

Analysis of Inter Milan's Financial Losses

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Abstract: Inter Milan was founded on March 9, 1908, as a result of a split between 44 founders who opposed the ban on international players by the Milan Cricket and Football Club. Inter Milan is a football club located in the city of Milan and is one of the Italian first division football teams. However, it has suffered serious financial losses in recent years. Since 2018, the loss has increased and almost doubled every year. The loss has decreased since 21-22, but it still has not gotten rid of the predicament of loss. Firstly, this paper briefly summarizes the team's past achievements and history as well as its management in recent years, including the overall profit and loss situation, the composition of the players and the main revenue sources of the club. On this basis, the economic losses of the club are analyzed. The paper analyzes Inter Milan's financial losses in terms of the epidemic, aging players, changes in sponsors and partners, and competitive results, and suggests some possible solutions. Finally, an outlook on the future development of Inter Milan is provided.

Keywords: Inter Milan, finance loss, revenue, football club

1. Introduction

Inter Milan Football Club was founded in 1908. The Swiss and Italian players in AC Milan broke away from the team and formed Inter Milan themselves, angry at what they saw as excessive Anglicism and snobbery. Italian Serie A championship 17 times, The Italian FA Cup 5 times, the Italian Super Cup 4 times, the UEFA Cup 3 times, the European Cup 2 times, the Intercontinental Cup 2 times [1].

From 2004 to 2010, Inter Milan won three Serie A titles, two Coppa Italia titles, two Supercoppa Italiana titles, and won the European Cup in 2010. However, from 2011 onwards the club entered a period of rebuilding, undergoing five changes of manager and two equity transfers, and its financial difficulties. Players aged and sent infighting. Inter Milan's results were poor until 2018, when Conte took over as coach in 2019 and the club completed its rebuild and started to recover its results. Since winning the Europa League in 2010, the financial deficit has remained unresolved, with numerous share transfers leading to a worsening deficit and a decline in results. Until recent years, the league results started to improve, especially in 2021 when Inter Milan won the Serie A title again. However, the financial deficit has never been solved, and even increased year by year due to the impact of the epidemic.

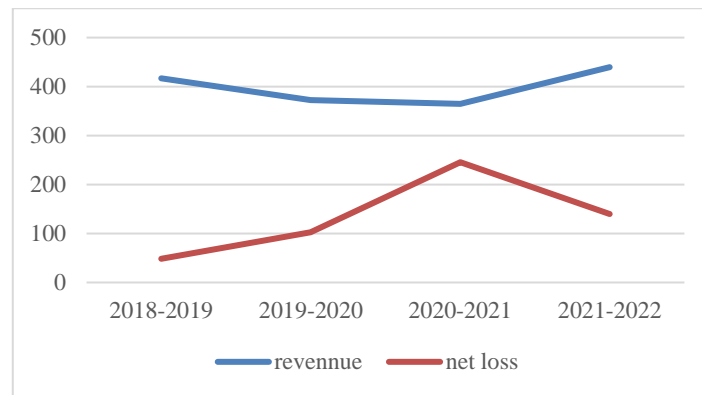


Figure 1: Club revenue form 2018-2022. (milliom erous) [2]

Club revenue consists of stadium tickets, sponsors and league bonuses. In 2018-2020, the club's revenue has been declining and its losses have been rising rapidly (See Fig. 1). However, revenue increased significantly in 2021 and losses decreased by 100 million euros. Of the increase in revenue, 138 million euros came from sponsorship revenue. On the other hand, the fans' support for the team has led to the highest attendance figures in Italy and the fifth-highest home attendance in Europe. The two years most affected by the pandemic, 2019-2021, saw a sharp drop in ticket revenue [2].

2. Case Study

2.1. Impact of the Pandemic

The coronavirus pandemic has cost European football 7 billion euros over two seasons, and the transfer market has shrunk significantly in 2019-20 and 2020-2021. According to Uefa, after two decades of sustained growth, football clubs lost €4bn in revenue in 2019-20 and €3bn in 2020-2021. There was a sharp drop in gate receipts due to empty matches (loss of €4.4 billion), a decline in commercial and sponsorship activities (loss of €1.7 billion) and a slight impact on television rights revenues (loss of €900 million). The pandemic's losses against Inter are concentrated in the 2019-2020 and 2020-2021 seasons [3]. Ticket sales and commercial deals are the main causes of losses.

2.1.1. Ticket Income

Starting the second half of the 2019-2020 season, Serie A will be completely empty. This means that the club will lose local ticket revenue as well as a partial refund of season tickets sold in the second half of the 2019-2020 season. The Serie A will not resume until June 20 after the fixtures close in March 2020. In the second half of the 2019-2020 season, Inter lost ticket revenue from seven league home games (refunds for sold tickets and compensation for lost season tickets) as well as revenue from the final three Europa League games. If the Europa League goes as planned and Conte leads Inter to the final, Inter will play three home games at SAN Siro (round of 16, round of 8 and semi-final). Inter's overall loss, including match-day earnings, would be about €30 million. Meanwhile, Milan's stores, ticket offices and the stadium museum in Milan will closed in February 2020, while tours of the SAN Siro stadium will be suspended. In the 2020-2021 season, matchday revenue will be lost due to the closure of the stadium, amounting to approximately €70 million, with related revenue equaling zero.

2.1.2. Commercial Agreements and Liquidated Damages

In the 20/21 season, approximately €40 million was generated as a result of the inability of clubs to honor some of their sponsorship rights under contract and the reduction of club partners during the pandemic. In 2021, the contract between Inter Milan and Pirelli expires and will not be renewed. Meanwhile, progress on signing a new sponsor has been hampered by the financial crisis of Inter Milan's largest shareholder Suning, which has put many of its commercial operations on hold.

2.2. Player's Wages and Age

In the 18-19 season, Inter's first-line starting salary before tax 116 million euros, the average age of the starting players 29.1. The total pre-tax salary of Inter in the season of 20-21 was 149 million euros, and the average age of the starting players ranked the second in Serie A and the third in Serie A. Inter's total pre-tax salary for 2022-2023 is 111 million euros. The average age of the current players is 29. The average age of Serie A players for the 2022-2023 season is 26.1 [4]. In contrast, Inter's players are far older and better paid than the Serie A average. In addition, during the epidemic period, many teams have taken salary reductions for players due to financial deficit, but Inter Milan did not take any measures to reduce salaries, which aggravated the financial pressure of Inter Milan during the epidemic period. These veteran players themselves have a lot of experience and skills. These veteran players will pass on their experience to the younger players in the squad, which is also of great benefit to the team, but the most fatal is the physical decline of the striker duo, Edin Dzeko and Laetaro. Although Dzeko played, he was unable to play the full game, basically playing 70 minutes is the limit. So it's a fatal blow to the team at the end of the day, maybe during this time the other team will come back. Generally speaking, there are two solutions to aging players.

Club should increase investment to introduce better and younger foreign aid, which requires a high transfer fee or loan fee. More importantly, we need to increase investment and training of young players, select more excellent young players to join clubs, and provide them with opportunities to perform in various leagues. In addition, the retirement of senior players will lead to a vacuum period, and it will take some time for the new players and the old players to get used to each other, which may lead to a decline in the team's performance.

2.3. Changes in Sponsor and Partners

Suning is the largest shareholder of Inter Milan. Due to the impact of the epidemic and the rise of online shopping in China, Suning mainly sells offline home appliances. In recent years, the business situation is not good, and it began to fall into debt crisis. In the first three quarters of 2021, Suning's revenue was 115.574 billion yuan, down 36.1% year on year. Operating profit was a loss of 10.166 billion yuan, down 56,312.38% year-on-year [5]. The fall of the largest shareholder also indirectly contributed to the decline of Inter's sponsorship. Nike has also been a long-time sponsor of Inter since 1997 when Ronaldo Luiz Nazario da Lima joined the club. Talks began again in 2022, with the two sides ruling out a breakup, and the deal went from 12.5 million euros to 25 million euros [5]. Pirelli has been a long-time sponsor of Inter Milan for 26 years (the longest-running sponsorship partnership in world football). Pirelli's annual sponsorship fee for Inter's front shirts is around 11 million euros, plus a maximum of 20 million euros in prize money. In search of a better offer, the two sides ended their partnership with advertising on jersey chests after the contract expired in 2021. But Pirelli will remain Inter's global tire partner, and Pirelli will pay Inter 2.9 million euros a year in sponsorship fees.

Digitalbits will replace socios' jersey chest as Inter Milan's sponsor for the 2022-2023 season with a whopping 30 million euros. Digitalbits replaces socials as the main sponsor of Internazionale's jersey chest from September 2021. However, they did not pay the 30 million euros sponsorship fee they were contracted to pay in 2022 [6].

Compare that with Inter Milan's old rivals, Juventus. Juventus received an eight-year contract from German brand Adidas on 22 December 2018, starting in 2019-2020 and ending in 2026-2027, with a total sponsorship fee of 408 million euros. On average, Juventus receives 51 million euros a year in fixed sponsorship fees [7]. Meanwhile, as Juventus won Serie A in 2018-19, they advanced to the knockout stages of the Champions League with four wins from two. They met Atletico Madrid in the last eight of the competition, thanks to a hat-trick from Cristiano Ronaldo. Despite losing to Ajax in the quarter-finals, Adidas signed Juventus to an eight-year sponsorship deal. This makes Juventus the sixth most expensive club equipment sponsor per year and Adidas the fifth most expensive with Real Madrid topping the list. Jeep, a well-known auto brand, is also a long-time sponsor of Juventus' shirt front ads. Due to Juventus' outstanding performance, Jeep's sponsorship fee will increase until 2021. The famous German security company Allianz is also a sponsorship partner of Juventus, which receives nearly 15 million euros a year in sponsorship fees. In addition to naming the stadium and sponsoring the Juventus first team, Allianz will also sponsor the Juventus women's team and provide training equipment. The average sponsorship fee in Serie A is just 5.3 million euros. The total sponsorship fee for Inter is between 60 million and 70 million. By comparison, Inter's sponsorship is modest, and Juventus' sponsorship is the sum of the other 19 Serie A teams put together so President Zhang could be forgiven for trying to secure a lucrative sponsor for the club, but he paid the wrong price. Jeep's sponsorship money alone was enough to keep Inter Milan at arm's length and they were able to sign Portuguese superstar Cristiano Ronaldo. Inter Milan, on the other hand, has had to sign players without a visa or at a low price due to a severe drop in sponsorship fees. The main reason is that Inter Milan does not have famous first-tier players, such as Cristiano Ronaldo and Lionel Messi. Superstar's ability to attract money is very strong, and many sponsors go to the players. In recent years, the decline of Barcelona club status is partly due to Messi's departure, although it affected the tactical arrangement of Barcelona, more is the departure of sponsors. According to statistics, a total of 11 sponsors and 26,000 members have left Barcelona [8].

2.4. Competition Results

After Inter Milan won the Champions League, with the departure of Jose Mourinho, the team's results went down. From the former Serie A title all the way down. Sixth place in Serie A in 2011-2012 season; Ninth in Serie A 2012-2013 season; The 5th place in Serie A in 2013-2014 season; In 2014-15, they finished eighth in Serie A, which was a terrible result. There are three important reasons for the decline. Firstly, Inter's team is slack and winning four titles in a row is crucial. But at this time, the more we cannot slack off. Knowing Mourinho's history, it is clear that his ability lies not in tactics but in the motivation and potential of his players, and once Mourinho is gone, the motivation of Inter's players is no longer there. As the old saying goes, pride comes before a fall. In addition, in the 2010-2016 season, Inter Milan changed 10 coaches, the shortest Stefanowicki only six days in charge, an average of 256 days per coach, according to statistics, Mourinho and the players need to work together for a year to play league results. It is impossible for Internazionale to familiarize the coach with the system in seven months, football coaches need to know everything about the players, such as the ability to identify the level of players; Identification of training quality; Recognition of team position arrangement; Identification of technical actions; The recognition of the game many many. The third is injury reduction. It is inevitable that players will be taken off due to various injuries in a game, such as muscle strain and swollen ankles. On match days the players play on two fronts and there is a reduction in the squad for the national team. The core of Sneijder and Mota and the winger of

Maicon are the winning core of Inter Milan, but because of several injuries, they even missed half of the games of Inter Milan, and Forlan and Lucio's injuries, so they could not play, which has a great negative effect on the above "coach needs to have a full knowledge of the team", there is no perfect coordination. The team's inability to win has forced Inter's hierarchy to keep changing players. Fourth, the mass transfer of players, Moratti has no ambition to flourish again, the economic climate has deteriorated, so not only Samuel Eto 'o, Motta, Sneijder and a host of other veteran players have left. At that time the salary and transfer fee was high, inter owner Massimo Moratti was in financial trouble, and Eto 'o's move was to help Inter. The Moratti family began to object to his investment in football, and he began to sell shares in Inter Milan [9].

3. Conclusion

The club is losing money because of the pandemic, a decline in players' ability to age, a change in sponsorship and a decline in league results. Inter has always been a strong competitive club. In the 18 years of Moratti's period, Inter Milan reached an unprecedented height, the owner Moratti also invested 4 trillion euros to build the champions League division, but also created the myth of treble, only 7 teams in Europe have reached this height. Moratti was prevented from selling the team he had run for 18 years in November 2013 due to opposition from his family. After a year of losses, but they still wait for their next club - Suning. It was the first club to ignite a revival in the fallen Serie A and is now thriving. It is currently the only one of the top 10 most expensive teams in Serie A and the only one to have won five titles. Three Champions League titles and the Club World Cup and 19 Serie A titles are proof of the team's past. In my opinion, Inter must make the following changes if they want to return to the top. First, Inter needs a new owner. Now Suning has to find a strong economic strength, such as Apple and Microsoft, which are strong in the market. The team is a costly project that requires constant investment by the owner, and it's a high-risk project. You may lose a lot, but it's high risk, high reward. For example, the Spanish team Real Madrid has a powerful, world-renowned brand behind the consortium Adidas. Real Madrid has also lived up to Adidas' huge sponsorship and won the Champions League many times. The two are mutually beneficial, with Real Madrid relying on Adidas sponsorship to bring in players and Adidas expanding the reach of its product through advertising on its uniforms. Secondly, rebuild the player structure. Edin Dzeko is a big problem in the front of the duo. It is well known that a player's peak form is before 36-38. Dzeko is now 36 and there will be a significant decline in his form in the last two years. Inter could buy a striker who can play alongside Lautaro. Inter are struggling in defence and Slovenian Aleksandar Skriniar is not keen to stay. Inter are slow to sign a contract extension, with the prospect of Skriniar joining Paris Saint-Germain on a free transfer. That would go against coach Pippo Inzaghi's tactics and leave Inter with one less weapon at the back. Then there is the problem of midfield. Inter have been transferring pressure to the back line, even if the wall is not a mistake. Inter's centre-three system requires two wingers who can attack and defend, as well as a good centre-half to defend the centre, but with the loss of Croatian star Brozovic to injury, they have had to replace him with Adriano Galliardini[10], but obviously the problem has not been solved. Having a 33-year-old playing in such a physically demanding position is simply not enough, and Inter have had minor problems against the underdogs. So Inter Milan have to strengthen the midfield position. Ronaldo's departure is a landmark event reflecting the decline of Serie A's top teams in the Champions League and the declining appeal of Serie A.

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