

Unit 3

Sports & Entertainment Business Fundamentals

OVERVIEW

Unit three offers an introduction to the basic business fundamentals that drive the sports and entertainment industry. Students will explore various industry segments while gaining an understanding of how sports and entertainment organizations generate revenue with the goal of achieving profitability.

OBJECTIVES

1. Define and provide examples of sports and entertainment industry segments
2. Describe the concept of revenue and recognize its importance to a sports and entertainment organization
3. Explain how sports and entertainment organizations generate revenue
4. Describe the concepts of broadcast rights
5. Explain the concept of ratings
6. Define ancillary products
7. Define and understand the importance of product placement
8. Describe industry trends
9. Explain the concept of economic impact

KEY TERMS

Ancillary Products
Broadcast Rights
Economic Impact
Gamification
Industry Segment
Pop-up Store
Product Placement
Ratings
Revenue Stream

LESSONS

- | | |
|----------------------------|---|
| LESSON 3.1 | Industry Segments |
| LESSON 3.2 | Sports Business Fundamentals |
| LESSON 3.3 | Entertainment Business Fundamentals |
| LESSON 3.4 | Industry Trends |
| LESSON 3.5 | Industry Economics |

Industry Segments

THE ORIGINS OF SPORTS AND ENTERTAINMENT MARKETING (SEM)

What is an Industry Segment?

Industry segments refer to a grouping of similar types of products or services offered to consumers by businesses within the same industry. It is important to distinguish between segments because various segments offer a wide range of products and services. The primary revenue streams for a sport organization could vary from segment to segment.

Examples of segments in the sport industry could include:

- Sports tourism
- Sporting goods
- Sports apparel
- Amateur and Olympic sports
- High school athletics
- Collegiate athletics
- Professional sports
- Motor
- Recreation
- Outdoor sports
- Health clubs and fitness facilities
- Sports marketing firms
- Event management
- Sports-governing organizations
- Venue and facility management
- Extreme or "action" sports

Examples of segments in the sport industry could include:

- Filmed entertainment
- Television networks (broadcast and cable)
- Television distribution (station, cable and satellite)
- Recorded music
- Video games
- Radio services
- Internet
- Publishing sector (newspapers, books, magazines)
- Digital media services
- Broadcasting-satellite services
- Theatre
- Casinos and gaming
- Fine arts
- Theme parks and amusement parks



INSTRUCTOR NOTES

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



DISCUSSION TOPICS

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

DISCUSSION QUESTIONS

1. 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 / Kids clubs / Special events
 - Luxury suites
 - Premium / club seating
 - TV contracts
 - Other media contracts (satellite, radio, internet)
 - Fundraising (amateur and collegiate athletics)
2. 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.

Sports Business Fundamentals



INSTRUCTOR NOTES

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.

WHAT IS REVENUE?

Revenue, also known as gross sales, is the income generated from an organization's business operation. The term revenue stream refers to the different means for an organization's cash inflow, typically as a result of the sale of company products or services.

Why is revenue important to any sport organization, regardless of segment?

Whether a billion-dollar enterprise or a local non-profit raising money for a charitable cause, an organization quite simply cannot function without revenue.

How much revenue do sports organizations generate?

Sport has grown into a multi-billion-dollar industry. Footwear and apparel brands have become some of the most valuable businesses in the world while professional sports teams generate millions of dollars annually. According to a [Forbes](#) report, the Dallas Cowboys alone generated \$980 million in revenue last season.

How do sports organizations generate revenue?

A professional sports team might generate sales through a variety of revenue streams, including:

- Broadcast rights
- Ticket sales
- Luxury suite sales
- Premium seating
- Sponsorship
- Concessions and parking
- Merchandise sales

A collegiate athletics department or high school sports program might generate additional revenue through fundraising, donations and/or registration fees. Programs can also create cash inflow through ancillary revenue streams like kid's clubs, loyalty programs, camps/clinics and appearance fees while other sports leagues like UFC rely on pay-per-view as a significant revenue stream.

BROADCAST RIGHTS

Broadcast rights are fees paid by broadcast companies to sports or entertainment properties for the opportunity to provide live coverage of the property's games and events on television, the radio or streaming rights.

Some rights deals provide exclusive coverage rights, such as the NFL's deal with DirecTV (owned by AT&T) which allows DirecTV to broadcast out-of-market games in their respective geographic markets. In other words, if you are a Green Bay Packers fan living in Virginia, you would need to order DirecTV for the opportunity to watch Packers games at your home each week.

Examples of exclusive coverage rights:

- In 2014, DirecTV renewed their deal with the NFL through 2022 at a [reported](#) average of \$1.5 billion per year.

- However, the league has the option to opt-out of that deal this season, leading many to speculate the possibility of a non-exclusive NFL Sunday Ticket package opportunity for fans.
 - Among those considered to be interested include non-traditional sports media companies like [Apple](#) and [DAZN](#).
- Fifteen years after Comcast Sports Northwest (a cable television provider who also owns a regional sports network) partnered with the Portland Trail Blazers for exclusive TV distribution rights, nearly 50% of fans in the Portland area still cannot watch Blazers games if they are DirecTV or Dish subscribers.
 - With the Comcast deal expiring at the end of the 2015-16 season, many fans hoped the franchise would find a broadcast partner that would expand its distribution.
 - After months of negotiations with other prospective partners and exploring other distribution options (like live-streaming via Twitter), the Blazers determined that Comcast Sports still offered the best option for reaching the most fans and [extended their deal](#) through the 2020-21 NBA season, a decision that disappointed many fans.
 - In 2021, the Blazers [announced](#) that ROOT Sports Northwest (a RSN in the Pacific Northwest) had acquired the broadcast rights for the team's games through the 2024-25 season.
- ROOT Sports Northwest is also home to several other Pacific Northwest sports teams, including the Portland Timbers, Seattle Seahawks, Seattle Kraken (expansion NHL franchise) Seattle Seawolves (Major League Rugby), Gonzaga University Bulldogs and the Big Sky Conference.
- <https://twitter.com/trailblazers/status/1402671082574811139>

Rights deals (both local and national) provide big money for franchises in the game of sports business, now accounting for a major portion of a team's overall annual revenue. 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."

To illustrate the growth in broadcast rights deals, look no further than the National Basketball Association. In 1973, the NBA signed a contract with CBS, yielding \$27 million in revenue over 3 years. 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.¹

National TV Broadcast Rights

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. According to PWC's annual sports outlook [report](#), media rights officially surpassed gate revenue (ticket sales) in 2019 as the industry's largest revenue generator for the first time in industry history.

Examples:

- 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.²
 - 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](#)).

¹ <http://deadspin.com/what-the-nbas-insane-new-tv-deal-means-for-the-league-a-1642926274>

² <http://www.cheatsheet.com/sports/the-5-most-valuable-conferences-in-college-sports.html/?a=viewall>



Regional Sports Networks

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. Regional Sports Networks, or RSNs, invest in deals with local teams for the rights to broadcast games in a specific market or area. Regional Sports Networks can be extremely valuable media properties.

RSN Examples:

- Local Major League Baseball deals [reportedly](#) average more than \$60 million in annual revenue per team.
- 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.
- Time Warner Cable paid a reported \$3 billion for exclusive rights to [broadcast Los Angeles Lakers](#) games in the L.A. market through the 2032-33 season.
- In 2019, the Walt Disney Company sold 21 RSNs to Sinclair Broadcast Group Inc. for a [reported](#) \$9.6 billion, including channels like Fox Sports Detroit and Fox Sports Florida.

Even in smaller markets, regional rights deals can be extremely lucrative. In 2018, the Milwaukee Bucks agreed to a new seven-year local TV deal with Fox Sports Wisconsin that was worth a [reported](#) \$200 million.

Rights Fees Continue to Grow

Rights fees have skyrocketed in recent years. At the low end, a Major League Baseball might command \$20 million per year for broadcast rights with a Regional Sports Network. At the high end, MLB teams [can](#) fetch as much as \$200 million per year. As competition for the rights deals to live sports programming increases, fees will likely continue to escalate at a rapid pace.

Consider the growth trajectory of recent broadcast rights contracts:

- Big Ten Conference: 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.
- NFL: Despite evidence of a declining audience size, it was [reported](#) that the NFL signed over \$100 billion in rights fees with media networks in 2021, representing a 40% to 80% increase for NFL rights.
- To put that in perspective, the NFL earned \$2.4 million in broadcast rights in 1960 (adjusted for inflation, that's \$19.4 million today).
- NCAA: Media rights fees for the Rose Bowl (per year) were \$2 million in 1974, \$30 million in 2012, and reached \$80 million annually when ESPN inked an 11-year deal in 2015.³
- MLB: Major League Baseball's new media rights deal with Turner Sports, signed in 2020, is worth over \$3 billion.
- The deal will pay the league \$470 million per year, up from the \$325 million per season in revenue generated by the previous deal according to [CNBC](#).

Upping the Ante With Streaming Deals

National broadcast and local rights deals already generate billions for sports properties, and now leagues have the potential to tap into a new, very lucrative opportunity by selling broadcast rights to streaming partners. Recently, companies like Twitter, Hulu, Facebook, Apple, and Amazon have begun to express interest in making a play for live sports.

In 2021, the NFL [announced](#) an all-digital rights package that will make Amazon the exclusive home of Thursday Night Football. Amazon will reportedly pay \$1.2 billion per year for the rights.

³ <http://espnmediazone.com/us/espn-inc-fact-sheet/>



Meanwhile, Apple, Amazon and Disney were all [reportedly](#) in conversation with the league with regards to securing rights to stream the NFL Sunday Ticket package when the current deal was set to expire after the 2022 season.

Why are broadcast rights important to sports and entertainment properties?

In a word, revenue. Major professional sports leagues generate billions through the sale of broadcast rights, helping to boost the bottom line for each individual franchise.

Example:

- NASCAR will generate a reported \$4.4 billion in media rights for television broadcasts from NBC over a 10-year period through 2025, up from the \$2.4 billion earned over 8 years in the previous deal with ESPN (via [SportsBusiness Daily](#))

Why do broadcast companies invest in rights fees?

Quite simply, because more people tune in to watch live sports than any other type of programming on television. Factor in the ability to reach an attentive audience (consumers are less likely to record or DVR live sports compared to other programming), and the value of live sports goes through the roof. ESPN might spend billions on the rights for NFL, NBA, MLB, NHL, NCAA and MLS games, but that investment helps them to generate billions in revenue through advertising, sponsorship and subscriptions to the company's ESPN+ streaming service. Live sports programming has helped propel ESPN to becoming one of the most valuable brands in the world.

How many fans watch live sports?

- Super Bowl LV, played in 2021 between the Tampa Bay Buccaneers and Kansas City Chiefs, was watched by 96.4 million people, the smallest Super Bowl audience in fifteen years, according to data from Nielsen.
 - For perspective, that still [ranks](#) as the 18th largest television audience in American history.
 - The game was also the [most live-streamed](#) Super Bowl in history, averaging 5.7 million viewers per minute, up 69% from the previous record, set just one year earlier.
 - In 2015, the Super Bowl set a record for American television viewing when Nielsen estimated 114.4 million people tuned in to see the New England Patriots' 28-24 thrilling victory over the Seattle Seahawks.
- More than 3.5 billion fans tuned in to watch the 2018 World Cup in Russia – that's half the total world population.⁴
- According to [FIFA](#), the 2019 Women's World Cup attracted more than one billion viewers globally throughout the tournament.



DISCUSSION TOPICS: TRIVIA

Of the top 30 most-watched television programs in American history, only one was not a Super Bowl. That was the final season of the popular series M*A*S*H, which ranks as the 9th all-time largest TV audience.

Advertising Sales

Once a broadcast company like Turner or CBS has the rights to the live sports programming, they can then sell advertising during their broadcasts. Advertising sales can result in a company netting millions of dollars.

⁴ <http://www.bloomberg.com/news/2011-05-16/music-tourism-in-u-k-contributes-1-4-billion-a-year-to-economy.html>

Examples:

- According to the research firm Kantar Media, advertisers have spent \$4.55B during CBS' coverage of the men's NCAA basketball tournament over the past decade.⁵
- NBC invested in the rights to the 2018 Super Bowl and 2018 Winter Olympic Games
 - According to [AdWeek](#), the broadcast company was rewarded by generating a whopping \$1.4 billion in advertising sales in just a 22-day period as a result
 - Click [here](#) for a short video clip from AdWeek's website, entitled "How to Make \$1.4 Billion in 22 Days".



WHAT ARE RATINGS?

Television broadcast companies measure their effectiveness and reach through ratings, which are expressed as a percentage of the potential TV audience viewing at any given time. Basically, a rating refers to the number of households or people tuned into a particular radio or television program at a specific time which provide an indication of audience size.

According to Nielsen (a company who measures ratings): *"Ratings are used like currency in the marketplace of advertiser-supported TV. When advertisers want a commercial to reach an audience, they need to place it in TV programs which deliver an audience. The more audience a program delivers, the more the commercial time is worth to advertisers."*⁶

Live sports generate big ratings numbers, meaning more people are watching those events than other programming, allowing broadcast companies to charge more for advertisements. The Super Bowl is the most-watched show on television every year (typically around 100 million viewers), which explains why a thirty second commercial in last year's Big Game [reportedly](#) cost advertisers around \$5.5 million. Because the NFL, and football in general, drives ratings, rights holders are able to command a premium for advertising time.

Domestic (U.S.) examples:

- NBC's telecast of the 146th Preakness Stakes in 2021 drew the best ratings for the network's coverage of the race since Triple Crown-winner Justify's victory in 2018 (and nearly triple the previous year's audience), attracting an average of 7 million viewers (according to data from [Nielsen](#)).
- Nielsen can identify peak hours in which the most people are tuned in to watch or listen
 - For example, viewership of the race peaked at 8.6 million viewers from 6:45-7 p.m. ET as Rombauer ran to victory.
 - Nielsen can also [identify](#) specific markets in which ratings are the highest; Baltimore led all markets for the telecast, followed by Ft. Myers, Louisville, West Palm Beach and Buffalo.

⁵ <http://www.clubandresortbusiness.com/2012/02/13/florida-to-show-its-love-for-golf-and-wealth-from-it-on-valentines-day/>

⁶ Rovell, Darren (@darrenrovell). "My hotel room in Augusta normally costs \$73.32. Tonight, during Masters week, \$401.02!" 4 April 2012, 3:43 p.m. Tweet.

International example:

- Spain's top domestic soccer league, La Liga, saw a massive increase of viewership upon resuming play in June of 2020 after COVID-19 forced a postponement.
 - Based on data from a [SportsPro Media](#) story, Nielsen Sports reported a growth of 210% in South Africa.
 - Viewership also saw a 73% increase in Africa and a 72% jump in Asia and India where games are broadcast on Facebook.
 - Europe experienced an increase of 56% with a 130% jump in Belgium, 46% in Denmark and 12% in Spain.

Without ratings, broadcast companies would have a difficult time selling advertising and sports/entertainment programs would not be able to command million-dollar rights fees. Ratings will fluctuate from year to year, but a ratings increase or decrease will have an impact on the sports property and broadcast company.

Example:

- When NBC renewed its hockey deal (at a cost nearly triple the previous rights deal), the decision was heavily influenced by the fact that overall NHL television ratings in the United States had increased by 84 percent over the last four years.⁷
- After another year of record ratings, ESPN extended the deal Major League Eating (parent company of the Fourth of July International Hot Dog Eating Contest) in 2014 for ten years, guaranteeing the rights to broadcast the annual event on its various platforms through 2024.⁸

⁷ http://www.cleveland.com/avengers/index.ssf/2011/08/the_avengers_playing_big_part.html

⁸ <http://www.myfoxtwincities.com/dpp/money/local-businesses-fear-nfl-lockout-mar-3-2011>

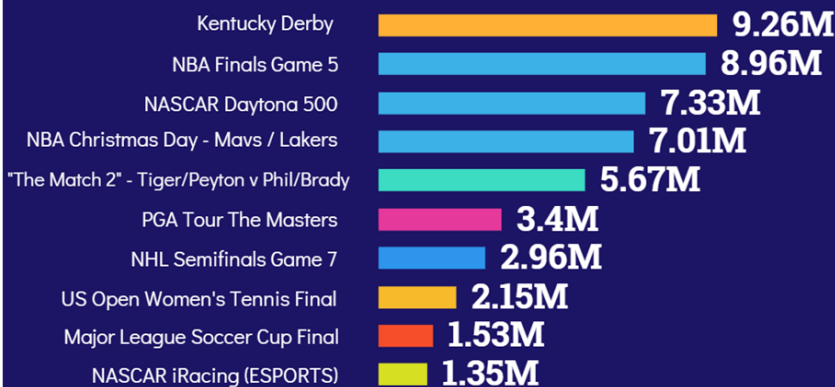


Top 10 most-watched sports telecasts of 2020



source: <https://www.sportsmediawatch.com/2020/12/most-watched-sporting-events-2020-list-nfl-nba-mlb-viewership>

Notable sports TV audiences in 2020



source: <https://www.sportsmediawatch.com/2020/12/most-watched-sporting-events-2020-list-nfl-nba-mlb-viewership>

Top 10 most-watched non-NFL sports telecasts of 2020



source: <https://www.sportsmediawatch.com/2020/12/most-watched-sporting-events-2020-list-nfl-nba-mlb-viewership>



DISCUSSION TOPICS

This would be a good time to discuss how media rights deals between broadcast companies and sports properties impact consumers. The huge sums being paid for broadcast rights are ultimately passed down to the consumer. Cable providers like Dish and Comcast pay a monthly “carriage” fee for each channel provided in their bundled packages. Sports programming through networks like ESPN and TNT are the channels that cost the most.

As these networks continue to spend billions on rights fees, the monthly bill that the provider charges its customers will continue to rise. Right now, live sports is more valuable than ever because it is the one segment of programming keeping many loyal sports fans from “cutting the cord” (dropping cable subscriptions in favor of less expensive options, like Netflix or other streaming options).

Ask students what they think the future holds. How will cable companies evolve and adapt? Can networks afford to continue paying billions for broadcast rights to sporting events? How will any changes in the future impact consumers?

LUXURY SUITE SALES

Luxury suite revenue is one of the most robust business lines for sports teams.

- According to [CNBC](#), in the NBA, NHL and MLB, luxury suites represent up to 20% of a team’s overall revenue.
- Yankees Stadium has 68 suites while AT&T stadium, home to the Dallas Cowboys, has 300 suites
 - These suites sell for anywhere between \$224,000 and \$900,000 per year and are typically sold out every season.
- 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.
 - 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.
- 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.
 - 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).
 - That’s \$742,500 in total for each game if the suites are full.
 - Over the course of a year, suite sales for the Chargers are expected to generate more than \$56 million.
- 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.
 - 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.
- 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.

PREMIUM AND CLUB SEATING SALES

- 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).

- 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.⁹
 - 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 amenities like that."¹⁰
 - 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.
 - The Crew's current home, Mapfre Stadium, was built in 1999 and was MLS's first soccer-specific stadium.
 - 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.
 - According to a story in the [Columbus Dispatch](#), area lawmakers filed suit against Precourt in an attempt to keep the franchise in Columbus.
 - Click [here](#) to read details relating to the proposed Austin stadium site.
- In 2019, Phoenix Suns' ownership [allegedly](#) threatened to move the team to Seattle or Las Vegas without a new arena deal.
 - 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).
- 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.
 - 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.

Teams today strive to create value wherever possible and the addition of premium seating options provides a lucrative revenue stream.

- 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.
 - 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.¹¹
 - Click [here](#) for a detailed breakdown from hollywoodreporter.com.
- When the Atlanta Braves moved to SunTrust Park in 2017, their premium seating inventory increased from 340 to over 4,000.
 - 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."
 - Various levels of premium seating included:

⁹ http://insider.espn.go.com/espn/story/_/id/7878575/relative-sports-teams-values-athletes-underpaid-espn-magazine

¹⁰ <http://www.tbd.com/articles/2011/05/preakness-2011-pimlico-wants-to-upgrade-to-keep-preakness-around-61095.html>

¹¹ <http://www.usatoday.com/story/sports/mlb/cubs/2013/05/08/chicago-cubs-want-to-renovate-99-year-old-wrigley-field/2145735/>

- Champions Level: 12 suites at \$500,000 per year.
- SunTrust Club: 160 seats at \$450/ticket.
- Delta Sky360 Club: 1,500 seats at \$225/ticket.
- Infiniti Club: 24 suites at \$250,000 per year and 1,200 seats at \$92/ticket.

Many teams are now taking seating areas that had been less desirable in the past and converting them to premium seating areas. Not only can that help to build demand, but also allows for the organization to charge premium prices and generate more revenue.

- Last year, the New England Patriots and Pittsburgh Steelers turned end-zone seating sections into luxurious new “club” seating areas.
 - 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).

High levels of fandom help to create revenue streams for some sports and entertainment properties by offering event opportunities on non-game days to further leverage premium spaces at venues.

- 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.
 - 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.
- 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.
 - Click [here](#) for a video from the Fightin’ Phils introducing the new dugout suite seating option.
- The Sacramento Kings [introduced](#) a unique premium seating option with ten new ‘balcony boxes’ positioned above the stadium’s main entrance.
 - The balcony boxes offer fans a 360-degree view of the court and the city.
 - Each box accommodates four people, comes with all-inclusive food and beverage, premium parking spaces and access to the arena’s suite level clubs.
- Missouri athletics decided to renovate the south end zone area of their football stadium to add more premium seating and club seating areas.
 - 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.¹²
- 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.
 - 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.
 - Most premium-seat packages were reportedly sold out two months before the start of the tournament, including private dining rooms.

¹² <http://www.columbiatribune.com/sports/20180616/mu-expects-south-end-zone-to-generate-6-million-annually>

- 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.

FUNDRAISING AND DONATIONS

Collegiate and amateur athletic programs rely heavily on fundraising and donations, primarily through boosters and alumni, for budget support.

- In 2016, Rutgers University announced a \$100 million fundraising initiative called "R Big Ten Build".
 - According to [nj.com](https://www.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.
- 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.
- Fundraising and donations (referred to as “contributions”) have helped Clemson to build one of the most successful football programs in the country.
- Each of the past four years, Clemson has generated at least \$20.5 in its annual fund, which according to a [USA Today](https://www.usatoday.com) report, supplies cash directly to the athletic department.
- 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.

PAY-PER-VIEW

Pay-per-view refers to a satellite, streaming or cable television service by which customers can order access to a specific broadcast for a set, one-time fee. Certain sports and entertainment properties rely on a business model where pay-per-view generates a significant amount of revenue. WWE, UFC and boxing generate millions each year by broadcasting some of their biggest events on a pay-per-view basis.

Notable PPV events:

- Boxing: 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.
- WWE: WrestleMania XXVIII, the biggest PPV event in wrestling history, generated more than 1.2 million buys when John Cena and The Rock squared off in a historic competition.
- UFC: In 2021, UFC 264 offered fans a third matchup between Dustin Poirier and Conor McGregor, an event that generated [1.8 million PPV buys](#) globally, making it the second-highest selling PPV event in UFC history.
 - The only event with more overall sales was UFC 229 between McGregor and Khabib Nurmagomedov, an event that drew a record 2.4 million PPV buys.
- Exhibition Matches: Floyd Mayweather cashed in again in 2021 in a made-for-PPV boxing match with YouTube star, Logan Paul.
 - The event generated over a million PPV buys, and Mayweather took home more than \$50 million.
 - Golf: “The Match”
 - In 2018, 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.

- 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.
- 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."
- 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.
 - While the event broadcast shifted to cable television rather than a pay-per-view format, the exhibition still managed to raise \$20 million for COVID-19 relief.



FUN FACT

WWE chairman and chief executive officer Vince McMahon is considered by many to be one of the greatest in industry history at maximizing pay-per-view revenue opportunities through promotion. Mr. McMahon owns the domain name [payperview.com](#), which redirects to the WWE Network website.



INSTRUCTOR NOTE

Sports and entertainment brands like MMA, WWE and the sport of boxing lean on pay-per-view as a method for generating revenue. ESPN's former president, John Skipper, recently [suggested](#) that even the NFL could benefit from exploring a similar business model for the Super Bowl.

To learn more about the history of PPV and to see some of the biggest PPV events in history, review the "History of Pay-Per-View" PPT discussion in your Lesson 3.2 folder.



INSTRUCTOR 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.

SPONSORSHIP

Sports teams, leagues and events generate billions in revenue each year through sponsorship.

Examples:

- According to a story published on [cnbc.com](#), the NFL generated an estimated \$1.62 billion in sponsorship revenue in 2020, compared with \$1.47 billion in the 2019 season.
 - According to sponsorship research firm IEG, the NFL historically sees an increase in sponsorship revenue of 4 to 6 percent annually.
- It was [reported](#) in 2021 that NBA sponsorship revenue set a new record with \$1.46 billion in sales, despite the impact of COVID-19.
- In 2019, MLB and its teams [generated](#) \$994 million in revenue from sponsorships.

ADDITIONAL REVENUE STREAMS

Sports and entertainment organizations are always looking for new and creative ways to generate revenue.

Examples:

- 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.¹³
 - 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.
 - The franchise also committed \$65 million to another expansion project that will result in further development of "[Titletown District](#)", a 10-acre plaza that will host year-round community events.
 - The Titletown District area features a Green Bay Packers' snow-tubing hill and ice-skating pond that opened to the public in 2018.
- 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.¹⁴
 - 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.
- 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.
 - 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.
 - 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.

Another popular revenue generating activity among sports teams is to host viewing parties. Either at their home arenas or within an entertainment "district", fans come to watch away games on a big screen. This helps the organization to drive additional concession, merchandise and parking revenues.

Examples:

- 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.
 - 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](#).

In some cases, viewing parties create opportunities for the organization to generate goodwill by donating portions of the proceeds to local charities.

¹³http://host.madison.com/sports/football/professional/packers-lambeau-field-atrium-eyed-for-facelift/article_983cb678-cf8f-11e1-a76c-001a4bcf887a.html

¹⁴ <http://www.fastcompany.com/magazine/124/the-red-sox-secret-lineup.html>



Examples:

- 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 benefiting the team's charitable foundation.
- For NBA playoff games in Milwaukee, the Milwaukee Bucks draw thousands of fans for watch parties both inside the team's arena (Fiserv Forum) and outside in the city's entertainment district (known as the "Deer District").
 - Tickets for the indoor watch party for the 2021 NBA Playoffs [cost \\$10](#) with a portion of the proceeds benefiting the Milwaukee Bucks Foundation (arena capacity is 18,000), while the team consistently drew capacity crowds of more than 15,000 outside in the Deer District.



Other creative ways organizations can drive revenue include:

- 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.
- Mississippi State [opened](#) residential apartment lofts with views overlooking the Bulldogs' baseball field.
 - Click [here](#) for a video clip with a virtual rendering of the "Left Field Lofts" at Mississippi State.
 - Click [here](#) to read a story from sportsdaynow.com discussing the potential opportunity that exists by creating residential space at stadiums.
- 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.
 - 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).
 - Click [here](#) to read more about the development from Jacksonville.com.
- 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.
 - 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.
 - According to MiLB's [website](#), all 33 dates available were booked within 24 hours of the posting.



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.

WHAT IS AN EXPENSE?

An expense is the cost of operations that an organization incurs to generate revenue. Expenses may also be referred to as costs. The biggest expense professional sports teams typically incur on an annual basis is player payroll.

Other common expenses could include things like:

- Facility rental/leasing arrangements
- Staff
 - Also includes retirement and health care benefits
- Marketing
- Investment in the customer
- General operating expense
- Stadium/venue/facility financing
- Information management/research
- Team expenses (travel etc.)
- Maintenance and security

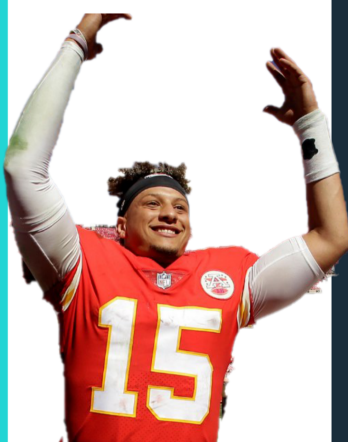
HIGHEST-PAID ATHLETES IN PROFESSIONAL TEAM SPORTS IN 2021

As professional sports teams continue to enjoy explosive revenue growth, expenses have also been on the rise, particularly when it comes to paying the biggest stars in the game.

STEPHEN CURRY
\$46M (NBA)



PATRICK MAHOMES
\$45M (NFL)



The Kansas City Chiefs opened up the checkbook for star quarterback Patrick Mahomes, agreeing to a record 10-year contract worth \$450 million, not including his \$10 million signing bonus. The deal will pay him an average of \$45 million per season.

TREVOR BAUER
\$40M (MLB)



LIONEL MESSI
\$97M (SOCCER)



RECORDING A PROFIT

When an organization's revenue exceeds its expenses, the company records a net profit. However, when expenses exceed revenues, the company has a net loss. This is identified in a company's income statement which is a document that identifies all business revenues received and expenses paid.

PROFITABILITY IN TEAM SPORTS

It can be difficult for some professional sports teams to achieve financial success and turn a profit year over year due to escalating player salaries.

LOCKOUTS & STRIKES

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). 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.¹⁵

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).

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.

[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. In 2020, MLB and MLBPA negotiations that resulted in a decision to play a shortened season due to the covid-19 pandemic took nearly 3 months, leading to a lot of unrest among fans.

MLS

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.¹⁶

NBA

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 2016.¹⁷ 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. It was [reported](#) that 14 NBA teams lost money during the 2016-17 NBA season.

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."

¹⁵ <http://sports.yahoo.com/blogs/nhl-puck-daddy/nhl-teams-lose-money-lockout-isn-t-going-162437118--nhl.html>

¹⁶ <http://www.espn.com/soccer/major-league-soccer/19/blog/post/3112526/major-league-soccer-pumping-money-into-salaries-causes-ripple-effect-throughout-league>

¹⁷ http://www.cnn.com/id/48047319/Miami_Heat_Owner_Says_Team_Will_Likely_Lose_Money_This_Year



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. 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.

MLB

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).

NHL

[Columbus Business First](#) reported that three NHL teams lost money last year, including the Blue Jackets who suffered \$1.7 million in negative income.

Minor League Sports

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 1993.⁵ The team's owners eventually asked for assistance from the city of North Charleston to help cover half of their operating losses.¹⁸ 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."

However, 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. 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."

- 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."

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

- Click [here](#) to view a chart comparing the profitability of pro sports leagues compared to broadcast/cable companies, banks and publicly traded companies.
- Click [here](#) to read an in-depth comparison of professional sports and other entities.

WHO WOULD BUY A SPORTS TEAM?

Why would a business owner invest in a sports team if generating a profit is not a sure thing? 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%.

Sports teams are also seen as recession proof as they gain value even when the rest of the economy is struggling, and franchises continue to appreciate in value even when the team fails to perform.

¹⁸ <http://www.postandcourier.com/article/20150121/PC20/150129843>

Example:

- 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.
 - In 2017, Mr. Loria sold the franchise for \$1.2 billion, or \$1 billion more than what he originally paid for the team.

In addition, most owners of professional sports teams have accumulated massive wealth before purchasing teams. This allows them to take more risk and view the purchase of a sports franchise as a long term investment without the concern of year-over-year net losses. According to [Forbes](#), there were 63 billionaires who owned teams around the world five years ago -- 20 NBA teams were owned by billionaires and the NFL had 19 billionaire owners. That number has since increased.



CASE STUDY

INSIDE THE GREEN BAY PACKERS FINANCIALS

To gain a better understanding of the financial structure of sports business, let's review the NFL's Green Bay Packers' financials for their 2020-21 season and how they compare to the team's previous season (recognizing the significant impact COVID-19 had on the team's ability to generate revenue).

Packers Revenue

Packers' [total revenue](#) in the 2020-21 season: \$371 million (\$135.8 million less than the previous year).

Primary revenue streams:

- National revenue from the NFL: \$309.2 million up from \$296 million a year ago
- Local revenue: \$61.8 million (71 percent decrease)
 - Includes ticket sales, suite and premium sales, sponsorships, broadcast fees, merchandise sales from the Packers Pro Shop, concessions, atrium-business revenue etc.

Packers Expenses

- Green Bay Packers total expenses: \$409.8 million (down \$26.7 million from the previous year).

Primary expense (cost):

- Player payroll cost (includes team expenses): \$219.9 million (\$6.6 million less than the previous year).

Net Income & Profit

The overall net income: Loss of \$38.8 million

Because of the economic toll the pandemic will take on the team's finances, the franchise failed to generate in profit for the first time in over twenty years. 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 suffered, while not allowing fans in the stadium on game days had a significant impact on the team's bottom line.

HOW IS THE VALUE OF A PROFESSIONAL SPORTS TEAM DETERMINED?

Unlike industrial or financial business, which is generally valued on cash flow and assets, sport franchises are valued on their revenues for two reasons:

1. For the long term, the operating expenses within each league are about the same for every team
2. 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.¹⁹

HOW VALUABLE ARE TODAY'S PROFESSIONAL SPORTS TEAMS?

Professional sport team values have experienced explosive growth over the last decade, a trend that doesn't show any sign of slowing down.

Notable examples in the past decade:

- 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.²⁰
- 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 postseason just twice since 1999.²¹
- 2014: 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).
- 2015: Bruce Levenson sold the Atlanta Hawks for \$850 million; ten years prior he [acquired](#) the franchise for \$189 million.
 - From 2014 to 2015, the average value of an 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.
- 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.
- 2019: 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.
 - Also 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.
- 2020: Major League Baseball approved the sale of the New York Mets to hedge fund billionaire Steve Cohen for [\\$2.4 billion](#), a record price for a baseball team and the majority stake of the NBA's Utah Jazz was purchased by tech billionaire Ryan Smith for \$1.66 billion (the sale also included the Vivint Arena, the Jazz G League affiliate Salt Lake City Stars franchise, and management operations of the Triple-A baseball affiliate Salt Lake Bees, according to an ESPN [report](#)), far more than the \$22 million paid by the previous team owners in 1986.
- 2021: The Minnesota Timberwolves entered the NBA in 1994 as an expansion team at a cost of [\\$32.5 million](#) and purchased by Glen Taylor for \$90 million just five years later. After years of testing the market, Taylor finally [sold](#) the franchise (along with the Minnesota Lynx, a WNBA franchise) to former MLB star Alex Rodriguez and billionaire former Walmart chief executive Marc Lore for \$1.5 billion.

¹⁹ <http://www.thesportjournal.org/2002Journal/Vol5-No3/economic-values.asp>

²⁰ http://espn.go.com/los-angeles/mlb/story/_/id/7877983/los-angeles-dodgers-sale-guggenheim-group-finalized

²¹ <http://www.forbes.com/sites/mikeozanian/2012/08/16/padres-sale-for-800-million-approved-by-mlb-owners>



It isn't just major league teams seeing record franchise values. A [USA Today](#) story suggests that minor league baseball's 20 most valuable teams are worth an average of \$37.5 million, up 35% over the last six years. 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).



INSTRUCTOR NOTE: PODCAST ALERT

Basketball fans in Minnesota were buzzing about the implications of the \$1.5 billion sale of the NBA's Minnesota Timberwolves and WNBA's Minnesota Lynx in 2021. What will the change in ownership mean for the two franchises? Will the team stay in Minnesota or would the franchise explore a relocation option? Will the new owners demand public dollars for a new arena? Why have valuations of NBA teams skyrocketed?

Guest host Chris Farrell, a senior economics contributor at Marketplace and MPR News, sits down with a basketball reporter and a sports economist to explore the potential effects of the sale and the value of sports franchises to regional identity and the economy.

Click [here](#) to download and listen to the podcast episode.



INSTRUCTOR NOTE

Click here to see the latest ranking from [Forbes](#) to discuss the most valuable professional sports teams in the world with your students. Prior to reviewing the complete list, see if students can predict which teams might be at the top of the list. Do they think the city or market where the franchise is located has any influence? What about the sport? Which teams might have seen their valuation rise or fall and why?

Entertainment Business Fundamentals

REVENUE STREAMS IN THE ENTERTAINMENT INDUSTRY

Entertainment products are similar to sports products in that both can be developed into merchandise, used for promotion, and create profit through sales of ancillary products, licensing, and royalties.²²

Ancillary products are products related to or created from the core product.²³ Because there are so many different types of entertainment products, the revenue generated by marketing can be very diverse. A single blockbuster Hollywood film can generate a number of ancillary products:

- Videos
- DVDs
- Video games
- Rights can be sold to cable television
- Rights can be sold to pay-per-view television
- Film can be the basis for a video game, TV series, book, or clothing line
- Rights can be sold for licensed merchandise (toys, games, apparel, etc.)

The sale of those ancillary products makes a profit for the film creators in the form of sales, royalties, and licensing fees. Royalties are payments made to the owner of copyrighted work for use of their material.²⁴

Examples:

- 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.
- 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 nearly 5 million [copies](#) overall) will be shared long term with Billy Squier in the form of royalties.
- 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.
 - 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”.

There is a lot of money at stake for artists in the form of royalty payments.

- 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.²⁵
- Spotify [says](#) it has paid over \$23 billion in royalties to rights holders, including over \$5 billion in 2020, which is up from \$3.3 billion in 2017.
- Spotify has also [claimed](#) its biggest expense was royalty and distribution payments, which they say was equal to 85% of their revenue.

²² Sports & Entertainment Marketing, Glencoe-McGraw Hill, 2nd ed., p. 32

²³ http://espn.go.com/los-angeles/mlb/story/_/id/7877983/los-angeles-dodgers-sale-guggenheim-group-finalized

²⁴ Sports & Entertainment Marketing, Glencoe-McGraw Hill, 2nd ed., p. 33

²⁵ <http://www.parade.com/celebrity/personality-parade/2011/06/05/glee-royalties.html>



INSTRUCTOR NOTE

Ever wonder how artists and songwriters get paid when their music is streamed? This brief [YouTube](#) video from Spotify provides a behind the scenes explanation as to how the popular streaming platform compensates those artists. Consider sharing the video in class, followed by a quick discussion.

A typical Hollywood marketing strategy includes planning the merchandising and product tie-ins before planning the casting and film production schedule. 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. To a studio, movies seen as revenue generators, artistic statement is secondary.

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. Tie-in toys are viewed as the future of movie marketing as they keep fans engaged between film releases. This trend has studios focused on making movies that are “[toy-ready](#)”, of which there were 25 released in 2019, compared to the previous annual average of eight.

Examples of “toy-ready” films:

- “Toy Story 4”
- “Scooby Doo”
- “Batwoman”
- “Black Widow”
- “Frozen 2”

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”

- 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.
 - Click [here](#) to read more from wusa9.com.

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.

However, a tie-in is not the same thing as product placement. 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). Brands that partner with a studio for tie-ins provide valuable promotion to help build excitement for the film’s release.

Notable promotional tie-ins for the film included:

- 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.
- 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.
- 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.

Other examples of tie-ins include:

- 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.

- 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.
 - 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.²⁶
- 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.

FILM FRANCHISE

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, including ample opportunities for tie-ins.

The top five film [franchises](#) in movie history:

1. Marvel Cinematic Universe
2. Star Wars
3. Wizarding World (Harry Potter)
4. James Bond
5. The Fast and the Furious



ACTIVITY IDEA

Access the PPT discussion in your lesson 3.3 folder marked “Top 10 Film Franchises” and review the biggest movie franchises in box office history in class. Then, encourage students to come up with ideas for tie-ins relating to one of the films.

Alternatively, 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.

PRODUCT PLACEMENT

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.

Product placement is one of the fastest growing advertising mediums in the entertainment industry. 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 2009.²⁷ 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](#)).

While product placement can provide a lucrative revenue opportunity, it doesn’t come without risk. Like sports, consumers can be sensitive to anything they feel is being over commercialized, particularly if they feel it detracts from the overall product.

26 <https://deadline.com/2019/07/spider-man-far-from-home-record-promo-campaign-audi-united-airlines-dr-pepper-doritos-1202643198/>

27 http://www.insideradio.com/free/pq-media-global-product-placement-spend-up-14-5-last-year/article_dea0be76-a636-11ea-b2cf-fba58349746c.html

Product placement can be present in a variety of media formats, including theatre, film, television, music, video games and books. 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. 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."*²⁸

Examples Of Product Placement In Film:

- "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 2012.²⁹
- 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.
 - 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.³⁰
 - Click [here](#) to read more from CNN why Pepsi decided to make "Uncle Drew" into a movie.
 - Click [here](#) to see the original Pepsi Max Uncle Drew commercial (viewed nearly 53 million times on YouTube).

Examples Of Product Placement In Television:

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).

Click [here](#) for the full story on how Nike was the "unexpected winner at the Oscars" from qz.com.

In celebration of the 25th 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.³¹

²⁸ <http://www.productplacement.biz/200906043114/News/Music/music-gets-branded.html>

²⁹ <http://www.bloomberg.com/video/-man-of-steel-most-product-placements-ever-tpqpl2seTLC0WVA4YtjYzA.html>

³⁰ <https://money.cnn.com/2018/06/29/news/companies/pepsi-uncle-drew-movie/index.html>

³¹ <http://content.usatoday.com/communities/driveon/post/2012/07/volkswagen-creates-cage-for-discoverys-shark-week/1>



CASE STUDY

NETFLIX'S 'STRANGER THINGS'

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. 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.³²

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. 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 generated by its alignment with season three of "Stranger Things".

To help illustrate the topic of promotional tie-ins, consider accessing the "Stranger Things" PPT which features 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 2.8), 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.

Examples Of Product Placement In Music:

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 pocketbooks of the entertainers themselves).

- 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.
- 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.³³
- 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.

³² [https://en.wikipedia.org/wiki/Stranger_Things_\(season_3\)#Tie-ins](https://en.wikipedia.org/wiki/Stranger_Things_(season_3)#Tie-ins)

³³ <http://www.rollingstone.com/music/news/britney-spears-made-500-000-from-product-placement-in-hold-it-against-me-video-20110222>

- 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).
- 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."
 - 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.



FUN FACT

Chris Brown's top-10 hit, "Forever", was originally financed by the Wrigley's chewing gum company as a jingle for Doublemint gum.

Examples Of Product Placement In Gaming:

In-game product placements are quickly becoming one of the most lucrative forms of product placement for video game makers.

- 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, and is expected to grow by another nearly [\\$11 billion](#) through 2024.
- 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).³⁴
- With live sports on hold during the pandemic, [Adidas](#) turned to video games for brand exposure.
 - 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.
- 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.
 - In the deal, the virtual in-game stadium experience was referred to as "Pizza Hut Stadium".

Examples Of Product Placement In Books:

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).³⁵ 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%."³⁵

- 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")

³⁴ <http://paidcontent.org/article/419-play-time-in-game-ad-spending-to-top-1-billion-by-2014/>

³⁵ <http://www.brandchannel.com/home/post/Product-Placement-Comes-to-Comics.aspx>

- DC Comics, home to characters such as Batman and Aquaman, 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.³⁷
 - Click [here](#) to read about Lexus' recent sponsorship of an entire issue of a Marvel comic called "The Chase"
- 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 5th box office release of 'Guardians 2'
 - 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.

WHAT'S NEXT FOR PRODUCT PLACEMENT?

The next step in product placement? Even more aggressive strategies like retroactively placing ads in music videos that have already been created. 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."

Similar technology is also used to retroactively insert products and brands into rerun episodes of popular television shows like "Friends" or DVD releases of films. For example, 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).

WHAT IS A PRODUCT PLUG?

Not all product appearances are considered to be a paid product placement. When the featured product does not pay for the exposure, it is referred to as a product plug.

Examples of product plugs include:

- 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.
 - Click [here](#) for an interesting read about the show 'Baskets' and its product placements from adweek.com.
- 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.
 - 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."
 - The company even posted on Facebook: ""We're heartbroken over last night's episode, too! We're innocent until proven guilty."
 - Even the 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 crock pots together."
- 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.



- 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).

IS PRODUCT PLACEMENT EFFECTIVE?

Product placement, when implemented strategically, can be a very effective marketing tool.

- 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.
- 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%.³⁶
- 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.³⁷
- 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.³⁸
- 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.³⁹
- [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.

That's not to say product placement isn't a risky endeavor for both the brand and the film producer. 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."

In another example, 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." 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).

REVERSE PRODUCT PLACEMENT

Reverse product placement occurs when real life products are developed that match products featured in a fictional context.

- 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.
 - 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."
- 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,

³⁶ http://www.usatoday.com/money/advertising/2009-05-18-network-tv-advertising_N.htm

³⁷ http://www.usatoday.com/money/advertising/2009-05-18-network-tv-advertising_N.htm

³⁸ <http://www.brandchannel.com/home/post/2010/06/30/Twilight-Product-Placement-Draws-Blood.aspx>

³⁹ <http://www.allfacebook.com/bing-advertises-on-farmville-acquires-400000-facebook-fans-in-one-day-2010-03>

from Sweet Tarts to Nerds, Gobstoppers to Laffy Taffy and still makes extensive use of the "golden ticket" for marketing opportunities).⁴⁰

- 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 15th season.⁴¹
- 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.
- According to a [statement](#) from Nickelodeon, the restaurant promised “Good Burger-themed service experiences, merchandise, games, secret sauce and more”
- 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).
 - 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](#))
- Warner Bros. began selling “butterbeer”, a non-alcoholic, butterscotch-flavored drink made famous in ‘Harry Potter’ and later sold at ‘Wizarding World’ theme parks. In 2021, the studio made the product available for sale to Harry Potter fans online, but [only](#) in the U.K.

⁴⁰ <http://www.brandchannel.com/home/post/2011/05/16/At-40-Wonka-Candy-Is-Greatest-Reverse-Product-Placement-Ever.aspx>

⁴¹ <http://www.adweek.com/adfreak/south-park-bringing-cheesy-poofs-walmart-near-you-133484>





CASE STUDY ESPN'S 'THE OCHO'

On August 8th, 2017 (8/8/17), ESPN8 became “ESPN 8: The Ocho” for one day, drawing inspiration from the hit movie “Dodgeball: A True Underdog Story” in a true reverse product placement.

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”

- According to MVPIndex, last year's switch to ESPN8 resulted in 207K engagements and a social value of \$247.6K in just 24 hours.
- 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.

With all major sports on hold because of the COVID-19 health crisis, ESPN again brought back ‘The Ocho’ in 2020.

- 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.
- 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.
- Based on the ratings the promotion has drawn over the last few years, the reverse product placement has clearly provided ESPN with an effective marketing tool.



Programming on ‘The Ocho’ in [2021](#) (the fifth year of ESPN's promotion) featured more events than ever (29 in total with 21 being brand new), including:

- Mullet Championships, World Chase Tag, Air Guitar, “Dodge Juggle”, Putt Putt World Championships and Minecraft

Activity Idea:

Create your own version of “ESPN 8: The Ocho” programming for a day. What events would you broadcast? How would you promote the event? How would you tie the promotion to the “Dodgeball” film?



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.

Industry Trends

WHAT IS AN INDUSTRY TREND?

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. Trends are constantly shifting within the sports and entertainment industry, making it critical for marketers to effectively track them.

Shifts in industry trends could include:

- Customer buying patterns
- Consumer preferences / distastes
- Effective marketing techniques (product placement for example)
- Product and/or service modifications
- New technology
- Efficient communication tools

How do sports and entertainment marketers effectively track industry trends?

- Monitor sports and entertainment news online
- Read trade or business magazines, journals, websites or newsletters
- Consider the marketing efforts involved when attending competitor events
- Attend sports/entertainment business conventions, exhibitions and events
- Obtain research from sports/entertainment marketing firms
- Observe activity of competitors
- Communicate with others within the industry

Marketers evaluate trends that fit their respective marketing plans and implement changes accordingly. 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.

Current Sports And Entertainment Industry Trends:

- Continued growth of augmented/virtual/extended reality
- Pop-up stores
- Theme parks that look like “blockbuster worlds”
- Creative approaches to footwear and apparel
- Targeting the female demographic
- More and improved tech at sports and entertainment venues
- Team sports battle declining attendance
- Promotions celebrating history, heritage, and community in team sports
- Pop culture-themed promotions
- Sneaker brands and celebrity collaborations
- Gamification
- Cryptocurrency & blockchain
- NFTs



Pop-up Stores

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. Pop-ups are typically only open from a few days to several months and provide opportunities for consumers to physically interact with a product and provide a less expensive alternative to retail because a business does not commit to a long-term lease. According to the [American Marketing Association](#), the pop-up concept is now estimated to be a \$50 billion industry.

Pop-up examples:

- 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
 - 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."
 - 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.
- 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.
 - 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.



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.

More Theme Parks That Look Like “Blockbuster Worlds”

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 “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.
- In 2019, Disneyland opened its highly anticipated Star Wars: Galaxy's Edge, selling out its reservations in just two hours.
 - 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.
- 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.
 - According to the [New York Post](#), “Lionsgate Entertainment World” will offer several attractions based on popular film franchises, including:

- A virtual reality motorcycle ride with a pack of wolves, simulating an experience from “Twilight”.
- 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.
- 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.
- The theme park will also include attractions based on films such as “Divergent” and “Now You See Me”.

Creative Approaches To Footwear And Apparel

- “Retro” shoes
 - [Forbes](#) reported that sales of retro shoes, from all major brands, were up over 25% last year.
 - Complex.com [declared](#) in 2019 that “’70s Runners” were the best sneaker trend of the summer.
 - 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.”
 - In the last two years, Fila’s sales increased 205% while Champion increased sales last year by \$360 million, according to CNBC.
 - 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](#).
- “Themed” designs and collaborations
 - Last year, adidas released a special edition Dragon Ball Z collaboration.
 - Nike also once released shoes themed around “Chicken and Waffle”, Krispy Kreme and Starbucks.
 - 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.
 - Nike, in tribute to NBA MVP Giannis Antetokounmpo’s favorite movie, [released](#) the film-themed Zoom Freak 1 ‘Coming to America’ sneaker in 2019.
 - Adidas skateboarding honored legendary artists the Beastie Boys with a [collaboration](#) in 2019 celebrating the 25th 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”).
 - 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 reassurance 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.

Continued Increase In Targeting Of The Female Demographic

- 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
- In 2018, Reebok enlisted the help of Ariana Grande, Gal Gadot, Gigi Hadot and many others to amplify the message of their “Be More Human” women’s marketing campaign
 - As part of the campaign, Reebok created 10 different limited-edition inspirational shirts with 100 percent of proceeds benefiting The Movement Foundation and The Women’s Strength Coalition.⁴²
 - Click [here](#) to view the commercials on Reebok’s YouTube playlist.
- The WWE is placing more emphasis on reaching female fans.
 - 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.”
 - Click [here](#) to read more on the WWE’s strategy to focus on its women’s division from forbes.com.

More And More Tech In Stadiums And Arenas

- 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).
- 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.
 - 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).
- The Golden State Warriors are also due to open their new technology-savvy arena, the Chase Center, in 2018.

⁴² <https://www.adweek.com/brand-marketing/ariana-grande-gal-gadot-and-more-join-reeboks-campaign-to-inspire-and-empower-women/>

- According to [cnet.com](https://www.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.
- MLS's Columbus Crew teamed up with IBM to enhance the tech at their new stadium.

Declining Attendance

Sports teams will continue exploring alternative packaging strategies to battle declining attendance.

- 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.
 - According to the [San Francisco Gate](https://www.sfgate.com), 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.
 - [USA Today](https://www.usatoday.com) 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.
 - For example, both the Atlanta Braves and Texas Rangers opted to downsize when moving to new stadiums.
 - The Braves are in their third season at SunTrust Park (capacity, 41,000, replacing Turner Field's 53,000).
 - 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.
 - 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.
 - According to The Athletic, college football attendance last season dipped to its lowest mark in 22 years.
 - 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.
 - 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:
 - Costs associated with attending games
 - Uncertainty over kickoff times
 - Bleacher seats that are too uncomfortable
 - Concession areas that are too claustrophobic
 - Lack of handrails that make it easier to get around
 - Some fans prefer to watch at home, so they can watch more games
 - Quality of opponent

Promotions Celebrating Franchise History And Community

A popular promotions trend the past few seasons features teams paying tribute to the community at large and/or the franchise's historic roots.

- The Lancaster JetHawks offered fans "throwback" prices on tickets as well as t-shirt giveaways to celebrate their 20th season. To recognize their 30th season milestone, the Harrisburg Senators introduced life sized bobbleheads and brought back former players to help the team celebrate.



- The Chicago White Sox celebrated the 100th anniversary of their World Series winning season by wearing replica jerseys for a July home game.
 - In addition to the team donning throwback uniforms, the game featured old-time music and entertainment.
 - 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).
- The Green Bay Packers launched a [microsite](#) dedicated to the team’s celebration of their 100th season, featuring one moment highlighted each day for the 100 days leading up to the regular-season opener.
 - The team ramped up merchandising efforts as part of the celebration, offering everything from bobbleheads and coffee mugs to hoodies and iPhone cases.
- The Charlotte Hornets’ organized numerous promotional activities surrounding the franchises’ 30th anniversary, including a new court featuring the team’s original logos and colors.
 - The franchise connected the celebration with a sponsor, selling “title sponsorship” rights to Spectrum.
 - Click [here](#) to read more about the promotions that will coincide with the Hornets celebration of 30 years as a NBA franchise.
- 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".
 - Promotions included (via the team’s [website](#)):
 - "Kids Free" Monday-Friday Nights in April & May
 - "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
 - "PawSox Rhode Shows" and 50 "Acts of Kindness" throughout the state
 - "Commitment to the Community" long-term, including philanthropy and the PawSox Mentoring Program
 - Sharing of any 2019 profits (if any are generated) with the City of Pawtucket on an equal, 50/50 basis
- Another popular trend where minor league teams celebrate community is the creation of promotions where the team undergoes a name change for one game.
- 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.
 - Click [here](#) for a great recap of the history behind some of the best food-themed promos in Minor League Baseball.
- 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.
 - The franchise promoted the event through social media, on its website and also launched a microsite at www.aberdeensteamedcrabs.com .
 - 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.
 - 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.

- 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.
- To further engage fans, the team launched a microsite at 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.
- Click [here](#) to view a promo for the game on YouTube.
- Click [here](#) to see some examples of the merchandise the team offered in conjunction with the promotion.
- MiLB's Charlotte Knights chose to pay homage to their home state's culinary claim to fame (barbeque) by becoming the Charlotte Pitmasters for one game.
 - 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."
- Among those who jumped on the trend in 2019:
 - 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.
 - 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').
- 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.
 - Click [here](#) to see the "pizza rat" video (it has been viewed over 10 million times on YouTube).
 - Click [here](#) to see the team's microsite celebrating the promo.

Why is this a hot trend? Because these promotions work!

- 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.
- 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.
- Last year, when the San Antonio Missions of Minor League Baseball [introduced](#) a "Flying Chancas" 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.

Pop Culture Themed Promotions

One of the hottest trends in sports right now are promotions that tie-in with pop culture references.

- 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).
 - The Buffalo Bisons donned “[Jedi Robe](#)” themed jerseys for their event.
 - The Lehigh Valley [IronPigs](#) wore jerseys depicting Hans Solo frozen in carbonite.
 - The Potomac Nationals put [Lando Calrissian](#) on their Star Wars jerseys.
 - 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.
 - The website also featured a few of the unique Star Wars-themed giveaways at the ballpark, including stormtrooper bobbleheads and jedi baseballs.
 - Click [here](#) for more from starwars.com.
- 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.
 - 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.
- “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
 - The Cedar Rapids Kernels hosted a [Mommy-Son Superhero Night](#) that included a cookie & punch party and photos with Batman, Superman and Spiderman.
- The Durham Bulls hosted a [PokemonGO](#) promotion to help raise funds for a local pet adoption agency.
- 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.
 - 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).
 - The promotion even sparked a Twitter feud with a rival minor league team who claimed they had offered the promotion first.
 - Click [here](#) to read about the feud from bensbiz.mlbblogs.com.
 - Further evidence of the popularity of pop culture promotions, the Mud Hens’ tweets with the highest levels of engagement were also “uniform reveal” tweets.
 - 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).
 - The team’s announcement about a ‘Harry Potter Night’ promotion on Twitter gained over 900 likes and nearly 400 re-tweets.



Sneaker Brands And Celebrity Collaborations

Sneaker and apparel brands have enjoyed a lot of success by collaborating with non-athlete celebrities to help drive awareness and move product.

- Nike with Kevin Hart
- Adidas with Kanye West, Beyoncé and Jonah Hill
 - 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

Gamification

Gamification is a marketing strategy that encourages consumer engagement with brands through game play or similar activities. 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.

- 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.
 - Click [here](#) to see more from the Jags' website.
- 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.
- 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.
 - 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).
 - Click [here](#) to see the game on the team's website.
- 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.
- 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.
- To engage fans around the 2021 NFL Draft, the Indianapolis Colts launched the "[Colts Arcade](#)" on the team's mobile app, offering a variety of team-branded digital games including:
 - "Guess the Home Opener" game where fans were encouraged to guess the team's opponent, date and time for the Colts' home opener for a chance to win four tickets and \$100 in concession credits, along with a \$100 Pro Shop gift card.
 - "Colts Draft Bingo" where fans were encouraged to fill out their cards as they followed along with the picks made by the Colts throughout the draft.
 - "Colts Draft Trivia game with a variety of questions tied to the franchise's draft history



Cryptocurrency / Blockchain

Cryptocurrency is a digital currency that can be used as a form of payment for goods and services. Some businesses issue their own cryptocurrencies, usually referred to as “tokens”, and these can be traded specifically for the good or service that the company provides. To obtain the cryptocurrency (digital currency or tokens), consumers exchange real currency.

According to nerdwallet.com, cryptocurrencies work using a technology called blockchain. Blockchain is a decentralized technology spread across many computers that manages and records transactions. Part of the appeal of this technology is its security.

As crypto creeps into the mainstream, it is gaining traction in the sports and entertainment industry.

- In 2021, sports teams like the San Jose Sharks, Dallas Mavericks, Sacramento Kings, and Oakland A's began accepting crypto in exchange for tickets.
 - The Oakland A's became the first baseball team to sell a luxury suite via a cryptocurrency transaction, announcing the sale of a full season suite in exchange for one bitcoin via [Twitter](https://twitter.com/DaveKaval).
 - The team also processed the first Dogecoin transaction in Major League Baseball history when they sold a two-seat “pod” (when COVID-19 forced limited capacity and only “pod” seating was allowed) in exchange for [100 Dogecoin](https://www.dogecoin.com/).
 - Also in the Bay Area, the San Jose Sharks [teamed up](#) with BitPay to accept a number of crypto payment options including Bitcoin (BTC), Dogecoin (DOGE), Ethereum (ETH), Bitcoin Cash (BCH), and Wrapped Bitcoin (WBTC).
 - Initially, only season tickets and luxury suites were offered for sale, but the team eventually plans to offer everything from individual game tickets to merchandise and concessions via crypto payment.



NFTs

Non-fungible tokens, otherwise known as NFTs, represent a type of asset that allows creators to “tokenize” collectibles as a digital artform using blockchain technology.

What does that mean? Best described by [The Verge](https://www.theverge.com), “Non-fungible” more or less means that it’s unique and can’t be replaced with something else. For example, a bitcoin is fungible — trade one for another bitcoin, and you’ll have exactly the same thing. A one-of-a-kind trading card, however, is non-fungible. If you traded it for a different card, you’d have something completely different.”

Ownership of an NFT provides the buyer with rights to an original item. NFTs contain built-in authentication, which essentially provides proof of ownership and the security that an item cannot be duplicated..

The NBA has been at the forefront of the NFT craze, thanks in large part to their partnership with a digital collectible card platform NBA Top Shot. Top Shot allows users to buy, sell, and trade very specific NBA “moments” and keep them stored on the blockchain in digital wallets.

NBA Top Shot launched in late 2020, but its popularity exploded in 2021. The platform raced to over one million users by May. By February, the platform had already reached [\\$230 million](#) in sales. The secondary market for Top Shot has attracted significant investments as well, with a LeBron James “moment” [selling](#) for \$387,600 where he emulated an [iconic Kobe Bryant dunk](#).



Industry Economics



INSTRUCTOR 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.

SUPPLY & DEMAND

The concept of supply and demand represents one the most fundamental economic principles. But how does it apply to sport? Simply explained, supply and demand is the relationship between the quantity of a commodity (like game tickets or Jordan sneakers) that producers wish to sell at certain prices and the quantity that consumers are willing to purchase.

Supply and demand is what ultimately determines the price that you, as a consumer, pay for a product or service (like game tickets or Jordan Brand sneakers). It also impacts prices for everything surrounding an event like a music festival or Indianapolis 500. For example, Darren Rovell, a national 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!”⁴³

ECONOMIC IMPACT

Sporting events inevitably will have some impact on the host city’s economy. While the significance of that impact is often debated by economists, there is no doubt that an event like the Olympic Games or Super Bowl will draw visitors that will fill hotel rooms and spend money at local restaurants and shops. Mega events attract thousands of people to host cities. Every year, more than 150,000 spectators descend upon Churchill Downs for the Kentucky Derby, temporarily transforming the population of the racetrack into the 3rd largest city in the state. Most Derby fans will likely stay in the Louisville area. They provide the area with an influx of revenue, helping to provide a boost to the local economy as they flock to local restaurants and shops, stay in local hotels, and rent cars from area rental car companies.

What is Economic Impact?

Economic impact can be defined as the net change in an economy resulting from sport or event related activity. 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, which happens either directly or indirectly.

Direct effects are the initial purchases made by visitors specifically in the area to attend an event, such as a fan visiting Tokyo for the Olympics buying souvenirs from a local shop.

Direct effects are measured by the direct transactions between those outside the host economy (spectators, participants, media, and other fans) and those inside the host economy (local hotels and restaurants).

Indirect effects are the ripple effect of additional rounds of spending after the direct effects are measured. This is often the result of business-to-business transactions indirectly caused by the direct effects. Businesses initially benefiting from the direct effects will

⁴³ Rovell, Darren (@darrenrovell). “My hotel room in Augusta normally costs \$73.32. Tonight, during Masters week, \$401.02!” 4 April 2012, 3:43 p.m. Tweet.

subsequently increase spending at other local businesses. For example, as restaurants work to meet increased demand for menu items with the influx of visitors, they will buy more product from local wholesalers like bread or soda.

Sports and entertainment can impact economies in a variety of ways, including:

1. Events
2. Teams and venues
3. Industry segments
4. "Superstar" effect

Event Impact Examples:

- Nashville's economy experienced a boost of nearly \$224 million from hosting the 2019 NFL Draft, a figure that exceeded expectations.
 - [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.
 - 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.
 - 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.
 - 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.
- 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 economy⁴⁴
- 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
 - For some fun facts relating to the visitors to Minneapolis/St. Paul for the 2018 Super Bowl, click [here](#).
- 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).
 - Click [here](#) to download a PDF of the latest economic study conducted to measure the economic impact of the Montreal Jazz Festival.

Team & Venue Impact Examples:

- 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.
- According to a report from [wpr.org](#), every Milwaukee Bucks home game during the 2021 NBA playoffs brought at least \$3 million into the city's economy, and that did not even include the impact of events in the Deer District around the stadium.

⁴⁴<http://www.bloomberg.com/news/2011-05-16/music-tourism-in-u-k-contributes-1-4-billion-a-year-to-economy.html>

Industry Segment Impact Examples:

In some areas, certain segments of the sports/entertainment industry can have an economic impact on local communities.

- Golf
 - 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.⁴⁵
- Winter sports
 - 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.
 - 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.
 - According to a [statement](#) from the 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.
- Football
 - 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.
 - 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.
 - 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."
 - 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.
 - Click [here](#) to see the economic toll a lost college football season would have on college towns in Texas: "What losing football to COVID-19 would mean for Texas college towns: "It's like losing Christmas".
- Broadway
 - 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.
- Horse Racing
 - 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
- Music
 - 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

⁴⁵<http://www.clubandresortbusiness.com/2012/02/13/florida-to-show-its-love-for-golf-and-wealth-from-it-on-valentines-day/>



the music industry and the additional 29,000 jobs with indirect ties to it account for more than \$3.2 billion in income.

- Hollywood
 - 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.⁴⁶
 - 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.⁴⁷
 - According to a [USA Today story](#), the 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.
 - 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.
 - 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.
 - According to a [KHON2 News](#) story, films like *Jumanji* and *Jurassic World: Fallen Kingdom* help to boost area tourism.
 - 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."
 - 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 annually to local economies.

Examples of "Superstar Effect"

In rare instances, individual superstar athletes can provide an economic engine on their own.

Michael Jordan

- 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).⁴⁸

Tiger Woods

- A phenomenon often called the "[Tiger Effect](#)" is a reference to the economic impact many speculate Tiger Woods has on the entire golf industry.
- 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.
 - Click [here](#) to read a story on how the 2014 Masters also suffered declines in ticket prices and sponsorship revenue.
 - 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.

⁴⁶ http://www.cleveland.com/moviebuff/index.ssf/2012/04/ohio_movie_mania_new_proposal.html

⁴⁷ http://www.cleveland.com/avengers/index.ssf/2011/08/the_avengers_playing_big_part.html

⁴⁸ <http://www.cbssports.com/mcc/blogs/entry/6676299/13652550>



- 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.
 - 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.”
 - Both event organizers and local businesses were anticipating a boost in business until Woods had to pull out of the event with an injury.
- In 2018, Tiger started to play in more tournaments, and ratings subsequently saw a significant spike.
 - 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).
 - 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.
 - 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.
 - 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.
- 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.
 - The week after the Masters was the biggest week for sales at the PGA Tour Superstore in history.
 - In the two weeks that followed the Masters, sales of Nike apparel, headwear and footwear were up 50 percent compared to the previous year.
 - GolfTown [reported](#) that orders for Tiger’s trademark red mock turtleneck shirt nearly crashed its web site.
 - TV ratings for the final round of the tournament were [up](#) more than 41 percent over the 2018 Masters.
 - The PGA website saw a 30% [increase](#) in traffic immediately after Tiger’s win.
- 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.
 - According to [Sports Business Journal](#), CBS averaged 3.23 million viewers, despite Woods finishing 40th at the event, making it the biggest audience for a Sunday at The Memorial since 2015 (and up 9% from 2019).

LeBron James

- 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.⁴⁹
 - Click [here](#) to see the breakdown on how that figure was determined.
 - 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

⁴⁹ <http://time.com/2981583/lebron-james-cleveland-cavs-money/>

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.”⁵⁰

- 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).⁵¹
- 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.⁵²
- 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.
- Other researchers [offered](#) projections for LeBron’s potential impact on the Los Angeles economy after he signed as a free agent in 2018.
 - 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.
- 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](#).

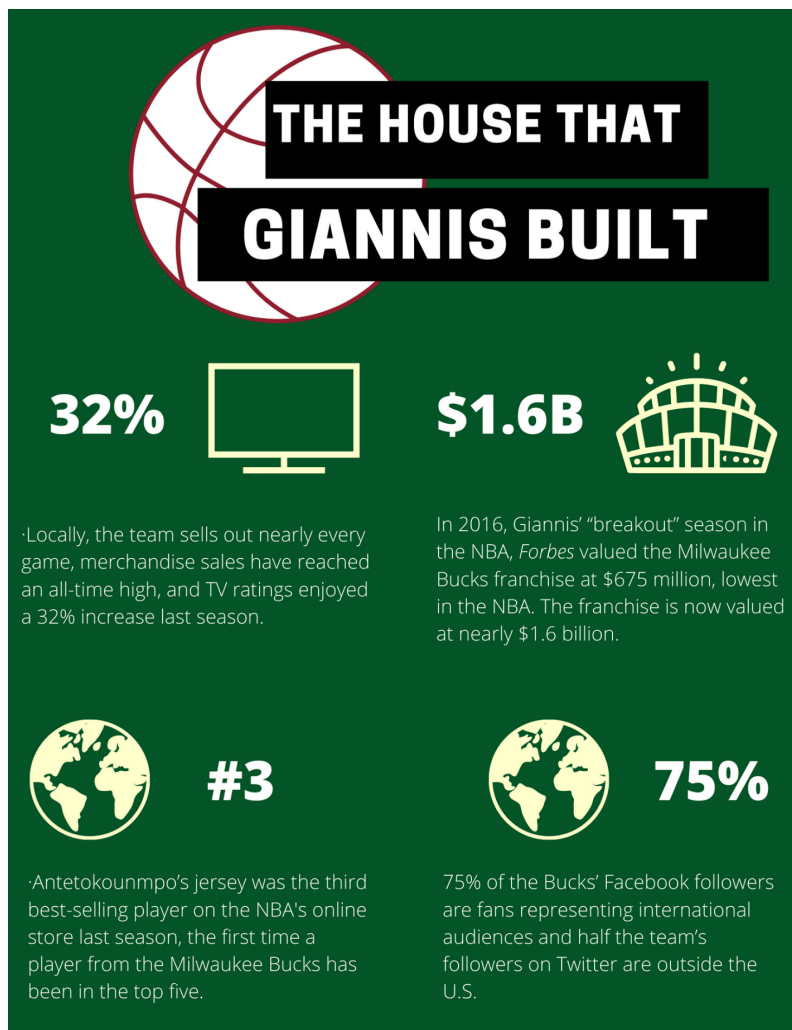
Giannis Antetokounmpo

- 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”.
 - Antetokounmpo’s presence is helping the Bucks to grow the brand not only in the U.S., but also internationally.
 - 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.
 - Locally, the team sold out nearly every game, merchandise sales reached an all-time high, and TV ratings enjoyed a 32% increase.
 - 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.
- According to a story published at [cnbc.com](#), the Milwaukee Bucks said they saw 1.3 million video views on social media channels and an 186% increase in online merchandise orders in the first 18 hours after it was announced that Antetokounmpo had signed a five-year, \$225 million extension with the franchise.
 - 85% of its retail sales came in after he posted his decision on Twitter and 55% of the items purchased were Antetokounmpo-branded merchandise, according to the Bucks.
 - Discussions with potential sponsors surrounding the Bucks’ jersey patch deal saw an immediate increase in demand, helping the team to secure a new deal with Motorola thanks to the decision from Giannis to remain with the franchise. The deal was estimated by [one expert](#) to be in the \$10 million per year range.

50 http://www.cleveland.com/business/index.ssf/2010/06/how_much_is_lebron_james_worth.html

51 <http://nypost.com/2014/07/11/cavaliers-double-in-value-with-lebron-past-1-billion-mark/>

52 <http://www.housingwire.com/articles/30627>



How is Economic Impact Measured?

To measure economic impact, an economic impact study is conducted. These studies attempt to determine the financial implications an event has on a particular market or region. 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. Studies can also be conducted after the event takes place to measure the overall impact the event had on the local economy. Local politicians and business professionals will also commission economic studies to determine the viability of bringing an expansion professional sports team to a city.

Pre-Event Economic Impact Study Example:

Studies are often conducted before the event takes place to measure the potential impact the event could have on the local economy.

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.⁶⁵ According to a [Sports Business Journal](#) story, in addition to the economic impact, Tokyo was counting on the 2020 Games to "rejuvenate the country's image, industry and soul after three decades of economic stagnation and natural disasters."

However, a COVID-19 surge prior to the Tokyo Games forced organizers to ban spectators at the events, limiting the number of visitors to the area. According to a [study](#) conducted just prior to the Games evaluating the impact of a spectator-less Games, Tokyo 2020 with no spectators would result in an economic loss of up to \$23 billion.

Post-Event Economic Impact Study Example:

Studies can also be conducted after the event takes place to measure the overall impact the event had on the local economy.

- According to [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.
- 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.⁵³
- 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.
 - More than 20,000 fans traveled from other cities in Mexico to watch the game.
 - More than 10,000 fans traveled internationally, spending an average of five days in Mexico City.
- 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.
 - Click [here](#) for a breakdown of the data.

Expansion team viability economic impact study example:

Often, an economic impact study will be conducted to determine the viability of bringing an expansion franchise to a city or market.

- To determine the viability of bringing a Major League Soccer franchise to Sacramento, an economic impact study was conducted in 2021 to estimate the potential impact of the development of a new MLS stadium in the downtown area of the city
- The [report](#) estimated the number of jobs that would be created along with economic benefits associated with the project, including:
 - 1,755 jobs created during stadium construction and an additional 130 – 220 jobs during ongoing operations
 - \$200 million of gross economic activity during the construction phase of the project
 - \$30.5 million of annual economic activity in the City of Sacramento and \$1.24 billion over 30 years across the entire Sacramento region
 - \$2.2 million in annual fiscal benefits within Sacramento County, with approximately \$800,000 – \$900,000 in annual direct fiscal benefits to the City of Sacramento
 - Provide entertainment for an anticipated 500,000 annual visitors.

⁵³ <http://www.fox9.com/news/study-final-four-brought-in-91-000-visitors-143-million-in-economic-impact>



Sports Corporations

A sports corporation is a local organization (also referred to as “sports authority”, “sports foundation” or “sports commission”) whose primary objective is to attract events to the communities they represent. Sports corporations typically operate as not-for-profit organizations.

- 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.⁵⁴
 - 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.⁵⁵
 - Click [here](#) to download a release from GNOSF highlighting the economic impact of these events on the NOLA community.
- 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.”

Sports corporations can sometimes be the driving force behind economic impact studies.

- 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 are spending. That information would then be used to help determine whether to spend \$75 million to build a new spring training facility.⁵⁶
- 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.

⁵⁴ <http://www.gnosports.com/page.php?id=9>

⁵⁵ <http://www.gnosports.com/page.php?id=4>

⁵⁶ <http://www.naplesnews.com/news/2009/jul/02/baseball-shutting-out-lee-state-spring-training-fi/>

How Accurate Are Economic Impact Estimates?

While the impact of sporting events on local economies can be quantifiable, the extent of that impact is often debated by economists. Many economists would argue that the economic impact studies inflate the numbers in a way that suggest the overall impact on the economy is far greater than the actual direct and indirect impact felt by local businesses and employment increases.

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.

- 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.
- 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.
 - 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.

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.

Impact of Economy On Sports And Entertainment

Sports and entertainment are not recession proof. Fluctuations in economic conditions have a significant impact on whether the sports and entertainment industry flutters or flourishes.

Iditarod

- 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.”⁵⁷

The Preakness Stakes

- 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.⁵⁸
- 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 2009.⁵⁹
- 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 140,327.⁶⁰
 - Attendance dipped slightly in 2019 at the 144th Preakness Stakes with a crowd of 131,256.

NBA

- 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

⁵⁷ <http://www.nytimes.com/2010/02/02/sports/02iditarod.html>

⁵⁸ <http://www.wbalv.com/sports/19490286/detail.html>

⁵⁹ <http://www.baltimoresun.com/sports/bal-te.sp.preakness20may20.0.2038662.story>

⁶⁰ <http://www.preakness.com/news-center/latest-news/california-chrome-dazzles-record-crowd-prekness-stakes>

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."⁶¹

Unfortunately for host cities and communities reliant on sports and entertainment as an economic driver, the COVID-19 pandemic has taken a toll. Fewer visitors and fans has resulted in a significant decline in spending which impacts the potential boost economies receive from sports and entertainment.



INSTRUCTOR 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.

Gamification: A marketing strategy that encourages consumer engagement with brands through game play or similar activities

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.

⁶¹ http://www.nba.com/timberwolves/news/Wolves_ShakeUp_Ticket_Prices-303242-1193.html