

## **Sports & Entertainment Marketing**

### **Unit Three Outline, 2020-21 School Year**

## **Unit 3:**

### **Introduction to Sports & Entertainment Business Principles**

#### **OVERVIEW**

*Unit three offers an introduction to the basic principles that create the foundation for the business of sports and entertainment. Students will explore the many segments that make up the industry and gain an understanding of how sports and entertainment organizations generate revenues in an effort to achieve profitability.*

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#### **OBJECTIVES**

- 1) Define and provide examples of sports and entertainment industry segments
  - 2) Explain the concept of revenue streams and why they are important to an organization
  - 3) Understand the general financial structure of a sports franchise
  - 4) Recognize how entertainment companies generate revenue
  - 5) Define ancillary products
  - 6) Define and understand the importance of product placement
  - 7) Describe industry trends
  - 8) Provide an example of how an organization may track shifts in industry trends
  - 9) Understand the concept of economic impact
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#### **LESSONS**

- Lesson 3.1** Industry Segments  
**Lesson 3.2** The Financial Structure of Sports Business  
**Lesson 3.3** The Financial Structure of Entertainment Business  
**Lesson 3.4** Tracking Industry Trends  
**Lesson 3.5** Economic Impact
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#### **KEY TERMS**

**Ancillary Products**  
**Pop-up Store**  
**Royalties**

**Economic Impact**  
**Product Placement**

**Industry Segment**  
**Revenue Stream**

## Lesson 3.1

### Industry Segments

- A. There are many segments of the sports and entertainment business industry
  - 1. **Industry segments** refer to a grouping of similar types of products or services offered to consumers by businesses within the same industry
- B. Sports business segments
  - 1. Sports tourism
  - 2. Sporting goods
  - 3. Sports apparel
  - 4. Amateur and Olympic sports
  - 5. High school athletics
  - 6. Collegiate athletics
  - 7. Professional sports
  - 8. Motor
  - 9. Recreation
  - 10. Outdoor sports
  - 11. Health clubs and fitness facilities
  - 12. Sports marketing firms
  - 13. Event management
  - 14. Sports-governing organizations
  - 15. Venue and facility management
  - 16. Extreme or “action” sports
- C. Entertainment business segments
  - 1. Filmed entertainment
  - 2. Television *networks* (broadcast and cable)
  - 3. Television *distribution* (station, cable and satellite)
  - 4. Recorded music
  - 5. Video games
  - 6. Radio services
  - 7. Internet
  - 8. Publishing sector (newspapers, books, magazines)
  - 9. Digital media services
  - 10. Broadcasting-satellite services
  - 11. Theatre
  - 12. Casinos and gaming
  - 13. Fine arts
  - 14. Theme parks and amusement parks

**\* INSTRUCTOR'S NOTE \***



*Ask students to, either individually or as a class discussion, identify a specific product for each of the segments listed above.*

**\* DISCUSSION IDEA \***



*Prior to beginning lessons 3.2 and 3.3, engage students in an active discussion surrounding the ever-important concept of revenue.*

**DISCUSSION**

*\* How do you think sports teams generate revenue? Do you think most professional sports teams are profitable? Why or why not?*

*Professional team sports (particularly major league franchises) are finding it increasingly difficult to achieve financial success and turn a profit, due in large part to inflated athlete salaries.*

*Sports teams rely on the following revenue streams in an effort to turn a profit:*

- Ticket sales
- Sponsorship
- Licensing & Merchandise
- Concessions
- Parking
- Fan clubs / Kid's clubs / Special events
- Luxury suites
- Premium / club seating
- TV contracts
- Other media contracts (satellite, radio, internet)
- Fundraising (amateur and collegiate athletics)

*\* Can you think of an instance where a pro sports team has threatened to move the franchise if it didn't receive funding for a new stadium or arena? Why would a franchise do that?*

*Even if students cannot think of a specific example, they should consider WHY a team might have an interest in securing funding for a new venue. New stadiums and arenas typically provide new, added revenue streams (such as club seating and luxury suites among other amenities) that help a team maintain its financial viability. These strategies cater to the corporate consumer who plays a major role in helping a sports organization to maximize profits.*

## Lesson 3.2

# The Financial Structure of Sports Business

**\* INSTRUCTOR'S NOTE \***



*To listen to a Freakonomics podcast discussing the topic of the business of March Madness, click [here](#). The podcast discusses a number of concepts that tie in with unit 3's core objectives.*

### A. Team Sports

1. It can be difficult for some professional sports teams to achieve financial success and turn a profit
  - a. In 2012, *Forbes* reported that more than 50% of NHL franchises suffered financial losses the previous year (18 of the 30 franchises operated at a loss) <sup>1</sup>
    - i. Because so many franchises were reportedly losing money, the owners chose to lockout the players to create a new financial plan that would create a healthier economic situation for each NHL franchise, ultimately resulting in the league cancelling half of the 2012-13 season <sup>2</sup>
    - ii. Lockouts aren't always the decision of the owners. When players don't feel they are getting a fair deal, they may choose to strike. This is the position the NFL players are currently in as they prepare to negotiate a new agreement in 2021 with hopes to secure more financial stability via "guaranteed" contracts (where the player would still get paid even in the event of injuries etc).
      - (a) According to [USA Today](#), several Major League Baseball players suggested the need for economic reform during the 2019 All-Star weekend, suggesting they were 'united' and prepared to go on strike if changes aren't made before the next collective bargaining agreement expires in 2021
    - iii. [Negotiations](#) can take a long time and are often contentious between a sports league and its player union when it comes to agreeing to terms relating to fair compensation for players, often resulting in negative publicity
      - (a) In 2020, MLB and MLBPA negotiations to play a shortened season due to the covid-19 pandemic took nearly 3 months, leading to a lot of unrest among fans
  - b. Though soccer's popularity is growing in the U.S., Major League Soccer players' average salary is just \$326,129. Average player salaries for NBA, MLB, NHL and NFL are about \$8 million, \$4.4 million, \$2.9 million and \$2.5 million, respectively. Yet, some reports indicate just half the MLS clubs are currently profitable.<sup>3</sup>
  - c. Despite selling out every home game and winning the NBA championship (including 13 home sellout playoff games), the Cleveland Cavaliers lost a [reported](#) \$40 million in 2016 <sup>4</sup>
    - i. After the 2014-15 season, NBA commissioner Adam Silver was quoted as saying a "significant" number of teams were losing money, leading many to speculate the league could have been headed for another lockout when the existing collective bargaining agreement expired in 2017

- (a) It was [reported](#) that 14 NBA teams lost money during the 2016-17 NBA season
- (b) According to [Mr. Silver](#): *"I don't know the precise number and don't want to get into it, but a significant number of teams are continuing to lose money and they continue to lose money because their expenses exceed their revenue. Teams are spending enormous amounts of money on payroll. Some of the contracts we talked about. They still have enormous expenses in terms of arena costs. Teams are building new practice facilities. The cost of their infrastructure in terms of their sales people, marketing people, the infrastructure of the teams have gone up, and in some cases their local television is much smaller than in other markets."*
- (c) According to a [Yahoo!](#) report, the NBA salary cap is expected to jump to \$118 million for the 2020-21 season which will push average player salaries close to \$9 million
- (d) Thanks in large part to the renewal of massive broadcast deals with ABC, ESPN and TNT that will provide owners and players with substantial revenue increases, the NBA and the National Basketball Players Association extended their collective bargaining agreement through the 2023-24 season
  - (i) Click [here](#) to read more about the terms of the extension
- d. According to data from [Forbes](#), MLB's Miami Marlins are projected to lose \$22 million in 2019 after losing over \$50 million in 2018 (and likely much more in 2020 after all the revenue losses as a result of the pandemic)
- e. [Columbus Business First](#) reported that three NHL teams lost money last year, including the Blue Jackets who suffered \$1.7 million in negative income
- f. The ECHL's South Carolina Stingrays have reportedly been losing between \$400,000 and \$700,000 annually since the team first took the ice in 1993 <sup>5</sup>
  - i. The team's owners eventually asked for assistance from the city of North Charleston to help cover half of their operating losses <sup>5</sup>
  - ii. Two years ago, the franchise changed ownership, with the new team owner taking an optimistic approach, telling the [Post and Courier](#): *"I think there is an opportunity to grow the fan base and improve and enhance the corporate partnerships, particularly in this community because it's growing tremendously. There are only so many sports venues that give companies the opportunity to broadcast their brands, their services and their names. I think the future is very promising, and with a little more focus, some refinement of strategy, and a little more investing in resources and people, this is a very sustainable economic model."*
- g. Some speculation exists that some claims made by the owners of professional sports teams of low levels of profitability (or even losses) could be a negotiation tactic or a public relations ploy
  - i. For example, Forbes' has reported that Major League Baseball has been exceptionally profitable for many years. However, as MLB was negotiating with the players union on plans for play for a pandemic-shortened season, the owner of the St. Louis Cardinals [said](#) in an interview with a local radio station that "the industry isn't very profitable, to be quite honest."
  - ii. The Chicago Cubs owner, Tom Ricketts, told [ESPN](#) that profit margins for a MLB baseball team were low because said most MLB teams' yearly revenue goes right back into the team and that "the league itself does not make a lot of cash."
- h. However, even teams that are profitable (aside from NFL franchises) typically enjoy significantly lower profit margins than other for-profit entities such as banks or publicly traded companies
  - i. Click [here](#) to view a chart comparing the profitability of pro sports leagues compared to broadcast/cable companies, banks and publicly traded companies

- ii. Click [here](#) to read an in-depth comparison of professional sports and other entities
- 2. Revenue Streams
  - a. **Revenue streams** are the means for an organization's cash inflow, typically as a result of the sale of company products or services
  - b. Sports organizations historically relied on several specific streams to generate the majority of their revenue
    - i. Ticket sales
    - ii. Sponsorship
    - iii. Licensing and merchandise
    - iv. Concessions
    - v. Parking
  - c. Sports organizations operating today have several additional, often very lucrative, revenue streams
    - i. Television contracts (local and national)
      - (a) TV contracts provide big money for franchises in the game of sports business, now accounting for a major portion of a team's overall annual revenue
        - (i) The head of digital media at Tennis Channel summed it up in an interview with the [LA Times](#): "Live sports is the most valuable content on the planet."
      - (b) For most major league professional sports teams and big-time collegiate athletics programs, television money is now a primary source of revenue, now even more lucrative than ticket sales which had always been the financial backbone for most franchises
        - (i) According to PWC's annual sports outlook [report](#), last year media rights officially surpassed gate revenue (ticket sales) as the industry's largest revenue generator for the first time in industry history
        - (ii) In 1973, the NBA signed a contract with CBS, yielding \$27 million in revenue over 3 years <sup>10</sup>
          - 1. In the last two years, the league has signed extensions with ABC/ESPN and TNT through 2024-25 for a reported \$2.66 billion annually <sup>10</sup>
        - (iii) According to [Forbes](#), the biggest collegiate athletic conferences (known as the "power five") make the bulk of their revenue from three primary sources: conference specific TV deals, college bowl games and the NCAA Tournament <sup>11</sup>
          - 1. Thanks to massive TV deals with ESPN and Fox Sports, the Big Ten conference generated nearly \$760 million in revenue last year, distributing \$54 million to each of its member schools while the SEC generated \$627 million in revenue, distributing an average of \$43.1 million per school (via [NBC Sports](#))
    - (c) It isn't just the national television deals that are generating an influx of revenue for some teams; local television deals can be extremely lucrative as well
      - (i) Local Major League Baseball deals [reportedly](#) average more than \$60 million in annual revenue per team
      - (ii) Three years ago, the Dallas Mavericks signed a contract extension with Fox Sports Southwest in a deal that the [Dallas Business Journal](#) estimated to be worth \$50 million per year <sup>12</sup>
  - (d) As competition for rights deals for live sports increases (NBC, CBS and Fox have all created sports networks to challenge ESPN), rights deals will likely continue to increase

- (i) In 2016, ESPN [signed](#) a six-year deal with the Big Ten conference worth an estimated \$2.64 billion, *three times* the value of the previous deal
  - (ii) According to [businessinsider.com](#), ESPN paid \$15.2 billion over 10 years for the rights to Monday Night football, a 73% annual increase over the previous deal
- (e) Major television networks aren't the only ones investing in live sports programming, as streaming platforms like Twitter, Facebook and Amazon compete for the attention of sports fans
- (f) However, some industry professionals wonder if the broadcast rights values will decline post COVID-19, with uncertainty as to whether games will even be played potentially impacting negotiations
  - (i) Click [here](#) for one perspective on the future of sports rights deals from Sports Pro Media
- ii. Luxury suite sales
  - (a) Luxury suite revenue is one of the most robust business lines for sports teams
    - (i) According to [CNBC](#), in the NBA, NHL and MLB, luxury suites represent up to 20% of a team's overall revenue
      - 1. Yankees Stadium has 68 suites while AT&T stadium, home to the Dallas Cowboys, has 300 suites
        - a. These suites sell for anywhere between \$224,000 and \$900,000 per year and are typically sold out every season
    - (ii) One of the primary reasons the Milwaukee Bucks had lobbied for a new stadium was the opportunity to increase revenue through luxury suite and premium seating sales
      - 1. According to the [Milwaukee Journal-Sentinel](#), the franchise sold out of their luxury suite inventory (32 suites) before the arena was open to the public
    - (iii) According to data from [USA Today](#), the move from San Diego to LA will help the NFL's Chargers generate significantly more revenue through suite sales and other premium inventory
      - 1. In San Diego, the team had 113 luxury suites, but in their new Inglewood stadium there are more than 275 (where each suite generates \$2,700 in food and beverage sales every game)
        - a. That's \$742,500 in total for each game if the suites are full
        - b. Over the course of a year, suite sales for the Chargers are expected to generate more than \$56 million
    - (iv) According to a [Newsday](#) report, the NY Mets generated \$148.7 million in premium ticket sales, luxury suites, concessions, advertising and parking sales last year
      - 1. The team has averaged annual ballpark-related revenue earnings of \$143.8 million since Citi Field opened in 2009, and this figure does not include revenue from non-premium seats and national/local TV and radio contracts
      - 2. Similarly, the New York Yankees generated \$336.2 million in ticket and suite sales last season, averaging \$323.4 million since Yankee Stadium opened in 2009. The Yankees' filings do not include revenue from the sale of concessions, advertising and national and local TV and radio contracts.
- iii. Premium and club seating sales
  - (a) Sometimes, the lack of suites or premium seating options within a venue or facility will prompt a sports franchise to lobby for a new stadium (or facility expansion and renovations)



- (i) Since 1990, 125 of the 140 MLB, MLS, NBA, NFL and NHL teams have built or rebuilt arenas, at a cost of \$33.8 billion -- and the public has picked up 54 percent of that tab, according to research by Robert Baade and Victor Matheson, economists at Holy Cross <sup>6</sup>
- (ii) Tom Chuckas, president of the Maryland Jockey Club, said in an interview with The Associated Press: *"I believe there's an opportunity for the Preakness to generate additional income, which in turn would flow through the rest of the year and improve the condition of the Maryland Jockey Club. To do that, there has to be additional amenities at Pimlico. Churchill Downs has 65 skyboxes that they sell to corporate partners and corporate sponsors. At Pimlico, I don't have any amenity like that."* <sup>7</sup>
- (iii) In 2017, Anthony Precourt, owner of Major League Soccer's Columbus Crew, threatened to move the franchise to a new city if a new, state-of-the-art facility wasn't built in the area
  - 1. The Crew's current home, Mapfre Stadium, was built in 1999 and was MLS's first soccer-specific stadium
  - 2. In 2018, Precourt released renderings of a new stadium in Austin, Texas after months of publicly communicating his intentions to move the franchise after his plea for a new stadium in Columbus were ignored
    - a. According to a story in the [Columbus Dispatch](#), area lawmakers filed suit against Precourt in an attempt to keep the franchise in Columbus
    - b. Click [here](#) to read details relating to the proposed Austin stadium site
- (iv) In 2019, Phoenix Suns' ownership [allegedly](#) threatened to move the team to Seattle or Las Vegas without a new arena deal
  - 1. The city agreed to an arrangement that would pump \$150 million in renovations into Talking Stick Arena (with several million dollars [earmarked](#) specifically for improvements to VIP and premium spaces and club seating upgrades)
- (v) [247sports](#) reported that the Chicago Bears were rumored to be considering a move to suburban Arlington Heights to a new stadium where they could maximize revenue from luxury suites and premium seating, despite the fact the team still had 13-years left on their lease at Soldier Field
  - 1. A move is highly unlikely, especially with a long-term lease arrangement that would be difficult to get out of, but the opportunity to generate more revenue is always appealing to an ownership group
- (b) Major League Soccer's FC Cincinnati, who had been sold out of their premium seating at the team's stadium since their inaugural season, announced plans two years ago to build a new soccer-specific stadium that would hold fewer fans but offer [more](#) premium seating options
  - (i) Despite the uncertainty surrounding the landscape of sporting events in the United States due to the pandemic, and an economic downturn, more than 2,000 fans plunked down deposits to reserve seats in the premium seating areas
- (c) Teams today strive to create value wherever possible and the addition of premium seating options provides a lucrative revenue stream
  - (i) In 2015, the Staples Center in Los Angeles (host to the Lakers, Clippers, Kings and a variety of concerts and events) generated over \$100 million in premium seating revenue alone, the first time in the building's 15-year history



1. The Staples Center's premium seating options include 150 private suites, 2,400 Premier Seats, 18 Premier Lounges, 25 Premier Tables and the San Manuel Club for additional dining selections <sup>8</sup>
  - a. Click [here](#) for a detailed breakdown from hollywoodreporter.com.
- (ii) When the Atlanta Braves moved to SunTrust Park in 2017, their premium seating inventory increased from 340 to over 4,000
  1. Dennette Thornton, Senior Manager, Groups and Premium Membership for the Braves tells [SEAT Magazine](#): *"Moving from Turner Field to SunTrust Park, we definitely put an emphasis on premium."*
    - a. Various levels of premium seating included:
      - i. Champions Level: 12 suites at \$500,000 per year
      - ii. SunTrust Club: 160 seats at \$450/ticket
      - iii. Delta Sky360 Club: 1,500 seats at \$225/ticket
      - iv. Infiniti Club: 24 suites at \$250,000 per year and 1,200 seats at \$92/ticket
- (iii) Many teams are now taking seating areas that had been less desirable in the past and converting them to premium seating areas
  1. Last year, the New England Patriots and Pittsburgh Steelers turned end-zone seating sections into luxurious new "club" seating areas
    - a. According to the [Boston Globe](#), the new indoor space behind the south end zone at Gillette Stadium (home of the Patriots) will be a "members-only" club with annual fees of \$1,500 and a requirement to purchase a minimum of two memberships (fees are in addition to the cost of buying season tickets every year)
  2. High levels of fandom help to create revenue streams for some sports and entertainment properties by offering event opportunities on non-game days
    - a. For example, the Pittsburgh Steelers renovation of Heinz Field will include an expansion of a "pub" area that will be open on non-game days to help the team
      - i. According to the [Pittsburgh Post-Gazette](#), the team hopes to create an opportunity to serve fans (and generate revenue) even when the team is not playing a home game
  3. Minor League Baseball's Reading Fightin Phils [invested](#) \$200,000 in the construction of their "Savage61 Dugout Suite", creating the most upscale seating area in the stadium
    - a. Click [here](#) for a video from the Fightin' Phils introducing the new dugout suite seating option
  4. The Sacramento Kings [introduced](#) a unique premium seating option with ten new 'balcony boxes' positioned above the stadium's main entrance
    - a. The balcony boxes offer fans a 360-degree view of the court and the city
    - b. Each box accommodates four people, comes with all-inclusive food and beverage, premium parking spaces and access to the arena's suite level clubs
  5. Missouri athletics decided to renovate the south end zone area of their football stadium to add more premium seating and club seating areas
    - a. By 2019, when the new structure is completed, the Tigers' new structure (complete with multi-purpose event decks in the stadium's southeast and southwest corners; a brand-new rooftop

video board; capacity for 4,000 fans in general seats, club seats and suites; and a “Bunker Club” inspired by AT&T Stadium in Arlington, Texas) is expected to bring in \$6 million in additional revenue per season, more than four times what the current configuration delivers each year<sup>9</sup>

6. In 2019, the Miami Open was moved to Hard Rock Stadium (home to the Miami Dolphins), where \$72 million was invested in converting the venue into a state-of-the-art tennis facility
  - a. According to a [NY Times](#) story, the court featured 4,738 premium seats, many that resemble Barcaloungers, with individual television screens and range in price from \$50,000 to \$70,000 for the two-week tournament
  - b. Most premium-seat packages were reportedly sold out two months before the start of the tournament, include private dining rooms
    - i. Some suites have seats made out of Ferrari leather and there is a dedicated entrance from a private parking lot for ticket buyers at the highest price point, in which spectators pass through a tent lined with art, including works by Pablo Picasso and Andy Warhol that can be purchased for upward of \$1 million
- iv. Additional media contracts and rights fees (satellite, terrestrial radio, streaming, etc.)
  - (a) [Sports Business Daily](#) reported that SiriusXM extended its media-rights deal with the NHL to broadcast games across through the 2021-22 season (exact terms of the deal were not disclosed)<sup>13</sup>
  - (b) In 2018, Amazon inked a 2-year, \$130 million deal with the NFL for the rights to stream Thursday Night Football games on its Prime Video service, about 30% more than they paid on their original deal with the league<sup>14</sup>
  - (c) Also, in 2018, Twitch secured exclusive rights to stream the Overwatch League's first two seasons for a reported \$90 million
    - (i) In a press release, Overwatch League described the deal as "historic", saying that it ensured "that every match of the world's first major global city-based esports league will be readily available to fans across the globe."<sup>15</sup>
- v. Fundraising and Donations
  - (a) Collegiate and amateur athletic programs rely heavily on fundraising and donations, primarily through boosters and alumni, for budget support
    - (i) In 2016, Rutgers University announced a \$100 million fundraising initiative called "R Big Ten Build"
      1. According to [nj.com](#), it took the university just a few months to raise over \$50 million, an amount that included 10 donations of \$1 million or more and three of the largest donations the school had ever received
    - (ii) People that donate to university sports programs will typically receive preferential treatment from the athletic department – perks can include better seats for games and higher priority to attend in-demand events
  - (b) Fundraising and donations (referred to as “contributions”) have helped Clemson to build one of the most successful football programs in the country
    - (i) The each of the past four years, Clemson has generated at least \$20.5 in its annual fund, which according to a [USA Today](#) report, supplies cash directly to the athletic department
    - (ii) Last year, \$38.2 million was raised in its annual fund, \$15.1 million in major gifts, including cash, real estate and securities, \$5.1 million in

planned gifts and endowments and \$6.6 million in premium seating and suite sales in the football, basketball and baseball venues

vi. Pay-per-view

- (a) Pay-per-view refers to a satellite or cable television service by which customers can order access to a specific broadcast for a set, one-time fee
- (b) Some sports and entertainment properties rely on pay-per-view sales as a significant revenue stream
  - (i) WWE, UFC and boxing generate millions each year by broadcasting some of their biggest events on a pay-per-view basis
    - 1. Over one million boxing fans bought the 2017 fight between Canelo Alvarez vs. Julio Cesar Chavez Jr., making it the [biggest](#) PPV boxing event since Mayweather vs. Pacquiao
    - 2. WWE managed to recoup some of the millions lost due to the COVID-19 pandemic by offering SummerSlam 2020 via pay-per-view in 2020, along with scheduling even more PPV events for the remainder of the calendar year
  - (ii) Many speculated in 2018 that a rumored one-on-one match between two of the most iconic golfers of all-time (Phil Mickelson and Tiger Woods) would generate millions in pay-per-view revenue
  - (iii) Last year, several broadcasters streamed “The Match” via PPV, a one-on-one match between two of the most iconic golfers of all-time (Phil Mickelson and Tiger Woods), an event that attracted more than one million viewers
    - 1. Unfortunately for the broadcast companies like AT&T and Turner Sports, technical difficulties forced the broadcast company to drop (and/or refund) the \$19.95 PPV fee and stream the event for free on B/R Live
    - 2. However, AT&T was more than satisfied with the result, with one executive telling the Wall Street Journal in an [interview](#), “*This was a huge success. This worked extremely well as a pay-per-view event.*”
      - a. In 2020, The Match II featuring Tiger Woods, Phil Mickelson, Peyton Manning and Tom Brady delivered record-setting cable TV ratings, averaging 5.8 million viewers across [Turner](#) networks and became the most-watched golf event in cable history.
      - b. While the event broadcast shifted to cable television rather than a pay-per-view format, the exhibition still managed to raised \$20 million for COVID-19 relief.

**\* INSTRUCTOR’S NOTE \***



*Fundraising efforts are critical to the financial success of collegiate and amateur athletic programs. Click [here](#) to see several examples of fundraising and donation solicitation efforts from various collegiate athletic programs around the country on Pinterest.*

vi. Additional revenues

- (a) When the Green Bay Packers renovated Lambeau Field, the goal was to open up new revenue streams by building an atrium that could host events (from corporate outings to weddings) year-round. Thanks in large part to the number of events hosted in the atrium, the franchise is enjoying record profits.<sup>16</sup>
  - (i) Thanks in large part to those record profits, the team was able to [invest \\$140 million](#) in atrium expansion and renovations without turning to taxpayers to help with funding the project
  - (ii) The franchise also committed \$65 million to another expansion project that will result in further development of "[Titledown District](#)", a 10-acre plaza that will host year-round community events
    - 1. The Titledown District area features a Green Bay Packers' snow-tubing hill and ice-skating pond that opened to the public in 2018



**\* ACTIVITY IDEA \***

*Split students into groups or pairs and challenge them to develop a concept for an entertainment district in your community. You could also introduce this activity later in this unit, after you have reviewed lesson 3.5 on economic development. Encourage them to consider how the area will generate revenue and how it could have a positive impact on the local economy.*

- (b) The Boston Red Sox created Fenway Sports Group, a marketing firm that creates businesses that are built on the team's community, firm and business relationships. They use their connections with media, charity, retail and entertainment firms to develop publicity campaigns for such organizations as Boston College, create online ads, manage events and much more. The company also owns equity in other properties like Red Sox Destinations and Roush Fenway Racing. They were profitable in their first year and brought in more than \$200 million.<sup>17</sup>
  - (i) Click [here](#) for an interesting, in-depth analysis of Roush Fenway Racing's business model and financial structure as it relates to the Red Sox organization
- (c) In 2018, the Indianapolis Motor Speedway found a creative way to generate more revenue by offering opportunities for fans to live in "tiny houses" at the track in the days leading up to the Indy 500
  - (i) According to a [USA Today](#) story, 15 different "houses" were available, each with slightly different floor plans, but all included air conditioning, electricity, kitchens and indoor plumbing with showers, a big step up in amenities from the traditional "glamping" that traditionally happens at the track
  - (ii) For \$3,000, fans got to "live" on the track, with as many as four people in a house that included tickets to the race, parking and other amenities
- (d) Many teams host viewing parties at their home arenas for fans during away games (or other venues when home games are sold out) to drive additional concession, merchandise and parking revenues

- (i) The Nashville Predators' popularity surged during their Stanley Cup run during the 2017 NHL playoffs with the team selling out watch parties at Bridgestone Arena for away games
      - 1. Merchandise sales during the team's Game 5 watch party were "at least double what they were during a regular-season game", according to a story published on [tennessean.com](http://tennessean.com).
    - (ii) To generate even more revenue through viewing parties, some teams are looking at selling sponsorships and/or additional advertising opportunities
    - (iii) Click [here](#) for some perspective on how NHL teams could potentially monetize viewing parties (via forbes.com)
    - (iv) In some cases, viewing parties create opportunities for the organization to generate goodwill by donating portions of the proceeds to local charities
      - 1. The Cleveland Cavaliers hosted a watch party for game 7 of the 2016 NBA Finals with proceeds from the ticket sales benefitting local charities
        - a. According to [foxsports.com](http://foxsports.com), face value of the tickets was \$5 but after they sold out in two minutes, people ended up paying much more on the secondary market
    - (v) According to the [National Hockey League](#), the St. Louis Blues (NHL) sold out their arena for a watch party for Game 7 of the 2019 Stanley Cup Final...so the St. Louis Cardinals (MLB) opened up their home (Busch Stadium), selling watch party seats for \$20 each, with proceeds benefitting the team's charitable foundation
  - (e) The [Seattle Seahawks](#) allow fans to use the suites at CenturyLink Field as draft central for fantasy football leagues, charging \$85 per "ticket" with a minimum of 8 people
  - (f) In 2019, Mississippi State [opened](#) residential apartment lofts with views overlooking the Bulldogs' baseball field
    - (i) Click [here](#) for a video clip with a virtual rendering of the "Left Field Lofts" at Mississippi State
    - (ii) Click [here](#) to read a story from sportsdaynow.com discussing the potential opportunity that exists by creating residential space at stadiums
  - (g) Because the Jacksonville Jaguars play in one of the smallest NFL markets and lack the corporate support many other teams enjoy, they must get creative to find new ways to generate revenue to maximize franchise profits
    - (i) For example, in partnership with the city of Jacksonville, the team is building a "flex field" and amphitheater as a new home for its practice facility which will double as an entertainment hub (one that hopes to eventually attract events like the NFL draft)
      - 1. Click [here](#) to read more about the development from Jacksonville.com.
  - (h) To make up for revenue lost during the pandemic, Minor League Baseball's Pensacola Blue Wahoos listed their stadium on Airbnb for \$1500 per night for groups of up to 10 people
    - (i) Additional "experiences" were also available for purchase to add to the stay, including a fireworks show and a catered dinner from the Blue Wahoos' team's chef
    - (ii) According to MiLB's [website](#), all 33 dates available were booked within 24 hours of the posting
3. Costs/expenses could include:
- a. Facility rental/leasing arrangements
  - b. Staff and player salaries (payroll)
  - vi. Also includes retirement and health care benefits

- vii. In professional sports, player salaries are most often the biggest expense to a franchise
  - (a) The driving issue for NHL owners as it related to the last lockout wasn't revenues but expenses as many small market teams were unable to achieve profitability thanks in large part to high player salaries
  - (b) According to a [Forbes](#) report, player costs represent 57% of the Major League Baseball's operating expenses
- c. Marketing
- d. Investment in the customer
- e. General operating expense
- f. Stadium/venue/facility financing
- g. Information management/research
- h. Team expenses (travel etc.)
- i. Maintenance and security
- B. A sports franchise's basic financial model
  - 1. To gain a better understanding of the financial structure of sports business, let's review the NFL's Green Bay Packers' financials for their 2019-20 season and how they compare to the team's previous season
  - 2. Packers' revenue <sup>19</sup>
    - a. Packers' total *revenue* in the 2019-20 season: a record \$506.9 million (6.1 percent)
    - b. Primary revenue streams
      - vi. National revenue from the NFL: \$296 million (7.9 percent increase)
      - vii. Local revenue: \$210.6 million (3.6 percent increase)
        - (a) Includes ticket sales, suite and premium sales, sponsorships, broadcast fees, merchandise sales from the Packers Pro Shop, concessions, atrium-business revenue etc.
  - 3. Packers' expenses
    - a. Green Bay Packers total *expenses*: \$436.6 million (down \$40.6 million from the previous year)
    - b. Primary expense (cost)
      - vi. Player payroll cost (includes team expenses): \$226.5 million (\$16.6 million less than the previous year)
  - 4. Net income and profit
    - a. The overall net income: \$34.9 million (up 315% percent from the previous year)
      - vi. Expenses decreased in 2019 in part because of a decrease in player salaries and costs related to the franchise's year-long celebration of its 100th season in 2018
      - vii. The team was also impacted by a strong performance on the field as the team went 13-3 in the regular season and appeared in the NFC Championship Game
  - 5. Because of the economic toll the pandemic will take on the team's finances, next year's report obviously will not be as impressive
    - a. Lambeau Field was closed from mid-March to the end of May, and revenue typically generated from activities such as stadium tours, events and conventions will suffer, while a decrease in fans in the stadium on game days (along with a potential decrease in sponsorship revenue) will have a major impact on the bottom line
- C. Franchise Valuation
  - 1. Unlike industrial or financial business, which is generally valued on cash flow and assets, sport franchises are valued on their revenues for two reasons:
    - a. For the long term, the operating expenses within each league are about the same for every team
    - b. Franchise revenues most closely measure the quality of a team's venue and track athletic performance, ultimately the two most critical elements in the evaluation of team's overall value <sup>20</sup>



2. Professional sport team values have risen over the past decade and are expected to rise to unpredictable levels for the next few years
  - a. In 2012, the Los Angeles Dodgers were sold to an ownership group that included former LA Lakers star Magic Johnson for a whopping \$2 billion. The team last traded hands in 2004 when maligned owner Frank McCourt purchased the club for \$430 million.<sup>21</sup>
  - b. In 2013, the San Diego Padres were sold for \$800 million in a deal that ranked as the third largest in the history of Major League Baseball despite having appeared in the post-season just twice since 1999<sup>22</sup>
  - c. In 1981, former LA Clippers owner Donald Sterling paid \$12.5 million for the team. After his involvement in a very public racism scandal, the NBA forced him to sell the team. At the time, it was valued by Forbes at \$575 million, yet the sale price for the franchise fetched a whopping \$2 billion (former Microsoft executive Steve Ballmer purchased the team).
  - d. In 2015, Bruce Levenson sold the Atlanta Hawks for \$850 million; ten years ago he [acquired](#) the franchise for \$189 million
    - vi. From 2014 to 2015, the average value of a NBA franchise (according to [Forbes](#)) skyrocketed from \$634 million to \$1.1 billion, a 74% increase in just one year. It is the biggest one-year gain since *Forbes* began valuing teams in the four major U.S. sports leagues in 1998.
  - e. In 2018, two sports teams were [sold](#) for record prices when the NFL's Carolina Panthers were sold for \$2.3 billion and NBA's Houston Rockets were sold for \$2.2 billion
    - vi. In 2019, a new record was set when the billionaire co-founder of e-commerce giant Alibaba [purchased](#) the NBA's Brooklyn Nets for a reported \$2.35 billion
  - f. The Kansas City Royals were [purchased](#) by Kansas City businessman John Sherman for \$1 billion from David Glass. Glass purchased the Royals for \$96 million in 2000, giving the outgoing owner an annualized price appreciation of 13%. Forbes had recently valued the MLB franchise at \$1.03 billion.
  - g. The Minnesota Timberwolves, Glen Taylor is looking into the [potential sale](#) of the NBA franchise. NBA sales have been robust recently, with big-market teams such as the Brooklyn Nets (\$2.35 billion), Houston Rockets (\$2.2 billion) and LA Clippers (\$2 billion) pushing the average NBA franchise value to more than \$2 billion, according to Forbes. However, it is Taylor's wish that the franchise remains in Minnesota and the most comparable recent sales occurred last year when the Grizzlies were sold for \$1.25 billion.
- D. Why would sports team owners invest in teams if generating a profit is not a sure thing?
  1. As reported by the [Charlotte Observer](#), since 2000, the overall value of an average sports franchise has increased 250%. Annual growth is around 9%, which is significantly better than the stock market's 3.2%.
    - a. Sports teams are also seen as recession proof as they gain value even when the rest of the economy is struggling
    - b. Sports teams also continue to appreciate in value even when the team fails to perform
      - vi. For example, a 2019 story from [Forbes](#) reported the average value of an NBA franchise at \$1.9 billion, an increase of 15% over the previous season
        - (a) Despite losing a collective 80% of their games last season, the New York Knicks remain the most valuable NBA team at \$4 billion (up 11% from a year ago and more than double the league average)
        - (b) Click [here](#) to see the full list at forbes.com
      - vii. The Miami Marlins have not made the MLB playoffs in almost 15 years (and have only had two winning seasons in that period of time), but that hasn't stopped the franchise's value from increasing an incredible 1,165% since Jeff Loria bought the team in 2002 for \$158.2 million

- (a) In 2017, Mr. Loria sold the franchise for \$1.2 billion, or \$1 billion more than what he originally paid for the team
- viii. It isn't just major league teams seeing record franchise values
  - (a) A [USA Today](#) story published in 2018 suggests that minor league baseball's 20 most valuable teams are worth an average of \$37.5 million, up 35% from 2013.
    - (i) According to the story, the most valuable minor league baseball franchises are the Sacramento River Cats (valued at \$49 million), the Charlotte Knights (\$47.5 million) and El Paso Chihuahuas (\$38.7 million)
- 2. Most owners accumulated massive wealth before purchasing teams and see sports franchises as long term investments
  - a. According to [Forbes](#), in 2016, there were 63 billionaires who own teams around the world -- 20 NBA teams were owned by billionaires and the NFL had 19 billionaire owners
- 3. However, as the [Sports Business Journal](#) recently asked, could the pandemic finally reverse the trend of soaring franchise values?
  - a. Most industry experts agree that if the sports world returns to a semblance of normalcy, there's ultimately little risk to the long-term value of these assets. But that relies on the assumption that, at some point, things will return to a position of growth potential like it was prior to the pandemic.

## Lesson 3.3

### The Financial Structure of the Entertainment Business

#### A. Entertainment business revenue streams

1. Similar to sports products in that both products can be developed into merchandise, used for promotion, and create profit through sales of ancillary products, licensing, and royalties <sup>23</sup>
  - a. **Ancillary products** are products related to or created from the core product <sup>21</sup>
2. Because there are so many different types of entertainment products, the revenue generated by marketing can be very diverse
  - a. A single blockbuster Hollywood film can generate a number of ancillary products
    - i. Videos
    - ii. DVDs
    - iii. Video games
    - iv. Rights can be sold to cable television
    - v. Rights can be sold to pay-per-view television
    - vi. Film can be the basis for a video game, TV series, book, or clothing line
    - vii. Rights can be sold for licensed merchandise (toys, games, apparel, etc)
  - b. The sale of those ancillary products makes a profit for the film creators in the form of sales, royalties and licensing fees
    - i. **Royalties** are payments made to the owner of copyrighted work for use of their material <sup>24</sup>
      - (a) Songwriters like Bob Dylan and Paul McCartney receive compensation when other artists “cover” (record or perform their own version) of the original song or when parts of the song are used as “samples” in another artists’ music
      - (b) For example, a Billy Squier tune called “The Stroke”, originally released in 1981, was heavily sampled in Eminem’s “Berzerk”, featured on his hit album Marshall Mathers 2. Eminem’s success (the album debuted at number one on the US Billboard 200, had the second highest album sales in 2013, and the album has sold 2,155,247 as of July of 2014) will be shared long term with Billy Squier in the form of royalties.
      - (c) When artists don’t feel they are being fairly compensated for their work, or if they feel another artist is infringing on their intellectual property (stealing their work), lawsuits are soon to follow
        - (i) For example, a company that owns partial rights to Marvin Gaye’s 1973 hit song “Let’s Get it On” [sued](#) Ed Sheeran for \$100 million, suggesting the singer-songwriter copied “Let’s Get It On” on his 2014 song “Thinking Out Loud”
      - (d) Click [here](#) to learn more about the different forms of royalties
    - ii. There is a lot of money at stake for artists in the form of royalty payments
      - (a) *Rolling Stone* magazine reported that the show *Glee* paid an average of \$15,000 to \$30,000 per song in licensing fees, with the biggest names getting more. <sup>25</sup>
      - (b) Also according to a [New York Times](#) report, Pandora and Sirius XM paid out nearly \$656 million in performance royalties last year
        - (i) However, in 2018, Sirius XM [agreed](#) to a \$150 million settlement over unpaid song royalties
      - (c) In 2017, Spotify [claimed](#) its biggest expense was royalty and distribution payments, which they say was equal to 85% of their revenue
  - c. A typical Hollywood marketing strategy includes planning the merchandising and product tie-ins before planning the casting and film production schedule

- i. Increasingly, studios plan the merchandising, products, DVD and electronic games and toys they will tie in with their proposed film before the actors and other technical staff are determined
    - (a) To a studio, movies seen as revenue generators, artistic statement is secondary
    - (b) As DVD sales decline and box office sales show signs of slow growth (while films become even more expensive to make), studios are looking to other avenues to boost revenue
    - (c) Tie-in toys are viewed as the future of movie marketing as they keep fans engaged between film releases
      - (i) This trend has studios focused on making movies that are “[toy-ready](#)”, of which there were 25 released last year, compared to the previous annual average of eight
      - (ii) Examples of “toy-ready” films include “Toy Story 4”, “Scooby Doo”, “Batwoman”, “Black Widow” and “Frozen 2”
    - (d) Despite the film release delays as the result of the pandemic, toy production and gaming companies tried to remain on schedule, [offering](#) a variety of products tied to major titles from “Black Widow” to “Minions: The Rise of Gru”
      - (i) To help maintain a revenue stream, most products were already distributed in retail stores and online, available for purchase months in advance of the film’s theatrical release date
        - 1. Click [here](#) to read more from wusa9.com
  - ii. Tie-ins aren’t limited to toys, marketing tie-ins also provide a studio with opportunities to generate additional revenue
  - iii. If a film can be developed into a franchise (a series of films which will tie together), it can be a huge money maker for the brand / studio
    - (a) *Harry Potter, Rocky, Indiana Jones, Marvel, James Bond, Batman, Pirates of the Caribbean, Star Wars, Twilight, The Hunger Games*
      - (i) The top five film franchises in movie history are Marvel Cinematic Universe, Star Wars, Wizarding World (Harry Potter), Spider-Man, James Bond <sup>26</sup>
        - (ii) Click [here](#) to see the entire list
2. Product placement
- a. **Product placement** is an advertising approach in which commercial products and services are used within the context of certain media where the presence of a particular brand is the result of an economic exchange
    - i. Product placement can be present in a number of media formats
      - (a) Theatre, film, television, music, video games and books
    - ii. Product placement is one of the fastest growing advertising mediums in the entertainment industry
      - (a) According to PQMedia, the U.S. product placement market grew by 14.5% last year but revenues are expected to fall 0.4% in 2020, thanks to coronavirus-related economic chaos — snapping a growth streak that dates to the Great Recession in 2009 <sup>27</sup>
        - (i) While currently only 2% of U.S. ad budgets is spent on product placement, that is starting to change as dollars drift to digital entertainment from television (according to the [LA Times](#))
      - (b) In-game product placements are quickly becoming one of the most lucrative forms of product placement for video game makers
        - (i) In 2009, spending on in-game product placement was estimated at \$699 million. It reached \$1 billion by 2014 and according to [Forbes](#), grew to \$7.2 billion in 2017.
        - (ii) Microsoft partnered with Chevrolet as the first ad partner attached to its Kinect Xbox 360 gaming interface when Chevy’s Volt electric car

- appeared as a product placement in "Kinect Joy Ride," one of the first games designed for the popular console)<sup>28</sup>
- (iii) With live sports on hold during the pandemic, [Adidas](#) turned to video games for brand exposure
    - 1. Adidas recreated the canceled European Championship in the FIFA 20 Playstation video game. Each match was filled with Adidas branding, from its logo on both the in-game ball and kits to the players themselves wearing its apparel when they were on the screen.
  - (c) After the commercial success of his hit "Gangnam Style", PSY was reportedly paid \$1 million for a three second spot in his follow up video for the song, "[Gentleman](#)", by a video game developer. Several other brands are also featured in the video.<sup>29</sup>
  - (d) "Man of Steel," the highly anticipated reboot of the Superman franchise, earned \$160 million from product placements from more than 100 brands, shattering the record held by "James Bond Skyfall" which generated a then-record \$45 million in endorsements in 2012.<sup>30</sup>
  - (e) The concept has become so prominent that one filmmaker (Morgan Spurlock from *Super-Size Me*) chose to create an entire film based on the idea of product placement in which the documentary (called *The Greatest Movie Ever Sold*) follows his efforts to fund the entire movie through corporate product placement deals
- iii. Product placement and brand integration is presenting itself in new, more aggressive forms
- (a) According to Adam Kluger, CEO and founder of the Kluger Agency: "*Brands are tripling their revenue (just) because of a mention in a Jay-Z song, so we go after the companies and partner them with the demographic. If you hear an artist talking about his new Fila sneakers, you're going to think about it when you go shopping.*"<sup>31</sup>
  - (b) The selfie Oscars host Ellen DeGeneres took during the show with a Samsung mobile device sparked a lot of conversation and it was later revealed that, as part of its sponsorship and ad pact for the Oscars with ABC, Samsung previously negotiated to have its Galaxy smartphone integrated into the show
  - (c) When Seth Rogen presented an award at the 2017 Oscars wearing a pair of "Back to the Future" themed sneakers, Nike received an estimated \$583,000 in promotional value without spending a dime on advertising (all they had to do was provide Rogen with the shoes)
    - (i) Click [here](#) for the full story on how Nike was the "unexpected winner at the Oscars" from qz.com.
  - (d) In celebration of the 25<sup>th</sup> anniversary of the Discovery Channel's wildly successful "Shark Week" program, Volkswagen created a "[Volkswagen Beetle Shark Observation Cage](#)" to replace the standard shark cage used in prior airings of the show<sup>32</sup>
  - (e) More and more record labels are looking for ways to recoup lost revenue through declining CD sales and product placement provides a new avenue for generating revenue (and padding the pocket books of the entertainers themselves)
    - (i) According to a report published in *Rolling Stone*, Britney Spears made a half million dollars from the product placement in her music video for "Hold It Against Me," which featured products such as a Sony television, Make Up Forever eye shadow and dating website Plenty of Fish<sup>33</sup>
    - (ii) The 9.5-minute music video for Lady Gaga's hit song "telephone" featured product placement for 10 different brands, including Virgin Mobile, Miracle



- Whip, Diet Coke, HP and Wonderbread (among others) and has been viewed nearly 110 million times on YouTube
- (iii) The video for Ariana Grande's 2018 song "The Light is Coming" prominently featured the singer wearing Reeboks, while her Instagram post alerted fans to the fact the video would drop exclusively on Reebok's website (the brand [reportedly](#) paid for the music video)
  - (iv) Chris Brown's top-10 hit, "Forever", was [originally financed](#) by Wrigley's gum as a jingle for Doublemint chewing gum
  - (v) Pepsi basically financed an entire feature film when they took the theme from an advertisement that went viral (Pepsi Max's "Uncle Drew") and turned it into a box office success story
    - 1. According to CNN, Pepsi declined to share production costs for the film, but several other brands (including Nike and Wheaties, who, like Pepsi have natural promotional interests in the "Uncle Drew" character) reportedly helped support the movie financially <sup>34</sup>
      - a. Click [here](#) to read more from CNN why Pepsi decided to make "Uncle Drew" into a movie
      - b. Click [here](#) to see the original Pepsi Max Uncle Drew commercial (viewed nearly 53 million times on YouTube)
  - (vi) Soon after performing at the Super Bowl in 2019, [Vogue](#) revealed that Travis Scott's video for "Can't Say" in which he was dressed exclusively in Saint Laurent was financed entirely by the brand, leading the magazine to suggest it represented "an unusually close relationship between brand and artist."
    - 1. When Travis Scott dropped his "JackBoys" album in 2020, a music video for one of the songs, "Gang Gang" prominently featured numerous products from Elon Musk-founded companies: Tesla's newly announced Cybertruck and Cyberquad ATV, as well as a Boring Company flamethrower
  - (f) Electronic Arts' popular video game franchise 'Madden NFL' and Pizza Hut partnered last year for the first-ever [virtual stadium](#) naming rights deal in esports
    - (i) In the deal, the virtual in-game stadium experience was referred to as "Pizza Hut Stadium"
  - (g) The next step in product placement? Even more aggressive strategies like retroactively placing ads in music videos that have already been created.
    - (i) Via [Rolling Stone](#): *"As first reported in Financial Times, the deal will integrate brands in music videos in ways unheard of even five years ago. Unlike a traditional product placement deal — in which a brand would work with the record label and artist and insert their product into the video during its production — retroactive product placement (a.k.a. native in-video advertising) functions more like traditional advertising. The ads inserted into each video have a finite lifespan and can be removed or replaced instantly. Companies may also localize ads, meaning a person in New York may see a Pepsi billboard at the same time someone in London sees an ad for McDonald's."*
    - (ii) Similar technology is also used to retroactively insert products and brands into re-run episodes of popular television shows like "Friends" or DVD releases of films
      - 1. When Marvel released "The Avengers" on DVD, several deleted scenes from the original film and the new format's inclusion of an "extended ending" featured prominent placement of Acura vehicles (according to [brandchannel.com](#))



- (h) Even authors and publishing companies engage in product placement. For example, auto brands make heavy appearances in the *Twilight* books (Volvo is mentioned 16 times in the original book and six times in *Eclipse*).<sup>35</sup>
  - (i) Gordon Hodge, who follows the comic books business for Thomas Weisel Partners, told the Wall Street Journal that the product placement in comic books “market is worth about \$400 million to \$450 million, with Marvel controlling about 37% and DC capturing around 33%.”<sup>36</sup>
  - (ii) Marvel Entertainment has placed the Nike swoosh onto a character’s T-shirt and on a car door in several of its popular comic books (including “New X-Men”)
  - (iii) DC Comics, home to characters such as Batman and Aquaman, is launched “Rush City,” boasting visible promotional support from General Motors Corp.’s Pontiac. As part of the series, a new hero known as “The Rush” will be prominently featured driving a Pontiac Solstice in the comic book. “*The car will be as essential to the character as the Aston Martin was to James Bond*,” says David McKillips, vice president of advertising and custom publishing for DC Comics.<sup>37</sup>
    - 1. Click [here](#) to read about Lexus’ recent sponsorship of an entire issue of a Marvel comic called “The Chase”
  - (iv) A custom “special edition” digital “Guardians of the Galaxy” comic book highlighted several features of Ford’s EcoSport vehicles as part of the brand’s integration with the May 5<sup>th</sup> box office release of ‘Guardians 2’
    - 1. Click here to see some of the other ways Ford connected its brand with the ‘Guardians 2’ film with a Marvel microsite, [marvel.com/ecosport](http://marvel.com/ecosport).
- b. A **product tie-in** refers to any marketing or promotional activity that connects one brand or product with another (usually more well-known or publicized) product or event
  - i. A tie-in is not the same thing as product placement
    - (a) For example, through a series of promotional deals, Marvel aligned the blockbuster ‘Avengers: Endgame’ film with dozens of brands (but those brands were not necessarily featured on-screen during the film)
    - (i) Notable promotional tie-ins included:
      - 1. Adidas [launched](#) a “Heroes Among Us” limited-edition sneaker collection inspired by six iconic Marvel characters: Iron Man, Black Panther, Captain Marvel, Captain America, Thor, and Nick Fury
      - 2. Google created a “secret” game that could be unlocked through their popular search engine and also created a [tie-in](#) with the Pixel 3 phone, featuring augmented reality “Playmoji” stickers of the heroes
      - 3. Coca-Cola [created](#) a commercial that featured a teenage girl receiving super powers by drinking a Coke, helping her get to the theater in time for the film’s premiere
    - (b) In 2020, Build-a-Bear [revealed](#) a “Black Widow” themed bear ahead of film’s release, demonstrating the many different ways brands and studios can collaborate on product tie-ins
    - (c) In 2019, the “Spider-Man: Far From Home” promotional media campaign set an industry record with \$288 million in media value, thanks to tie-ins with brands like Doritos, Dr. Pepper, United Airlines and Audi
      - (i) According to [Deadline](#), the media value of the campaign shattered the previous record, set just months earlier by “Avengers: Endgame” which was estimated to be around \$200 million<sup>38</sup>
    - (d) With movie theaters still closed because of the pandemic, Warner Bros. released the animated feature film [Scoob!](#) directly to home viewers. The film — the first full-length animated Scooby-Doo adventure intended for the big

screen – [included](#) promotional tie-ins like a Playmobil Mystery Machine, Scooby-Doo themed Converse sneakers, and free digital copies of comic books to help promote the movie's DVD release.



**\* ACTIVITY IDEA \***

*In class, create a short list of recently released and/or soon to be released movies that are likely to have some box office success. Then, come up with three to five potential tie-ins with each film. Ask students why those tie-ins might benefit the brand as well as how they could benefit the success of the film.*

- c. When the featured product does not pay for the exposure, it is referred to as a **product plug**
  - i. Not all product appearances are paid
    - (a) World Wrestling Entertainment (WWE) World Heavyweight Champion, Phillip Jack Brooks (a.k.a. CM Punk) has a Pepsi logo tattooed on his left shoulder despite reportedly not being a paid endorser of Pepsi products
    - (b) Netflix revealed they had partnered with around 100 companies to produce tie-in products or promotions to promote the third season
      - (i) However, according to the [American Marketing Association](#), none of the brands featured in the eight episodes paid for product placement
      - (ii) Instead, Netflix allowed the brands to generate their own marketing buzz for their products while helping to promote the third season of one of its most popular shows <sup>39</sup>
        - 1. According to one [report](#), the brand placement in the third season of the show was estimated to be valued at \$15 million (Coca-Cola gained approximately \$1.5 million in ad value from their product placement of "New Coke" and another \$1.2 billion in value from the media impressions (conversation between consumers through social media platforms etc.) generated by its alignment with season three of "Stranger Things"

**\* DISCUSSION IDEA \***



*Netflix eschewed traditional marketing for season three of its incredibly popular 'Stranger Things' series, partnering with 100 different brands and turning its promotional strategy "upside down". The volume of brand partners did not go unnoticed by fans, some complaining the show had become too commercialized and that the product placements were distracting. However, a Netflix spokesperson said the company did not receive payment for any of the product placement or promotional tie-ins. Either way, season three became one of the most-watched*

*shows in Netflix history, and brand partners reaped the benefits of association with a pop culture phenomenon.*

*We created a PPT featuring several notable examples of product placement from the show, along with highlights of several creative promotional tie-ins from brands like Coke, Nike and H&M. Use the PPT to revisit (and reinforce) the concept of the paradox of commercialism (lesson 2.7), and introduce product placement and promotional tie-ins.*

*Additionally, discussing Netflix and their subscription-based business model would also be a worthwhile conversation. The company has publicly stated they have no immediate intention of shifting to an advertising-based model or plans to seek paid product placement with their original programming. Ask students why Netflix might be opposed to advertising or paid product placement, and if they think Netflix will stick to their strategy and keep their original programming ad-free in the long-term. The file is accessible from the Lesson 3.3 folder on your thumb drive.*

- (c) FX's comedy 'Baskets' integrated several brands (Costco and Arby's) into the show's actual storyline but, despite trying to find partners for product placement within the show, did not gain any financial support from either brand
  - (i) Click [here](#) for an interesting read about the show 'Baskets' and its product placements from adweek.com.
- (d) In 2018, iconic slow-cooker brand Crock-Pot tried to distance themselves from the television show, *This Is Us*, after an episode revealed that a popular character was killed when a Crock-Pot started a fire in the character's home
  - (i) The company said in a [statement](#): "The safety and design of our product renders this type of event nearly impossible. Our Crock-Pot slow cookers are low-current, low-wattage (typically no more than 200 or 300 watts) appliances with self-regulating, heating elements."
  - (ii) The company even posted on Facebook: "'We're heartbroken over last night's episode, too! We're innocent until proven guilty.'"
  - (iii) Even show creator felt compelled to jump in and defend the Crock-Pot brand after the backlash, tweeting "Taking a moment to remind everyone that it was a 20-year-old fictional crockpot with an already funky switch? Let's not just lump all those lovely hardworking crockpots together."
- (e) In the final season of HBO's hit show 'Game of Thrones', observant fans noticed a Starbucks cup that was erroneously left on set during one of the scenes, leading to millions of mentions and engagements through social media
  - (i) HBO digitally removed the coffee cup from the scene, but not before Starbucks generated billions in free advertising (one brand marketing company put the [estimated](#) value of the free publicity at \$2.3 billion)
- d. Is product placement effective?
  - i. According to [CNBC](#), product integrations on Hulu deliver an 89 percent higher purchase intent and 74 percent higher brand awareness over traditional 30-second commercials
  - ii. The decision to feature Reese's Pieces in ET catapulted the product-placement craft into the Hollywood mainstream. Sales of the candy subsequently increased 80%.<sup>40</sup>
  - iii. Etch A Sketch, Mr. Potato Head and Slinky were toys in the blockbuster Disney movie *Toy Story*. Subsequently, Etch A Sketch sales increased 4,500 percent;

- Mr. Potato Head sales increased 800 percent; Slinky, out of business for 10 years, made a furious comeback after getting over 20,000 orders.<sup>40</sup>
- iv. A Billabong brand jacket featured in the second *Twilight* film ignited a buying frenzy. The brand quickly sold out of the jacket and it could later be found on eBay going for many times its retail price.<sup>41</sup>
  - v. Thanks to a product placement ad in the popular social network game "Farmville", Microsoft gained over 400,000 Facebook fans on their Bing fan page in just one day.<sup>42</sup>
  - vi. [USA Today](#) reported that, when Jaguar automobiles figured prominently in the story line of a 2012 episode of "Mad Men", the brand experienced a 96.27% lift in "content consumption" (how often people were talking about the brand on digital devices), despite the fact that the brand wasn't portrayed in a positive light.
  - vii. That's not to say product placement isn't a risky endeavor for both the brand and the film producer.
    - (a) Gitesh Pandya, editor of BoxOfficeGuru.com, told [Investors Business Daily](#) that product placement activity "has been going on for so long that most consumers are used to it. The big concern is if they overdo it with too many brand partners." In the case of "Iron Man 3," the product placement for Verizon FiOS is so obvious that it comes off as crass, he says. "Their plug in the film is just shameless," Pandya said. "It's just blatant promotion for the brand and it really has nothing to do with the story."
    - (b) U.S. consumers who saw the fourth installment of the *Transformers* franchise, *Age of Extinction* complained the product placements were awkward, summed up when a viewer wrote on one movie review site after seeing the film, "It's disgusting to see so many ads in one movie."
      - (i) Chinese companies who paid hundreds of thousands of dollars to have their brands featured in the film complained about the limited exposure their brands received as a result of their placement agreement ([at the time this text was released](#), at least one was taking Paramount Pictures, the studio behind the film, to court)
    - (c) Baskin-Robbins' engaged in a reverse product placement strategy as part of their partnership with Netflix and season three of "Stranger Things" when they re-branded several stores as "Scoops Ahoy" (the name of the ice cream shop featured in the show's storyline)
      - (i) Over the two-week period in which a Burbank, California location was transformed into a "Scoops Ahoy", the store enjoyed an increase in sales of 150% (according to [CBS News](#))
  - e. Reverse product placement
    - i. Reverse product placement occurs when real life products are developed that match products featured in a fictional context
      - (a) In 2012, Staples (an office supply chain store) began selling "[Dunder Mifflin](#)" branded copy paper products after entering a licensing agreement with NBC for the rights to use the name and images from the popular sitcom
      - (b) Later in 2012, Staples began to carry more Dunder Mifflin branded products while a [statement](#) from the company suggested revenue generated by sales of the original Dunder Mifflin copy paper was "two times what we expected."
    - ii. Brandchannel.com named Willy Wonka the "greatest example of reverse product placement of all time" in commemoration of the film's 40th anniversary (today, under the Nestlé umbrella, the Wonka candy company still produces a range of candy, from Sweet Tarts to Nerds, Gobstoppers to Laffy Taffy and still makes extensive use of the "golden ticket" for marketing opportunities)<sup>43</sup>
    - iii. To build hype for the premiere of the third season of TNT's "Dallas", the Ewing family unveiled its first "Ewing Energies" gas station, offering gas at deeply discounted rates in a reverse product placement that lasted just one day<sup>44</sup>

- iv. A deal was announced between Frito-Lay and Wal-Mart in which 1.5 million packages of “Cheesy Poofs”, the snack made famous in Comedy Central’s cartoon show *South Park*, would be available exclusively at Wal-Mart stores to celebrate the show’s 15<sup>th</sup> season <sup>45</sup>
- v. [Deadline.com](#) explains how Heinz decided to run a series of print advertisements in 2017 showing close-up photos of chips, steak and burgers with a slogan, “Pass the Heinz”, that was originally created (and filmed) for an episode of the popular television series, ‘Mad Men’
  - (a) The ads were displayed on billboards across New York City, in the pages of the *New York Post* and in *Variety* magazine
- vi. On August 8<sup>th</sup>, 2017 (8/8/17), ESPN8 became “ESPN 8: The Ocho” for one day, drawing inspiration from the hit movie “Dodgeball: A True Underdog Story”
  - (a) For one day only, the faux network featured a line-up of unconventional, niche sporting events ranging from Disc Golf to Ultimate Trampoline Dodgeball and Firefighters World Challenge playing off the mantra highlighted in the movie: “Bringing you the Finest in Seldom Seen Sports”
  - (b) According to MVP Index, last year’s switch to ESPN8 resulted in 207K engagements and a social value of \$247.6K in just 24 hours
  - (c) In 2019, ESPN’s “The Ocho” broadcasts included coverage of events like the 46th Annual Cherry Pit Spitting Championship, a stone skipping competition, “stupid robot fighting”, the Acrobatic Pizza trials, a sign spinning competition and lawn mower racing
    - (i) Click [here](#) to read a story from variety.com on how the “ESPN 8” strategy is more than just a crazy publicity stunt
    - (ii) Click [here](#) to see the entire lineup of events scheduled in 2019
  - (d) With all major sports on hold because of the COVID-19 health crisis, ESPN again brought back ‘The Ocho’ in 2020
    - (i) A live world record deadlift attempt by Hafthor Bjornsson averaged a 0.22 rating and 302,000 viewers on ESPN ‘The Ocho’, making it ESPN’s most-watched program of the day according to [sportsmediawatch.com](#).
    - (ii) ESPN also averaged 201,000 for lawn mower racing, 172,000 for robot fighting, 171,000 for sign spinning, 170,000 for cherry pit spitting, 164,000 for stone skipping, 138,000 for dodge juggling and 121,000 for Tetris.
- vii. Nickelodeon opened a pop-up restaurant in West Hollywood based on a popular show from the late 1990s, ‘All That’, to promote the network’s 2019 reboot of the show
  - (a) According to a [statement](#) from Nickelodeon, the restaurant promised “Good Burger-themed service experiences, merchandise, games, secret sauce and more”



**\* ACTIVITY IDEA \***

*Challenge students to come up with a reverse product placement marketing campaign using one of their favorite sports or entertainment mediums as the source. Have them create a real product based on something from a book, TV show or movie, then create a brief plan for promoting the product. Encourage students to present their product idea in class.*



## Lesson 3.4

### Tracking Industry Trends

**\* INSTRUCTOR'S NOTES \***



*The state of the sports and entertainment industry is in flux as teams, leagues, events and brands scramble to find ways to navigate the pandemic. As a result, new trends are sure to emerge, from fan engagement strategies to venues and facilities placing an added emphasis on fan and personnel safety. Ask students what trends they think might take shape when things begin to go back to “normal”, meaning fans are allowed back in stadiums etc. How might the pandemic impact the industry in a way that we might see new trends take shape in the world of sports and entertainment?*

- A. What is an industry trend?
1. **Industry trends** are patterns that occur within a specific industry. These patterns could relate to pricing, costs, consumer behavior, manufacturing, promotions/sales strategies, distribution channels or any function of marketing.
  2. Trends are constantly shifting within the sports and entertainment industry, making it critical for marketers to effectively track them
    - a. Shifts in industry trends
      - i. Customer buying patterns
      - ii. Consumer preferences / distastes
      - iii. Effective marketing techniques (product placement for example)
      - iv. Product and/or service modifications
      - v. New technology
      - vi. Efficient communication tools
    - b. How do sports and entertainment marketers adjust accordingly?
      - i. Before any adjustment can be made, marketers must first be *aware* of changes or shifts in trends
      - ii. How do sports and entertainment marketers effectively track industry trends?
        - (a) Monitor sports and entertainment news online
        - (b) Read trade or business magazines, journals, websites or newsletters
        - (c) Consider the marketing efforts involved when attending competitor events
        - (d) Attend sports/entertainment business conventions, exhibitions and events
        - (e) Obtain research from sports/entertainment marketing firms
        - (f) Observe activity of competitors
        - (g) Communicate with others within the industry
      - iii. Marketers evaluate trends that fit their respective marketing plans and implement changes accordingly
        - (a) In the sports and entertainment industry, the trend toward consuming online content has industry executives focusing on engagement strategies to capture (and keep) fan interest



- (i) Atlantic Coast Conference (ACC) launched a branded YouTube channel, marking the first and only official partnership between YouTube and a major collegiate sports conference <sup>46</sup>
- (ii) Fans crave more than just news updates and live streams, they want to engage with their favorite sports and entertainment properties in other ways
  - 1. Roughly 68 percent of sports fans use mobile devices to share blooper videos and photos, while 65 percent enjoy watching nostalgic moments in sports history <sup>47</sup>
- (iii) As more and more consumers shift focus to tablets and mobile devices, marketers will respond by creating content available for digital distribution
  - 1. Young males spend more time-consuming media on XBOX than playing video games, according to Sean Bratches, ESPN Executive Vice President of Sales & Marketing, creating another platform for connecting with fans of the ESPN brand <sup>48</sup>
  - 2. As a result, WatchESPN is now available in over 83 million homes, more than double its distribution from a year ago <sup>49</sup>
- (iv) In 2019, ESPN announced that its streaming service (ESPN+) had surpassed one million subscribers in just five months and reached two million subscribers in less than a year
  - 1. By August of 2020, that number swelled to more than 8.5 million subscribers



**\* ACTIVITY IDEA \***

*One trend identified in lesson 3.4 is the movement toward sports and entertainment properties developing unique online content. At this point, most have already launched YouTube channels like the [ACC conference](#) to capture the interest of fans and bolster levels of fan engagement.*

*Challenge students to find at least five unique YouTube channels featuring sports and entertainment brands (could be anything from Under Armour to a professional volleyball league) and then list the type of content being provided on the YouTube site.*

*You could also ask students to search online and find five to ten unique examples of what sports and entertainment properties (i.e. - pro sports team or their favorite athletes or celebrities) are doing online to engage fans.*



**\* ACTIVITY IDEA \***

*Challenge your class to create your OWN original sports and entertainment content online. It could be a YouTube channel that features material developed in your classroom or unique online content featuring your school sports and entertainment hosted on your school website. There are a lot of interesting ways to get creative and have some fun with this project!*

3. Sports and entertainment industry trends to watch
  - a. Continued growth of augmented/virtual reality offerings
  - b. Pop-up stores
    - i. A **pop-up** refers to the concept of opening a short-term sales space, often launched as a promotional tool to create awareness and build interest for new products
      - (a) Pop-ups are typically only open from a few days to several months and provide opportunities for consumers to physically interact with a product
      - (b) Pop-ups provide a less expensive alternative to retail because a business does not commit to a long-term lease
      - (c) According to the [American Marketing Association](#), the pop-up concept is now estimated to be a \$50 billion industry
        - (i) In 2020, Nintendo [opened](#) “Switch On The Go pop-up lounges” at several U.S. airports, including Dulles International, Tacoma International & O'Hare. They were open for about six weeks and offered travelers access to charging ports along with playable Switch demos
          1. Some of Nintendo's most popular games were available, including "The Legend of Zelda: Breath of the Wild," "Mario Kart 8 Deluxe" and "Super Mario Odyssey."
          2. Travelers who visited the lounge were given a free Switch-branded luggage handle wrap and a \$10 coupon to use at Target on a Nintendo purchase of \$75 or more. Visitors were also able to place orders for Switch, Switch Lite and a selection of games and merchandise.
        - (ii) Nike has launched pop-ups around the world, including a shipping container converted into a Nike “store” in Berlin, a SNKRS-branded (a Nike app) retail experience at the Super Bowl in Atlanta, and dropped an exclusive Air-Max sneaker at a pop-up in France.
          1. Nike sold exclusive SNKRS merchandise at its SNKRS pop-up. The pop-up also featured a vending machine that served SNKRS and city of Atlanta-themed swag for free, such as stickers, pins and smartphone cases. To get the freebies, consumers had to scan their “Nike+ Pass”, a QR code in the profile section of the consumers’ SNKRS app.
    - b. Pop-up stores



**\* ACTIVITY IDEA \***

*To have some fun teaching the concept of industry trends, along with the current “pop-up store” trend, consider accessing the “Industry Trends – Pop-Up Stores” lesson plan bundle, complete with a lesson plan guide, PPT and activity rubric.*

- c. More theme parks that look like “blockbuster worlds” <sup>50</sup>
  - i. After the success of Harry Potter’s “Wizarding World” at Universal, expect more park operators to introduce attractions that feature themes from your favorite film franchises
    - (a) A “Frozen” themed world depicting Arendelle opened at Tokyo DisneySea, Pandora (“Avatar”) at Disney’s Animal Kingdom and Star Wars Land at Disneyland and Hollywood Studios
    - (b) In 2019, Disneyland opened its highly anticipated Star Wars: Galaxy’s Edge, selling out its reservations in just two hours
      - (i) It took the park just one month to [announce](#) that 1 million riders had already ridden the Millennium Falcon: Smugglers Run ride since Star Wars: Galaxy’s Edge debuted
    - (c) Also, in 2019, popular film franchises “Hunger Games” and “Twilight” were brought to life when the Lionsgate (the studio behind the films) opened a “vertical theme park” (the park is a futuristic building that is ten stories high) in China
      - (i) According to the [New York Post](#), “Lionsgate Entertainment World” will offer several attractions based on popular film franchises, including:
        1. A virtual reality motorcycle ride with a pack of wolves, simulating an experience from “Twilight”
        2. A 3D experience called The Hunger Games: Mockingjay Flight Rebel Escape, starting on the streets before riders board a vehicle that gets picked up by a hovercraft that flies through a scene depicting “The Capitol” from the films
        3. A virtual reality roller coaster based on the “Gods of Egypt” film where riders don headsets and soar through ancient Egypt during an epic battle between good and evil
        4. The theme park will also include attractions based on films such as “Divergent” and “Now You See Me”
  - i. “Retro” shoes
    - (a) [Forbes](#) reported that sales of retro shoes, from all major brands, were up over 25% last year
    - (b) Complex.com [declared](#) in 2019 that “’70s Runners” were the best sneaker trend of the summer
    - (c) According to Matt Powell, a footwear industry analyst at the research firm NPD Group, brands like Fila and Champion have the retro trend to thank for their resurgence, telling [CNBC](#) “The 90’s retro trend is very hot right now and Fila and Champion are at the center of it.”
      - (i) In the last two years, Fila’s sales increased 205% while Champion increased sales last year by \$360 million, according to CNBC

- (ii) In the last three years, Champion's Instagram followers have climbed from 200,000 to about 6 million and a recent survey from Piper Jaffray suggests male teens consider it a top-15 brand, ranking alongside such names as Gucci and Tommy Hilfiger, according to [Time Magazine](#)
- ii. "Themed" designs and collaborations
  - (a) Last year, adidas released a special edition Dragon Ball Z collaboration
  - (b) Nike also once released shoes themed around "Chicken and Waffle", Krispy Kreme and Starbucks
  - (c) Vans' latest line of themed sneakers were literal works of art when the [partnered](#) with the Van Gogh Museum to feature some of the artists' work on shoes and apparel
  - (d) Nike, in tribute to NBA MVP Giannis Antetokounmpo's favorite movie, [released](#) the film-themed Zoom Freak 1 'Coming to America' sneaker in 2019
  - (e) Adidas skateboarding honored legendary artists the Beastie Boys with a [collaboration](#) in 2019 celebrating the 25<sup>th</sup> anniversary of one of the band's most popular albums, 'Paul's Boutique' (on one song from the album, the group raps "More adidas sneakers that a plumber got pliers" and on another, "Rock my adidas never rock Fila")
  - (f) Converse and its Chuck 70 Sneaker, the world's most symbolic sneakers, [teamed](#) up with Scooby-Doo's Mystery Machine and was released (sold-out) in July of 2020



**\* ACTIVITY IDEA \***

*If you have not already introduced a sneaker design activity or project, consider having students design a unique "themed" sneaker of their own. Have them choose whichever brand they would like, then customize the shoe with a theme they think will be popular with consumers. Each student should present their design in class (with some re-assurance that the goal of this exercise is to demonstrate creativity and an understanding of catering to consumer preferences, not an artistic design competition). As they present their design, students should explain why they decided on each respective theme, why consumers will like the shoe, and how they will get the product in the hands of the consumer. You may also want to refer back to lesson 2.5 and reinforce the concept of the importance of a quality product.*

*For additional guidance for this activity, consider accessing the "Industry Trends – Themed Sneakers" lesson plan bundle, complete with a lesson plan guide, PPT and activity rubric.*

- d. Continued increase in targeting of the female demographic
  - i. Women comprise about 1/3 of ESPN's adult audience for sports programming, nearly 1/2 of the Super Bowl's viewership and purchase 46% of NFL merchandise
  - ii. In 2018, Reebok enlisted the help of Ariana Grande, Gail Gadot, Gigi Hadot and many others to amplify the message of their "Be More Human" women's marketing campaign
    - (a) As part of the campaign, Reebok created 10 different limited-edition inspirational shirts with 100 percent of proceeds benefitting The Movement Foundation and The Women's Strength Coalition <sup>51</sup>

- (i) Click [here](#) to view the commercials on Reebok's YouTube playlist
- iii. The WWE is placing more emphasis on reaching female fans
  - (a) According to [USA Today](#): "WWE's TV audience continues to increase in the percentage of females, nearing 38%, according to Nielsen figures, while merchandise sales depicting female performers continue to grow."
    - (i) Click [here](#) to read more on the WWE's strategy to focus on its women's division from forbes.com.
- e. More and more tech in stadiums and arenas
  - i. According to [contracostatimes.com](#), when Levi's Stadium (home of the San Francisco 49ers) opened, it featured an unprecedented network that included about 680 Wi-Fi access points -- one for every 100 seats in the stadium, a superfast Internet connection (allegedly 10,000 times faster than what federal regulators classify as broadband), and about 1,700 high-tech "beacons" (technology that connects a fan's phone to a wireless headset, used to pinpoint consumers' locations inside the venue to provide them directions)
  - ii. According to [wired.com](#), when NBA's Sacramento Kings opened their new "Golden 1 Center", they suggested the arena was the most technologically advanced arena ever built
    - (a) The building is powered strictly by solar energy, enables wi-fi usage in every nook-and-cranny while allowing fans to control the temperature in their seating section by voting through an app, and boasts a scoreboard that is higher-resolution than the famous Dallas Cowboy jumbotron (32 million pixels vs 25 million)
  - iii. The Golden State Warriors are also due to open their new technology-savvy arena, the Chase Center, in 2018
    - (a) According to [cnet.com](#), the new facility will include floor tiles that generate electricity when people walk on them, streetlamps that transmit data to those nearby and several virtual reality possibilities
  - iv. MLS's Columbus Crew teamed up with IBM to enhance the tech at their new stadium
    - (a) Sports teams will continue exploring alternative packaging strategies to battle declining attendance
      - (i) As the team prepared for season ticket renewals down the stretch of the last year's MLB season, the Oakland A's announced plans to re-imagine the traditional season ticket sales model
        - 1. According to the [San Francisco Gate](#), the "A's Access" program would provide "members" with general-admission access to every game, a reserved-seat plan and additional benefits including half-price concessions, 25 percent off merchandise and upgrade credits for games not included in a reserved-ticket plan
        - 2. [USA Today](#) reports one trend fans can expect to see in Major League Baseball is smaller stadiums as teams try to find ways to create more demand for tickets
          - a. For example, both the Atlanta Braves and Texas Rangers opted to downsize when moving to new stadiums
            - i. The Braves are in their third season at SunTrust Park (capacity, 41,000, replacing Turner Field's 53,000)
            - ii. The Rangers will begin play next year at Globe Life Field, a retractable-roof facility that will seat 40,000 compared to its current stadium's 49,000-seat capacity
        - 3. The challenges of drawing fans to stadiums are not limited to Major League sports, a precipitous drop in attendance has impacted college football for several seasons

- a. According to The Athletic, college football attendance last season dipped to its lowest mark in 22 years
  - b. In 2018, the SEC, a conference with fans as loyal as you'll find in sports, posted its lowest average attendance since 2004, a drop of 1.4 percent from the previous season
  - c. This has sports marketing professionals in collegiate athletics searching for answers. The Athletic reports that those who have studied attendance at college football games suggest there are a number of reasons for the general drop in attendance:
    - i. Costs associated with attending games
    - ii. Uncertainty over kickoff times
    - iii. Bleacher seats that are too uncomfortable
    - iv. Concession areas that are too claustrophobic
    - v. Lack of handrails that make it easier to get around
    - vi. Some fans prefer to watch at home, so they can watch more games
    - vii. Quality of opponent
- (b) Promotions celebrating franchise history and community
- (i) A hot promotions trend the past few seasons features teams paying tribute to the community at large and/or the franchise's historic roots
    - 1. The Lancaster JetHawks offered fans "throwback" prices on tickets as well as t-shirt giveaways to celebrate their 20<sup>th</sup> season. To recognize their 30<sup>th</sup> season milestone, the Harrisburg Senators introduced life sized bobbleheads and brought back former players to help the team celebrate.
    - 2. The Chicago White Sox celebrated the 100<sup>th</sup> anniversary of their World Series winning season by wearing replica jerseys for a July home game
      - a. In addition to the team donning throwback uniforms, the game featured old-time music and entertainment
      - b. Replica jerseys were given out to the first 20,000 fans in attendance while "1917 discounts" were available on food and merchandise (popcorn and White Sox programs were sold for 25 cents)
    - 3. The Green Bay Packers launched a [microsite](#) dedicated to the team's celebration of their 100<sup>th</sup> season, featuring one moment highlighted each day for the 100 days leading up to the regular-season opener
      - a. The team ramped up merchandising efforts as part of the celebration, offering everything from bobbleheads and coffee mugs to hoodies and iPhone cases
    - 4. The Charlotte Hornets' organized numerous promotional activities surrounding the franchises' 30<sup>th</sup> anniversary, including a new court featuring the team's original logos and colors,
      - a. The franchise connected the celebration with a sponsor, selling "title sponsorship" rights to Spectrum
      - b. Click [here](#) to read more about the promotions that will coincide with the Hornets celebration of 30 years as a NBA franchise
    - 5. In 2019, nearly a dozen MiLB teams honored anniversaries with local communities, including the Pawtucket Red Sox 50-year tribute with "Celebrate Rhode Island" by thanking fans for "50 years together"
      - a. Promotions included (via the team's [website](#)):
        - i. "Kids Free" Monday-Friday Nights in April & May
        - ii. "Swing into Summer" where all students in the state who successfully advance to the next grade level at the end of the



- school year receive a free ticket to a choice of summertime games
    - iii. "PawSox Rhode Shows" and 50 "Acts of Kindness" throughout the state
    - iv. "Commitment to the Community" long-term, including philanthropy and the PawSox Mentoring Program
    - v. Sharing of any 2019 profits (if any are generated) with the City of Pawtucket on an equal, 50/50 basis
  - (ii) Another popular trend where minor league teams celebrate community is the creation of promotions where the team undergoes a name change for one game
    - 1. While Minor League Baseball has a history of food-themed marketing stunts, the practice really took off in 2016 when teams like the Lehigh Valley IronPigs (Bacon), Toledo Mud Hens (Eggs) and Fresno Grizzlies (Tacos) took the promotions to another level, donning themed uniforms along with other promotional activities
      - a. Click [here](#) for a great recap of the history behind some of the best food-themed promos in Minor League Baseball
    - 2. To pay tribute to Maryland's "most hallowed pastime of picking steamed crabs", the Aberdeen IronBirds changed their team name to the "Steamed Crabs" for a game last season
      - a. The franchise promoted the event through social media, on its website and also launched a microsite at [www.aberdeensteamedcrabs.com](http://www.aberdeensteamedcrabs.com)
      - b. For one game, MiLB's Albuquerque Isotopes became the Green Chile Cheeseburgers. Taking the food theme even further, Albuquerque's opponent of the evening was the Fresno Grizzlies, who became the Fresno Tacos for the game.
        - i. Green chiles are an iconic food in the Albuquerque (and New Mexico) area so the team wanted to pay tribute with a special promotion that the community could rally behind
        - ii. Green chiles were roasted around the concourse and the team's ballpark (often referred to as "The Lab") was renamed "The Grill" for the evening
        - iii. To further engage fans, the team launched a microsite at [www.BringingTheHeatABQ.com](http://www.BringingTheHeatABQ.com) encouraging fans to vote for their favorite style of green chile (hot or mild) by tagging posts on social media with the hashtags #HOTABQ or #MILDABQ
        - iv. Click [here](#) to view a promo for the game on YouTube
        - v. Click [here](#) to see some examples of the merchandise the team offered in conjunction with the promotion
      - c. MiLB's Charlotte Knights chose to pay homage to their home state's culinary claim to fame (barbecue) by becoming the Charlotte Pitmasters for one game
        - i. The team's General Manager explains why the franchise decided to jump on the name-change trend in an interview with [Charlotte Magazine](#): *"Seeing the success fellow teams had with rebranding their teams for a day around food items famous in their regions, we thought, Why not us? From there, our VP of entertainment, David Ruckman, thought that barbecue was the most fitting for Charlotte and the Carolinas and he developed a terrific brand and promotional theme night. The Charlotte Pitmasters are born."*
      - d. Among those who jumped on the trend in 2019:

- i. The Maine Sea Dogs [became](#) the “Whoopie Pies”, in partnership with Wicked Whoopies and the Maine Whoopie Pie Festival, in a nod to the state’s official dessert with themed jerseys and hats
    - ii. The Syracuse Mets, in partnership with the New York State Fair, took the field as the “Butter Sculptures” for a game in July, which are ([according](#) to MiLB reporter Benjamin Hill) a nod to “the state fair’s massive butter sculptures, which are meticulously crafted by dairy artisans and displayed publicly to the joy and amazement of all” (the promotion included themed jerseys and a bobblehead giveaway of butter sculpture mascot, ‘Scooch’)
  - e. It isn’t just food themes; some teams will find other “quirks” to celebrate, like the Staten Island Yankees’ name-change last season to become the “[Pizza Rats](#)” for five games, a nod to a viral video that captivated the country in which a New York City rat attempts to carry an entire slice of pizza down the subway stairs
    - i. Click [here](#) to see the “pizza rat” video (it has been viewed over 10 million times on YouTube)
    - ii. Click [here](#) to see the team’s microsite celebrating the promo.
  - f. Why is this a hot trend?
    - i. Because these promotions work!
    - ii. According to [espn.com](#), when the Fresno Grizzlies announced a “Taco Throwdown” promotion where team would change its name to the Tacos for the game and wear taco-themed jerseys and hats
    - iii. In the first 50 hours after the announcement, the team’s website sold nearly 900 hats bearing the taco logo. Compare that to the 16 Fresno Grizzlies hats the team sold in the first three weeks of July.
    - iv. Last year, when the San Antonio Missions of Minor League Baseball [introduced](#) a “Flying Chanclas” promotion as part of their tribute to Hispanic heritage event, it took just 22 games to surpass the in-park merchandise sales from the entire previous season
- (c) Pop Culture Themed Promotions
- (i) One of the hottest trends in sports right now are promotions that tie-in with pop culture references
    - 1. Many teams now offer “Star Wars” theme nights (teams ranging from the Phoenix Suns, St. Louis Blues and Philadelphia Phillies to the Memphis Redbirds, Fort Wayne TinCaps and Buffalo Bisons have all hosted Star Wars theme nights)
      - a. The Buffalo Bisons donned “[Jedi Robe](#)” themed jerseys for their event
      - b. The Lehigh Valley [IronPigs](#) wore jerseys depicting Hans Solo frozen in carbonite
      - c. The Potomac Nationals put [Lando Calrissian](#) on their Star Wars jerseys
      - d. Star Wars theme nights were so popular with MLB teams last season that the Star Wars website featured a “[MLB Feels the Force](#)” page communicating the dates each MLB team would be hosting their “Star Wars Night” promotions

- i. The website also featured a few of the unique Star Wars-themed giveaways at the ballpark, including storm trooper bobbleheads and jedi baseballs
    - ii. Click [here](#) for more from starwars.com.
  - 2. Game of Thrones took MLB by storm in 2019, with 20 of the league's 30 teams [offering](#) GoT themed promotions as baseball clubs celebrated the show's final season
    - a. Popular giveaways included bobbleheads and t-shirts, like the Atlanta Braves' "Throne of Jones" T-shirts featuring former star Chipper Jones and the Kansas City Royals "Ice Dragon" bobblehead giveaway
  - 3. "Superhero" themed promos have gained a lot of momentum as another means for teams to connect their brand to pop culture and attract more fans to the ballpark or stadium
    - a. The Cedar Rapids Kernels hosted a [Mommy-Son Superhero Night](#) that included a cookie & punch party and photos with Batman, Superman and Spiderman
  - 4. The Durham Bulls hosted a [PokemonGO](#) promotion to help raise funds for a local pet adoption agency
  - 5. The Toledo Mud Hens celebrated an iconic rock band by hosting a "Beatles Night" with jerseys inspired by the "Sgt. Pepper's Lonely Hearts Club Band" album
    - a. The team sent a tweet with a "first look" at the uniforms that quickly generated a huge fan response, garnering more than 600 retweets and 1,000 likes (typically the team's tweets get just a few likes or retweets)
      - i. The promotion even sparked a Twitter feud with a rival minor league team who claimed they had offered the promotion first
      - ii. Click [here](#) to read about the feud from bensbiz.mlblogs.com
    - b. Further evidence of the popularity of pop culture promotions, the Mud Hens' tweets with the highest levels of engagement were also "uniform reveal" tweets
      - i. The Mud Hens' offered a salute to the original 'Dream Team', with jerseys inspired by the 1992 USA Men's Basketball team (the announcement was liked over 1,000 times and re-tweeted more than 400)
      - ii. The team's announcement about a 'Harry Potter Night' promotion on Twitter gained over 900 likes and nearly 400 re-tweets
- (d) 3D Printed Sporting Equipment
  - (i) As the technology improves, athletes will have the ability to customize their equipment
  - (ii) [Sport Techie](#) also reported that Nike and adidas are investing in 3D printing technology to produce footwear while Formula 1 racing already uses the technology to produce mechanical parts
    - 1. In 2017, adidas unveiled the "Futurecraft 4D", a huge improvement on their last 3D-printed running shoes which were more of a concept or prototype than a consumer product
      - a. According to [techcrunch.com](#): "The new version is better suited for mass production – Adidas plans on selling 5,000 pairs this upcoming fall, which will scale up to more than 100,000 pairs by the end of 2018. While the company hasn't announced the price, expect the first run to still be priced as a limited-edition shoe. The

first 3D runners retailed for \$333 but sold secondhand for many times that.”

2. In 2018, the world’s fastest marathoner (Kenya's Eliud Kipchoge) [wore](#) 3-D printed Nikes at the London Marathon, helping reduce the weight of the shoe
- (e) Shoe and apparel brands relying on non-athlete celebrities to help drive awareness and move product
  - Nike with Kevin Hart
  - Adidas with Kanye West, Beyoncé and Jonah Hill
    1. Click [here](#) to learn more about Jonah Hill’s partnership with adidas
  - Puma with J. Cole, Kylie Jenner and Rihanna
  - Under Armour with Gisele Bündchen
  - Converse with Millie Bobby Brown
  - Reebok with Ariana Grande and Gal Gadot
  - Champion with Chance the Rapper
  - New Balance with Jaden Smith
- (f) Gamification
  - (i) Gamification is a marketing strategy that encourages consumer engagement with brands through game play or similar activities
  - (ii) Marketers believe that if you’re able to successfully tap into the natural human instinct of competition, it will result in higher levels of engagement relative to whatever it is they are promoting
    1. The Jacksonville Jaguars, as an extension of their fan loyalty program, offer several team-branded games on their website as a way to add value for loyalty program members
      - a. Click [here](#) to see more from the Jags’ website
    2. As a way to get more fans excited about beach volleyball, the Association of Volleyball Professionals (AVP) launched a branded video game called “AVP Beach Volley: Copa” for play on mobile devices
    3. The Chicago Bulls launched a “Mascot Dash” game on the team website, complete with a leaderboard to encourage competition and activity from fans through social media channels with the hashtag #BullsMascotDash
      - a. In addition to driving fan engagement with the Bulls brand, the team’s gamification strategy paid dividends by collecting consumer data and driving revenue by connecting the game with a sponsorship opportunity (AT&T)
      - b. Click [here](#) to see the game on the team’s website
    4. Under Armour [launched](#) a gamification strategy in time for the 2018 NBA Playoffs when they introduced a game show app with real-time trivia features
    5. In 2019, Circle K Circle [partnered](#) with the San Antonio Stock Show & Rodeo to launch an interactive, in-arena game called “Guess the Score” where rodeo attendees could try to guess the rider’s score before the judges issued it for a chance to win prizes from Circle K Texas
- (g) How might the COVID-19 pandemic shape future industry trends?
  - (i) The size and capacity of stadiums could begin to decline
  - (ii) Health and fan safety professionals could become important front office positions throughout team sports
  - (iii) Concerts and events will look for ways to capture revenue and go “virtual”

- (iv) Solitary fitness could replace group fitness, meaning a decline in popularity of companies like Orange Theory, SoulCycle and CycleBar would see a declining customer base
  - 1. Fitness apps that encourage individual fitness, including “coaching” programs, would benefit from this type of shift in industry trends

## Lesson 3.5

### Economic Impact

#### \* INSTRUCTOR'S NOTES \*



*To further investigate the concept of economic impact and economic impact studies, consider sharing the handouts marked “Unit 3 - Student Handout - Economic Impact Study”, “Unit 3 - Student Handout - Economic Impact Study 2” and “Unit 3 - Student Handout - Economic Impact Study 3” with your class. The handouts provide excellent examples of how an organization might analyze economic impact.*

#### A. Impact of sports and entertainment on economy

##### 1. Economic impact

- a. Sports, entertainment and events inevitably make an impact on the host city's economy
- b. **Economic impact** can be defined as the net change in an economy resulting from sport or entertainment event related activity
  - i. This change is caused by either the activities involved in the development of new facilities and/or the revenue generated from visitor and public spending, employment opportunities and taxes
  - ii. *Direct effects* are the purchases needed to meet the increased demand of visitors for goods and services
    - (a) Darren Rovell, a well-respected sports business reporter sent the following tweet while attending the Masters golf tournament “*My hotel room in Augusta normally costs \$73.32. Tonight, during Masters week, \$401.02!*”<sup>52</sup>
    - (b) Every year, more than 150,000 spectators descend upon Churchill Downs for the Kentucky Derby, temporarily transforming the population of that at the racetrack into the 3<sup>rd</sup> largest city in the state
  - iii. *Indirect effects* are the ripple effect of additional rounds of re-circulating the initial spectators' dollars<sup>53</sup>
- c. Examples
  - i. Nashville's economy experienced a boost of nearly \$224 million from hosting the 2019 NFL Draft, a figure that exceeded expectations
    - (a) [Titans Online](#) reported a record crowd of over 600,000 people attended the three-day event with more than half the attendees coming from out of town
    - (b) According to the NFL and the Nashville Convention & Visitors Corp, the NFL Draft generated a record \$133 million in direct spending, representing a 79% increase over the previous year when Dallas hosted the event
    - (c) Las Vegas was poised to become the grandest draft presentation in the history of the league, however, the event was [canceled](#) due to the coronavirus pandemic resulting in Nevada's economy losing out on potentially millions of dollars



- (d) The economic impact went beyond direct and indirect spending, as the draft would have essentially been a three-day television commercial for the city. The Las Vegas Convention and Visitors Authority was [expecting](#) 47.5 million people in 115 countries to watch some portion of the draft in an event that was to be televised on ABC, ESPN and the NFL Network providing hours of exposure for Las Vegas.
- ii. According to a report from UK Music, a London-based group that includes songwriters, managers and record companies, tourists visiting U.K. music festivals and concerts contribute at least \$1.4 billion a year to the local economy<sup>54</sup>
  - iii. [Reuters](#) reported that the 400,000 fans projected to head to Indianapolis for the 2016 Indy 500, along with 33,000 hotels rooms booked at rates 20% higher than normal, would provide a \$336 million boost to the local economy
  - iv. While the Twin Cities [reportedly](#) incurred costs north of \$7 million to host Super Bowl LII in 2018, [twincities.com](#) suggested the event ultimately contributed \$370 million to the region
    - (a) For some fun facts relating to the visitors to Minneapolis/St. Paul for the 2018 Super Bowl, click [here](#)
  - v. According to [venuestoday.com](#), Daytona International Speedway's \$400 million renovation (which they coined DAYTONA Rising) helped create 6,300 jobs, \$300 million in labor income and \$85 million in tax revenue
  - vi. Each year, their respective Jazz Festivals stir significant economic increases in [Montreal](#) (approximately \$125 million where it employs 2,500 people during its 10-day run and attracts more than 1-million people, roughly a third of them from outside of the metropolitan area every year) and [New Orleans](#) (\$300 million annually)
    - (a) Click [here](#) to download a PDF of the latest economic study conducted to measure the economic impact of the Montreal Jazz Festival
- d. In some areas, the sports/entertainment industry as a whole can have an economic impact on local communities
- i. A Florida Golf Economy report suggests the golf industry's direct effect on Florida's economy is approximately \$7.5 billion and that the golf industry as a whole (both direct and indirect spending) generates a total economic impact of \$13.8 billion state-wide<sup>55</sup>
  - ii. According to [Colorado Ski Country](#), skiing and snowboarding have a \$3 billion annual economic impact in the state of Colorado, despite the fact that state tourism officials report that overnight ski visits have dropped in the state every year since 2008
    - (a) Like sports teams, leagues and events, the ski industry also suffered massive revenue losses as the COVID-19 health crisis forced resorts all over the country to shut down
      - (i) According to a [statement](#) from National Ski Areas Association, the U.S. ski industry lost at least \$2 billion last winter because of the economic collapse caused by the coronavirus pandemic
  - iii. The football season brings millions of dollars in consumer spending to college football towns around the U.S. every fall, with fans spending money on everything from parking, restaurant dining, groceries for tailgating and hotel rooms. Local businesses stand to lose millions with football not being played because of the pandemic.
    - (a) In a normal year, the University of Florida's football program has a direct economic impact of \$71 million on the city of Gainesville, according to a [study](#) conducted three years ago by the University
      - (i) According to the study's findings: "Approximately 520,000 people — more than 74,000 people per game — come to the stadium to watch

- Gators football every Fall. Between in-state and out-of-state visitors, not including UF students or staff, game day crowds generate 422,475 days of lodging. The average guest spends about \$168 per day between recreation and entertainment, food and beverage and hotel expenses.”
- (b) Tuscaloosa’s mayor recently [suggested](#) the University of Alabama’s football program brings an estimated \$200 million to the local economy, meaning a fall without football could be devastating for local businesses
  - (c) Click [here](#) to see the economic toll a lost college football season could have on college towns in Texas: “What losing football to COVID-19 would mean for Texas college towns: “It’s like losing Christmas”
  - iv. Broadway productions provide a big boost to the New York City economy, contributing \$14.7 billion and supporting nearly 97,000 jobs each year, according to recent [statistics](#) from The Broadway League
  - v. According to a [Reuters](#) report, the equine (basically everything relating to horses from feed, equipment, publications, veterinary care, racing and advertising) industry has a \$4 billion impact in Kentucky, which helps create over 55,000 jobs for state residents
  - vi. A study conducted by the [Nashville Area Chamber of Commerce](#) shows that the music industry has an annual economic impact of nearly \$9.7 billion on the Nashville region, suggesting that the 27,000 jobs directly supported by the music industry and the additional 29,000 jobs with indirect ties to it account for more than \$3.2 billion in income.
  - vii. Hollywood film production can also provide an economic boost to local communities
    - (a) The crew hired to work on the set of The Avengers created jobs for 2,000 people in Cleveland (a typical movie crew is about 100 to 150 people) and employed more than 3,870 state-wide while production was estimated to have generated \$25 million in spending <sup>61</sup>
    - (b) A study by the Washington, D.C., think tank Center on Budget and Policy Priorities reported that more than 40 states now offer some sort of financial incentive for film companies (compared to only a handful less than a decade ago) in an effort to encourage movie studios to film in their communities <sup>62</sup>
    - (c) According to a [USA Today story](#), government calculates that feature films contribute \$560 million each year to New Zealand's economy. Like many countries, New Zealand offers incentives and rebates to film companies and will contribute about \$100 million toward the \$500 million production costs of “The Hobbit” trilogy.
    - (d) According to [wjcl.com](#), Georgia is one of the fastest-growing entertainment production centers in the world and the feature film and television industry generated an economic impact of \$9.5 billion last year
      - (i) According to [UGA Today](#), the industry has grown in the last decade from \$240 million in 2007 to its current \$9.5 billion and there is an average of 30 to 40 productions ongoing at any given time across the state
    - (e) According to a [KHON2 News](#) story, films like Jumanji and Jurassic World: Fallen Kingdom help to boost area tourism
      - (i) Said Frank Among, a Hawaii Film Industry official: “*Top search terms online on all the search engines often reference “Jurassic Hawaii, Jurassic Oahu. Like 80 percent of our search terms have to do with Jurassic. So, it has a huge effect.”*
    - (f) According to [NBC News](#), HBO’s hit series “Game of Thrones” was filmed in more than 49 locations throughout Northern Ireland, resulting in a lucrative tourism boom that helps to attract 120,000 visitors a year, contributing \$40 million annual to local economies

- viii. According to the [Fantasy Sports Ad Network](#), the fantasy sports industry has a total market impact of \$4.48 billion dollars as consumers spend \$800 million directly on fantasy sports products, but also use an additional \$3 billion worth of media products related to the hobby (such as DirecTV's NFL Sunday Ticket and XM Radio's coverage of all MLB baseball games)
- e. In rare instances, individual superstar athletes like can provide an economic engine *on their own*
  - i. At the height of his popularity during his playing days, Fortune magazine suggested in a story titled, "The Jordan Effect," estimated that NBA superstar Michael Jordan was responsible for having an economic impact of at least \$10 billion (an entire book, *Michael Jordan and the New Global Capitalism*, was later published discussing Jordan's impact on global economy) <sup>56</sup>
  - ii. A phenomenon often called the "[Tiger Effect](#)" is a reference to the economic impact many speculate Tiger Woods has on the entire golf industry
    - (a) Tiger Woods sat out the 2014 Masters golf tournament due to a back injury, one of the primary factors that the final round of the tournament had the worst television rating in ten years
      - (i) Click [here](#) to read a story on how the 2014 Masters also suffered declines in ticket prices and sponsorship revenue
      - (ii) In 2015, even though Tiger was not ranked as one of the top 100 golfers in the world, his presence at the Masters led to a 26 percent boost in viewership for the final round coverage on CBS
      - (iii) In 2017, Tiger had become largely irrelevant in terms of performance, but his name was still expected to provide events like the Honda Classic with an added layer of excitement
        - 1. A local news outlet ([WPTV](#)) published a story surrounding the Honda Classic with the headline "'The Tiger Effect': Woods' entry into The Honda Classic could bring record crowds, big business"
          - a. Both event organizers and local businesses were anticipating a boost in business until Woods had to pull out of the event with an injury
      - (iv) In 2018, Tiger started to play in more tournaments, and ratings subsequently saw a significant spike
        - 1. Heading into the Masters, broadcast viewership was up 93% versus the same events one year ago when Tiger played and finished in the top 25, according to data from [Nielsen](#) (that's an average of roughly 2 million more viewers)
        - 2. At the Masters, thanks to the hype surrounding Tiger, prices for a week-long pass (tickets) to watch the tournament [rocketed](#) to an average of \$14,250 on the secondary market, up from the \$3,721 average the previous year
        - 3. At the British Open, Tiger was in contention to win the tournament heading into Sunday's play, and NBC drew the biggest audience since Tiger completed the career Grand Slam by winning the event in 2000
          - a. The ratings were [up](#) over 38% compared to last year's final round and the streaming audience had an increase of 67%, making it the most streamed golf event ever for NBC
      - (v) In 2019, Tiger Woods won the Masters golf tournament, one of the most prestigious events on the PGA Tour, leading to a huge bump in everything from television ratings to merchandise sales
        - 1. The week after the Masters was the biggest week for sales at the PGA Tour Superstore in history

2. In the two weeks that followed the Masters, sales of Nike apparel, headwear and footwear were up 50 percent compared to the previous year
  3. GolfTown [reported](#) that orders for Tiger's trademark red mock turtleneck shirt nearly crashed its web site
  4. TV ratings for the final round of the tournament were [up](#) more than 41 percent over the 2018 Masters
  5. The PGA website saw a 30% [increase](#) in traffic immediately after Tiger's win
- (vi) In 2020, the Memorial golf event marked Tiger's return to the PGA Tour for the first time since the coronavirus pandemic, predictably resulting in strong viewership numbers
1. According to [Sports Business Journal](#), CBS averaged 3.23 million viewers, despite Woods finishing 40<sup>th</sup> at the event, making it the biggest audience for a Sunday at The Memorial since 2015 (and up 9% from 2019)
- (b) According to *Time Magazine*, a professor of finance at the Boler School of Business at John Carroll University in suburban Cleveland suggested that LeBron James' return to the Cavaliers had a \$500 million impact on the local economy<sup>57</sup>
- (i) Click [here](#) to see the breakdown on how that figure was determined
  - (ii) According to a study from the *Cleveland Plain Dealer*, (who worked with economists), LeBron played a key role in \$200 million in annual downtown spending -- \$48 million during the regular season, and \$150 million in regional spending for a deep playoff run, in his last stint with the Cavaliers in 2010, saying "*He's more than a sports superstar. He's a one-man economic engine that drives the lane, fills the bars and puts Cleveland on national TV.*"<sup>58</sup>
  - (iii) Upon news of James' return to Cleveland, the franchise nearly doubled in value and became one of just five NBA teams to be valued at \$1 billion or more (joining the Knicks, Lakers, Clippers and Bulls)<sup>59</sup>
  - (iv) According to a study by Convention Sports & Leisure (CSL), the Cavaliers' 2015 playoff run alone (not counting the regular season) generated an estimated \$3.6 million per game for the Cleveland economy<sup>60</sup>
  - (v) One [study](#) suggested James's presence in a Cleveland jersey increased the number of restaurants and bars within one mile of the Cavs' arena by 13 percent, and increased employment at those establishments by 23.5 percent
  - (vi) Other researchers [offered](#) projections for LeBron's potential impact on the Los Angeles economy after he signed as a free agent in 2018
    1. Using the same model that estimated James' impact on the Cleveland economy, and mapping out the number of food and drink establishments a mile from Staples Center where the Lakers play, it was estimated that James' move to L.A. would bring 2,989 new jobs, have a five-year local economic impact of \$396,985,680, and that the five-year state tax revenue would be \$29,376,940
  - (vii) To see a fun infographic illustrating the potential economic impact LeBron could have on each NBA city had he signed with them, visit SCC's Pinterest page by clicking [here](#).
- (c) Because of the significant impact Giannis Antetokounmpo's (the "Greek Freak") emergence as a global basketball star has had on the Milwaukee area, [some](#) have referred to the team's new arena (Fiserv Forum) as "The House That Giannis Built"

- (i) Antetokounmpo's presence is helping the Bucks to grow the brand not only in the U.S., but also internationally
    - 1. Giannis' jersey was the third-best selling jersey in the world last season while the [Milwaukee Business Journal](#) reports that almost 75% of the Bucks' Facebook followers are people representing international audiences half the team's followers on Twitter are outside the U.S.
    - 2. Locally, the team sold out nearly every game, merchandise sales reached an all-time high, and TV ratings enjoyed a 32% increase
    - 3. In 2016, Giannis' "breakout" season in the NBA, Forbes valued the Milwaukee Bucks franchise at \$675 million, lowest in the league. Four years later, the "Greek Freak" won the NBA award and nearly carried the team to the NBA Finals for the first time in nearly fifty years. Forbes now [values](#) the Bucks at \$1.4 billion, a \$725 million increase.
  - (d) To further illustrate the impact on the economy sport can have, consider the potential implications to local businesses had the 2012-13 NHL lockout not been resolved
    - (i) Had the lockout persisted throughout the entire season, the Nassau County (home to the New York Islanders) economy was poised to lose an [estimated](#) \$60 million in visitor spending while potentially absorbing a \$1 million hit in taxes and other revenues<sup>63</sup>
    - (ii) Visit Buffalo Niagara, the city's tourism bureau, estimated local hotels that play host to visiting NHL teams would have lost between \$850,000 and \$1 million had the lockout carried on for the entire season. Douglas Hartmayer, spokesman for the Niagara Frontier Transportation Authority, says up to 1,700 riders use Metro Rail to attend each Sabres home game.<sup>64</sup>
      - 1. To see more from examples from how the lockout impacted local businesses, click [here](#) to read the entire story from the *Pittsburgh Post-Gazette* or by clicking [here](#) to read a story from [sports.nationalpost.com](#).
- 2. Economic impact study
  - a. To measure economic impact, an economic impact study is often conducted
  - b. These studies attempt to determine the financial implications an event has on a particular market or region
    - i. In addition to fiscal impact, studies will often note the increase in community visibility and enhancement of overall community image as additional benefits to hosting large events in a particular region or area
  - c. A study may be conducted *prior* to a city placing a bid to host an event (or building a new facility) as a vehicle for persuading local officials or the community at-large that bringing the event to the area will be a positive thing for the local economy
    - i. Organizers of Tokyo's bid to host the 2020 Olympics suggested the event would generate economic activity worth \$37.9 billion (including a \$21.1 billion economic benefit for the Tokyo metropolitan area and \$16.3 billion for the rest of the national economy) while creating more than 152,000 jobs for Japanese residents<sup>65</sup>
      - (a) According to a recent [Sports Business Journal](#) story, in addition to the economic impact, Tokyo is counting on the 2020 Games to "rejuvenate the country's image, industry and soul after three decades of economic stagnation and natural disasters"
      - ii. Louisville Mayor, Greg Fischer, recently [commissioned](#) an economic study in hopes of attracting a Major League Soccer franchise to the city<sup>66</sup>
  - d. Studies can also be conducted *after* the event takes place to measure the overall impact the event had on the local economy



- i. According to [reviewjournal.com](http://reviewjournal.com), Las Vegas Events, the organization responsible for marketing and promoting events in Las Vegas, said the NBA summer league games last year impacted the local economy by \$57.1 million
  - ii. According to a [study](#) following the 2019 Final Four by Rockport Analytics, the economic impact of the weekend's events on the Twin Cities region was nearly \$143 million <sup>67</sup>
  - iii. A [study](#) conducted by Ernst and Young found that the NFL's Raiders-Texans game in Mexico City was responsible for generating \$45 million in gross revenues for the city
    - (a) More than 20,000 fans traveled from other cities in Mexico to watch the game
    - (b) More than 10,000 fans traveled internationally, spending an average of five days in Mexico City
  - iv. A [study](#) conducted following the 2019 Orange Bowl estimated the College Football Playoff Semifinal game at the Capital One Orange Bowl generated a total of \$261.4 million in new economic impact and media exposure value for South Florida
    - (a) Click [here](#) for a breakdown of the data
- 3. Sports Corporations
  - a. Sports corporations typically operate as not-for-profit organizations
  - b. A sports corporation's (also referred to as "sports authority", "sports foundation" or "sports commission") primary objective is to attract events to the communities they represent
    - i. The Greater New Orleans Sports Foundation is responsible for bringing Super Bowl XLVII, the Bassmaster Classic, the NCAA Basketball Final Four (men's and women's), the NBA All-Star Game and Wrestlemania to the city of New Orleans<sup>68</sup>
      - (a) According to the organization's website, the GNOSF has turned a \$25 Million investment, from public and private sources, into a \$1 Billion Economic impact <sup>69</sup>
        - (i) Click [here](#) to download a release from GNOSF highlighting the economic impact of these events on the NOLA community
    - ii. According to Scott Ratcliff, executive director of the Mississippi Gulf Coast Sports Commission: *"The Sports Commission was formed to provide information and support to the public and the private sectors on the importance of sports and to begin the process of establishing the Mississippi Gulf Coast as a major sports destination."*
  - c. Sports corporations can sometimes be the driving force behind economic impact studies
    - i. According to *Naples News*, the Florida Sports Foundation commissioned a study to learn exactly what the Boston Red Sox and Minnesota Twins presence meant to the local economy during their stay in the area throughout spring training. Specifically, they wanted to learn who comes from where to see games, how many games they watch while in town, whether they come solely for spring training baseball and how much they were spending. That information would then be used to help determine whether to spend \$75 million to build a new spring training facility. <sup>70</sup>
    - ii. In the span of about a month, the city of Charlotte hosted the 2019 NBA All-Star Weekend and several college basketball tournaments and, according to the Charlotte Regional Visitors Authority (who conducted their own study), the events [added](#) roughly \$94 million to the area economy
  - d. While most economic impact studies typically report significant financial gains for local economies, critics are often outspoken about the validity of such studies, even suggesting that hosting a major event can actually be more of a burden than a boon



- i. Click [here](#) for an interesting look at economists who debate the actual significance a NFL franchise would have on the Los Angeles economy if a franchise were to relocate to the area
  - ii. In 2019, one [critic](#) said reports about the economic impact the Super Bowl had on the city of Atlanta were exaggerated, suggesting instead of giving the economy a lift, that taxpayers would actually be on the hook for \$28 million as part of the cost of hosting the event
  - iii. The [Miami Herald](#) reported that the baseline bill for the Miami-Dade taxpayers could be as much as \$20 million over time for hosting Super Bowl LIV
    - (a) That includes \$10 million spent by the county for area-wide event preparations like police, paramedics and infrastructure, as well as an initiative in partnership with the National Football League to upgrade area youth playing fields with artificial turf, a \$4 million “bonus” paid to directly to the Miami Dolphins for getting the NFL to agree to Miami as host city for the big game, and tax exemptions
- B. Impact of economy on sports and entertainment
- 1. Sports and entertainment are not recession proof
    - a. According to Brett Yormark, chief executive of the NBA's New Jersey Nets: *"We're not just competing for people's entertainment dollars anymore, we're going up against milk and orange juice"* <sup>71</sup>
      - i. As a result of a \$1 million decline in revenues thanks in large part to sponsors pulling funding as the economy tanked, the Iditarod Trail Sled Dog Race in Alaska was forced to significantly slash the prize purse provided to race winners as well as cut employee salaries and benefits. Said Stan Hooley, Executive Director for the Iditarod Race: “This event, not unlike a lot of other sporting events — and any other ventures, really — isn’t immune to what’s happening with this country’s economy.” <sup>72</sup>
    - ii. The Preakness Stakes
      - (a) Attendance for the 2009 Preakness Stakes was just under 78,000, the 2008 Preakness was attended by more than 112,000 fans representing a 30% decrease in just one year <sup>73</sup>
      - (b) The 2009 Preakness also suffered a 10% decline in corporate sponsorships while the number of corporate tents in the infield dropped from 45 in 2001 to about 30 for 2009 <sup>74</sup>
      - (c) As the economy began to show signs of life, attendance at the 2010 Stakes rebounded, showing a 10% increase over the previous year and the 2017 race drew a [record](#) crowd of 140,327 <sup>75</sup>
        - (i) Attendance dipped slightly in 2019 at the 144th Preakness Stakes with a crowd of 131,256
    - iii. In 2010, the Minnesota Timberwolves cited the struggling economy as the primary factor in the decision to lower ticket prices. Said Glen Taylor, owner of the NBA franchise, *"The economy right now is uncertain, and we've listened to our fans' concerns and responded by providing reduced ticket pricing, new payment plan options and protection against job loss - all of which are important to Minnesotans right now. I don't want these uncertain times to deter our fans from coming out to Target Center and enjoying NBA basketball."* <sup>76</sup>
    - iv. According to a Bloomberg.com [report](#), golf in the U.S. was growing for the first time in five years as the economy strengthens, illustrated by the steady increase in the number of rounds played on American golf courses in 2012 <sup>77</sup>
    - v. The Wichita County Mounted Patrol in Texas gave up on the Red River Rodeo when it couldn't raise enough sponsorship funding, ending a tradition that lasted 52 years. The rodeo typically cost organizers from \$60,000 to \$70,000 to host. <sup>78</sup>
    - vi. The concert business struggled in 2010, and analysts pointed to the tough economic times as the reason for slower sales. The top 50 North American tours

in 2010 combined for an overall take of \$1.69 billion, down about 15 percent from \$1.99 billion in 2009.<sup>79</sup>

- (a) Compare that to 2018 when the top ten acts alone surpassed \$2 billion in gross revenue
- (b) Click [here](#) to read the full report and see the top ten grossing tours of 2018

**\* INSTRUCTOR'S NOTES \***



*If you haven't already shared the "COVID-19 Part 3" PPT with students (located in the lesson 1.1 folder), consider posting that for a deeper look at how the pandemic has influenced the business of sports and entertainment from an economic perspective.*

### Unit 3 Key Terms Defined:

**Ancillary Product:** A product related to or created from the core product

**Economic Impact:** The net change in an economy resulting from sport or entertainment event related activity

**Industry Segment:** A grouping of similar types of products or services offered to consumers by businesses within the same industry

**Pop-up Store:** Refers to the concept of opening a short-term sales space, often launched as a promotional tool to generate visibility for new products

**Product Placement:** An advertising approach in which commercial products and services are used within the context of certain media where the presence of a particular brand is the result of an economic exchange

**Revenue stream:** The means for an organization's cash inflow, typically as a result of the sale of company products or services

**Royalties:** Payments made to the owner of copyrighted work for use of their material

### Unit 3 References & Resources:

- 1) <http://www.forbes.com/sites/kurtbadenhausen/2012/09/18/nhl-lockout-is-all-about-the-benjamins-and-who-doesnt-have-them/>
- 2) <http://sports.yahoo.com/blogs/nhl-puck-daddy/nhl-teams-lose-money-lockout-isn-t-going-162437118--nhl.html>
- 3) <http://www.espn.com/soccer/major-league-soccer/19/blog/post/3112526/major-league-soccer-pumping-money-into-salaries-causes-ripple-effect-throughout-league>
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## TEACHER NOTES

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