

**UNIT 3: SPORTS & ENTERTAINMENT BUSINESS FUNDAMENTALS**

**TRUE/FALSE (15 questions)**

Indicate whether the following sentences or statements are true or false.

1. **F** As it relates to a Hollywood film, product placement is the same thing as a product tie-in.
2. **T** It is not just the national television deals that are valuable to professional sports teams; local television rights deals can also generate millions in revenue.
3. **T** The sale of ancillary products makes a profit for film creators in the form of sales, royalties and licensing fees.
4. **F** Revenue is not important to non-profit organizations in sports and entertainment.
5. **F** Professional sports teams do not rely on ticket sales as a major revenue stream..
6. **F** All professional sports teams are profitable.
7. **F** Hollywood films that gross over \$100 million are always profitable.
8. **T** Boxing, UFC and WWE are examples of sports and entertainment properties that generate a significant source of revenue through pay-per-view sales.
9. **T** Bubba Gump Shrimp Company restaurants provide an example of reverse product placement.
10. **T** A significant revenue stream for many professional sports teams is the sale of luxury suites and premium seating.
11. **F** The value of professional sports teams has now started to decline after nearly a decade of significant growth..
12. **F** Most owners of major league professional sports teams become wealthy as a result of profits generated by their team(s).
13. **T** Ancillary products are products related to or created from a core product.
14. **T** Ratings provide an indication of how many people a particular broadcast reaches.
15. **F** Fundraising and donations are not an important source of revenue for collegiate athletic programs.

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**MULTIPLE CHOICE (10 questions)**

Identify the letter of the choice that best completes the statement or answers the question.

- B** \_\_\_\_\_ 1. Patterns within an industry that relate to things like pricing, costs and consumer behavior are known as what?  
a. Data crunching                      b. Industry trends  
c. Analytics                              d. All of the above
- B** \_\_\_\_\_ 2. The concept of opening a short-term sales space, often launched as a promotional tool to create awareness and build interest for new products is known as what?  
a. Product launch                      b. Pop-up store  
c. Industry segment                      d. Retail
- A** \_\_\_\_\_ 3. \_\_\_\_\_ are the means for an organization's cash inflow, typically as a result of the sale of company products or services.  
a. Revenue Streams                      b. Net Profits  
c. Bulk Sales                              d. Inflated Income
- B** \_\_\_\_\_ 4. \_\_\_\_\_ are products related to or created from the core product.  
a. Sports Products                      b. Ancillary Products  
c. Entertainment Products                      d. Secondary Products
- D** \_\_\_\_\_ 5. Which of the following are examples of costs that could be incurred by a sports team?  
a. Investment in the customer  
b. Player salaries and staff payroll  
c. Facility rental  
d. All of the above
- B** \_\_\_\_\_ 6. A blockbuster Hollywood film might generate the following ancillary product:  
a. DVD                                      b. Video  
c. Merchandise Rights                      d. All of the above
- D** \_\_\_\_\_ 7. Shifts in industry trends could include:  
a. Customer buying patterns  
b. A competitor going out of business  
c. New technology  
d. A and C above
- D** \_\_\_\_\_ 8. \_\_\_\_\_ 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.  
a. Royalties                                      b. Promotional tie-in  
c. Product placement                      d. Broadcast rights
- B** \_\_\_\_\_ 9. \_\_\_\_\_ is not an example of a revenue stream at the local cinema.  
a. Ticket Sales                                      b. Streaming subscriptions  
c. Movie Previews                                      d. Concessions
- C** \_\_\_\_\_ 10. Which of the following is a segment of the entertainment industry?  
a. Mickey Mouse                                      b. Scooby Doo  
c. Recorded Music                                      d. A and B above

**UNIT 3: SPORTS & ENTERTAINMENT BUSINESS FUNDAMENTALS****SHORT ANSWER (5 questions)**

1. List five examples of segments within the sports industry.

Segments in the sports industry could include sports tourism, sporting goods and apparel, amateur and Olympic sports, high school athletics, collegiate athletics, professional sports, motor sports, recreation, outdoor sports, health clubs, fitness facilities, sports marketing firms, event management, sports-governing organizations, venue and facility management and action sports.

*Please note that this question could result in a number of different answers.*

2. List five examples of segments within the entertainment industry

Segments in the entertainment industry could include filmed entertainment, TV networks, TV distribution, recorded music, live music, video games, radio services, Internet, publishing, digital media, broadcasting-satellite, theatre, casinos and gaming, fine arts, performing arts, theme parks and amusement parks.

Please note that this question could result in a number of different answers.

3. List three possible sources of revenue for a Hollywood film.

A Hollywood film could generate revenue in a number of ways. First and foremost, the film generates substantial revenue through box office sales. The film will also create a number of opportunities to develop ancillary products, including videos, DVDs, cable television rights, pay-per-view rights, licensing fees (typically used in the development of video games, television series, books, clothing, or licensed merchandise).

4. Describe one current sports / entertainment industry trend.

Answers will vary.

5. Describe an ancillary product for one of your recent favorite movies and explain why you think it would be a top selling product.

Answers will vary but students should understand and describe the concept of an ancillary product.

**ESSAY**

**Students should thoughtfully develop the key concepts listed in the answer key below.**

1. Explain how a professional sports team achieves profitability.

Professional sports teams incur substantial costs, typically the result of inflated player salaries. Additional costs to an organization include staff payroll, facility rental fees/contracts, marketing, an investment in the customer and general operating expenses. Because of the high costs of operating a franchise, achieving profitability has become extremely challenging in recent years.

To generate revenue, pro sports teams lean on a number of different revenue streams, including ticket sales, sponsorship sales, licensing and merchandise, concessions, parking, incremental revenues via kid's/fan clubs and special events, luxury suite sales, premium seating sales, television contracts and additional media contracts. Ultimately, the team's revenue must outweigh costs to achieve profitability.