

# Effect of spending in the January transfer window

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## Abstract

This paper will investigate how conducting business in the January transfer window changes the performance of teams in the second half of the season. The league that will be looked at is the Premier League as this league has the largest influx of money, so 'smaller' teams are also able to spend a high enough amount of money to significantly affect the results of the findings.

## Introduction

The bi-annual European transfer window came into place in the season of 2002/03 after many years of debate on whether it would be beneficial for teams. This was set because without transfer windows, teams were able to buy players at any point in the season, which led to managers having to coach players who were unsettled. It also shifted the power back to the coaches and managers, as beforehand players were able to take their foot off the gas and decide they did not want to play as they thought they would leave the club soon. [1]

The summer and winter transfer windows are both very different in the way they affect clubs. Choosing to analyse the summer transfer window could have been done, however the results may be predictable as during summer, there are no competitive league games being played. This means players bought in have time to adapt to the team, the manager's tactics and the environment around them by playing in friendly games during the summer break, so the likelihood of spending money and having a positive effect on the team's performance would be high.

On the contrary, the winter transfer window occurs right in the middle of the season, where teams are sometimes playing two-three games a week. This means when players are bought in, they are usually given no time to adapt and are expected to perform at a high level as soon as they come in. In addition, it is much more difficult to buy players during the winter transfer window as managers are reluctant to let important players leave halfway through the season, so clubs are often required to spend a higher amount of money. With all this uncertainty, it will be interesting to investigate whether carrying out business during the winter window is beneficial or if it could be better to wait until summer.

The premier league consists of 20 teams, with the champions being the ones who finish first in the table with the most points, and where the bottom three teams at the end of the season are relegated to the second division. Clubs are ranked in the table firstly by the number of points they have accumulated. The points system in the premier league works as follows:

- Win = 3 points
- Draw = 1 point
- Loss = 0 points

So, teams would clearly aim to win as many games as possible to accumulate as many points as they can. Each team plays every other team in the league twice in a season, once at home and once away from home. This means there are 38 games played in a season resulting in a maximum possible points tally of 114. If teams are level on points, their goal difference is then considered. Goal difference is calculated by

$$\text{Goals scored} - \text{Goals conceded}$$

### Methodology

The money spent by each team in the winter transfer window will be collected and then compared to the change in league position from game week 20/19 to the final league position. Game week 20 and 19 are the final game weeks before the January transfer window begins - depending on which season is looked at - and is approximately halfway through the season. This was chosen instead of at the end of the transfer window as many clubs already have deals lined up before the window begins and are simply waiting for the window to open to complete the deals. This means some deals could be done very early in the window so these would have to be considered.

The earliest season that will be looked at is the 2014/15 season as this is the final season from which reliable and accurate data could be collected from. The current season will not be looked at although the winter transfer window has concluded, there has not been enough game weeks to analyse any significant change in league position. If a pattern is seen from the previous seasons, it could allow us to predict the changes in league position for the current season which will add further evidence to the findings of the paper.

To see whether spending during the transfer window will be significant, a 95% confidence interval will be carried out comparing amount spent to whether a team moved up in the table. To calculate the 95% confidence interval, three things must be calculated

- Number of observations -  $n$
- Mean -  $\bar{x}$
- Standard deviation -  $s$

Then, a confidence interval must be chosen which is usually 95%-99%,

Confidence Interval	Z
80%	1.282
85%	1.440
90%	1.645
95%	1.960
99%	2.576
99.5%	2.807
99.9%	3.291

As a 95% confidence interval was chosen, the Z value is 1.960. From this, the confidence interval can be calculated by using the formula  $\bar{x} \pm Z \frac{s}{\sqrt{n}}$ .

This will give the range of values where it is certain to 95% that it contains the mean of the observed values.

### Initial Outlook

Table to show change in position relative to money spent in 2018/19 season.

2018/19	GW 20 Position	Final Position	Change in position	Money Spent (m)
Arsenal	5	5	0	£2.25
Bournemouth	12	14	-2	£31.32
Brighton	13	17	-4	£12.51
Burnley	17	15	2	£30.00
Cardiff	18	18	0	£18.41
Chelsea	4	4	0	£64.62
Crystal Palace	15	12	3	£1.04
Everton	8	8	0	£0.00
Fulham	19	19	0	£2.07
Huddersfield	20	20	0	£1.53
Leicester	11	9	2	£0.00
Liverpool	1	2	-1	£0.00
Manchester City	2	1	1	£6.66
Manchester United	6	6	0	£0.00
Newcastle	14	13	1	£22.64
Southampton	16	16	0	£0.00
Tottenham	3	4	-1	£0.00
Watford	9	11	-2	£2.03
West Ham	12	10	2	£0.00
Wolverhampton Wanderers	7	7	0	£18.45

Figure 1.1 [1]

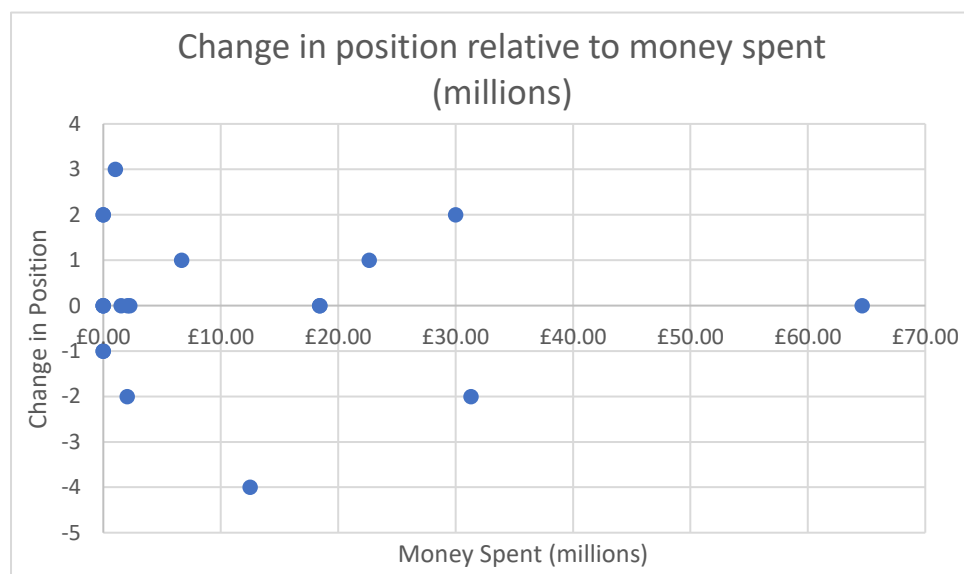


Figure 1.2

Looking at the initial graph for the 2018/19 season it seems there is no clear pattern to whether the amount of money spent improves the league position by the end of the season. Only five out of the twenty teams had moved up in the table after January, and one out of those five teams did not spend anything in the window. Moreover, two teams who spent more than £10 million moved down in the table. The highest spenders, who spent around £65 million did not change position after January. This suggests there is no significant improvement when spending during the January transfer window. However, this is not mathematically conclusive, so now all the transfers in the past few seasons of the Premier League will be looked at to see if spending significantly improves league position.

### Inflation

To compare spending from multiple seasons, inflation of the transfer market will need to be considered. More money seems to be spent every season and the transfer record for a player also seems to be broken every season. To calculate the rate of inflation, the top 10 most expensive transfers have been collected from every season from each of the top 5 leagues. The top five leagues are the highest tier divisions from England, Germany, France, Spain and Italy. Although it is only the transfer window in the Premier League being analysed, inflation in the market is caused by transfers from all the leagues as players are usually bought from and sold to leagues other than the Premier League.

Table to show average fee spent in the top 5 leagues [2]

Seasons	Average fee(£m)
2018/19	41.87
2017/18	36.39
2016/17	29.38
2015/16	23.5
2014/15	21.41

Figure 2.1

Once all the data from the past five seasons was collected, the average sum was taken for each season. However, as this is only an average from the top ten transfers, a linear least squares approximation was carried out to find a better approximation of the way the transfer market has changed over the past few seasons.

A linear least squares approximation was used instead of other methods of approximation such as interpolation as only averages are being used, so the need for the function to be accurate enough to pass through the data points is not required. Least squares approximation works by forming a class of functions using the data, and then finding the function which best minimises the  $L_2$  norm of the error. i.e.

$$\|y - f^*(x)\|_2 = \min \|y - f(x)\|_2$$

where  $f^*(x)$  is the function which minimises  $L_2$  norm.

In other words, if there is a data set  $(x_i, y_i)$ , where  $i = 1, \dots, n$

$$f(x) = \sum_{j=1}^m c_j g_j(x)$$

Where  $g_j(x)$  are linearly independent basis functions and  $c_j(x)$  are coefficients to be found which minimise the error. i.e. find  $c_j$  such that

$$\sum_{i=1}^n (y_i - f(x_i))^2$$

is minimised.

To calculate this, matrices and vectors were used. The data points were represented as vectors, where  $\mathbf{x}$  is the vector which contains the  $x$  points, (year of transfer) and  $\mathbf{y}$  contains the  $y$  values (average money spent), so  $\mathbf{f} = f(\mathbf{x}) = G\mathbf{c}$  where  $\mathbf{c}$  contains the coefficients to be found and  $G$  contains the basis functions  $g(x)$ . So,

$$\sum_{i=1}^n (y_i - f(x_i))^2 = \|\mathbf{y} - G\mathbf{c}\|_2^2$$

is what is needed to be minimised. This is minimised if

$$G\mathbf{c} \cdot (\mathbf{y} - G\mathbf{c}) = 0$$

i.e. if the span( $G$ ) is orthogonal to the vector  $\mathbf{y} - G\mathbf{c}$ .

The dot product can be represented as

$$(G\mathbf{c})^T (\mathbf{y} - G\mathbf{c}) = \mathbf{c}^T G^T (\mathbf{y} - G\mathbf{c}) = 0$$

But as this is true for any vector  $\mathbf{c}$ ,  $G^T (\mathbf{y} - G\mathbf{c}) = 0$  which can be rearranged to give

$$G^T G\mathbf{c} = G^T \mathbf{y}$$

And solving this for  $\mathbf{c}$  gave the coefficients for the function to be used. [3]

A different least squares approximation would be given depending on the degree of the function that is chosen. A quadratic, cubic and quartic function were all attempted and the one which seemed the best fit was chose.

In the graphs below, the red points are the average fees shown in figure 2.1, and the years start from 1 (2014/15) to 5 (2018/19).

Seasons	Average fee (£m)
2018/19	41.87
2017/18	36.39
2016/17	29.38
2015/16	23.5
2014/15	21.41

Figure 2.1

## Quadratic

$$f(x) = 0.565x^2 + 1.991x + 18.322$$

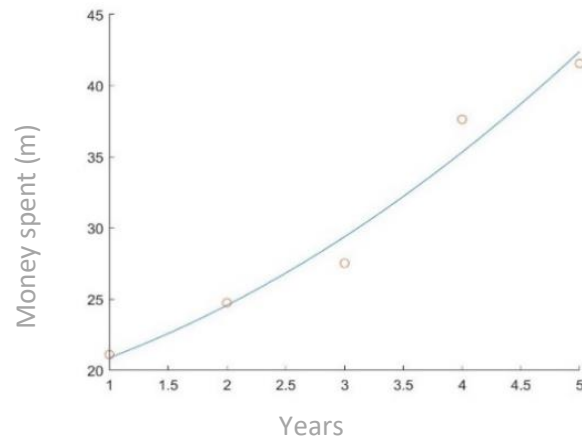


Figure 2.2

The function passes through two points and follows the increasing trend of the prices relatively well, however it does not account for the larger inflation between the third and fourth season compared to the other seasons.

## Cubic

$$f(x) = -0.4433x^3 + 4.555x^2 - 8.4717x + 25.77$$

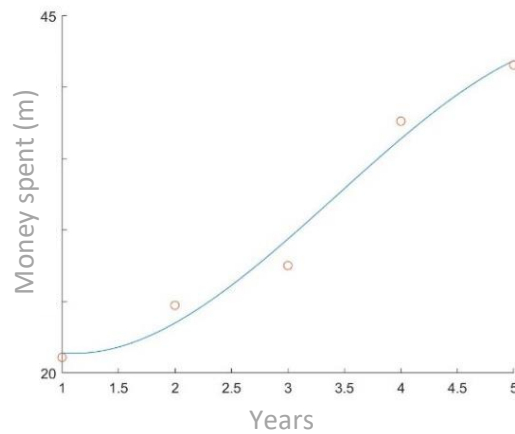


Figure 2.3

The cubic function also passes through two points, but better shows the larger inflation between season three and four compared to the other seasons. To see if a higher degree of the function could be a more accurate estimate, a quartic function was also made.

Quartic

$$f(x) = -0.9042x^4 + 10.4067x^3 - 40.2658x^2 + 65.1533x - 13.29$$

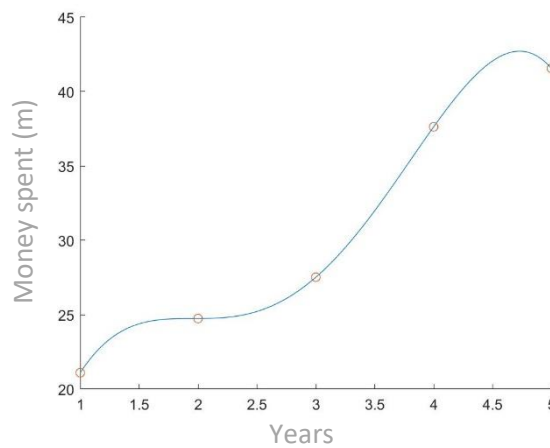


Figure 2.4

Although the quartic function goes through all the points, it predicts the market went down halfway through the fourth season which should not have happened. The cubic function seems to follow the pattern the best and so seems to be the best fit, so the cubic function is what was used to calculate inflation of the market.

The limitation of the method used was that as matrices were used, the larger the matrix was, the closer it would have been to a singular matrix, so when carrying out the calculations, accuracy would be lost due to machine precision, which is why a degree of four was the highest degree that was used.

Using the cubic function

$$f(x) = -0.4433x^3 + 4.555x^2 - 8.4717x + 25.77$$

the estimated average transfer fee for each year was taken where  $f(1)$  was the estimated average in the season of 2014/15,  $f(2)$  the estimated average for the season 2015/16 and so on, giving

Seasons	Average fee (£m)
2018/19	41.5602
2017/18	37.6274
2016/17	27.5212
2015/16	24.7438
2014/15	21.1002

Figure 2.5

To calculate the rate of inflation, the formula used was

$$100 \left( \frac{f(5)}{f(a)} \right) - 100$$

where  $a = 1, 2, \dots, 4$  where  $1 \Rightarrow 2014/15$ .

Inflation rates calculated from least squares approximation

Inflation (-2018/19)	Inflation rate %
2014/15	95.56282111
2015/16	78.17021277
2016/17	42.51191287
2017/18	15.05908217

Figure 2.6

Using the inflation rates, the estimated present value of the transfers were calculated, thus allowing the data to be analysed.

Linear least squares approximation code

The code used for the linear least squares regression was:

```
function c = least_sqr(x, y, d)
% find size of x to see how many seasons are being analysed
n = length(x);
% create a matrix to store basis functions
G = zeros(n, d+1);
% create the basis functions and store them in G
for j = 1:d+1
    for i = 1:n
        G(i,j) = x(i)^(d-(j-1));
    end
end
A = G'*G;
%solve for c to give coefficients
c = A\(G'*y);
end
```

Where  $c$  contains the coefficients of the output function,  $x$  is the vector of  $x$  values,  $y$  is the vector of  $y$  values and  $d$  is the desired degree of the function. This code finds the coefficient of the function which minimises the  $L_2$  norm by via the method proved above by using matrices and vectors.

### Carrying out a regression analysis

To carry this out, an extra column was created to add a dummy variable, 1 for whether the team moved up in the table and 0 if the team stayed in the same position or went down. This was because the initial model would simply measure whether there was a change in league position, whereas the aim was to see whether the league position of the teams improved. All the data from the five seasons were analysed together by taking the present value (as of the 2018/19) season of the previous seasons.

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	21.37144535	3.258746424	6.558179917	2.65517E-09	14.9037358	27.83915494
Change in position	1.177747658	1.039264407	1.133251221	0.259902023	-0.8849045	3.240399823
Improved Position?	-7.610941767	6.156861823	-1.23617226	0.219379604	-19.830608	4.608724646

Figure 3.1

Regression analysis of the data



From the table above, as the 95% confidence interval contains 0 for both variables, neither of them are significant. More importantly, this means that the amount of money spent does not significantly improve a team's position on the table come the end of the season. There could be several reasons for this; adding on the from reasons mentioned before, some teams could spend a high amount of money, but only spend it on one player. They may also bring players in on loan which would mean an initial transfer would not be paid. For these reasons, now the number of players bought will be looked at to see if it can improve a club's position by the end of the season.

### Number of Players bought in

Players can be bought in football in two different ways. They can either be bought or they can be loaned. Loaning players can essentially be described as 'borrowing' a player from a team for a certain amount of time – usually around six to twelve months. This allows clubs to bring in players without paying a transfer fee and are only required to play the player's wages. This means players bought in on loan would not have affected the previous model as a player's wages was not considered.

Players are usually bought in on loan in winter as a short term 'fix' if the team is desperate for players. This could be due to injuries to the first team squad or due to summer transfers not working out as planned. This suggests that by bringing more players in, it should have a positive short-term effect on the team's performances, and therefore improving their league position by the end of the season.

Table which also shows numbers of players brought in the 2018/19 season

2018/19	GW 20 Position	Final Position	Change in position	Money Spent (m)	No. of players brought in
Arsenal	5	5	0	£2.25	2
Bournemouth	12	14	-2	£31.32	5
Brighton	13	17	-4	£12.51	4
Burnley	17	15	2	£30.00	1
Cardiff	18	18	0	£18.41	5
Chelsea	4	4	0	£64.62	3
Crystal Palace	15	12	3	£1.04	3
Everton	8	8	0	£0.00	0
Fulham	19	19	0	£2.07	3
Huddersfield	20	20	0	£1.53	2
Leicester	11	9	2	£0.00	3
Liverpool	1	2	-1	£0.00	0
Manchester City	2	1	1	£6.66	0
Manchester United	6	6	0	£0.00	0
Newcastle	14	13	1	£22.64	3
Southampton	16	16	0	£0.00	2
Tottenham	3	4	-1	£0.00	0
Watford	9	11	-2	£2.03	2
West Ham	12	10	2	£0.00	1
Wolverhampton Wanderers	7	7	0	£18.45	2

Figure 4.1

## Analysis

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.406180878	0.096659063	4.202201671	5.83763E-05	0.21436411	0.597997643	0.21436411	0.597997643
Improved Position?	0.001277298	0.027730292	0.046061482	0.963354978	-0.0537526	0.05630716	-0.05375256	0.05630716

Figure 4.2

### Regression analysis of the data

By carrying out another analysis of the number of players bought in compared to whether the teams position improved, it is clear that the 95% confidence interval contains 0, so the results show that the number of players bought in does not have a significant impact on whether a team's position improves after Christmas. This may be due to many of the players being bought in may not have had played many games, or they may have been youth team players who were returning on loan, which may have unfavourably skewed the data. In addition, some players are merely bought as back up options or to better increase the competition for places in the squad. This means the players bought in may not have played most of their games in cup competitions instead of playing in the league games.

### Conclusion

The results have shown that business in the January transfer window does not have any significant impact on a team as money spent or number of players bought in did not improve the clubs' results. One major factor of this is a team's position in the league at Christmas is usually a strong representative as to what table will look like come the end of the season as half the games have already been played. This reduces the likelihood of a club's chances of moving up in the table by the end of the season.

Many other factors could have affected the results that were not considered in the model. Players bought in for high sums of money may have gotten injured for the remainder of the season meaning they were unable to positively affect the team's performances. Moreover, if players are bought from different leagues, it can take time for them to adjust to league so they may not be able to perform at their best quick enough before the end of the season.

This all suggests that clubs should attempt to carry out all their business during the summer transfer window, so they are not forced into buying players in winter. They should consider buying enough players to account for injuries and dips in form of players. However, what this cannot account for is changes in manager. Usually, if a team performs much worse than expected, the managers of the club could get sacked resulting in a new manager getting appointed. When a new manager comes in, clubs can sometimes go through a 'honeymoon' period where the new coaching ideas and new freedom can drastically improve a team's performance. This can last around 10-15 games, which means consistently changing managers is also not a very viable option, so again clubs should make sure the team is well prepared before the season starts during the summer transfer window.

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