inter-branded LED TVs;

[125] Source (in Italian language): "*Accordo Suning-TCL: saranno prodotte 5 milioni di tv con marchio Inter*", by Calcioefinanza's editorial staff; January 16th, 2017, from Calcioefinanza.it (https://www.calcioefinanza.it/2017/01/16/suning-tcl-tv-inter-accordo/)

[126] Source (in Italian language): "*L'Inter stringe una partnership storica con la Beijing Bayi, la scuola che ha formato Xi Jinping*", by Nicholas Gineprini; February 9th, 2017, from Calcio8Cina.it (http://www.calcio8cina.it/linter-stringe-partnership-storica-la-beijing-bayi-la-scuola-formato-xi-jinping/)

[127] Source (in Italian language): "*Suning lancia in Cina il vino dell'Inter*", by Daniele Colombo; March 27th, 2017, from BiMag – Fiera Milano Media S.p.A. website (https://www.bimag.it/imprese/suning-vino-inter-cina-vinitaly_437790/)

[128] Source (in Italian language): "*Suning stringe accordi al Vinitaly per introdurre i vini italiani pregiati ai consumatori cinesi*" (news provided by the Suning Holdings Group); April 19th, 2017, from PR Newswire's website (https://www.prnewswire.com/it/comunicati-stampa/suning-stringe-accordi-al-vinitaly-per-introdurre-i-vini-italiani-pregiati-ai-consumatori-cinesi-619804483.html)

[129] Source (in Italian language): "*Inter, primi effetti del co-branding in Cina: ecco le tv Konka col brand nerazzurro*", by Calcioefinanza's editorial staff; July 6th, 2017, from Calcioefinanza.it (https://www.calcioefinanza.it/2017/07/06/tv-inter-brand-cina-konka/)

- Beko[130]: a Turkish domestic appliance and consumer electronics producer (previously sponsor of F.C. Barcelona and Beşiktaş JK), which, in collaboration with Suning.com, will sell Inter-branded domestic products in the Chinese market;
- LETOU[131]: a Philippines-based online gaming company, which became the club's Official Regional Online Gaming Partner.

Another significant step, which emphasizes the different approaches adopted in the Asian and European market, was to not renew the Infront contract: signed in April 2014, during Thohir's chairmanship[132], that partnership allowed the Swiss society (world leader in sports marketing and sports rights management) to manage the club's European sponsorship marketing and the hospitality services on matchdays, guaranteeing the club with a minimum fee and bearing the market risks – just like the Beijing Yixinshijie group made in the Asian market. Such an agreement evidently derived from the Indonesian *tycoon*'s fears: in that period, as we noticed in paragraph 2.1.2, the club was facing several financial troubles, and its bargaining power with potential sponsors was significantly lower than in recent days, so Mr. Thohir decided to guarantee the firm with some risk-free capital flow and to avoid a long, more remunerative but risky market scouting. It was, probably, a righteous decision for that period: but under Suning's ownership, the situation turned upside down, and the club's management understood the potential capital gain that could be generated by internalizing the sponsorship marketing process for the European market. For this reason, after the end of the previous contract in 2018, F.C. Internazionale Milano decided not to renew the Infront agreement, entering a new

[130] Source (in Italian language): "*Inter, accordo Suning-Beko: in vendita nuovi prodotti col marchio nerazzurro*", by Calcioefinanza's editorial staff; April 9th, 2018, from Calcioefinanza.it (https://www.calcioefinanza.it/2018/04/09/accordo-inter-beko-suning-sponsor/)

[131] Source: "*F.C. Internazionale Milano announces LETOU as first Asian online gaming partner*"; August 8th, 2018, from Internazionale Milano's website (https://www.inter.it/en/news/63611/fc-internazionale-milano-announces-letou-as-first-asian-online-gaming-partner)

[132] Source: "*Inter and Infront sign four-year partnership*"; April 29th, 2014, from Internazionale Milano's website (https://www.inter.it/en/news/45524/inter-and-infront-sign-four-year-partnership)

marketing regime in which the club itself would manage its European sponsorships and the matchday hospitality (under the newborn "IN" brand)[133].

Back to the Chinese market, in November 2018, F.C. Internazionale Milano was the only football club in the world invited to the first edition of the China International Import Expo, organized by the municipal government of Shanghai in association with the Chinese Ministry of Commerce[134]. That was a unique opportunity for the club to celebrate its bond with the Middle Kingdom, and ensured the club with the possibility to unveil two new regional sponsors:

- Kweichow MouTai Co., Ltd., a partial-SOE that produces the country's most famous liquor, *Moutai*, and which is the most valuable listed liquor producer in the world, will be Inter's official partner for China, North America and Asian South-East and will produce and distribute Inter branded products;
- China Unicom, the second most important telephonic operator of the country, will launch a branded Inter SIM card that will enable its possessors to access some exclusive media and sport contents[135].

Finally, in February 2019, the Financial Results of Inter Media and Communication S.p.A. ("MediaCo"), under the "Sponsorship Revenue" entry, presented an increase of 19,4 million Euros (120,8 %, from 16,086 to 35,522 million Euros) in "Other Sponsorship Agreements", that was motivated by the signing of three other contracts in the last months of the prior fiscal year:

- "*Full Share (Full Share Holding Limited) – an Educational Services provider: annual fee for the current fiscal year of €10,0 million*";

[133] Source (in Italian language): "*L'Inter lascia Infront: gestirà da sola gli sponsor e la nuova hospitality IN*", by Calcioefinanza's editorial staff; May 8th, 2018, from Calcioefinanza.it (https://www.calcioefinanza.it/2018/05/08/inter-scadenza-contratto-infront-sponsor-hospitality/)

[134] Source: "*FC Internazionale attend China International Import Expo*"; November 6th, 2018, from Internazionale Milano's website (https://www.inter.it/en/news/64877/fc-internazionale-attend-china-international-import-expo)

[135] Source (in Italian language): "*L'Inter targata Suning affascina gli sponsor, in Cina e non solo*", by Luca Passarotti; December 6th, 2018, from Calcio8Cina website (http://www.calcio8cina.it/linter-targata-suning-affascina-gli-sponsor-in-cina-e-non-solo/)

- "*Lvmama.com (King Dawn Investment Limited) – an online travel agent: annual fee for the current fiscal year of €10,0 million*";
- "*iMedia – a Chinese Sports Marketing Agency who have been granted selected category rights for an annual minimum guaranteed amount of €25.0 million. The increase deriving from the signing of the sponsorship agreement with iMedia was partially offset by the decrease in the annual minimum guaranteed amount under the sponsorship agreement with Beijing Yixinshijie to €25.0 million from €30.0 million as a result of the transfer of certain category rights in favor of iMedia*" [136].

2.3.2 A light at the end of the tunnel: the end of the UEFA monitoring regime

The provided list of sponsors, that entered F.C. Internazionale Milano during the Suning ownership, helps us to understand how the Chinese businessmen have been able to manage their Italian investment's financial instability: the gargantuan increase in Commercial Revenues we saw in Table 3, mainly driven by the brand exploitation policy adopted by the club's management, has been crucial for reducing the club's liabilities, and helped the club to near the European top clubs' turnover; combined with the "Refinancing Transaction" of December 2017, it has been the main evidence of the Chinese owner's capacities.

Nevertheless, those were not the only drivers for enhancing the club's financial stability: as we could notice by looking again at Table 3, another relevant source of revenues for the club was the Matchday entry, which made a significant 59,01% rise from 2016 to 2019, with a total 35,3 million Euros revenues deriving from domestic matchdays in the last fiscal year. Even if this value is still very small, if compared with other European top clubs (e.g. Real Madrid, Barcelona and Manchester United, the Top 3 in the DFML 2019 list, made, respectively, 143, 145

[136] Source: refer to footnote n. 104 (p.15)

and 120 million Euros in Matchday revenues[137]), this could be considered as a very respectable achievement, if we consider that F.C. Internazionale Milano still doesn't own its personal stadium, but needs to rent the historic *San Siro* from the Milan municipality, and furthermore must share it with their A.C. Milan rivals (through M-I Stadio s.r.l., which is equally participated by the two clubs).

Finally, in order to respect the UEFA settlement agreement, F.C. Internazionale Milano had to collect several capital gains, by selling sports rights of its players from its roster: nevertheless, in order to not affect the first team's competitivity, the club's management decided for an alternative solution of this issue. Instead of selling the sports rights of its top players (a faster solution adopted, for example, by A.S. Roma, but that could be very dangerous for the club's sport results if the "sacrificed" players aren't properly replaced), F.C. Internazionale Milano planned to collect the necessary capital gains through its Academy, which is universally recognized as one of the bests in the Italian panorama, and won several juvenile tournaments in the latest sport seasons. The last fiscal year provides clear evidences of this policy: the club was able to collect a total sum of 49,704 million Euros in capital gains, selling several players from both the First Team and the Academy, as we could notice from Table 4.

Considering all this carefully, we can understand how, even without relevant sports results, and without being forced to make real sacrifices (e.g. selling its top players in order to make significative capital gains), during May 2019 the UEFA Club Financial Control Body investigatory chamber considered F.C. Internazionale Milano in compliance with the settlement agreement's objectives, and definitively deleted the club from its settlement monitoring regime (except for the obvious obligation to respect the Financial Fair Play regulations during the following years)[138].

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[137] Source: refer to footnote n. 121

[138] Source: "*Three clubs exit FFP settlement agreement*"; May 17th, 2019, from UEFA Official website (https://www.uefa.com/insideuefa/about-uefa/news/newsid=2605437.html)

Table 4[139]: Inter's capital gains in the 2018 summer campaign; players from Academy are in italics and underlined (*all data are in thousand Euros*)

Player	**Sold to**	**Net Book Value**	**Transfer Value**	***Capital Gain***[140]
Santon Davide	Roma	1.249	9.500	*8.127*
Radu Ionut	Genoa	61	8.000	*7.763*
Bettella Davide	Atalanta	51	7.000	*6.949*
Valietti Federico	Genoa	2	6.000	*5.950*
Murillo Jeison	Valencia	5.199	11.938	*5.340*
Carraro Marco	Atalanta	406	5.000	*4.455*
Odgaard Jens	Sassuolo	994	4.620	*3.535*
Zaniolo Nicolò	Roma	1.528	4.230	*2.643*
Nagatomo Yuto	Galatasaray	515	2.500	*1.845*
Manaj Rey	Albacete	340	1.975	*1.225*
Bardi Francesco	Frosinone	265	1.000	*721*
Kondogbia Jeoffrey	Valencia	19.358	21.893	*541*
Sgarbi Filippo	Perugia	25	300	*275*
Medel Gary	Beşiktaş	2.270	2.500	*191*
Jovetic Stevan	Monaco	10.075	10.500	*129*
Capone Marco	Crotone	5	20	*16*
				Total: 49.704

Source: personal elaboration through Calcio e Finanza data

The process that lead to the end of UEFA's monitoring regime, which started in 2015 during Thohir's chairmanship, have been long and exhausting, as the upper paragraphs could show: managers of F.C. Internazionale Milano had to spend several years transforming the club into a virtuous, budget-oriented society, which could survive without annual shareholders' capital injections (as during the Moratti era), and matched with the uncompromising levels of self-reliance and economic

[139] Source of the data (in Italian language): "*Inter, il mercato a bilancio: plusvalenze da 49 milioni, 34 milioni per Skriniar*", by Calcioefinanza's editorial staff; October 26th, 2018, from Calcioefinanza.it (https://www.calcioefinanza.it/2018/10/26/inter-costi-calciomercato-2018-plusvalenze/)

[140] Capital gains net of credit discounting.

sustainability provided by the UEFA Financial Fair Play regulatory system. Even if there is still so much to do, both on sports and economic sides, in order to reach the level of European Top clubs (as the final chapter of my thesis will try to demonstrate), it is out of doubt that the end of the UEFA monitoring regime could represent the start of a new successful era for the historic Italian football club; in my opinion, it is almost impossible to refute that all of this wouldn’t have been possible, without the strong economic power and the entrepreneurial capabilities provided by a financial giant like the Suning Holdings Group.

2.4 Opportunities and threats: forecasting the scenario

With the end of the UEFA monitoring regime in May 2019, the analysis about F.C. Internazionale Milano can finally enter into its crucial, final step, meaning that it is now possible to put on the same level financial and sports results, and trying to forecast the next moves that the club's management should undertake in order to fulfill the owners' initial mission. As we could notice by Mr. Zhang Jindong's settlement speech[141], in fact, the Suning Holdings Group plans to establish F.C. Internazionale Milano into the World Top 10 club's list. This means compete at the top level both in sports results, both on the economic and entrepreneurial counterpart, continuing to boost revenues and keeping positive cash flows in order to line up with European football giants such as Real Madrid, Barcelona, Manchester City and United, Juventus, Bayern München, Liverpool or Atletico de Madrid.

Evidences and theoretical studies from the football market analysts demonstrate that there is an unbreakable bond between sports and economic results[142]: without a sustainable financial program, it is impossible to attract top class players and consequently reach good sports results, and vice versa, with scarce sport results, the club wouldn't gain remarkable seasonal prizes and its brand reputation will be inadequate for attracting remunerative sponsors. However, forecasting sport scenarios is something related to supporters' expectations, rather than the economic analysis' purposes of my paper, so I will not enter into details of F.C. Internazionale Milano's sports results: it will be sufficient to remember that the club progressively improved its championship's ranking position during the Suning running, that it will participate the UEFA Champions' League group stage (which ensures remarkable broadcasting and commercial revenues) for the second consecutive year during the 2019/20 sport season, and that the owners' ambition for their Italian club

[141] Source: refer to footnote n. 89.

[142] For an exhaustive model (in Italian language) about the link between sports and financial results in the football market panorama: Lago, U., Baroncelli, A. and Szymanski, S., "*Il Business del calcio. Successi sportivi e rovesci finanziari*", Egea, 2004

has been proved in May 2019, when they signed Mr. Antonio Conte (former successful coach for F.C. Juventus, F.C. Chelsea and the Italian National Team) as Head Coach[143]. Indeed, keeping our focus over the financial results that the club must undertake, in order to be considered as one of the Top 10 in the world, we can easily affirm that, even if the Suning Holdings Group already gave a very important help in the last few years, there are still some criticisms that should be resolved for definitively boosting the club's revenue levels. In the following pages, I will provide some of the main criticisms related to the club's revenues growth, and I will give my personal opinions on what F.C. Internazionale Milano should do in order to take advantages from market opportunities.

2.4.1 Broadcasting and Matchday revenues

Let's observe again the Deloitte Football Money League 2019[144], which can give us very important indicators about the Top clubs' entrepreneurial and managerial policies: DFML 2019 states that F.C. Internazionale is ranked 9th for Commercial revenues, demonstrating the excellent job made by its business managers, but, on the other side, still needs to improve the Matchday and Broadcast entries, in which it is ranked, respectively, 17th and 19th. Although broadcasting revenues couldn't be directly influenced by the club, since the relative rights are managed by the Italian Lega Serie A through a collective agreement[145] and the connected cash inflows, which are up to the single clubs, are influenced by the price that broadcasting companies are willing to pay (and the Italian situation is far from excellence, if we

[143] Source: "*Antonio Conte will be Inter's new coach*"; May 31st, 2019, from Internazionale Milano's website (https://www.inter.it/en/news/67905/antonio-conte-will-be-inter-s-new)

[144] Source: refer to footnote n. 121

[145] The legal framework concerning broadcasting rights for Italian football teams is very complicated, and it couldn't be included in our analysis. Then, I refer to dedicated papers which could explain the legal discipline in a more exhaustive way. For a deeper explanation (in Italian language): de Martini A., "*La disciplina dei diritti televisivi nello sport*", in Rivista di Diritto ed Economia dello Sport, ISSN 1825-6678, Vol. VII, Fasc. 2 (2011) (http://www.rdes.it/RDES_2_11_de%20Martini.pdf)

consider that Premier League teams earn almost three times the money that Italian clubs receive for broadcasting rights[146]), the situation concerning matchday revenues is different. As we saw in the upper paragraph, in fact, F.C. Internazionale Milano doesn't own its stadium, as the most part of European top clubs do. The "stadium affair" is one of the most discussed topic in modern football analysis: even if building an owned stadium is a very considerable investment, which could slacken a club's financial power at first, the economic return guaranteed on a middle-long term perspective is unquestionable[147], regarding sources such as direct matchday revenues, non-sporting events that could take place in the stadium (such as concerts), ancillary services which are offered in a " stadium daily use" outlook and could completely enter the club's turnover (such as restaurants, parking lots, sky boxes, gyms, hotels, commercial areas or the club's museum), and, last but not least, the possibility to sell the stadium "naming rights" to highly remunerative sponsors.

As we can see, building an owned stadium could be a crucial discriminant for modern football clubs: nevertheless, the situation of F.C. Internazionale Milano is slightly complicated. In fact, even if the club's management often talked about different projects for modernizing the iconic San Siro stadium, or alternatively building a new one[148], their plans are slackened by several bureaucratic complexities derived both from the unsuitable Italian legal framework, which

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[146] Source (for the 2016/17 sports season): "*Broadcast rights fees of major professional sports leagues worldwide in 2016/2017 (in million euros)*", Accessed May 29th, 2019, from Statista.com (https://www.statista.com/statistics/628542/tv-rights-major-sports-estimated-fees-by-league/)

[147] For a professional analysis about owned-stadia advantages (and the necessary business models): "*A blueprint for Successful Stadium Development*", by Andrea Sartori and Hubert Nienhoff; 2013, from KPMG International Cooperative's website (https://assets.kpmg/content/dam/kpmg/pdf/2013/11/blueprint-successful-stadium-development.pdf)

[148] "*The stadium? Speaking from a financial perspective, it is one of the main priorities and the most sensible thing is that Inter and Milan have one stadium, irrespective of whether it's San Siro, which is a historic stadium and an iconic stage in world football. AC Milan and the city of Milan must align with us in order to complete this task as soon as possible in order to create the best experience for our fans*". Abstract from Steven Zhang's press conference, after the annual shareholders' meeting of October 26th, 2018.
Source: "*Comments from the press conference with Steven Zhang and Alessandro Antonello*"; October 26th, 2018, from Internazionale Milano's website (https://www.inter.it/en/news/64731)

regards the construction of modern sports facilities (the pluriannual wait for a relative solution of the problem ended just in the last years, with the article 62 of Decree Law n.50 of April 24th, 2017[149]), both from the political deadlock among the club, its A.C. Milan rivals and the Milan Municipality (which owns the historical urban stadium and openly propels for a solution that would not involve a loss for public finances). At the time I am writing, it seems that involved parties found a singular solution, which will be to build a new stadium near to the old and iconic San Siro (whose restructuring costs would have been higher than building a new structure), a stadium that should still be shared by the two clubs in order to reduce the relative financial investment[150], and that will have something like 65.000 seats in order to match with the average match attendances of A.C. Milan and F.C. Internazionale Milano[151]. Indeed, business is proceeding slowly, as the Mayor of Milan Giuseppe Sala recently stated that he is still waiting for the two clubs to send him a detailed project for the new stadium[152]: in my opinion, the club's financial strength wouldn't settle in a remarkable way, until the stadium question will be definitively solved.

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[149] Source (in Italian language): "*Testo coordinato del decreto-legge 24 Aprile 2017, n. 50* "; June 23rd, 2017, from the institutional website of the Italian Republic's Official Gazette ("Gazzetta Ufficiale della Repubblica Italiana") (https://www.gazzettaufficiale.it/eli/id/2017/06/23/17A04320/sg)

[150] Source: "*'Soon we will inform the city of our shared choice': Inter chief reveals they are close to announcing plans for new stadium with AC Milan as they prepare to walk away from iconic San Siro*", by Daily Mail U.K. Associated Press Reporter; March 26th, 2019, from the Daily Mail website (https://www.dailymail.co.uk/sport/football/article-6851291/Inter-chief-reveals-close-announcing-plans-new-stadium-AC-Milan.html)

[151] For the 2017/18 sports season, average match attendance at San Siro was 56.044 for F.C. Internazionale and 51.472 for A.C. Milan. Source: DFML 2019 (refer to footnote n.121).

[152] Source (in Italian language): "*Sala: «Ancora nessun progetto da Inter e Milan sullo stadio»*", by Calcioefinanza's editorial staff; May 23rd, 2019, from Calcioefinanza.it (https://www.calcioefinanza.it/2019/05/23/sala-ancora-nessun-progetto-da-inter-e-milan-sullo-stadio/)

2.4.2 The jersey sponsorship affair

Table 5: Shirt and Technical sponsorships annual incomes for Top 6 Premier League teams in 2018/19 (*all data are in million, Pounds and Euros*)

Club name	***Shirt***[153]	***Technical***[154]	***Total (£)***	***Total (€)***[155]
Manchester United	47 £ (Chevrolet)	75 £ (Adidas)	122	**137,9**
Manchester City	45 £ (Etihad)	65 £ (Puma)	110	**124,3**
Chelsea	40 £ (Yokohama)	60 £ (Nike)	100	**113**
Liverpool	40 £ (Standard Chartered)	37,5 £ (New Balance)	77,5	**87,6**
Arsenal	40 £ (Fly Emirates)	30 £ (Puma)	70	**79,1**
Tottenham	35 £ (AIA)	30 £ (Nike)	65	**73,5**

Source: personal elaboration through Statista.com and Mirror.com data

Another crucial income source that should be strongly improved by F.C. Internazionale Milano concerns the Official *Nerazzurri* jersey and merchandising, with a particular focus on jersey sponsorships – that represents a very remunerative cash inflow for European top clubs. Watching at the latest Financial Statements, the club's combined total incomes from both Shirt and Technical sponsorship contracts, until June 30th, 2019 will be 20,5 million Euros, due to an annual 10,5 million Euros fee from Pirelli (which put its logo over Inter's jersey since 1995) and the 10 million

[153] Source: "*Value of jersey kit sponsorships in the Barclays Premier League in 2018/19, by club (in million GBP)*" (no date) from Statista.com (https://www.statista.com/statistics/254513/value-of-jersey-kit-sponsorships-in-the-barclays-premier-league-by-club/)

[154] Source: "*Premier League's Big Six kit deals compared after Man City's huge Puma agreement*", by Alex Chandy; March 3rd, 2019, from the Mirror's website (https://www.mirror.co.uk/sport/football/news/premier-leagues-big-six-kit-14072270)

[155] GDP/EUR Exchange Rate: 1.13 € (referred to June 3rd,2019)

Euros given from Nike, Inter's technical supplier[156]. This is a very little amount of money, if compared with combined jersey incomes of the Premier League top six clubs, as demonstrated by Table 5.

Although the Premier League example could be misleading, because of the superior appeal of English clubs in modern football, it is out of doubt that such a difference between their jersey revenues and F.C. Internazionale Milano ones is too much heavy: if they want to definitively boost the club's finances, the *Nerazzurri* management should try to improve these income sources in a substantial way, reformulating the pre-existent contracts or seeking the market in order to find more remunerative sponsorship deals.

2.4.3 The crucial role of UEFA Champions' League's incomes

The Financial Results of Inter Media and Communication S.p.A. provide us with another key information: the calculation of Adjusted Revenues made by the club's management denotes an increase of 26,9 million Euros between 2018 and 2019, a sum which is mainly driven by the 47 million Euros contracted revenues, for the fiscal year ending of June 2019, that F.C. Internazionale Milano will receive (as Indirect Media Revenue) from UEFA thanks to the participation to the Champions' League group stage[157]. Although the positive financial and entrepreneurial policies adopted by the club, this income source remains one of key factors for the future developing: participating the UEFA Champions' League, even if just on group stages, guarantees a significant amount of direct cash inflows from UEFA, Serie A (through qualification awards) and sponsors (through contractual bonuses), and could indirectly influence the brand reputation, which is one of main drivers for attracting better sponsors and consequently increase the economic turnover. Once more, economic and sports results perfectly balance together: in fact, if participating the UEFA Champions' League every year is a determinant value driver, the only

[156] Source: refer to footnote n. 104 (p.14).

[157] Source: refer to footnote n. 104 (p.31).

way to reach this goal is to annually improve the first team's competitivity in the national tournament. This will be one of the main missions of F.C. Internazionale's managers (as long as it is the primal purpose of all of those football teams who want to enter the Top Clubs list).

2.4.4 SWOT Analysis of F.C. Internazionale Milano

With all the data we have collected through the previous paragraphs, we are now able to discuss about the future opportunities and the main issues that F.C. Internazionale Milano would face in its future development programs. One of the main tools adopted by strategic management analysts in those scenarios is the SWOT Analysis, which could be applicated on any type of market segment (even on very specific examples, such as the football industry) and focuses on the main internal and external factors – both positives and negatives – that could influence the firm's strategical objectives. A SWOT Analysis matrix, as shown by Figure 4[158], regards the assessment of a company's Strengths, Weaknesses, Opportunities and Threats, and is a very clear and simple tool for analyzing what are the best outcomes (and, on the other side, what the firm should improve) obtained in the questioned economic environment.

In our context, analyzing F.C. Internazionale Milano means to insert into the SWOT matrix both economic and sports scenarios: since the core business of the society is anyway related to its sports achievements, these one cannot be shelved, but, contrariwise, they must be reformulated in an economic perspective, in order to enter our matrix. This is why, in the analysis provided below, besides the economic and entrepreneurial aspects we analyzed through the entire paper, I will insert sports "intangible assets" estimations (e.g. the growth in the first team's market evaluation, or the issues related to national and international competitors).

[158] Source: "*SWOT Analysis*" from Wikipedia.org (https://en.wikipedia.org/wiki/SWOT_analysis#/media/File:SWOT_en.svg)

Figure 4: The SWOT Matrix

Source: Wikipedia.org

Strengths:

- An ambitious, international and multicultural management
- Business continuity guaranteed by the Suning Holdings Group;
- Growing first team's market value and sports results;
- A strong, loyal fan base, which made the club the first one in the Italian match attendance ranking for several consecutive years;
- Growing, strong brand reputation[159];
- Excellent marketing and social media policies (through Inter Media & Communication S.p.A.)

[159] F.C. Internazionale Milano was ranked 30th in the 2018 edition of the prestigious Soccerex Football Finance 100, which groups the most valuable football brands in the world.
Source: refer to footnote n. 29

- The historic San Siro stadium, one of the biggest and most famous in the world;
- Long-term association with powerful partners (e.g. Pirelli, Nike, Bwin, Beko…).

Weaknesses:

- A young Chairman, unexperienced in the football business management;
- Uncertain power division due to continuous management reorganization (e.g. the unclear role of Vice-President, former first team glory, Javier Zanetti);
- Financial jeopardy related to the 2017 “Refinancing Transaction”;
- Lesser brand reputation and global visibility, if compared with Spanish or English top clubs (or with national rivals such as F.C. Juventus);
- Scarce sport results in the last decade (except for the 2010 *treble*);
- Saturated internal market (with scarce possibilities to increase the Italian fanbase).

Opportunities:

- Enhancing the global fanbase (especially in the Asian market);
- Taking advantages from the strategical Suning partnership and the link between Zhang Jindong and the Chinese Government;
- Exploiting the historical brand reputation of the club in fast-growing markets (e.g. China, India and the Asian Middle East);
- Improving the quality of the first team, through market acquisitions or “promotions” from the Academy;
- After the end of UEFA settlement agreement, and under Mr. Antonio Conte’s coaching, F.C. Inter could reach good sports results both in Italian Serie A and Champions’ League.

Threats:

- Strong competition both in internal and external markets;
- Reliance on the UEFA Champions’ League Media revenues;

- Financial problems related to massive cumulated debts;
- Volatility of the football industry panorama (and players' market evaluation);
- Chinese control over foreign monetary policy and overseas irrational spending could decelerate (or block) Suning's expansion plans;
- "Locker room problems" and players' unfaithfulness could inhibit or decelerate sport results.

The SWOT Analysis of F.C. Internazionale Milano, provided above, gives us a well detailed outline of the team owned by the Suning Holdings Group: a rapidly growing football club, with a global brand reputation and an ambitious entrepreneurial vision, which seems to be definitively out of the financial troubles it faced for several years and could start to build its future successes, but needs to operate in a volatile, uncertain framework such as the football market, where financial strength and brand reputation are not synonyms of certain sports results. In the following years, both the Chinese and Italian managers, both the first team components, needs to face their responsibilities and realize the most important goal: make the "brothers of the world" a worldwide recognized brand, on and off the football pitch.

Conclusions

The research carried on through this paper could be very helpful for understanding the determinants of the Chinese expansion in the modern European football scenario: as we could see, especially from paragraphs 1.2.1 and beyond, investors and entrepreneurs from the Middle Kingdom, rather than having mere economic purposes, undertook this expansionist policy by fulfilling direct guidelines from the Beijing's Government, whose intent to make their country a worldwide-recognized sports superpower had its main implications in the football market. This consideration implies that Chinese ownerships are very different from their Arabic, American or Russian counterparts: the government patronage (and, in some cases, the political officiousness, as we saw in paragraph 1.3) carried out by the P.R.C.'s State Council is unparalleled in the rest of the world.

Furthermore, we must consider that the expansion in the European football panorama hasn't been only a political action: every investor involved in the Chinese expansion had a crucial opportunity to expand its own business overseas, and, when the sports mission of the central government perfectly matched with righteous entrepreneurial policies, there have been positive, lucrative feedbacks for all of the actors involved.

The Suning Holdings Group's example, which was detailed in the second chapter, is perfect for understanding the previous considerations: all the actors involved, from Mr. Zhang's enterprises to the central Chinese government and to F.C. Internazionale Milano, obtained significative advantages from this economic operation.

In the Marketing theory, such a situation represents an evident win-win strategy:

- the Chinese entrepreneur expanded its corporate business, entering a potentially high-remunerative market, and helped the Suning.com brand to exponentially rise its overseas reputation;
- The P.R.C. Government added to its "portfolio" an historical European club, whose superior know-how could stimulate the country's football expansion;

- F.C. Internazionale Milano found a strong, wealthy partner who helped the team to strengthen its financial situation, doubled its commercial revenues (as we saw in paragraph 2.3) and partially close the gap with other European top clubs.

Obviously, the situation provided above is not wholly positive, and there are still some critical issues: for example, the relative lack of experience in the football market could be a negative determinant for future expansions. Moreover, as long as the Chinese Government will consider the overseas sports investments as irrational, without being able to distinguish virtuous examples (such as Suning) from reprehensible ones (e.g. the A.C. Pavia and A.C. Milan cases analyzed in subparagraph 1.2.2.1), the real financial and entrepreneurial potential of local investors would not be fully developed.

The next few years will be crucial for understanding what direction the Chinese investments in European football will undertake: will the State Council definitively unlock overseas investments, allowing other powerful entrepreneurs to follow Suning's footsteps? Or will they consider the know-how gap shortened, obstructing further foreign investments and focusing merely over the internal market development? My opinion is that, whatever their decision will be, the Chinese politicians must be determined and resolute to find a rapid decision: the modern football market is experiencing an unprecedented expansion, and the ones who will be the first to allocate their resources, will be the ones who will have the better returns. Thus, Chinese policy makers should be able to remember the millenary culture of their unique country, in particular Sun Tzu's *Art of War*, whose timeless words are an everlasting inspiration both for economic and sports actors all around the world:

"*Whoever is first in the field and awaits the coming of the enemy, will be fresh for the fight; whoever is second in the field and has to hasten to battle, will arrive exhausted*"[160].

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[160] Source: Sun Tzu, "*Art of War*" (roughly 5th century B.C.), Translated from the Chinese with Introduction and Critical Notes by Lionel Giles (1st ed. 1910), London, Luzac & Co. (p.41)

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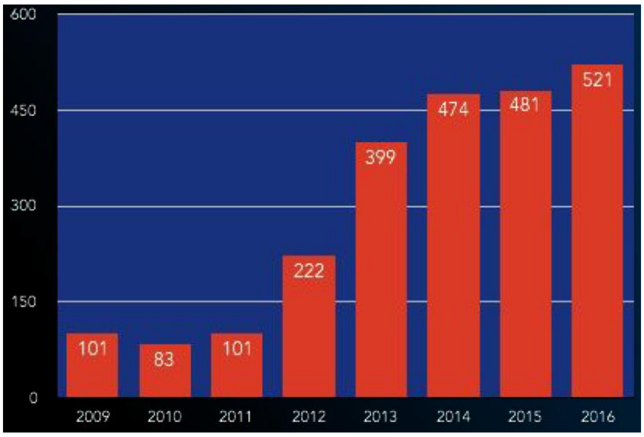

Source: Paris Saint Germain FC Business Project (p. 23), by Edward Graves,

on lionelmaltese.fr

(http://lionelmaltese.fr/wp-content/uploads/2017/12/17ParisSaint-GermainProject.pdf)

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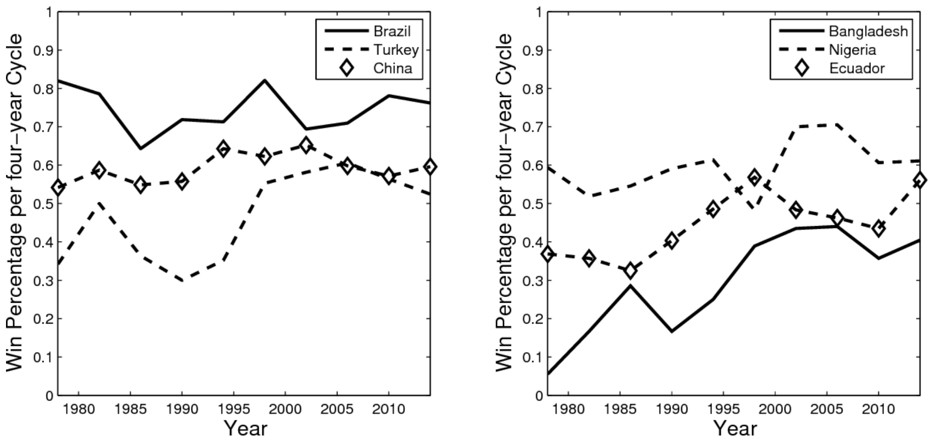

Source: Krause, M. and S. Szymanski, *Convergence vs. the Middle-Income Trap: The Case of Global Soccer*, (2017), figure 5 (https://www.semanticscholar.org/paper/Convergence-vs-.-The-Middle-Income-Trap-%3A-The-Case-Krause-Szymanski/40104374e6b79482bec9749f1df06f1f37b8b3c3/figure/9)

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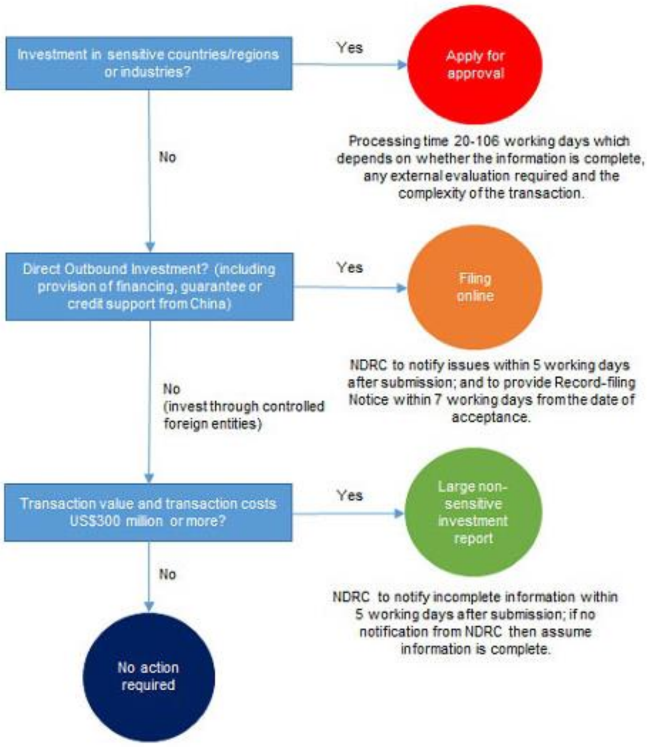

Source: Understanding the New Chinese Outbound Investment Regulations, by Doug Ferguson and Sunny Song; February 16th, 2018, on the KPMG International website (https://home.kpmg/xx/en/home/insights/2018/02/chinese-outbound-investment-regulations-16-february-2018.html)

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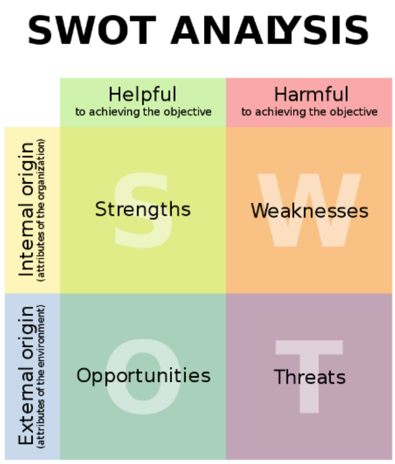

Source: "SWOT Analysis" from Wikipedia.org (https://en.wikipedia.org/wiki/SWOT_analysis#/media/File:SWOT_en.svg)

- Table 1 (p. 33 ff.): Short list of Chinese acquisitions in European football

Team Name	*Team Nation*	*Acquired by*	*Stake %*	*Price (in million €)*	*Notes*
Aston Villa F.C.	England	Recon Holdings	45 % (100 % at first)	84	55 % of the stake sold to NSWE group
West Bromwich Albion F.C.	England	Yunyi Guokai Sports Development	88 %	230	//
Wolverhampton Wanderers F.C.	England	Fosun International	100 %	49	//
Birmingham City F.C.	England	Trillion Trophy Asia	50,64 %	13,5	//
Southampton F.C.	England	Lander Holding	80 %	232	//
Reading F.C.	England	Renhe Sports Management Limited	75 %	Undeclared	Same owner of Beijing Renhe and KSV Roeselare
R.C.D. Espanyol de Barcelona	Spain	Rastar Group	56 %	17,8	//
Granada C.F.	Spain	Double-Edged Sports	100 %	33	Same owner of Parma Calcio and Chongqing Dangdai Lifan; integrated some Chinese talents in the youth academy

FC Sochaux-Montbéliard	France	Ledus Lightning Technology Ltd.	100 %	7	//
O.G.C. Nice	France	Chien Lee and Alex Cheng	80 %	20	Chinese – American International Investor Group
Olympique Lyonnais	France	Chinese private equity fund (managed by IDG Capital Partners)	20 %	87	//
Parma Calcio 1913	Italy	Double-Edged Sports	90 % (60 % at first)	10	Same owner of Granada C.F.; 60 % sold to Barilla in 2018
Internazionale Milano F.C.	Italy	Suning Holdings Group	68,55 %	270	Same owner of Jiangsu Suning

Source: personal elaboration through collected data

- Table 2 (p. 54): Inter's Profit & Loss Account for the 2008-09 biennium (*all data are in million Euros*)

FC Internazionale Milano S.P.A. - Profit & Loss Account

€ mlns	2008	2009	Growth	2009 (£ mlns)
				1.1741
Match Day	28.4	28.2	(0.2)	24.0
Television	107.7	115.7	8.0	98.5
Commercial	36.8	52.6	15.8	44.8
Turnover	**172.9**	**196.5**	**23.6**	**167.4**
Wages & Salaries	(180.5)	(205.1)	(24.6)	(174.7)
Administrative Expenses	(104.8)	(102.7)	2.1	(87.5)
Expenses	**(285.3)**	**(307.8)**	**(22.5)**	**(262.2)**
Operating Profit/(Loss)	**(112.4)**	**(111.3)**	**1.1**	**(94.8)**
Player Amortisation	(34.9)	(49.9)	(15.1)	(42.5)
Profit/(Loss) on Player Sales	8.2	11.6	3.4	9.9
Player Trading	**(26.7)**	**(38.4)**	**(11.7)**	**(32.7)**
Net Interest Payable	(3.3)	(3.8)	(0.6)	(3.3)
Profit/(Loss) before Taxation	**(142.4)**	**(153.5)**	**(11.1)**	**(130.7)**
Taxation	(5.9)	(0.9)	5.0	(0.8)
Profit/(Loss) before Taxation	**(148.3)**	**(154.4)**	**(6.1)**	**(131.5)**

Source: *The Price of Inter Milan's Success*, by Swiss Rambler; August 24th, 2010, on Bleacher Report website (https://bleacherreport.com/articles/442218-the-price-of-inters-success)

- Table 3 (p. 78): F.C. Inter's Revenue profile from DFML 2019 and 2016 (*all data are in million Euros*)

	DFML 2019	DFML 2016	*Growth (%)*
Ranking position	14th	19th	
Revenues	280,8 €	164,8 €	*70,39%*
Matchday r.	35,3 € (12%)	22,2 € (13%)	*59,01%*
Broadcasting r.	97,7 € (35%)	97,2 € (59%)	*0,51%*
Commercial r.	147, 8 € (53%)	45,4 € (28%)	*225,55%*

Source: personal elaboration through Deloitte Football Money League 2016 and 2019 data analysis

(https://www2.deloitte.com/uk/en/pages/sports-business-group/articles/deloitte-football-money-league.html); (https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/sports-business-group/uk-deloitte-sport-football-money-league-2016.pdf)

- Table 4 (p. 86): Inter's capital gains in the 2018 summer campaign; players from Academy are in italics and underlined (*all data are in thousand Euros*)

Player	**Sold to**	**Net Book Value**	**Transfer Value**	***Capital Gain***
Santon Davide	Roma	1.249	9.500	*8.127*
Radu Ionut	Genoa	61	8.000	*7.763*
Bettella Davide	Atalanta	51	7.000	*6.949*
Valietti Federico	Genoa	2	6.000	*5.950*
Murillo Jeison	Valencia	5.199	11.938	*5.340*
Carraro Marco	Atalanta	406	5.000	*4.455*
Odgaard Jens	Sassuolo	994	4.620	*3.535*
Zaniolo Nicolò	Roma	1.528	4.230	*2.643*

Nagatomo Yuto	Galatasaray	515	2.500	*1.845*
Manaj Rey	Albacete	340	1.975	*1.225*
Bardi Francesco	Frosinone	265	1.000	*721*
Kondogbia Jeoffrey	Valencia	19.358	21.893	*541*
Sgarbi Filippo	Perugia	25	300	*275*
Medel Gary	Beşiktaş	2.270	2.500	*191*
Jovetic Stevan	Monaco	10.075	10.500	*129*
Capone Marco	Crotone	5	20	*16*
				Total: 49.704

Source of the data (in Italian language): "*Inter, il mercato a bilancio: plusvalenze da 49 milioni, 34 milioni per Skriniar*", by Calcioefinanza's editorial staff; October 26th, 2018, from Calcioefinanza.it (https://www.calcioefinanza.it/2018/10/26/inter-costi-calciomercato-2018-plusvalenze/)

- Table 5 (p. 92): Shirt and Technical sponsorships annual incomes for Top 6 Premier League teams in 2018/19 (*all data are in million, Pounds and Euros*)

Club name	***Shirt***	***Technical***	***Total (£)***	***Total (€)***
Manchester United	47 £ (Chevrolet)	75 £ (Adidas)	122	**137,9**
Manchester City	45 £ (Etihad)	65 £ (Puma)	110	**124,3**
Chelsea	40 £ (Yokohama)	60 £ (Nike)	100	**113**
Liverpool	40 £ (Standard Chartered)	37,5 £ (New Balance)	77,5	**87,6**
Arsenal	40 £ (Fly Emirates)	30 £ (Puma)	70	**79,1**
Tottenham	35 £ (AIA)	30 £ (Nike)	65	**73,5**

Source: personal elaboration through Statista.com and Mirror.com data (https://www.statista.com/statistics/254513/value-of-jersey-kit-sponsorships-in-the-barclays-premier-league-by-club/);

(https://www.mirror.co.uk/sport/football/news/premier-leagues-big-six-kit-14072270)

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Chinese ownerships in European football: the example of the Suning Holdings Group

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ACADEMIC YEAR 2018/2019

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Abstract

- **Introduction**

The purpose of this paper is to analyze economic and managerial aspects of Chinese ownerships in the football market, with a focus on European football and F.C. Internazionale Milano – to which it is dedicated a long and exhaustive example. This implies sociologic and political considerations, rather than mere Corporate Strategies analysis: in fact, the expansion in the football industry derives from direct Chinese State Council's guidelines, which is the main difference between Chinese and Arabic or Russian *tycoons* who entered the market in the modern era. The Suning Holdings Group running over F.C. Internazionale Milano will be a fundamental example, because it is the most important Chinese acquisition in European football, and it perfectly represents the potential of Middle Kingdom's entrepreneurs in the market. The main difficulty, and the key to success for the paper, is the reliability of web sources: during the selection process, thus, I observed the criterium of Herodotus' historiographical method (αὐτοψία).

- **Chapter 1: Chinese Ownerships in football**

After a summary of the economic and legal background of modern football, with a focus on the market's profit drivers (e.g. revenues diversification, localization advantages and brand exploitation) and on the legal framework concerning the UEFA Financial Fair Play, which influences the European scenario, the analysis moves on the Chinese expansion in football. The country has a millenary tradition in sports, but, even if its athletes excel in gymnastic and other individual disciplines, Chinese National Teams are still not very competitive in "ball games" (especially men's teams): this could be

explained by social and economic theories, such as the "Middle-Income gap" explained by a Krause-Szymanski study (see Figure 2).

Thus, the State Council emitted several guidelines, from 2014 to 2016, in order to improve the quality of local sports tournaments, with a strategical focus on football: since they understood the crucial "*know-how gap*" with the European professional movement, Chinese policymakers pushed local entrepreneurs to enter the Old World's market. Driven by the State Council's guidelines, many important local investors (such as Evergrande Group, Dalian Wanda or Suning Holdings Group) acquired both top level players for their Chinese Super League's teams, both whole football clubs, from which to directly import the superior know-how (the list of main Chinese acquisition in European football is provided by Table 1).

Nevertheless, this powerful expansion experienced a sudden deceleration in 2017, when the Beijing's government, together with the National Development and Reform Commission (NDRC), promoted several rules in order to_limit unrighteous, potentially dangerous outward remittances of foreign exchange, driven by a shock in the yuan devaluation (and by some negative foreign investments, which could represent potential money laundry, e.g. the Yonghong Li's running over A.C. Milan). The Chinese capital control policies had several implications both in the macroeconomic scenario, both in the football market expansion.

- ## Chapter 2: The example of the Suning Holdings Group

The most relevant example of Chinese entrepreneurial strategies in football derives from the case of F.C. Internazionale Milano, which lays under the Suning Holdings Group ownership since the summer of 2016. Before their coming, the club was experiencing several financial troubles: under the presidency of Mr. Massimo Moratti, F.C. Inter constantly lost money, and based its financial sustainability just over the president's patronage, a situation that clashed with the F.F.P. regulations.

In 2013, Mr. Moratti sold the club's majority participation to Erick Thohir, an Indonesian businessman who undertook a strict debt recapitalization planning, and who signed a "settlement agreement" with UEFA (which implied some very severe restrictions) in order to solve the previous, troubled financial situation. However, Mr. Thohir had not the economic power which was necessary to finally solve the club's situation: thus, in June 6th, 2016, he sold a 68,55% majority stake to the Suning Holdings Group, a Chinese leader in e-commerce and retailing industry, who finally entered the European football market after the previous acquisition of the local Jiangsu Suning F.C. (former Jiangsu Guoxin Sainty F.C.).

Since Suning's arrival, it was evident that the new investors' first goal was to expand their business in Europe and, in the meantime, to acquire strategic football know-hows for their Chinese team (the words of Mr. Zhang Jindong, Suning's founder, which are provided in the text box, are a perfect demonstration of their main intent): nevertheless, their role and their economic power has been crucial for the Italian club. As we could notice from Table 3, in fact, during the Suning direction, F.C. Internazionale Milano tripled its Commercial Revenues, thanks to a large amount of sponsorships and co-branding contracts signed with several Asian or European partners (e.g. Beijing Yixinshijie, TLC,

"*Becoming a leader in the sports industry is part of the Suning Group's strategy. Over the next five years, we want to become one of the main companies driving market growth and football is a new area into which we are expanding. Football in China is growing exponentially, so the decision to acquire Inter is one of great strategic importance. Ours is an international business and soon our brand will grow in Europe too*".

(Zhang Jindong, June 6th, 2016)

Konka, Beko, Kweichow MouTai, iMedia…). Their virtuous brand exploitation policy, together with the “Refinancing Transaction” of 2017 (with the emission of a 300 million Euros bond at a 4,875% rate due to 2022), significatively improved the financial situation of the club, and has been crucial for finally exiting the UEFA settlement agreement in May 2019.

After some final handovers at the end of 2018, with Steven Zhang, unique son of Suning’s owner, becoming Chairman of F.C. Internazionale Milano, and the Hong Kongese LionRock Capital investment fund entering the society by acquiring a 31,05% minority stake (which was still in the hands of Erick Thohir), the Suning Holdings Group definitively took the club’s control. Thanks to their economic power and to the Chinese Government collaboration, in the next few years they will have a big opportunity for completely improving the club’s financial situation, intervening on some further critical issues (e.g. the stadium modernization or rebuilding) and finally concentrating on the sports results.

- **Conclusions**

The research carried on through this paper could be very helpful for understanding the determinants of the Chinese expansion in the modern European football scenario: as we could see, investors and entrepreneurs from the Middle Kingdom, rather than having mere economic purposes, undertook this expansionist policy by fulfilling direct guidelines from the Beijing’s Government, whose intent to make their country a worldwide-recognized sports superpower had its main implications in the football market. This consideration implies that Chinese ownerships are very different from their Arabic, American or Russian counterparts: the government “patronage” carried out by the P.R.C.’s State Council is unparalleled in the rest of the world.

Furthermore, we must consider that the expansion in the European football panorama hasn't been only a political action: every investor involved in the Chinese expansion had a crucial opportunity to expand its own business overseas, and, when the sports mission of the central government perfectly matched with righteous entrepreneurial policies, there have been positive, lucrative feedbacks for all of the actors involved.

The Suning Holdings Group's example, which was detailed in the second chapter, is perfect for understanding the previous considerations: all the actors involved, from Mr. Zhang's enterprises to the central Chinese government to F.C. Internazionale Milano, obtained significative advantages from this economic operation.

In the Marketing theory, such a situation represents an evident win-win strategy:

- the Chinese entrepreneur expanded its corporate business, entering a potentially high-remunerative market, and helped the Suning.com brand to exponentially rise its overseas reputation;
- The P.R.C. Government added to its "portfolio" an historical European club, whose superior know-how could stimulate the country's football expansion;
- F.C. Internazionale Milano found a strong, wealthy partner who helped the team to strengthen its financial situation, tripled its commercial revenues and partially close the gap with other European top clubs.

Obviously, the situation provided above is not wholly positive, and there are still some critical issues: for example, the relative lack of experience in the football market could be a negative determinant for future expansions. Moreover, as long as the Chinese Government will consider the overseas sports investments as irrational, without being able to distinguish virtuous examples (such as Suning) from reprehensible ones, the real financial and entrepreneurial potential of local investors would not be fully developed.

The next few years will be crucial for understanding what direction the Chinese investments in European football will undertake: will the State Council definitively unlock overseas investments, allowing other powerful entrepreneurs to follow Suning's footsteps? Or will they consider the know-how gap shortened, obstructing further foreign investments and focusing merely over the development of the internal market? My opinion is that, whatever their decision will be, the Chinese politicians must be determined and resolute to find a rapid decision: the modern football market is experiencing an unprecedented expansion, and the ones who will be the first to allocate their resources, will be the ones who will have the better returns. Thus, Chinese policy makers should be able to remember the millenary culture of their unique country, in particular Sun Tzu's *Art of War*, whose timeless words are an everlasting inspiration both for economic and sports actors all around the world:

"*Whoever is first in the field and awaits the coming of the enemy, will be fresh for the fight; whoever is second in the field and has to hasten to battle, will arrive exhausted*"[161].

[161] Source: Sun Tzu, "*Art of War*" (roughly 5th century B.C.), Translated from the Chinese with Introduction and Critical Notes by Lionel Giles (1st ed. 1910), London, Luzac & Co. (p.41)

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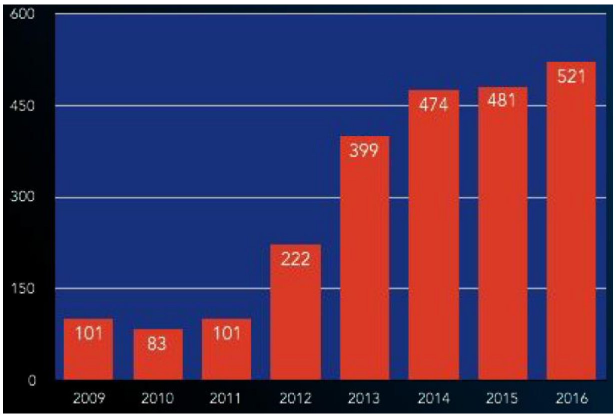
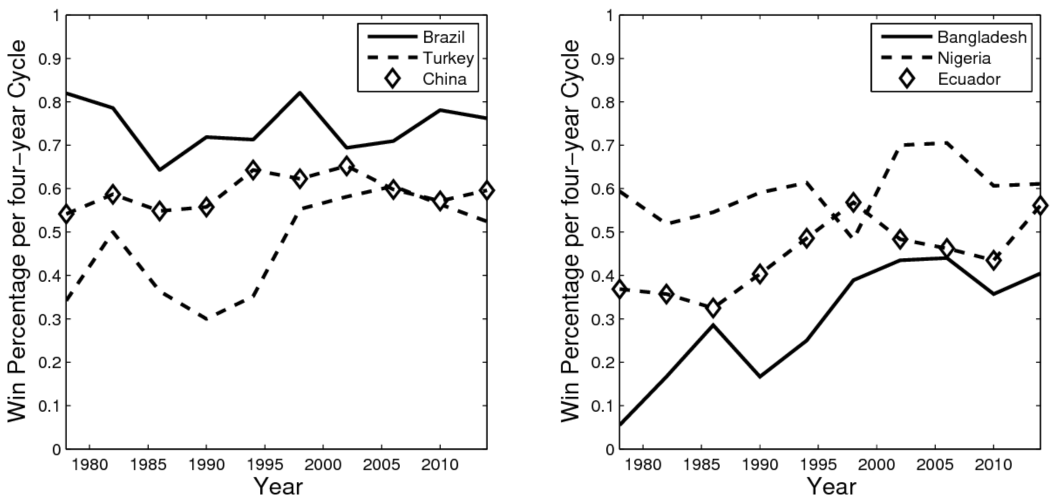


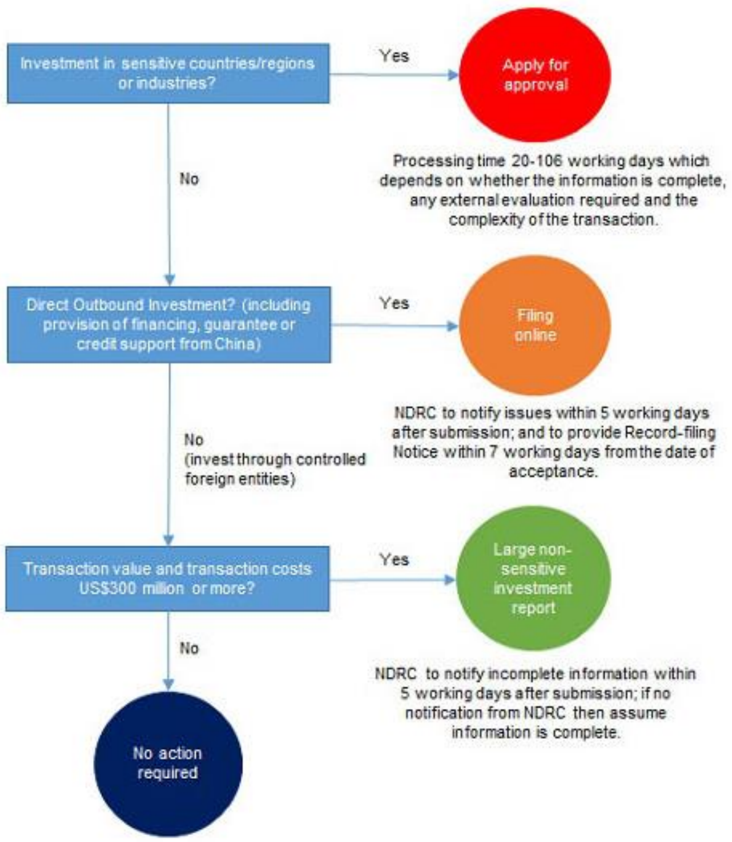
Source: Paris Saint Germain FC Business Project (p. 23), by Edward Graves, on lionelmaltese.fr

(http://lionelmaltese.fr/wp-content/uploads/2017/12/17ParisSaint-GermainProject.pdf)



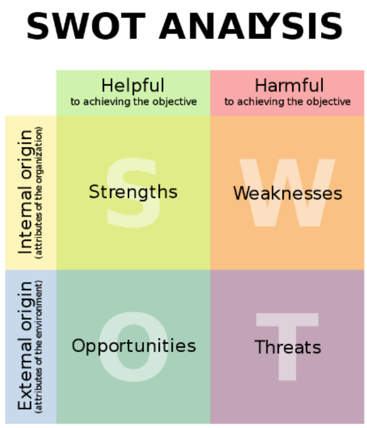
Source: Krause, M. and S. Szymanski, *Convergence vs. the Middle-Income Trap: The Case of Global Soccer*, (2017), figure 5 (https://www.semanticscholar.org/paper/Convergence-vs-.-The-Middle-Income-Trap-%3A-The-Case-Krause-Szymanski/40104374e6b79482bec9749f1df06f1f37b8b3c3/figure/9)

- Figure 3 (p. 47): NDRC's decision tree for outbound investment approval



Source: Understanding the New Chinese Outbound Investment Regulations, by Doug Ferguson and Sunny Song; February 16th, 2018, on the KPMG International website (https://home.kpmg/xx/en/home/insights/2018/02/chinese-outbound-investment-regulations-16-february-2018.html)

Figure 4 (p. 95): The SWOT Matrix



Source: "SWOT Analysis" from Wikipedia.org (https://en.wikipedia.org/wiki/SWOT_analysis#/media/File:SWOT_en.svg)

- Table 1 (p. 33 ff.): Short list of Chinese acquisitions in European football

Team Name	*Team Nation*	*Acquired by*	*Stake %*	*Price (in million €)*	*Notes*
Aston Villa F.C.	England	Recon Holdings	45 % (100 % at first)	84	55 % of the stake sold to NSWE group
West Bromwich Albion F.C.	England	Yunyi Guokai Sports Development	88 %	230	//
Wolverhampton Wanderers F.C.	England	Fosun International	100 %	49	//
Birmingham City F.C.	England	Trillion Trophy Asia	50,64%	13,5	//
Southampton F.C.	England	Lander Holding	80 %	232	//
Reading F.C.	England	Renhe Sports Management Limited	75 %	Undeclared	Same owner of Beijing Renhe and KSV Roeselare
R.C.D. Espanyol de Barcelona	Spain	Rastar Group	56 %	17,8	//
Granada C.F.	Spain	Double-Edged Sports	100 %	33	Same owner of Parma Calcio and Chongqing Dangdai Lifan; integrated some Chinese talents in the youth academy
FC Sochaux-Montbéliard	France	Ledus Lightning Technology Ltd.	100 %	7	//

O.G.C. Nice	France	Chien Lee and Alex Cheng	80 %	20	Chinese – American International Investor Group
Olympique Lyonnais	France	Chinese private equity fund (managed by IDG Capital Partners)	20 %	87	//
Parma Calcio 1913	Italy	Double-Edged Sports	90 % (60 % at first)	10	Same owner of Granada C.F.; 60 % sold to Barilla in 2018
Internazionale Milano F.C.	Italy	Suning Holdings Group	68,55 %	270	Same owner of Jiangsu Suning

Source: personal elaboration through collected data

- Table 2 (p. 54): Inter's Profit & Loss Account for the 2008-09 biennium (*all data are in million Euros*)

FC Internazionale Milano S.P.A. - Profit & Loss Account

€ mlns	2008	2009	Growth	2009 (£ mlns) 1.1741
Match Day	28.4	28.2	(0.2)	24.0
Television	107.7	115.7	8.0	98.5
Commercial	36.8	52.6	15.8	44.8
Turnover	**172.9**	**196.5**	**23.6**	**167.4**
Wages & Salaries	(180.5)	(205.1)	(24.6)	(174.7)
Administrative Expenses	(104.8)	(102.7)	2.1	(87.5)
Expenses	**(285.3)**	**(307.8)**	**(22.5)**	**(262.2)**
Operating Profit/(Loss)	**(112.4)**	**(111.3)**	**1.1**	**(94.8)**
Player Amortisation	(34.9)	(49.9)	(15.1)	(42.5)
Profit/(Loss) on Player Sales	8.2	11.6	3.4	9.9
Player Trading	**(26.7)**	**(38.4)**	**(11.7)**	**(32.7)**
Net Interest Payable	(3.3)	(3.8)	(0.6)	(3.3)
Profit/(Loss) before Taxation	**(142.4)**	**(153.5)**	**(11.1)**	**(130.7)**
Taxation	(5.9)	(0.9)	5.0	(0.8)
Profit/(Loss) before Taxation	**(148.3)**	**(154.4)**	**(6.1)**	**(131.5)**

Source: *The Price of Inter Milan's Success*, by Swiss Rambler; August 24th, 2010, on Bleacher Report website (https://bleacherreport.com/articles/442218-the-price-of-inters-success)

- Table 3 (p. 78): F.C. Inter's Revenue profile from DFML 2019 and 2016 (*all data are in million Euros*)

Ranking position	14th	19th	
Revenues	280,8 €	164,8 €	*70,39%*
Matchday r.	35,3 € (12%)	22,2 € (13%)	*59,01%*
Broadcasting r.	97,7 € (35%)	97,2 € (59%)	*0,51%*
Commercial r.	147, 8 € (53%)	45,4 € (28%)	*225,55%*

Source: personal elaboration through Deloitte Football Money League 2016 and 2019 data analysis

(https://www2.deloitte.com/uk/en/pages/sports-business-group/articles/deloitte-football-money-league.html);

(https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/sports-business-group/uk-deloitte-sport-football-money-league-2016.pdf)

- Table 4 (p. 86): Inter's capital gains in the 2018 summer campaign; players from Academy are in italics and underlined (*all data are in thousand Euros*)

Santon Davide	Roma	1.249	9.500	*8.127*
<u>Radu Ionut</u>	Genoa	61	8.000	*7.763*
<u>Bettella Davide</u>	Atalanta	51	7.000	*6.949*
<u>Valietti Federico</u>	Genoa	2	6.000	*5.950*
Murillo Jeison	Valencia	5.199	11.938	*5.340*

Carraro Marco	Atalanta	406	5.000	*4.455*
Odgaard Jens	Sassuolo	994	4.620	*3.535*
Zaniolo Nicolò	Roma	1.528	4.230	*2.643*
Nagatomo Yuto	Galatasaray	515	2.500	*1.845*
Manaj Rey	Albacete	340	1.975	*1.225*
Bardi Francesco	Frosinone	265	1.000	*721*
Kondogbia Jeoffrey	Valencia	19.358	21.893	*541*
Sgarbi Filippo	Perugia	25	300	*275*
Medel Gary	Beşiktaş	2.270	2.500	*191*
Jovetic Stevan	Monaco	10.075	10.500	*129*
Capone Marco	Crotone	5	20	*16*

Total: 49.704

Source of the data (in Italian language): "*Inter, il mercato a bilancio: plusvalenze da 49 milioni, 34 milioni per Skriniar*", by Calcioefinanza's editorial staff; October 26th, 2018, from Calcioefinanza.it (https://www.calcioefinanza.it/2018/10/26/inter-costi-calciomercato-2018-plusvalenze/)

- Table 5 (p. 92): Shirt and Technical sponsorships annual incomes for Top 6 Premier League teams in 2018/19 (*all data are in million, Pounds and Euros*)

Manchester United	47 £ (Chevrolet)	75 £ (Adidas)	122	**137,9**
Manchester City	45 £ (Etihad)	65 £ (Puma)	110	**124,3**
Chelsea	40 £ (Yokohama)	60 £ (Nike)	100	**113**

Liverpool	40 £ (Standard Chartered)	37,5 £ (New Balance)	77,5	**87,6**
Arsenal	40 £ (Fly Emirates)	30 £ (Puma)	70	**79,1**
Tottenham	35 £ (AIA)	30 £ (Nike)	65	**73,5**

Source: personal elaboration through Statista.com and Mirror.com data (https://www.statista.com/statistics/254513/value-of-jersey-kit-sponsorships-in-the-barclays-premier-league-by-club/);

(https://www.mirror.co.uk/sport/football/news/premier-leagues-big-six-kit-14072270)