

Football Club Internazionale Milano: Road to Financial Success Strategic Business Proposal

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Situation Analysis

Football Club Internazionale Milano or Inter Milan is an Italian football club that competes in Serie A, Italy's top league. They are one of the most historic clubs in Europe and have won the Serie A 19 times, Domestic Tournaments; Coppa Italia eight times, and Supercoppa Italiana six times, as well as the Champions League three times. Currently valued at \$1 billion (€949.35 million), they have currently ranked the 15th most valuable soccer team in the world and the third most valuable in Italy. Despite this high valuation, Inter Milan posted a €140 million loss from the 2021/22 season and a €245 million loss in the 2020/21 season. Based on these staggering losses, they broke the UEFA "Financial Fair Play" rules for their failure to operate at a break-even point and had to pay a fine of €4 million. These current financial woes are a consequence of the COVID-19 pandemic, as well as the financial reality for all of the Italian clubs. Serie A had total revenue of €2.6 billion in the 2021/22 season. To put this in perspective, the Premier League in England, had revenue of €5.6 billion. Inter Milan can not continue to post such horrific losses if they want to get back to their goal of being financially successful. They currently spend €2,427,115 on player wages a week and €126,210,000 on player wages a year. On top of their massive wage bill, they are also €415 million in debt. This current financial crisis that Inter Milan and its young 30-year-old owner, Steven Zhang (Suning Holdings Group), are facing needs to be dealt with immediately.

Statement of Purpose

This proposal offers a plan to restructure Inter Milan's expenditures to greatly reduce operating costs resulting from player wages and overall total debt.

Target Audiences

The forthcoming plan targets Inter Milan's board of directors especially Steven Zhang, the majority shareholder.

Inter Milan's Board of Directors

The Board of Directors at Football Club Internazionale Milano is chaired by President Steven Zhang. The other five members are Javier Zanetti, Alessandro Antonello, Giuseppe Marotta, and Jindong Zhang. These men oversee major decisions for the club and represent the club in financial discussions including domestic and international leagues and tournaments.



The Plan

Goal: To improve Inter Milan's operating budget and total profit

Objective: Reduce player wages, Optimize Prizes from Serie A finish and Champions League success

Inter Milan currently has six of the highest-paid players in the Serie A. They spend a total of €126.21 million on player wages a year. They pay older players wages that do not reflect the level of play or results that they want. In the last five years of Champions League competition, they have only made it as far as the round of 16 twice. Champions League prize money can significantly impact their profitability. The Serie A is also way behind the mark compared to other European leagues in their media rights contracts. The Premier League is set to make €5.88 billion from 2022-2025 (3 seasons_ from the distributions of their view rights, which averages out to €1.96 billion a year. The Serie A will only receive €670 million from international broadcasting rights contracts from 2021-2024 (3 seasons), €223.33 million a year on average. For Italian teams to flourish financially and in international competitions, Serie A has to significantly improve the income from international media rights contracts.

To specifically increase the popularity of Serie A in the United States, I suggest that Inter Milan should acquire a few top US players to improve their popularity stateside. The Premier League and Bundesliga both have American stars such as Christian Pulisic, Tyler Adams, Brenden Aaronson, Joe Scally, and Giovanni Reyna. Italian sides Juventus and AC Milan both acquired one American each in the last two years, Weston McKennie (Juventus) and Sergino Dest (AC Milan). Inter Milan should follow suit and add an American star of their own. I would have them target Christian Pulisic (LW) and Matt Turner (G), two players who are currently lighting up the World Cup for the United States. Both are currently struggling for playing time at their respective Premier League clubs and would be open to a move to a new club. These two additions would roughly cost Inter Milan €46 million in transfer fees and €10.75 million in annual player wages. I think the addition of this American talent would help add international interest to the Italian League.



The current Inter Milan squad is valued at €552.45 million. This half a billion euros group had consistently done well in the Serie A with a top-four finish in each of the last five years. The final standings dictate prize money for the 20 league members. Last year, first place won €23.4 million, second place €19.4m, third €16.8m, fourth €14.2m, and so on. The bottom three teams in the league also get relegated to Serie B, the second league in Italy. The top-four finish is important because it secures the club an opportunity to play in the Champions League, the best international club competition in Europe. The chart below shows the potential prize money for each team based on how deep they finish in the tournament. Last year Inter Milan lost in the round of 16 and finished winning a total of €37.2 million based on their results. If they had won last year they would have won €83.57 million and automatically qualified for the tournament the next year guaranteeing 2023 group stage prize money as well.

Champions League 2022

Winner	€21.52 million
Runner-up	€16.69 million
Semifinalists	€13.45 million
Quarterfinalists	€11.4 million
Round of 16	€10.33 million
Group-stage wins	€3.01 million
Group-stage draws	€1 million
Group stage	€16.84 million

With the importance of on-field success and its relation to income, Inter Milan should heavily consider reevaluating the makeup of their squad with an in-depth analysis of each player currently on the first team as well as potential stars in their youth program. After my initial research, I have identified six current players that management should consider selling or not resigning. The chart below identifies the player, the year they were acquired, their initial transfer cost, their current contract expiration, annual wage, current market value, and possible profit based on the difference between their acquisition cost and current transfer value.

Player + Age	Year Acquired	Transfer Fee	Contract Expiration	Yearly Wage	Current Market Value	Transfer Difference
Milan Skriniar (27)	2017	€34 million	2023	€5.56 million	€60 million	€45 million
Hakan Calhanoglu (28)	2021	Free	2024	€9.26 million	€35 million	€35 million
Henrikh Mkhitaryan (33)	2022	Free	2024	€4.87 million	€6 million	€6 million
Samir Handanovic (38)	2012	€15 million	2023	€4.63 million	€1 million	€-14 million
Stephen De Virij (30)	2018	Free	2023	€7.04 million	€15 million	€15 million
Edin Dzeko (36)	2021	€2.8 million	2023	€9.26 million	€4 million	€1.2 million
Total		€51.9 million		€40.62 million	€121 million	€88.2 million

First off, center-back Milan Skriniar, whose contract expires at the end of this season, should be sold. There is no guarantee that he would re-sign to the club and he is worth too much to just let him walk away on a free transfer. French side PSG has expressed heavy interest in the player and I would recommend selling him before the end of January for around €60 million. Henrikh

Mkhitaryan, Hakan Calhanoglu, and Stephen De Virij all arrived at Inter Milan on a free transfer and have a combined annual salary of €21.17 million as well as a €56 million market value. A sale of both these midfielders would create a €77.17 million bump to the operations budget. The club also currently has the depth to let these players leave. Older players, Samir Handanovic (38) and Edin Dzeko (36) have unnecessarily massive wages in comparison to their impact on the field. Either terminating their contract or not resigning them would save €13.89 million in player wages. These moves concerning current players would reduce player wages by €40.62 million and add €116 million of transfer revenue/€101 million of transfer profit to the operations budget.

The departure of players frees up an opportunity to add strong players to the roster such as Christian Pulisic and Matt Turner, who was already suggested earlier. The club should try to avoid costly transfer fees when acquiring players. Targeting players with expiring contracts is a great way to avoid unnecessary costs to an already small operating budget. With the anticipated departure of Calhanoglu and Mkhitaryan, Inter Milan should look to sign Jorginho and N'Golo Kante after their contracts expire from Chelsea F.C. Both midfielders are world-class talents who don't fit in their new manager's game strategy, and are unlikely to resign with the English giant. Jorginho is also one of the best Italian players in the world, the club has prioritized the acquisition of domestic stars in the past, so this is a very logical move. Both Jorgino and Kante have had success at the domestic and international levels, winning the Champions League in 2021. I project it would cost €12.05 million in annual player wages. In addition to these established players, Inter Milan should look to bring in top youth talent who can continue to learn and grow as well as typically cost significantly less than players like Kante and Jorginho.

Investments in younger players also present fantastic opportunities for investments, buy low, sell high. The club should look to add Mohamed Kudus for a €12 million transfer. Kudus currently plays for the Ghanaian national team as well as the Dutch club, Ajax. He has shown flashes of brilliance in his playing roles on both sides. His playing style of an attacking focused midfielder and crazy pace, play creation, and goal-finishing ability mean he will be a flashy signing that will be great publicity. He will also be looking to leave Ajax after the level of success that he showed in the World Cup. These roster moves would result in a net €43 million profit in transfer fees and an overall reduction of €13.82 million in player wages. The €56.82 million positive difference in the operations budget should come with a better squad on game day as well. All financial details of these moves can be found in the chart below.



Player + Age	Position	Transfer Fee (Projected)	Yearly Wage (Projected)
Jorginho (30)	CM	Free Transfer	€5.55 million
N'Golo Kante (32)	CDM	Free Transfer	€6.5 million
Matt Turner (28)	G	€6 million	€2.75 million
Christian Pulisic (24)	LW	€40 million	€8.5 million
Mohamed Kudus (22)	CAM	€12 million	€3.5 million
Total		€58 million	€26.8 million

Conclusion

Inter Milan is heading for a financial crisis if the club does not change. They are the path that leads to the sale of the club or the financial ruin of its ownership group. If the club implements my recommendations, they could be able to increase their prize-related profits as well as reduce their spending on player wages. These two factors should make a significant impact on the team's finances, bringing them closer to breaking even. If the club can implement these changes and continue its success in Serie A, come 2025, and the new media rights contract, the projected billions of euros increase in revenue from international broadcasting should be the final straw that can push Inter Milan into financial success.

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