Casas do Benfica: a new beginning

Miguel Abilheira

Dissertation written under the supervision of Nuno Magalhães Guedes

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Abstract

Title: "Casas do Benfica: a new beginning"

Author: Miguel Ângelo Outeiro Abilheira

Keywords: Fan clubs, Sports Management, Customer Loyalty, Service Quality, Professionalization, Implementation.

The case study tells the story of SL Benfica - a Lisbon-based football club established in 1904 – which eventually became one of the most valuable clubs in the world. As the club expanded, so did its fan base. Fans who moved outside Lisbon took the club with them and ended up establishing the first Benfica branches. The branch concept would later develop into a new one: Casas do Benfica. Casas do Benfica were voluntary associations – completely independent from SL Benfica itself - and managed by a team of local Benfica supporters.

Jorge Jacinto - director at SL Benfica - saw in Casas do Benfica a source of untapped potential: most Casas do Benfica were still very amateurishly managed and struggled to be financially sustainable. Jacinto concluded that something had to change in order to drastically improve the outlook of Casas do Benfica and prepare the network for the following decades. To achieve this, the concept of Casas do Benfica was revised, upgraded and professionalized. In 2019, SL Benfica launched a new generation of Casas do Benfica: Casas 2.0. Launching Casas 2.0 was an unprecedented move for the club that meant breaking with some rooted practices and traditions, creating strategic and cultural clashes between the old and new models.

Those and other challenges for the implementation of the Casas 2.0 concept by SL Benfica are analyzed in the Teaching Note with the help of relevant topics addressed in the Literature Review section, such as sports management, brand image and customer loyalty.

Resumo

Título: **“**Casas do Benfica: um novo começo”

Autor: Miguel Ângelo Outeiro Abilheira

Palavras-Chave: Clubes de adeptos, Gestão Desportiva, Lealdade dos consumidores, Qualidade de Serviço, Profissionalização, Implementação.

O Caso de Estudo conta a história do SL Benfica – clube de futebol sedeado em Lisboa e fundado em 1904 – que se tornou num dos clubes mais valiosos do mundo. A expansão do clube foi acompanhada pela expansão da sua base de adeptos. Alguns adeptos mudaram-se para fora de Lisboa, levaram o clube consigo e acabaram por fundar as primeiras delegações do Benfica. Mais tarde, o conceito de delegação acabaria por evoluir para um novo conceito: Casas do Benfica. Casas do Benfica eram associações – completamente independentes do SL Benfica – geridas por uma equipa de adeptos locais.

Jorge Jacinto – diretor do SL Benfica – viu nas Casas do Benfica uma fonte inexplorada de potencial: grande parte das Casas do Benfica era gerida de forma amadora e economicamente insustentável. Jacinto concluiu que seriam necessárias mudanças de forma a melhorar a condição geral das Casas do Benfica e a prepará-las para as décadas seguintes. Deste modo, o conceito das Casas do Benfica foi revisto, atualizado e profissionalizado. Em 2019, o SL Benfica lançou a nova geração das Casas do Benfica: Casas 2.0. O inédito lançamento das Casas 2.0 por parte do clube implicou romper com algumas práticas e tradições enraizadas, provocando conflitos estratégicos e culturais entre o novo conceito e o anterior.

Esses e outros desafios de implementação das Casas 2.0 são analisados na Teaching Note com a assistência dos tópicos de discussão contidos na Revisão de Literatura, tais como gestão desportiva, imagem de marca e lealdade dos consumidores.

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My parents. For their unconditional support and investment on my education. May this work prove their sacrifices worthwhile.

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1. Case Study

It was June 4th, 2019 in Santarém – 80 km from Lisbon, the Portuguese capital city. Jorge Jacinto – a director at Sport Lisboa e Benfica football club – was overseeing the renovation works taking place in a vacant building located at the heart of the city's main square. Jacinto had great plans for that building, and the city mayor had just given him the "go ahead".

The renovated building was going to become a Casa do Benfica, one among 298 SL Benfica's fan clubs spread across the globe - each one managed by a team of local supporters. SL Benfica was founded in 1904, and since then became a household name in the football world. By 2018, it generated in excess of 200M€ in revenues, which made SL Benfica the 26th most valuable football club in the world.

Managing the Casas do Benfica network for more than 10 years, Jacinto had lost track of the number of Casas do Benfica openings he hosted. But this time it felt different. This was no ordinary Casa do Benfica. Jorge Jacinto was, in fact, planning to unveil the first ever Casa do Benfica 2.0 - a new concept, that, he hoped, would finally revamp the network and ensure the professionalization of Casas do Benfica for decades to come. The implementation of the Casas 2.0 concept was SL Benfica's direct response to the fact that a significant share of its fan clubs were still very amateurishly managed, struggling to keep the doors open, struggling to provide a good service and, thus, tarnishing Benfica's brand.

As he oversaw the final details of the opening ceremony, planned for September 2019, Jacinto couldn't help looking back at those times he feared for the viability of the project. Despite all the thrill and confidence, in the back of his mind some questions kept coming back:

"Was this the right strategic move?"

"Will this new concept succeed?"

1.1. The evolution of the football industry

Known worldwide as "the beautiful Game", football had changed drastically since the creation of the English Football League - the first professional association - in 1888. As time progressed, football evolved from a leisure activity to a multi-million dollar industry.

There was a time when there simply wasn't money in the game. Up until the 1960s, business in football consisted only of shirt sponsorships - boasting a company's logo front and center.

However, as entrepreneurs and businessmen inevitably became aware of the sport's popularity, they became interested in the game by commercializing the sport.

Shirt deals evolved into naming rights. As clubs developed so did their infrastructure. New stadiums proceeded to be built and companies took the opportunity to have stadiums named after their brands. Big football clubs, never particularly forward-thinking, got smarter and developed into multi-national companies. Since TV licensing fees began flooding into the game from the early 1990s, the rewards for being more professional kept rising. As a result, some football clubs became publicly listed in the stock market - SL Benfica being one of them.

Football clubs could be perceived as entertainment companies, with the aim of providing a show, get sportive results and satisfy the fans and the community. Thus, clubs sold a show, the football match, which could be seen either live at the stadium - paying tickets - or through the media. This generated media rights, sponsorships and advertising, in addition to official clothing, gadgets or museum visits. In synthesis, there were four main sources of revenue for football clubs:

1. **Matchday** – ticket and corporate hospitality sales;
2. **Broadcasting rights** – mostly related to TV licensing fees but also other media rights;
3. **Commercial sources** – including sponsorships, naming rights, merchandising, advertising and other commercial operations.
4. **Player transfer fees** – income generated by selling the economic rights of a given player to another club.

The most reliable way to measure and compare the financial performance of different clubs was to use Operating Revenues, which excluded player transfer fees, since these were very volatile, varying greatly year over year.

As of 2018, in the Portuguese market, broadcasting rights accounted for 52% of operating revenues, while commercial sources and matchday earnings represented 34% and 14%, respectively. Deloitte research results showed that the football industry was continuously growing all around the globe, faster than the European economy, even during crisis periods.

Football clubs were, in fact, among the most long-lived of all businesses, with certain clubs being almost as old as the game itself: Manchester United (1878), FC Barcelona (1899), SL Benfica (1904), just to name a few.

By 2019, football was spread all over the world from well-developed European countries to the most remote parts of Africa. Approximately 243 million people officially played football which accounted for 4,1% of the world's population, according to a 2006 survey conducted by *Fédération Internationale de Football Association* (FIFA). And the sport's popularity kept on rising, not only in traditional European markets, such as Portugal - where 75% of the population followed the sport -, but also in key strategic markets such as China, India and the USA - where the popularity rate grew from 23%, 30% and 28% to 32%, 45% and 32%, respectively, between 2013 and 2017. The conclusion from Nielson's Annual Football Report was that "football has a dominant position in the world of sports, and still has room to grow in the largest [demographic] markets".

From the clubs' perspective, football fans were no longer seen just as fans, but also as a captive market. It was of the utmost importance to attract and cultivate as many fans as possible, in order to further expand the club's influence and reach.

1.2. Sport Lisboa e Benfica

The 1960s were defining years in the club's history (see Exhibit 1 for additional information in the history of the club). The sportive success both at home and abroad allied to Benfica's positioning as the club of the Portuguese working-class gave Benfica a big popularity boost. Benfica's supporters grew *en masse*. Benfica became the most popular football club not only in Portugal but also in the Portuguese diaspora. According to a 2006 study, Benfica had approximately 14 million supporters worldwide: with over 4.7 million in Portugal, 5.5 million in all of Europe, 6.5 million in Mozambique and Angola, over 1 million in the United States and Canada and the rest being located in Brazil, Venezuela, Caribbean, Indochina, China, Australia and India.

Since its inception, Benfica was totally owned by its "sócios", or members. Members were club supporters with paying memberships, invested with powers to democratically elect the club's president for a four-year term. Members also participated in general assemblies, submitted proposals, and took part in discussions. In 2006, with 160.398 members, Benfica became the world's largest club in terms of paid membership. Being featured in the Guinness World Records book as "the most widely supported football club in the world". By 2019, the number of paid memberships rose to 230.000. Additionally, Benfica was considered the European club with the highest share of football supporters in its own country (47%), according to a 2012 UEFA report.

In 2000, Benfica created a public limited company with the sole purpose of managing its professional football activity - Sport Lisboa e Benfica – Futebol SAD. On May 21st, 2007 Benfica SAD entered Euronext (stock exchange) with an initial market capitalization of €75 million.

In 2008, Benfica launched its own television network, Benfica TV (BTV). BTV broadcasted Benfica's live matches at its home stadium, all the home matches for its youth teams, as well as matches of Benfica's other sports besides football. Despite being best known for its professional football team, Benfica competed in a variety of other professional and semi-professional sports, such as: Futsal, Roller Hockey, Basketball, Handball, Volleyball, Track and Field athletics (with an Olympic program), Swimming, Rugby, Table Tennis, Billiards, Canoeing, just to name a few.

In April 2014, Benfica renewed its sponsorship contract with Adidas until 2021, for around €4.5 million a year. In 2015, Emirates became Benfica's main jersey sponsor in a three-year sponsorship deal worth up to €30 million. Later that year, Benfica also announced a three-year deal with NOS – a Portuguese media company – for its distribution and broadcasting rights, receiving €40 million per season, with the option to extend the contract to a maximum of ten seasons, totaling €400 million.

By June 2017, Benfica had earned €617 million from player transfers since the 2010-11 season, more than any other club in the world. This came as a direct result of Benfica's strategic vision of becoming the world's leading talent academy by recruiting young talented players, developing them into football *virtuosos* and selling them for dozens, and even hundreds, of million euros. Benfica's Training Centre and Youth Academy accommodates all of Benfica's youth teams - containing 9 training grounds, dressing rooms, hotel facilities with capacity for 86 rooms, 2 food courts, 2 gyms, 2 auditoriums, swimming pools, and so forth. The 19 hectares of area would soon be expanded with the construction of additional training grounds and a school with capacity for up to 1200 students from its youth teams (See Exhibit 3).

In the 2017-18 season, Benfica SAD reported an all-time high equity value of €86.8 million: total assets rose to €485.1 million, with €398.3 million in liabilities. Profits were at €20.6 million, totaling €121.5 million in operating revenues (excluding athlete's transfer fees) and €206.2 million in total revenues - corresponding to Benfica SAD's third-best performance in its history. Athlete's transfer fees accounted for € 77.7M, broadcasting rights for €62M, commercial income for €35M and matchday income for €24M. Total revenues showed a compound annual growth rate (CAGR) of 7.5%, from 2010-11. In January 2019, Benfica, ranked as the world's 30th highest commercial revenue generating football club, remaining the only Portuguese club to ever feature in the Deloitte Football Money League (See Exhibit 4).

Benfica’s biggest rivalries date back more than a century. Sporting CP and FC Porto were its biggest rivals, with whom it formed the "Big Three": Portugal's most decorated and widely supported clubs. None of the Big Three have been relegated from the Portuguese top football league. In fact, these historic rivalries were not limited to football and could be found throughout the various sports where Benfica, Sporting and FC Porto competed against each other.

With a total of 82 major trophies, Benfica was by 2019 the most decorated football club in Portugal. Benfica’s 80 domestic trophies included 37 Primeira Liga titles – the most important domestic title -, 26 Taça de Portugal, 7 Taça da Liga, 7 Supertaça and 3 Campeonato de Portugal. Internationally, Benfica European Champions double win in 1961 and 1962 was a unique feat in Portuguese football.

1.3. Casas do Benfica

Only a few years after the club’s foundation, Cosme Damião was already talking about the importance of bringing the club closer to its fans living away from Lisbon. Thus, in 1912, the club’s first regional branch was established in Portalegre - 230 km from the city. Benfica’s branches started to gradually pop-up all-over Portugal and the Portuguese diaspora. The founders were often Benfica supporters who moved out of Lisbon and carried with them the affection for the club, ending up establishing Benfica’s branches in the towns they settled into. The first branches gave an important contribution to the development and promotion of football in those regions.

At the time, the branches were mainly focused on promoting the club and developing the sport. However, in the 1950s the concept was replaced by a new one: Casas do Benfica. Casas do Benfica, or “Benfica’s Houses”, carried a much broader mission than the sportive element alone: “Promoting the club, along with the cultural, social and sportive socialization between Benfica supporters”.

In 1952, the first Casa do Benfica was established in Campo Maior, closely followed by Caldas da Rainha later in the year. Throughout the 1960s and 1970s, the immigration wave associated with the Portuguese Colonial War led to the internationalization of Benfica. Benfica expanded to several countries in Europe, North America and the Portuguese colonies in Africa. As a result, in 1969, Toronto (Canada) became the first foreign city to feature a Casa do Benfica.

By the 1980s, the sportive objectives that led to the creation of the original Benfica branches at the beginning of the century were gradually losing relevance, since football was already a well-established sport and, therefore, the promotion of the sport was no longer needed. Casas do Benfica were much more focused on the social and cultural components of its mission. People wanted a place to meet and enjoy their common interests. This became especially true for Casas do Benfica outside Portugal.

Casas do Benfica located overseas could be seen as Portugal Embassies, welcoming immigrants and providing support to the Portuguese-speaking diaspora: "If anyone walks in and needs something - help finding a job or a place to stay - we will help" said José Pereira - one of the founders of Casa do Benfica in Cambridge (USA). Casas do Benfica became cultural clubs, helping Portuguese emigrants preserve their ethnic identity, by serving Portuguese traditional dishes, organizing folklore groups and hosting national festivities as well as cultural events like *fado* performances. Doug Mulliken, an American writer, noted:

> *"Casas do Benfica are much more than just places for the Portuguese to watch football matches, however, watching football matches is the basis from which all other activities spring. For many Portuguese living in foreign countries, being a Benfica fan is a large part of what makes them Portuguese".*

Mulliken added:

> *"What interested me then, and what I still find fascinating, is the way Portuguese emigrants have used the idea of getting together to support a team as the basis for the construction of their culture and society in foreign countries".*

The decades of the 1980s and 1990s saw a big increase in the number of Casas do Benfica. Growing from 6 Casas do Benfica in 1981 to around 121 by 2000. Each of the existing Casas do Benfica was a non-profit association, founded and managed by a group of local fans. Casas do Benfica had total freedom to pursue its social, cultural and sportive goals, but, at the same time, had to comply with statutes established by SL Benfica. Among other things, the statutes stated that every Casa do Benfica had to have its own members, and its management team had to be democratically elected every 3 years.

To make sure the statutes were being strictly followed, SL Benfica created a Casas do Benfica Department. The Department also had the purpose of supporting the Casas do Benfica network and further advancing the concept. In 2008, Jorge Jacinto was appointed as the new Director of the Department. Jacinto - a former Casa do Benfica president himself - set out to solve one of the biggest problems the network was facing: the lack of a common visual language. At the time, there was no cohesion in terms of aesthetics. All existing Casas do Benfica looked different from each other: while some managed to cause a good impression on its visitors, others looked sub-par.

Thus, in 2009, Jacinto launched the ‘New Image Project’, aimed at standardizing all Casas do Benfica in terms of visual concept, layout, architecture, decoration and communication of Benfica’s brand. The project came to fruition by April 2009 when the first Casa do Benfica with the new image opened to the public, in Oleiros. Soon after, many other Casas do Benfica followed suit (See Exhibit 5).

Looking back at the project, Jacinto was confident of its success: “it was, indeed, a useful tool for the development of the network”. By 2018, Casas do Benfica was the only fan club network in the world capable of selling tickets for its team’s matches, not only for football but also for basketball, volleyball, handball and roller-hockey. Casas do Benfica were responsible for 20% of SL Benfica’s total merchandise sales and 25% of Benfica’s total tickets sales. Additionally, Casas do Benfica also sold tickets for stadium and museum tours. Most services available at Benfica’s stadium could also be provided by Casas do Benfica.

By 2019, Jorge Jacinto considered Casas do Benfica to be “the largest and most advanced fan club network of any football club in the world”, with 298 Casas do Benfica, 25,000 athletes across all types of sports, and more than 37,000 members spread throughout 17 countries (See Exhibit 6).

Notwithstanding, a lot had changed in the 10 years that followed the implementation of the ‘New Image Project’. SL Benfica, as a whole, developed greatly both in sportive, financial and organizational terms. Benfica’s brand became one of the most valuable in the football industry. Consequently, Benfica raised the quality standards for its operations and the expectations from fans were at an all-time high.

However, despite recent progress, a considerable share of Casas do Benfica were still struggling to keep the doors open, to become financially sustainable and were unable to provide a high quality service to its visitors. Jacinto feared for the long-term viability of the network. The entire network was based on voluntary associations: organized groups of local fans who volunteer their time and effort to promote the club, without any profit incentives. That resulted in a big quality disparity among Casas do Benfica: while some met and exceeded Benfica’s own quality standards, others fell short of fans expectations. Furthermore, voluntary associations that, until then, served as the backbone of the network, were gradually losing some of its strength. People were no longer willing to dedicate so much of their time to the cause. While the local management teams, usually around 10 people, did the best they could with the time they had, sometimes it just wasn't good enough. Jacinto was convinced that a change was needed since voluntary associations would no longer be able to sustain the entire network: "If we don't evolve the concept, in 10 years Casas do Benfica will become totally obsolete". The future of the network seemed grim. A viable solution had to be devised. But what would that solution be? What shape would it take?

1.4. Casas do Benfica 2.0

After months of evaluation, pondering about possible solutions and alternatives, Jacinto finally settled on a new paradigm for the future of Casas do Benfica. The new paradigm - named Casas 2.0 ("Houses 2.0") - was a completely new concept.

The new generation of Casas do Benfica was designed from scratch, both in terms of aesthetics, day-to-day operations, and business model.

Regarding aesthetics, Casas 2.0 would feature several new distinctive traits. A set of red metal arches would be placed on top of every Casa 2.0, in order to closely resemble the architecture of Benfica's stadium. Additionally, every Casa 2.0 would have an adjacent state-of-the-art multi-sport facility, where visitors could play group sports (e.g. futsal, basketball, volleyball, handball, badminton) as well as gymnastics, dancing and yoga lessons (See Exhibit 7).

In terms of day-to-day operations, Benfica decided to streamline the whole concept. Benfica concluded that all Casas 2.0 should be composed of 3 business areas: Food & Beverage; Ticket and Merchandising Store; and a Leisure Academy. Moreover, Benfica opted not to directly operate any of the business areas. Instead, each business area would be operated by a business partner selected by SL Benfica. As such, 100 Montaditos - a popular restaurant chain with more than 700 locations worldwide - would run the Food & Beverage area. Casa Campião - the leading broker of Portugal's lottery tickets - was selected to operate the Benfica Official Store, where fans could acquire tickets, official merchandising and lottery raffles - a popular activity in Portugal, capable of generating high amounts of foot traffic. Lastly, the Leisure Academy - "Benfica Ativo", or "Active Benfica"- would be operated by Tempos Brilhantes - the leader in the Portuguese market of after-school care.

During weekdays, “Benfica Ativo” would promote several morning activities for the local senior population and pregnant women, while receiving children in the afternoon, right after school. “Benfica Ativo” was conceived so that, once the school day was over, children could head to the local Casa do Benfica, where a group of instructors would help them with the homework. After completing their homework, children would attend classes (e.g. English, music, robotics, programming) and play group sports in the adjacent sports facility. Parents would pay a monthly fee for their child’s activities. During weekends, Benfica Ativo would host community activities and the sports facility could be rented to the general population.

Jacinto saw “Benfica Ativo” as the beating heart of Casas 2.0. Benfica wanted Casas 2.0 to be a place where people could spend quality time with their families. Until then, the main visitors of Casas do Benfica were adult men. Thus, Benfica set out to widen the scope of people who visited Casas do Benfica. Casas 2.0 were designed to be attractive venues also for women and children.

In fact, children were at the center of Benfica’s approach to the new generation of Casas do Benfica. From a business standpoint, children would be its primary anchor visitor. If Casas 2.0 succeeded in attracting children on a daily basis, there was a great chance that their family (e.g. parents, grandparents, aunts and uncles) would also become frequent guests. Furthermore, children’s daily contact with Casas do Benfica could entice them to become Benfica supporters in the future, as childhood happens to be the best time to shape someone’s football preferences. After converting to one club, most people didn’t ever change. There was a saying in Portuguese culture that “a man can change his wife and even his political party, but he never changes his football club”. This seems to hold true for most people. In a sense, Casas 2.0 could be seen as an investment in the next generation of Benfica supporters.

Lastly, Casas 2.0 would also mark a change in the business model associated with Casas do Benfica. Until 2019, Benfica had never paid for any of its 298 Casas do Benfica. Local management teams had to find ways to finance the construction of their own Casa do Benfica. By contrast, Casas 2.0 would be paid by SL Benfica, consisting of a totally new approach to the concept.

With the implementation of Casas 2.0, the club would get a new source of revenue. While in the past Benfica only benefitted from ticket and merchandising sales, Casas 2.0 would allow Benfica to further monetize them by collecting rents on each of the business areas. Each business partner would pay Benfica a monthly fee to operate within Benfica’s building, just like on any other retail space. Each Casa 2.0 is expected to generate a minimum of €150,000 in both direct revenues (e.g. rents, sponsorships) and indirect revenues (e.g. Merchandising and Ticket Sales), every year. According to the project's business plan, the revenues generated would allow Benfica to recoup its investment in less than 10 years. Benfica planned to build Casas 2.0 on the biggest Portuguese cities in addition to foreign cities with the largest Portuguese population (e.g. Toronto, Paris). Casas do Benfica located in smaller cities would remain with a slightly more professionalized version of the previous concept. The construction of the first 10 to 20 Casas 2.0 would take place over a period of 3 to 5 years, and Benfica planned to re-invest the revenues to finance the construction of additional Casas 2.0. For all these reasons, and despite being an unprecedented investment for the club, it wouldn't take a considerable amount of its financial resources especially when compared to Benfica's total revenues.

Additionally, Benfica would gain total control over every aspect related to Casas 2.0 and its business operations. Until then, Benfica had no real power over its Casas. All existing Casas do Benfica were independent entities. Benfica relied on the goodwill of local management teams, although they could choose to ignore all of Benfica's suggestions. With Casas 2.0, however, each Casa do Benfica would be directly owned by Benfica.

While establishing a Casa 2.0 in a new city was relatively straightforward, upgrading existing Casas do Benfica was more complex, mainly due to the transfers of power that had to take place. Management teams had to forgo all of their power and influence over the business areas, and this was a potential tension point. On the other hand, upgrading to a Casa 2.0 allowed management teams to focus entirely on their social and cultural responsibilities. Among those responsibilities was the promotion of events for the local community of Benfica supporters, as well as sport activities in which both adults and children could compete as athletes of their local Casa do Benfica.

While some management teams promptly expressed their excitement to be part of Casas 2.0, others didn't seem quite as thrilled with the idea. Casas 2.0 could turn out to be a tougher idea to sell than expected. Benfica was banking on the success of the first few Casas 2.0 to help convince hesitant management teams to upgrade.

Despite all these changes, however, Casas 2.0 would also maintain its legal form as associations, including the traditional relationship with its paying members that would keep their rights and duties.

1.5. The future

On September 2019, Benfica is expected to finally unveil its first Casa 2.0. The flagship Casa do Benfica, located in Santarém, would serve as the pilot for the entire Casas 2.0 project. Its success (or lack thereof) would make or break the project. If successful, Benfica could move on with the expansion plan. On the other hand, in case of failure the project could be discarded altogether. Jacinto, nevertheless, believed he did all the thinking, all the strategizing and all the planning for this project to succeed. However, since the very beginning, the project had its fair share of skeptics, who doubted if Casas 2.0 was the right strategic move and if the new generation of Casas do Benfica was really going to succeed. Questioned about the skepticism, Jacinto replied: “time will tell who got it right…”.

1.6. Exhibits

Exhibit 1 – Historical Information

Historical Information

After two months of planning and discussions, a group of 24 football enthusiasts finally scheduled to meet on February 28th, 1904. The meeting took place in the back of Farmácia Franco with the sole purpose of forming a football club called Sport Lisboa. Among those present was Mr. Cosme Damião, who would later become one of the club's most iconic and influential leaders. The founding members decided that the club's colors would be red and white, and the crest would be composed of an eagle, a football and the motto "E Pluribus Unum" ("One out of many"). (See Exhibit 2)

Sport Lisboa played its first official football match on January 1st, 1905 winning by 1-0 and quickly becoming one of the best teams in the country. However, despite the early victories, the club had a rough start, suffering from poor playing conditions, namely the football dirt pitch, which caused eight players to leave the club and join Sporting CP, in 1907. An event that ignited a notorious century-old rivalry between the two Lisbon-based clubs.

Without its own football pitch but with a talented team, Sport Lisboa deepened its relationship with Sport Benfica, a local club with a football pitch but lacking enough players to form a football team. Eventually, realizing the potential synergies, it became obvious that both clubs would benefit from joining forces and merging into a single club. Thus, on September 13th, 1908 Sport Lisboa merged with Grupo Sport Benfica and, as a result, changed its name to Sport Lisboa e Benfica. It was agreed upon that the newly formed club would adopt Sport Lisboa's foundation date, shirt colors and motto.

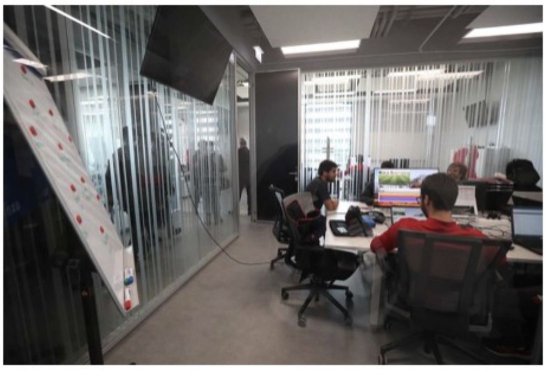
Benfica won its first national title in 1929/1930 by conquering the Portuguese Championship. The Portuguese league began in 1934, and after finishing third in its first edition, Benfica won the following three championships in a row. The Latin Cup (1950) was Benfica's first international trophy. In 1957, Benfica made its debut in the European Champion Clubs' Cup (currently known as UEFA Champions League) – the world's most prestigious club competition – and, in 5 years, the club managed to win the competition twice in a row, thanks to the contribution given by a young player named Eusébio da Silva Ferreira. Eusébio, 21 years old at the time, would later grow to become not only Benfica's best player of all time but also the best player in the world.

Exhibit 2 – SL Benfica's original crest and its evolution over time

Source: SL Benfica

Exhibit 3 – Benfica's Training Centre and Youth Academy

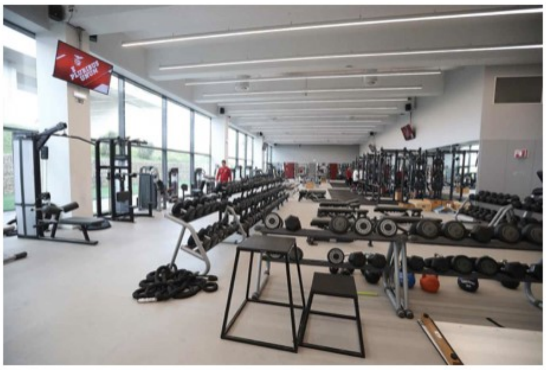
Benfica's President presents the academy to journalists



Offices

Training Grounds

Rooms



Gym

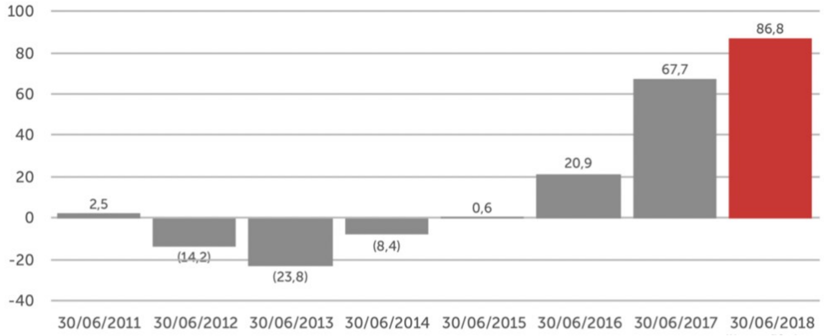
Leisure area

Cafeteria

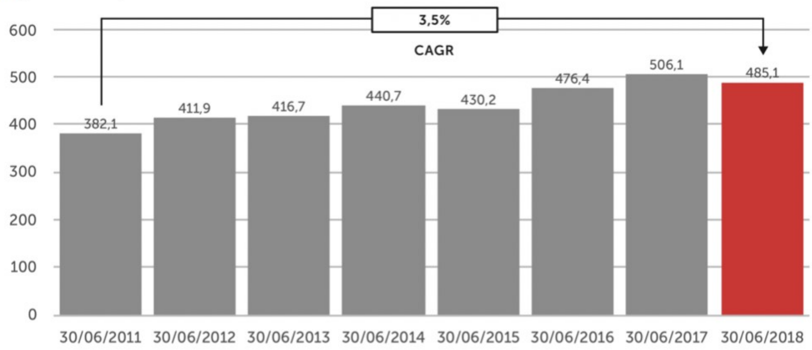
Auditorium

Exhibit 4 – Selected financial indicators

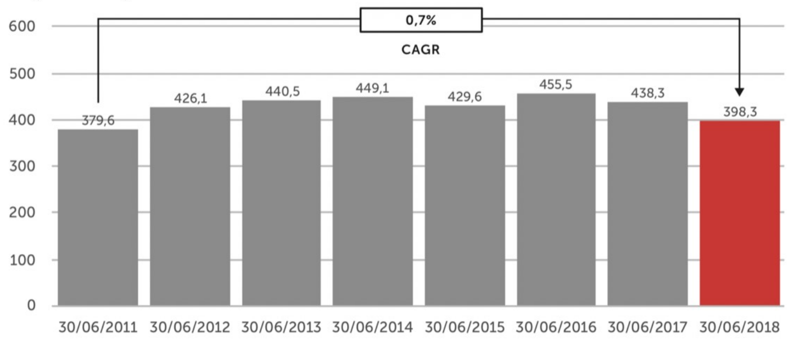
EQUITY VALUE (million €)



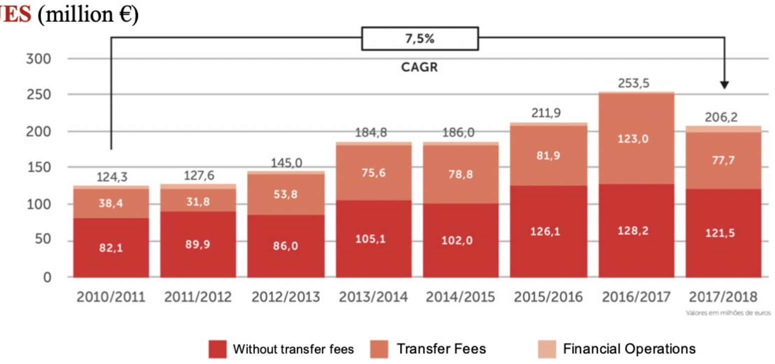
TOTAL ASSETS (million €)



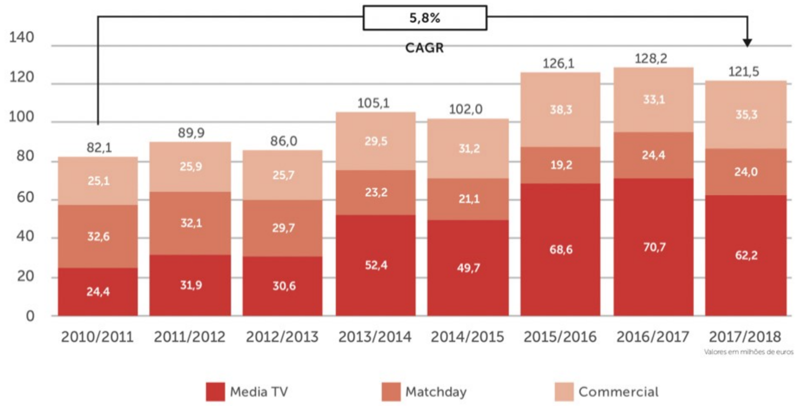
TOTAL LIABILITIES (million €)



TOTAL REVENUES (million €)



OPERATING REVENUES (excluding player transfer fees) (million €)



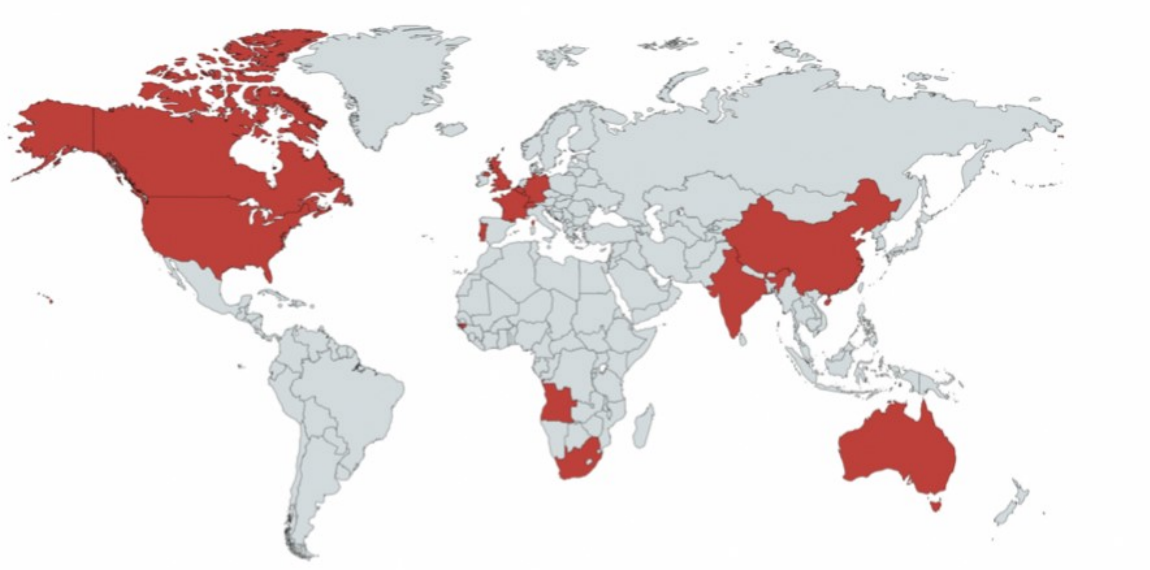
Source: SL Benfica's financial reports

Exhibit 5 – Implementation of the New Image Project

Casa do Benfica with its own visual language

Casa do Benfica with the 'New Image'

Exhibit 6 – Geographic distribution of Casas do Benfica



Country	Number of Casas do Benfica
Portugal	252
Switzerland	11
United States of America	10
Canada	5
France	3
Germany	2
Luxemburg	2
United Kingdom	2
Cape Verde	2
South Africa	2
Andorra	1
Australia	1
Belgium	1
Angola	1
Guinea-Bissau	1
India	1
China	1

Exhibit 7 – The architecture of Casas 2.0

Architecture of Casas 2.0 (angle 1)

Architecture of Casas 2.0 (angle 2)

Architecture of Casas 2.0 (angle 3)

Benfica Official Store

Food & Beverage area

Benfica Ativo

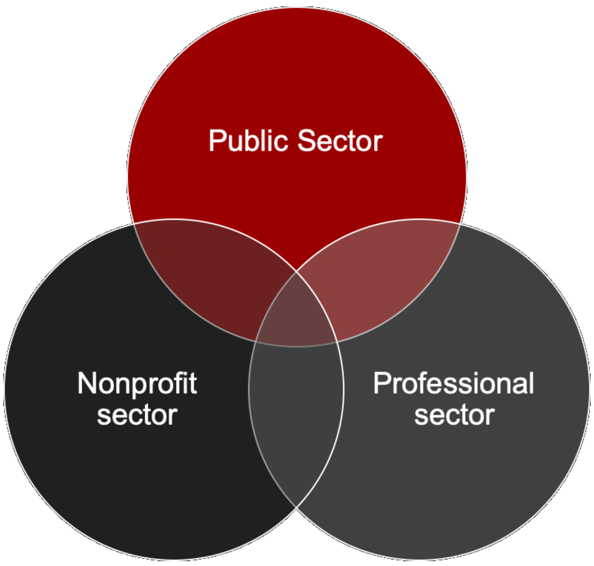
2. Literature Review

The present chapter aims at providing the reader with relevant theoretical concepts for the Teaching Note analysis. The literature review will cover the following theoretical concepts: sports management, brand image and customer loyalty. Going over the aforementioned concepts will prove itself useful when evaluating SL Benfica's strategic decisions and understanding why it became so important for sport clubs to create long-lasting relations with their fans while protecting their brand and traditions. Furthermore, given the unique circumstances in which SL Benfica operates, the review of each concept will be, in some way, linked with the sports industry in order to better understand its practical implications.

2.1. Sports Management

The development of sports from an amateur pastime into a significant industry highlighted the relevance of sports management as a field of study. The growth and professionalization of sports changed the way sports are managed, produced and consumed. The sports industry "employs many millions of people around the globe and is played or watched by the majority of the world's population" (Hoye, Smith, Nicholson and Stewart 2015).

According to Hoye et al. (2015), the sports industry encompasses three separate but related sectors: the public sector, the voluntary sector and the professional sector. These sectors often cooperate with one another in joint commercial ventures.



Three sector model of sport

The public sector consists of governments and agencies that enact sports policy, finance other sectors, and perform special tasks such as drug testing. The voluntary sector includes community associations and international sport entities that promote competitions and sporting events. Lastly, the professional sector consists of professional clubs and leagues, in addition to related entities such as equipment suppliers, event organizers, and media outlets (Hoye et al. 2015). Nevertheless, despite the importance of all three sectors, the present literature review will mainly focus on the professional sector, in general, and in professional clubs more specifically.

2.1.1. Professional Sector

The professional sector is the most notorious and profitable sector of the sports industry. Organizations in the sector (e.g. sport clubs) attract the largest share of sponsorship revenues and media exposure. Professional sports, as Hoye et al. (2015) point out, are

> *"played in cities all over the world, in the very best stadiums, by athletes who often earn millions of dollars. Those who play it are cultural celebrities on a global scale".*

Professional sports became big businesses by providing an addicting form of entertainment to the masses. For millions of fans, clubs and players became an instrument of self-expression (Hoye et al. 2015).

Professional clubs, leagues and athletes are the central entities in professional sports, that along with the media, agents and sponsors take part in a "self-sustaining commercial alliance, in which each of the partners promotes and supports the activities and interests of the others". Commercial relations between those entities form the binding forces that hold the sports industry together in the 21st century (Hoye et al. 2015).

The development of the sports industry meant that sport organizations had to evolve into more professionally managed and structured entities. Successful sport organizations were able to apply business principles to operational planning, product and service marketing, human resource management in addition to all other facets of day-to-day operations. The peculiar environment of the sports industry meant that managing sport organizations required adjusting management practices common to the majority of modern businesses to the specific context of sport and its unique features.

2.1.2. Unique features of sport

According to Stewart and Smith (1999), the emotional dimension associated with sports causes people to develop irrational affections for athletes and teams. Thus, sport managers

> *"must learn to harness these passions by appealing to people's desire to buy tickets for events, become a member of a club, donate time to help run a voluntary association or purchase sporting merchandise" (Hoye et al. 2015).*

Thus, the types of products and services provided by sport organizations should be able to tap into people's emotional attachment and influence fan's buying decisions.

Sport organizations differ from traditional business organizations in the way their performance is evaluated. While private companies' main objective is to generate profit and create value for shareholders, sport organizations have to reconcile the need for profitability with the imperatives of winning trophies, engaging with fans and meeting community service duties (Stewart and Smith 1999). Sport managers ought to recognize sport organizations' multiple performance outcomes in order to ensure that organizations meet all strategic objectives.

Additionally, while companies of fast-moving consumer goods, for example, face the constant threat of being swapped for better or cheaper alternatives, sport organizations enjoy a degree of brand loyalty that cannot be found in any other area of economic and social activity. Sport fans almost never change their sport preferences, even when faced with poor sportive results (Stewart and Smith 1999).

Furthermore, sport differs from other economic activities in another important aspect: its limited availability. Sport clubs are constrained by the number of scheduled games and season length. Hence, clubs cannot simply adjust supply to meet a sudden change in demand. Clubs are limited in their ability to maximize revenues (Stewart and Smith 1999).

Combined, the unique features of sports mentioned above formed, over the decades, a specific management environment.

2.1.3. Sports management environment

While employing management practices that are similar to those applied in other industries, sport managers had to adapt some areas of the management practice to the specific industry environment of sports.

Globalization changed the way sports are produced and consumed. The industry benefited greatly from the unprecedented coverage given to elite sport events by mainstream and social media. In the past, fans' only option was to attend live events at the stadium or read about it in the newspapers the next day, however, with the integration of the world's economies, sport fans were able to follow multiple teams throughout their smartphones, pc and tablets (Hoye et al. 2015).

With the global expansion of the sports industry, sports management saw a period of rapid growth in management complexity, forcing the professionalization of sport organizations and its managers. In addition to managing the wellbeing of elite athletes, sport managers had to negotiate billion-dollar broadcasting and sponsorship contracts, engage in strategic planning and operate within an integrated network of government agencies, community organizations, media corporations and international sports federations. (Hoye et al. 2015).

2.2. Brand Image

2.2.1. Brand

According to the American Marketing Association (AMA), a brand can be defined as:

> *"a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of the competition."*

Kotler and Pfoertsch (2006), however, argued that brands should be defined more broadly:

> *"a brand is the totality of perceptions – everything you see, hear, read, know, feel and think – about a product, service, or business. It holds a distinctive position in customer's minds based on past experiences, associations and future expectations"*.

In Kotler and Pfoertsch's (2006) view, consumers' perceptions play a central role. This implied that, when managing a brand, it's crucial to take consumers' perspective of the brand into account.

In an increasingly competitive market, it became imperative for companies to develop a deeper insight of consumers' perceptions, thoughts and beliefs. Thus, a new term was coined: Brand image.

2.2.2. Evolution of the brand image concept

The “brand image” concept captured significant interest from the academic community. The introduction of the concept was credited to a 1955 article published by Gardner and Levy (1955). They observed that consumers’ buying decisions were influenced by their “image” of brands - namely their ideas, attitudes and feelings about brands. The authors concluded that products and services, in addition to their physical nature, had social and psychological dimensions. Consumers often decide which products and services to acquire based on reasons other than its functionalities and physical attributes (Dolich 1969).

Over the following decades, multiple authors developed different variants of the brand image definition. Herzog (1963) considered brand image to be the “consumers' general perception and impression of a brand”, reflected by a series of brand associations stored in consumers’ memory (Aaker 1991). Keller (1993) goes on to specify brand associations as anything (e.g. thoughts, feelings, experiences, beliefs) consumers can link to a brand. Favorable brand images are formed when strong, positive and unique brand associations take root on consumers’ minds (Keller 1993). Dobni and Zinkhan (1990) argued that the notion of brand image proved that the “perception of reality is more important than reality itself”.

Consequently, brand managers should develop efforts to improve brand image in such a way that consumers can recognize and identify with. Building and maintaining a favorable brand image is a mandatory component of brand management (Park, Jaworski and MacInnis 1986).

2.2.3. Effects of brand image

Brand image is a dominant driver of consumption decisions. By influencing consumers’ perception and attitudes towards the brand, marketeers can guide consumers buying decisions and, therefore, increase sales (Martenson 2007). Consumer research lead by Kapferer (2002) revealed that consumer behavior is determined by consumers’ own perception.

Brand image influences brand satisfaction. Brands with a favorable brand image lead to more satisfied consumers, which, in turn, result in stronger purchase intentions (Martenson 2007) and renewed purchase behavior (Chang and Tu 2005).

With the proliferation of brands in the marketplace, brand image plays a vital role when it comes to deciding which product or service to buy. When choosing between multiple brand alternatives, consumers base their purchase decisions on the brand image rather than the product itself (Mudambi, Doyle and Wong 1997; Alhaddad 2014).

In addition to boosting brand choice, a favorable brand image is expected to result in positive word-of-mouth and a diminished vulnerability to marketing activities promoted by competitors (Martenson 2007). On the other hand, a brand with a damaged image is expected to lower consumers' propensity to take the brand into consideration when making a buying decision (Pullig, Simmons, and Netemeyer 2006).

Brand image is also used as an extrinsic cue to reduce some of the uncertainty associated with the purchase (Zeithaml 1988). Consumers are more likely to pay higher prices for products and services whose brands they trust the most. A favorable brand image promotes consumers' trust by virtue of diminishing the risk of purchase (Chen 2010).

In the world of sports, brand image management became a common interest among professional sport clubs and leagues. Most professional clubs in popular sports typically benefit from permanent media exposure. A strong brand image allows brands to differentiate themselves from the competition (Mullin, Hardy and Sutton 2014). Additionally, Gladden and Funk (2001) observed that sport brands with strong images were better insulated from the detrimental effects of losses.

Given the competitive nature of sport and the crucial role played by fans, sport marketeers have to constantly improve the club's brand image in order to conquer new fans and maintain the loyalty of the ones who already support the club (Martenson 2007).

2.3. Customer loyalty

Customer loyalty is seen as one of the best success indicators in any organization. Therefore, most firms' marketing activities revolve around developing and maintaining customer loyalty (Dick and Basu 1994).

Customer loyalty literature comprises a plethora of definitions. However, it is widely accepted by the academic community that customer loyalty stems from customers' satisfaction of a given brand, resulting in continuously purchasing behavior of the brand (Zhang 2015). Oliver (1999) defines customer loyalty as

> *"a deeply held commitment to rebuy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand purchasing".*

Oliver's view of customer loyalty implies the existence of a similar purchasing behavior towards the same brand in the future. Customer loyalty can be seen as an extension of customer satisfaction, and a direct result of a favorable brand image (Zhang 2015).

Loyal customers are critical assets for any company. They allow firms to diminish their marketing costs, attract new customers, gain market share and increase the customers' willingness to pay premium prices (Dick and Basu 1994; Aaker 1996). The improvement of customer loyalty became an area of interest among marketeers and marketing scholars (Zeithaml and Bitner 2000).

Regarding the theoretical side of the concept, the loyalty can be divided in two main components: service loyalty and brand loyalty (Chaudhuri and Holbrook 2001). Service loyalty refers to customers' repetitive purchasing behavior, displaying a positive attitudinal frame of mind towards the service provider and the tendency to first consider the service provider when the specific need emerges (Gremler and Brown 1999). On the other hand, brand loyalty refers to customers' preferences for a specific brand over a period of time (Chaudhuri and Holbrook 2001). Aaker (1991) argues that brand loyalty is "the customer's level of attachment to a brand".

Zineldin (2006) states that companies need to build high-quality relationships with its customers and should be also capable of creating value beyond the core product. Zeithaml, Berry and Parasuraman (1996) highlight the importance of understanding which factors lead to customer loyalty.

Existing literature supports the notion that customer loyalty is influenced by **service quality**, **customer satisfaction** and **customer value** (Cronin, Brady and Hult 2000; Ostrom and Lacobucci 1995). According to Bolton and Drew (1991), the aforementioned variables are key antecedents to customer loyalty.

2.3.1. Service quality

Service quality can be defined as the overall judgment regarding the performance level of a service provider (Zeithaml, Bitner and Gremler 2006), as well as the company's ability to meet the expectations of its customers (Berndt and Brink 2004). According to Zeithaml et al. (2006), perceived service quality is influenced by 5 main dimensions: **reliability** - consistent performance record; **responsiveness** - preparedness and availability to support and assist the customers by answering their requests in a timely manner; **assurance** - respectful behavior towards the customer and expertise regarding the company's products and services; **empathy**

- being aware of the customers' perspective, while having their best interests in mind; and **tangibles** - palpable quality cues such as the aspect of equipment and facilities. Generally, companies can foster customer loyalty by improving these 5 quality dimensions (Zeithaml, Berry and Parasuraman 1996; Bansal and Taylor 1999). Customers disappointed with the service quality are less likely to recommend the company and to re-patronize the brand in the future (Zeithaml et al. 1996). Service quality is a decisive drive of customer loyalty.

2.3.2. Customer satisfaction

Customer satisfaction can be seen as the outcome of "customers' post-purchase evaluation regarding brand attributes, based on direct past experience" (Krystallis and Chrysochou 2014). Previous studies showed a positive relationship between customer satisfaction and service usage, purchase intentions, customer referrals and relationship length (Zeithaml et al. 1996; Seiders, Voss, Grewal and Godfrey 2005). Customers' intentions to re-patronize the brand are directly influenced by both service and product satisfaction (Mittal, Kumar and Tsiros 1999). For that reason, customer satisfaction is also considered a key determinant of customer loyalty.

2.3.3. Customer value

Customer value is defined by the comparison between the perceived costs and benefits of consuming a given product or service (Slater and Narver 1994). Value, just like quality, is a complex concept in the sense that it is perceived by the customer. The customer, not the brand, is the one who defines the value of any given product or service (Vargo and Lusch 2004). Customer value relies upon personal characteristics such as the customers' financial resources and product knowledge (Leroi-Werelds, Streukens, Brady, and Swinnen 2014). In order to attract new customers, retaining existing ones and build customer loyalty, companies must be able to provide greater value than their direct competitors (Zeithaml et al. 1996; Wang, Lo and Yang 2004). By providing greater customer value, companies promote trust and commitment that ultimately ends up fostering loyal customers.

2.3.4. The moderating role of brand image

Research conducted by Wang and Yang (2010) shows that "brand image plays a moderating role by explaining the effect of customer loyalty and purchase intentions". A favorable brand image strengthens market performance, helps building brand position and protects the brand from competition (Aaker 1996), especially in the case of service providers (Lai, Griffin and

Babin 2009). The relationship between brand credibility and purchase intentions is also moderated by brand image, according to Wang and Yang (2010). Hsieh and Li (2008) argue that when a brand has a strong image in the eyes of its customers, public relations actions promoted by the company tend to have a stronger effect on customer loyalty. Additionally, customer satisfaction, customer value and service quality are expected to have stronger effects on customer loyalty when moderated by a favorable brand image. In fact, customer satisfaction has a greater impact on customer loyalty when analyzed in conjunction with brand image and customer value (Lai et al. 2009).

2.3.5. Customer loyalty in the sports industry

In the world of sports, however, customer loyalty is better understood as "fan loyalty". Any discussion regarding loyalty should focus on fans rather than casual spectators, on the grounds that fans are considered the most important customer segment for sport clubs. Moreover, the attachment of fans and their tendency to remain loyal is considered by Bauer, Stokburger-Sauer and Exler (2008), "the most important asset of any sport organization."

The importance of fan loyalty is better explained by Gladden and Funk (2001):

> *"First, brand loyalty ensures a more stable following even when the core product's performance falters (i.e. the team has a losing season). Second, brand loyalty creates opportunities for product extensions beyond the core product".*

Given the growing commercialization and professionalization of the sports industry, retaining and expanding the fan base became more important than ever before. A stable fan base is a source of competitive advantage (Bauer et al. 2008).

Therefore, sport clubs should focus on managing and growing fan loyalty. From a practical standpoint, Bauer et. al (2008) argued that a successful fan loyalty management strategy should be based on "well-planned interaction designed to deliver extraordinary experiences". Clubs aspiring to grow the loyalty of its fan base ought to foster contact between fans and promoting the club's tradition by, for example, developing "branded sports bars and a club museum" (Bauer et al. 2008).

3. Teaching Note

3.1. Learning Objectives

Based on the information contained in the Case Study, students should be able to:

1. Analyze how the football industry evolved since the creation of the sport and identify the main drivers behind its growth.
2. Pinpoint the causes for the unusual longevity of football clubs and use conceptual topics such as consumer loyalty and branding to understand the role played by fan clubs in their success.
3. Assess the strategic importance of a robust fan base as a key resource in a club's performance.
4. Critically evaluate SL Benfica's chosen method to revamp its fan club network, identify the main obstacles and threats for its implementation and formulate recommendations regarding the further improvement of the Casas 2.0 concept.

3.2. Analysis

a. In what way did SL Benfica benefit from Casas do Benfica? How did Casas do Benfica add value to the club?

Casas do Benfica's main contribution to SL Benfica was the ability to bring the club closer to its fans, especially those living outside Lisbon. Being close to its fans enabled SL Benfica to better manage its fan loyalty, since, as seen in the Literature Review, a sports club risks losing fans every time it fails to keep a constant level of engagement. In that sense, Casas do Benfica proved to be a useful tool by constantly promoting social, cultural and sportive activities, and allowing the club to become part of local communities and people's everyday lives. Casas do Benfica provided a place where fans could meet each other, gather to watch SL Benfica's matches and celebrate the conquest of new trophies. Therefore, it's safe to assume that without the existence of Casas do Benfica, SL Benfica would have a harder time keeping in touch with its fans.

Second, Casas do Benfica played a crucial role in the club's promotion both at home and abroad. With 298 Casas do Benfica in 17 countries worldwide, Casas do Benfica allowed SL Benfica to gain a relatively vast geographic and demographic reach, covering all 5 continents. In a way, the 46 Casas do Benfica located overseas contributed to the expansion and internationalization of the club's brand by establishing themselves as embassy-like entities in foreign countries and creating brand awareness in markets where the football industry is expected to grow the most in the next decades, such as China, India and the United States of America.

Third, from a sports management perspective, Casas do Benfica also became a relevant channel in SL Benfica's distribution chain. Casas do Benfica were able to harness people's emotional attachment to the club and capitalize it by becoming points of sale for SL Benfica's products and services, such as match and season tickets, official merchandising, club memberships and visits to the stadium and museum. By 2018, Casas do Benfica accounted for 20% of SL Benfica's total merchandise sales and 25% of SL Benfica's ticket sales.

Lastly, it's important to highlight that the most impressive benefit of all is the fact that the Casas do Benfica network was built without SL Benfica having to invest a single euro. As we've seen, Casas do Benfica were able to give important contributions to SL Benfica's value chain, mostly in terms of Marketing & Sales and Services, while providing the experience of being a fan in a collective phenomenon, and, consequently, fostering tribal-like individual loyalty grown form group loyalty. Casas do Benfica were able to provide all these benefits without adding any additional stress to the club's finances and supporting activities, such as Infrastructure and Human Resources management. All thanks to the volunteering done by thousands of Benfica supporters who donated their time and effort without getting any monetary incentive in return.

b. What were the main problems identified with the previous generation of Casas do Benfica (Casas 1.0)?

Initially, one of the main problems with Casas 1.0 was the lack of a common aesthetic language. All Casas 1.0 looked different from each other. Inevitably, that lack of aesthetic cohesion meant that some Casas 1.0 failed to properly convey SL Benfica's brand and also failed to cause a good impression on its visitors.

Nevertheless, after launching the 'New Image Project' – intended to uniformize the physical image of Casas do Benfica – Jacinto realized that refreshing the physical image of Casas do Benfica wasn't enough to significantly optimize and professionalize their operations. Most Casas do Benfica were still very amateurishly managed, unable to become financially sustainable, struggling to keep the doors open and, consequently, failing to provide a good enough service to its visitors.

As we've seen in the Literature Review, whenever a company fails to properly satisfy its customers it ends up hurting the general perception of the brand. Casas do Benfica's brand was SL Benfica itself. Therefore, all Casas do Benfica that failed to provide a high-quality service to its visitors, were, in fact, tarnishing SL Benfica's brand as a whole. A deterioration in the brand image has serious consequences: in addition to affecting the club's ability to sell its products and services, it also hurts fan loyalty. Less-loyal fans are more vulnerable to marketing activities promoted by competitors. As the sports industry evolved very fast towards a high degree of professionalism, mainly fueled by TV, Casas do Benfica remained stuck in the past.

SL Benfica couldn't risk having its brand damaged by Casas do Benfica. However, there wasn't much SL Benfica could do about it. SL Benfica was limited in its ability to make changes since all Casas 1.0 were independent entities, managed by a team of local supporters who could choose to ignore all of SL Benfica's directives and suggestions. SL Benfica had no real authority over its fan clubs, and this, from the club's perspective, was a major problem regarding Casas 1.0.

Lastly, there was one other problem with the way Casas 1.0 were set up. The entire network was based on volunteering. Managers and directors volunteered their free time and effort to assist the day-to-day operations of Casas do Benfica. Thus, while volunteering allowed low-cost structures in terms of human resources, it also meant that Casas do Benfica were extremely reliant on the constant availability and willingness of their managers and directors. Competent managers willing to volunteer so much of their time and effort were an increasingly scarce resource, and Casas 1.0 needed them more than ever before. This dependency was a major flaw in the Casas 1.0 concept that could jeopardize the long-term viability of the network.

In summary, the main problems identified with Casas 1.0 were: the lack of a common aesthetic language; the lack of professionalization of business operations resulting in financial un-sustainability; the not-so-good quality of the services provided; the club's lack of authority and control; and extreme reliance on volunteering.

c. How did the football industry evolve?

In order to analyze the evolution of the football industry in a structured way, I'll use the Porter 5 Forces framework.

Let's start analyzing the football industry by looking at the **Threat of new entrants**. Despite the fact that there have never been significant regulatory barriers to the entrance of new clubs, it's still unlikely for a newly formed club to reach the top tiers of the football industry. All existing football clubs are segmented into leagues and a new club has to start in the lower (amateur) leagues and climb its way up. Even in case of consistent sportive success, the process of reaching the top tiers would take no less than 5 years, which means a long and tough investment cycle. That's the reason for acquisitions being the preferred entry mode instead of organic growth for those who wish to invest in the business.

As the football industry evolved, it reached a point of maturity were the "old-timers" are clearly favored. By looking at the top European leagues, we can see that the most successful clubs have been founded around 100 years ago when the sport was still in its infancy. All that time gave incumbents a valuable time-advantage to win titles, build their brands and reputation, erect some of the biggest stadiums in the world, and establish a solid fan base. Loyalty is born from family generation to generation which is another important entry barrier.

While newly-formed clubs, if properly financed, could afford to construct big enough stadiums to compete with top European clubs, loyal fans, trophies and reputation are much harder to acquire. These necessary attributes take time and a constant level of success to achieve. They can be seen as significant entry barriers for any new club planning to succeed in the football industry.

In the end, we can conclude that the threat of new entrants is low. In the football industry, there's always been the threat of new entrants. While newly-formed clubs are free to enter the football industry, it's harder than ever to succeed and, consequently, they hardly pose any significant threat to incumbent clubs competing in the top tiers.

Threat of substitution. As we've seen, football has existed for more than a century now. During that time, football had to compete with many other sports (Basketball, baseball) and forms of entertainment (TV, cinema) for people's attention, add revenue and practitioners. It has seen plenty of substitutes come and go. However, despite all the intense competition, football still managed to succeed and become the most popular sport in the world. Currently, the main threat of substitution comes from the emergence of e-sports. Nevertheless, we can conclude that the threat of substitution is medium-to-low.

Rivalry among existing competitors. On one side, we have the fact that brand loyalty is high and the sports industry's growth, despite its maturity, is still moderate-to-high, which seems to indicate that rivalry is not so intense. On the other side, exit barriers tell us a different story: for most clubs, exiting is not an option, even in the face of poor financial and sportive results. Their only option is to stay and compete. That's why there are so many clubs with more than 100 years of existence. This previous point also explains the fact that the number of competitors is so high, which indicates that that the rivalry must be intense. Moreover, the industry concentration is moderate: as elite clubs grow bigger than the rest, they tend to capture most of the industry's revenues.

All in all, we can conclude that the rivalry among existing competitors is medium-to-high.

Bargaining power of suppliers. There are two kinds of supplies that are crucial for any club's operations: players and coaches, and sports apparel. In the case of sports apparel, suppliers are also sponsors and end up paying the biggest clubs to become the exclusive supplier of sports apparel. Regarding players and coaches, other football clubs tend to be the main suppliers, but, sometimes, players and coaches themselves can also be their own suppliers. For each supply, there are plenty of alternative suppliers. Thus, we can conclude that the bargaining power of suppliers is low, except for the few very expensive top players.

Bargaining power of buyers. What do football clubs sell? Football clubs sell mainly tickets, merchandising, broadcasting rights for their matches and the economic rights of their players. Different products have different buyers: clubs sell tickets and merchandising to individual fans, broadcasting rights to media corporations and players to fellow football clubs. In the case of tickets and merchandising, the size of purchases is usually small and the number of customers tends to be very high. On the other hand, when it comes to broadcasting rights, clubs have one single buyer for the broadcasting of all its season matches. However, multiple media corporations tend to compete amongst themselves in auctions, and only the highest bidder wins the right to broadcast the club's matches. Therefore, we can conclude, that the bargaining power of buyers is also low.

In summary, based on the 5 indicators mentioned above, we can conclude that, for clubs considering whether or not to enter, the football industry can be seen as an unattractive one. On the other hand, for clubs already in the top tiers, the football industry is certainly attractive as shown by the record-high profits generated year-over-year.

d. What viable solutions, other than the one described in the Case Study, could be devised to cope with the problems identified with Casas 1.0? What possible alternatives did SL Benfica's managers have?

I'll start with the less interventive measures and gradually move on to approaches that would require SL Benfica to adopt a more proactive role.

The less interventive approach would be for SL Benfica to do nothing at all, trusting that Casas do Benfica would be able to, eventually, bounce back and successfully tackle every single problem identified with Casas 1.0. This measure would require no significant intervention by SL Benfica, the club would have to stand back and give Casas do Benfica all necessary freedom to pursue new strategies and experiment with new business methods.

A second option would be for SL Benfica to hire professional managers and place them at Casas do Benfica. Professional managers would work alongside local management teams, advising them on how to provide high-quality services and achieve financial sustainability. Hiring professional managers, however, would require a significant increase in SL Benfica's wage costs. One way to alleviate those costs would be not placing professional managers in all 298 Casas do Benfica, only on the underperforming ones. Additionally, instead of having one professional manager *per* Casa do Benfica, SL Benfica could cut the wage costs even further by having regional managers that would be responsible for overseeing all Casas do Benfica within a region.

Alternatively, SL Benfica could take the opportunity to increase its influence over the network by seizing control over the entire process. SL Benfica could take upon itself to re-invent the concept; finance its implementation; promote social, cultural and sportive activities; operate the businesses and collect the resulting revenues. This measure, however, would not necessarily mean that SL Benfica had to push out local management teams and completely replace them. SL Benfica could work together with the local management teams and share some of the responsibilities. For example, SL Benfica could manage the business operations of Casas do Benfica while delegating the responsibility to promote social, cultural and sportive activities for the local community. In both options, it would be a challenge for these two sources of authority to co-exist.

Lastly, the most drastic approach to solving the problems identified with Casas 1.0 would be for SL Benfica to completely remove its brand, trademarks and other intellectual property from all underperforming Casas do Benfica. This approach would send a clear message to all other Casas do Benfica regarding the consequences of failing to provide quality services to their visitors. On the plus side, this measure would stop those Casas do Benfica from further tarnishing the club's brand. On the other hand, in addition to cutting the interaction between the club and the local community of SL Benfica fans, it could also incite some hard feelings with the local fans, potentially turning them against the club. It could also be seen as a threatening measure for other Casas do Benfica, as the same could happen to them in the future.

In the end, after considering alternative courses of action, SL Benfica's managers chose to launch Casas 2.0 – a new generation of Casas do Benfica -, closely resembling the third option mentioned above.

e. What resources and capabilities can a football club such as SL Benfica use in order to add value to the management of Casas do Benfica?

In addition to strategic capabilities, there are 2 types of strategic resources: tangibles and intangibles. Which of these valuable strategic resources and capabilities can a club such as SL Benfica have that local supporters lack?

When it comes to tangible resources, the first thing that comes to mind is the club's brand, trademarks and other intellectual property (IP). SL Benfica's brand is certainly a valuable asset and a crucial strategic resource, however, it doesn't necessarily answer the question above, since Casas 1.0 (managed by local supporters) have been able to use SL Benfica's brand and trademarks since their inception. Nevertheless, it can be argued that, with SL Benfica managing Casas do Benfica, the club would have more control over the use of its brand and, therefore, more flexibility to deploy a wider range of brand assets, like players - seen as celebrities and major influencers of people's buying decisions.

In addition to the club's brand, relevant tangible strategic resources also include human resources, financial resources, communication channels, and paying members. When managing Casas do Benfica, SL Benfica would be able to deploy its human resources in the form of professional managers, who have the necessary business expertise, and trained staff, properly instructed to provide high-quality services. Moreover, Casas do Benfica managed by SL Benfica would be able to access the club's financial resources – the club has much deeper pockets than local supporters -, while also benefiting from the club's communication channels, such as its own TV network (BTV), strong presence on social media and ample coverage on both national and international media outlets. Lastly, the club could take advantage of its vast legion of paying members to increase foot traffic among Casas do Benfica by directing members living outside Lisbon to visit Casas do Benfica in order to acquire the latest merchandise and tickets for the following match.

Alternatively, when it comes to intangible strategic resources, the club's accumulated business experience, privileged commercial relationships, brand credibility and business scale could greatly improve Casas do Benfica's organizational performance.

The club's brand reputation, as an established entity that has been around for 115 years, associated with its accumulated business experience allow SL Benfica to forge privileged business relationships and aspire more confidence in commercial transactions than a typical group of local supporters. Additionally, SL Benfica's business scale, and the sheer difference in volume when compared with local management teams, gives SL Benfica the ability to centralize procurement activities and better negotiate favorable terms and prices with its commercial partners.

At this point, we've seen that SL Benfica's combination of strategic resources and capabilities, if properly deployed, would allow the club to add significant value to an already capable network of fan clubs – "the largest and most advanced fan club network of any football club in the world". However, what would an improved network of fan clubs mean for SL Benfica in terms of competitive advantage in relation to its competitors?

The enhanced version of Casas do Benfica would help SL Benfica sustain and even strengthen its competitive advantage over its direct competitors, by outperforming them both in terms of geographic reach, fan engagement and in the quality and diversity of the products and services provided.

While most other clubs' physical presence is limited to their stadiums and training centers, SL Benfica, on the other hand, would have a strong presence not only in its home country but also around the globe, thanks to its 298 Casas do Benfica.

The vast geographic presence of Casas do Benfica would also enable the club to more effectively engage with its fans and, consequently, foster fan loyalty and seduce women and children – critical demographic segments for the future growth of the organization. Furthermore, having a vast network of Casas do Benfica would also provide the club with an extensive distribution chain for its products (tickets, merchandising) and a lucrative revenue stream that most other clubs do not possess.

In conclusion, by deploying its strategic resources and capabilities, SL Benfica would be able to improve and professionalize its network of Casas do Benfica, which, in turn, would grant the club a uniquely valuable source of competitive advantage over its direct competitors. In terms of providing a sustainable source of competitive advantage, of course other clubs could try to imitate this project and start their own network of local fan associations. But a big difference is related to the existing starting point. It is easier to reach several dozens of new Casas 2.0 starting from the 298 Casas 1.0 basis than to develop everything from scratch.

f. Do Casas 2.0, as described in the Case Study, address the problems identified with Casas 1.0?

As we've seen, the main problems identified with Casas 1.0 were: the lack of a common aesthetic language; the lack of professionalization of business operations resulting in financial un-sustainability; the not-so-good quality of the services provided; the club's lack of authority and control; and extreme reliance on volunteering.

Starting with the lack of a common aesthetic language, SL Benfica first addressed the problem with the launch of the 'New Image' Project in 2009. Most Casas 1.0, not all, eventually adopted the new image. The concept of Casas 2.0, however, took the aesthetic uniformization to a new level. In addition to the interior and exterior design being completely streamlined, all Casas 2.0 would also feature distinctive new features, such as the red metal arches and an adjacent multi-sport facility.

In regard to the club's lack of authority and control, SL Benfica took a more proactive approach and seized control over all aspects concerning the new generation of Casas do Benfica, from re-designing the concept to paying for its construction.

Moreover, SL Benfica's decision to allow well-known companies to operate the business areas contained within Casas 2.0 allowed SL Benfica to solve the problems related with the lack of professionalization and the poor quality of the services provided. The Leisure Academy will be operated by the market leader in the after-school care segment, the Ticket and Merchandising Store will be operated by the leading broker of Portugal's lottery raffles, whereas the restaurant facilities will be operated by 100 Montaditos - a restaurant chain with more than 700 location worldwide. In principle, all three business partners are capable of assuring the much-needed increase in professionalism and quality of the services provided.

Lastly, the professionalization of business operations also helps diminishing the reliance on volunteering and paves the way for Casas 2.0 to become financially sustainable. With Casas 1.0, local management teams were crucial in all areas of operations. With Casas 2.0, however, despite still maintaining the important responsibility of promoting social, cultural and sportive activities, local management teams forgo all influence and authority over business operations. In terms of financial sustainability, having professional business partners operating the business areas of Casas do Benfica, allows the club to generate a good enough return on its investment, recouping the cost of building each Casa 2.0 in less than 10 years.

To sum up, the concept of Casas 2.0, as described in the Case Study, is poised to address and solve all the main problems identified with the previous version of Casas do Benfica, although creating some new problems that will be addressed in the next question.

g. Do you see any potential problems for Casas 2.0 in the future?

There certainly are some problems that might arise following the implementation of the new generation of Casas do Benfica. As we're going to see, much of the potential problems revolve around the power dynamics taking place in Casas 2.0.

First of all, the Case Study reveals that, for a Casa 2.0 to be built, the local management team has to voluntarily cede all their control and authority over the business operations. That means that, in Casas do Benfica whose management teams are unwilling to forgo their power over to the club, the task of upgrading to a Casa 2.0 may prove to be harder than expected, if not impossible. SL Benfica, despite having more control with Casas 2.0, is still dependent on local supporters' decision to upgrade.

The problem mentioned above can also lead to a different problem. In situations where, despite SL Benfica's approaches, local management teams continue to refuse ceding their power to the club, SL Benfica's intentions can be perceived as the club trying to take power away from its fans. SL Benfica can be accused of not being the club it used to be - "the club of the working class" - and, instead, portrayed as just another profit-seeking corporation willing to push away its fans just to make more money. This type of criticism might potentially lead to some serious backlash and turn fans against the club. Let's not forget: these are not ordinary fans, these fans, who volunteer their time and effort to promote the club, are amongst some of the most fervent fans a club can have. Interestingly enough, the club who launched Casas 2.0 to prevent its brand from being tarnished risks tarnishing it even more in the eyes of its most loyal fans.

Even after having Casas 2.0 up and running, the relationship between the club and the local management teams might still be a challenge. Casas 2.0 can still cause some power struggles if the roles of each entity (SL Benfica, business partners and management team) are not properly defined, making it difficult for the multiple entities to co-exist in the same space. Furthermore, the coexistence of the old concept (still very amateur and activity-focused) with the new concept (professionally managed and business-driven) can also lead to culture shocks. In this case, like in any other merger between two corporations, the challenge of unifying the different organizational cultures is a vital one.

Lastly, while in the past SL Benfica was financially un-affected by any Casas 1.0 that closed its doors, with Casas 2.0 the club is no longer financially insulated from the failure of Casas do Benfica, since it pays for its construction. The insuccess of Casas 2.0 may pose a serious threat to the club, potentially causing significant damage no only to the club's reputation but also to its finances.

h. Which variables, indicators and criteria should be used in the future to evaluate the success of Casas 2.0?

There are three main areas where Casas 2.0 aim to improve: visitors; service quality; and business performance. For Casas 2.0 to be considered a successful venture, all areas should be measured and show clear signs of improvement in relation to the previous version of Casas do Benfica (Casas 1.0).

When it comes to visitors, Casas 2.0 aim at bringing more people and attracting new visitors. However, looking just at the number of visitors is not enough, we also have to take into consideration their demographic profile. Casas 2.0 intend to appeal to a higher share of children and women. Hence, the following indicators should be considered:

1. Can Casas 2.0 attract more visitors than Casas 1.0?
2. Can Casas 2.0 attract more paying members than Casas 1.0?
3. Can Casas 2.0 attract a higher share of women and children than Casas 1.0?
4. Is the average visitor of Casas 2.0 younger than the average visitor of Casas 1.0?

Second, service quality is a crucial indicator. For Casas 2.0 to be considered a success, high-quality services must be provided. Therefore, its ability, or lack thereof, to do so can make or break the concept. Thus, what better way to access the perceived service quality than surveying the visitors directly? Visitors should be asked to rate their overall satisfaction in regard to service quality and, if possible, compare it with Casas 1.0.

Lastly, it would be important to evaluate the business performance of Casas 2.0. Can Casas 2.0 translate more foot traffic and more satisfied customers into meaningful business gains? To answer the question, it would be relevant to measure and compare:

1. The total revenues generated by Casas 2.0 and Casas 1.0;
2. Revenues segmented by business area; and
3. How many of its visitors were Casas 2.0 able to convert into:

1. Paying members (loyalty);
2. Ticket and merchandise buyers;
3. Restaurant customers; and
4. Leisure academy consumers.

These metrics allow us to determine the relative success of Casas 2.0 and how well each entity is performing.

i. What are your recommendations for the management of SL Benfica?

I tend to agree with the strategic course defined by the management of SL Benfica for the future of its Casas do Benfica. Every SL Benfica fan should feel well-served and welcomed when entering a Casa do Benfica. SL Benfica, in turn, should be confident that Casas do Benfica can live up to its quality standards.

Casas do Benfica should play the important role of being SL Benfica's embassies, by promoting the club, gathering and incentivizing the local community of supporters, and being the premier points-of-sale for SL Benfica's products and services.

One role I feared was being overlooked by the old version of Casas do Benfica was: conquering the youngest segment of the population - those who, due to the early age, still don't have a defined football preference. The ability to captivate children, in my view, is a capability of the utmost importance and a source of sustainable competitive advantage that would allow the club to further reinforce its superiority in the number of fans. This concern, however, was properly addressed by Casas 2.0 with the creation of the Leisure Academy - "Benfica Ativo".

The new strategic course comes at a time when the Casas do Benfica network was desperately in need for a revised and updated vision for the following decades. The network was also in need for an injection of professionalism to its business operations. Casas 2.0 addressed both needs.

One of the few reservations I still have with the Casas 2.0 concept is that it is such an expensive concept that its implementation is only viable on the biggest Portuguese (and foreign) cities. Falling short of solving the identified problems for all Casas do Benfica. The Case Study tells us that SL Benfica plans to build up to 20 of its flagship Casas do Benfica in the first 3 to 5 years of the project. However, the entire network consists of 298 Casas do Benfica. Even if SL

Benfica managed to build 30 Casas 2.0, it would only cover 10% of the Casas do Benfica universe.

The other reservation I still have with the concept has to do with the way Casas 2.0 are financed. As described in the Case Study, SL Benfica entirely finances the construction of all Casas 2.0. While building a single Casa 2.0 may not represent a significant strain in the club's finances, as the number of Casas 2.0 grows, it exposes the club's finances to significant systematic risk in case of an economic downturn. Therefore, in the likely possibility of a recession period happening in the next 10 to 15 years, SL Benfica may end up with dozens of un-sustainable Casas 2.0 and millions of euros left to recoup.

Therefore, given the reservations mentioned above, SL Benfica's management should now focus on adapting the Casas 2.0 concept to smaller cities. The Casas 2.0 concept should be scalable. This is a crucial aspect of any retail chain. Without being able to deploy the concept in a larger scale, SL Benfica will not get rid of the problems identified with the previous generation of Casas do Benfica, since 90% of the network will not be upgraded.

Lastly, the management of SL Benfica should also seek alternative methods to finance the construction of Casas 2.0. One of those alternatives would be to turn Casas 2.0 into a fund, sold over-the-counter, like any other commercial asset, by banks to traditional retail banking customers. People would join the 'Casas 2.0 fund' as investors and, in return, would get a fixed (yearly) return.

Still, my overall assessment of the project is positive, and I definitely recommend its implementation. A top priority for SL Benfica should be finding the right balance between the financial effort required and modernizing as fast as possible as many Casas do Benfica as possible.

4. Conclusion

In the Case Study, we've seen how a football club that first started in the back of a pharmacy managed to climb its way up the ladder to eventually become one of the most successful sports organizations in the world. Its rise can be explained not only by the club's ability to attract and engage with an ever-growing fan base but also by the evolution of the sports industry that kept expanding even in recession periods. However, despite all the sportive success and rapid business growth, the club's fan club network was lagging behind. Most fan clubs were still amateurishly managed and operated, financially unsustainable and, as a result, were tarnishing SL Benfica's brand image. As a result, the club found itself in the middle of a strategic dilemma regarding the future of the network: should the network continue to be an amateur and fan-driven phenomenon, or was SL Benfica going to fully commit itself to professionalize the network and turn it into a new revenue stream? The club chose the latter by launching Casas 2.0 – a new and professionalized generation of Casas do Benfica.

With the assistance of the concepts included in Literature Review, the Teaching Note analyzes and dissects the strategic implications of such decision. The implementation of Casas 2.0 would result in added financial risk for the club, in addition to the resulting power struggles that may ensue between the club and local supporters, who, until then, have been the main force behind the development of the entire network. Additionally, a culture clash between the new and previous concepts is also expected to occur. Nevertheless, among the alternative courses of action available to SL Benfica's management, Casas 2.0 is the better positioned option to revamp the network and to resolve the problems identified with the previous version of Casas do Benfica.

For that reason, I recommend the large-scale implementation of the Casas 2.0 concept, not limited to the biggest cities – covering less than 10% of the network. The concept must be scalable to the entire network. Lastly, to allow for such vast implementation, alternative financing methods for the construction of Casas 2.0 should be developed.

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