

The Business of Sports: Where's the Money?

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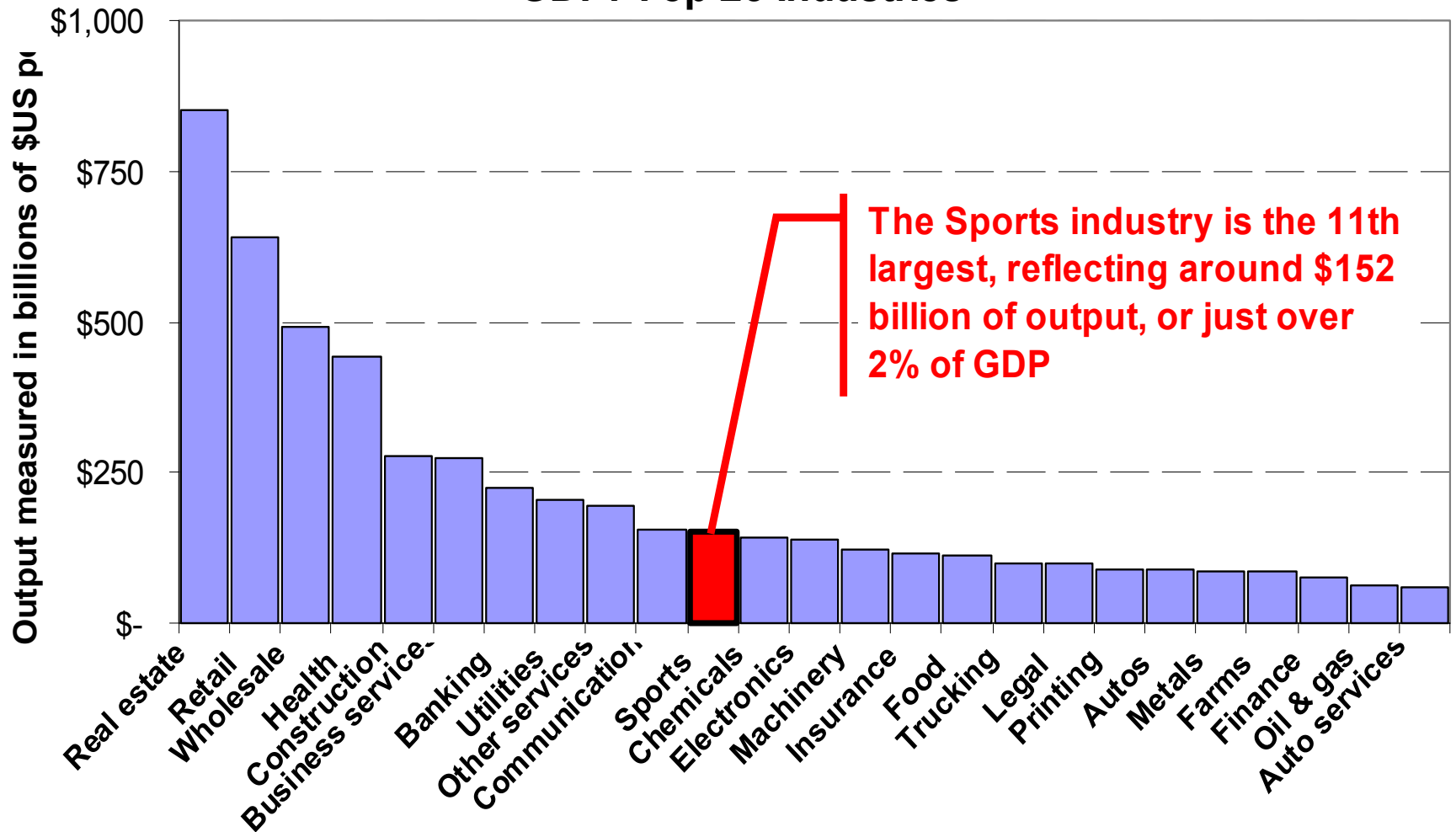
Why the Business of Sports?



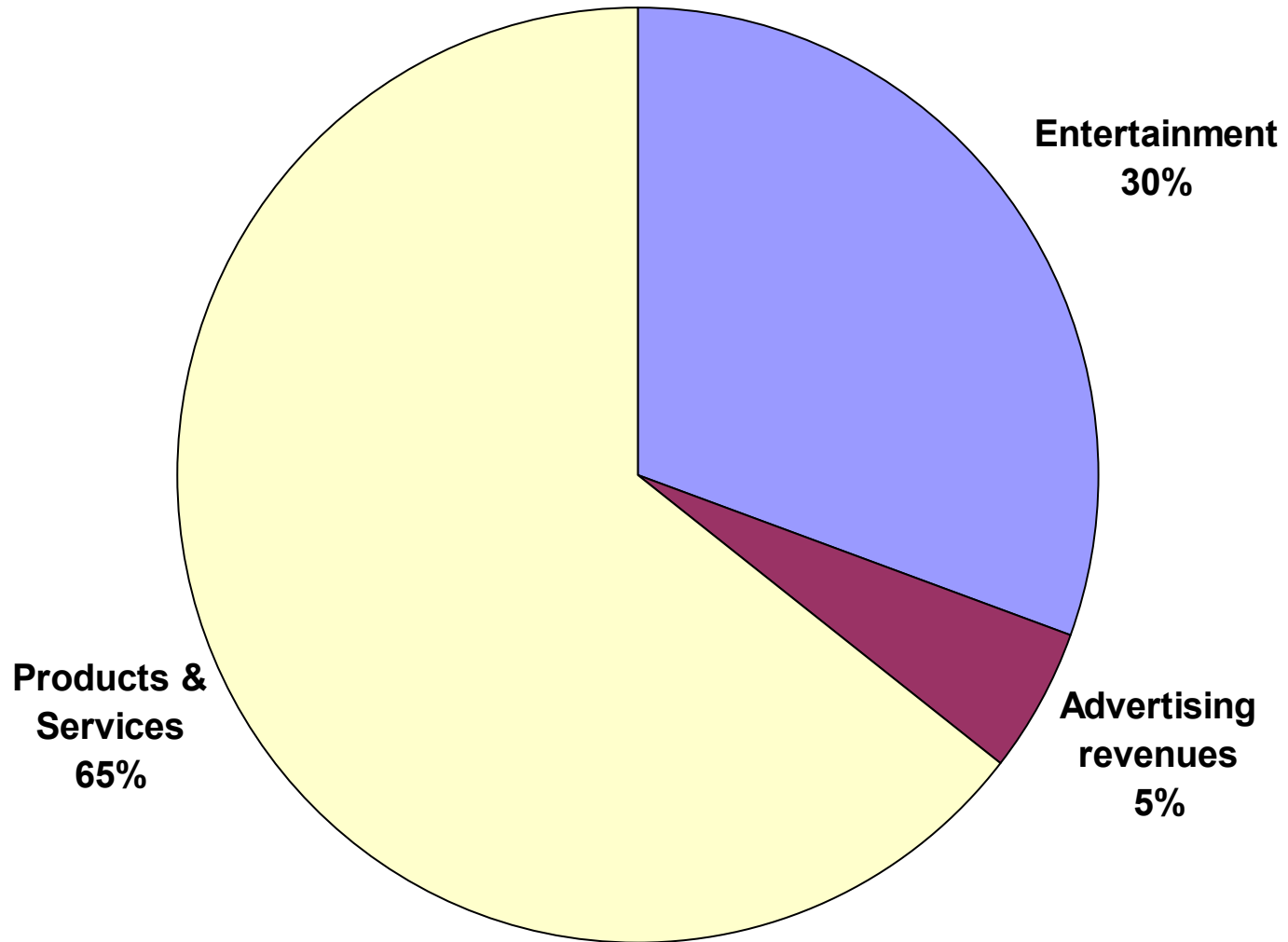
For all his brilliance, we're going to have to replace Trewell. He never quite seems able to reduce his ideas to football analogies.

Gross Domestic Sports Product

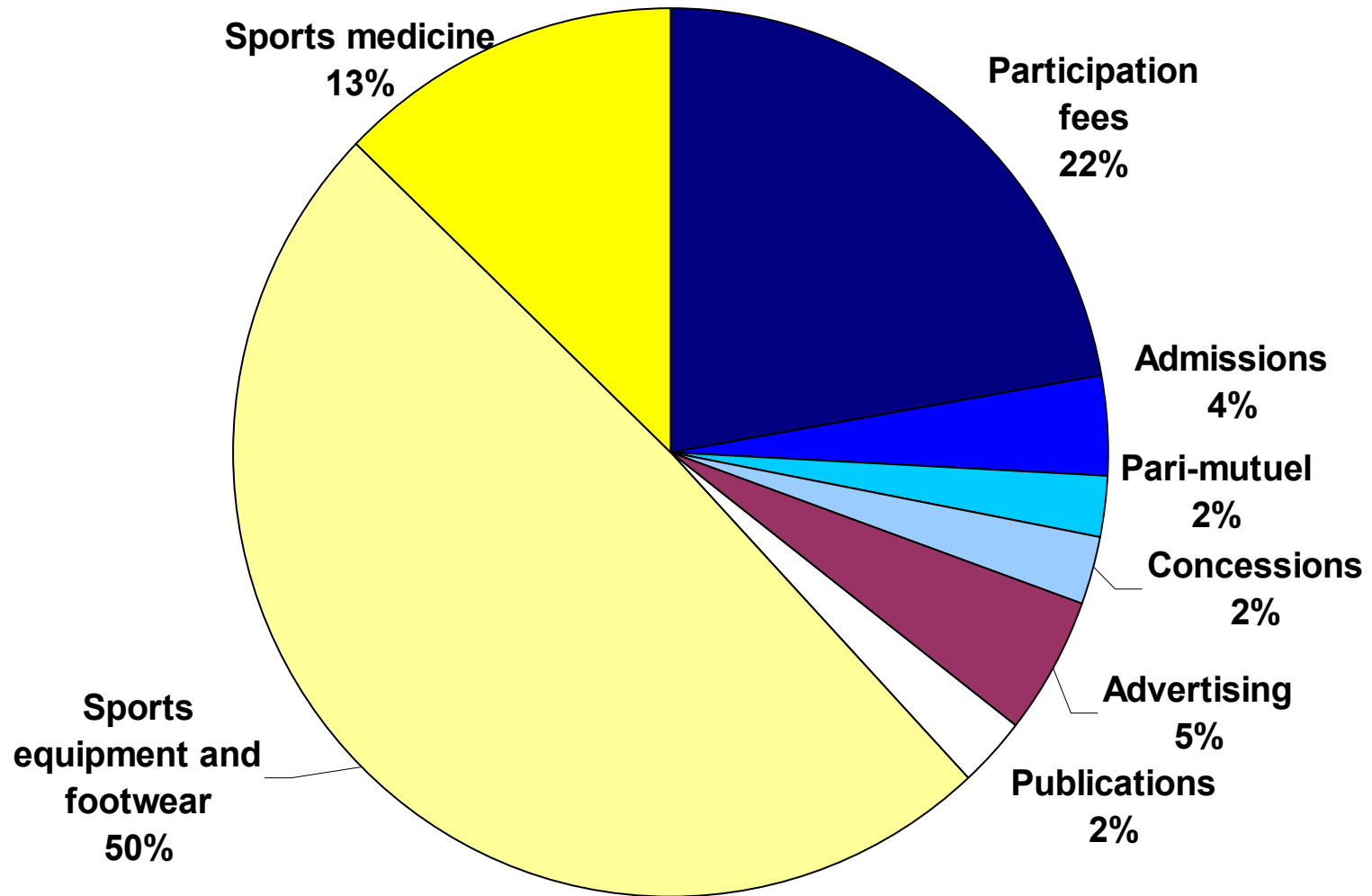
Output by Industry GDP: Top 25 Industries



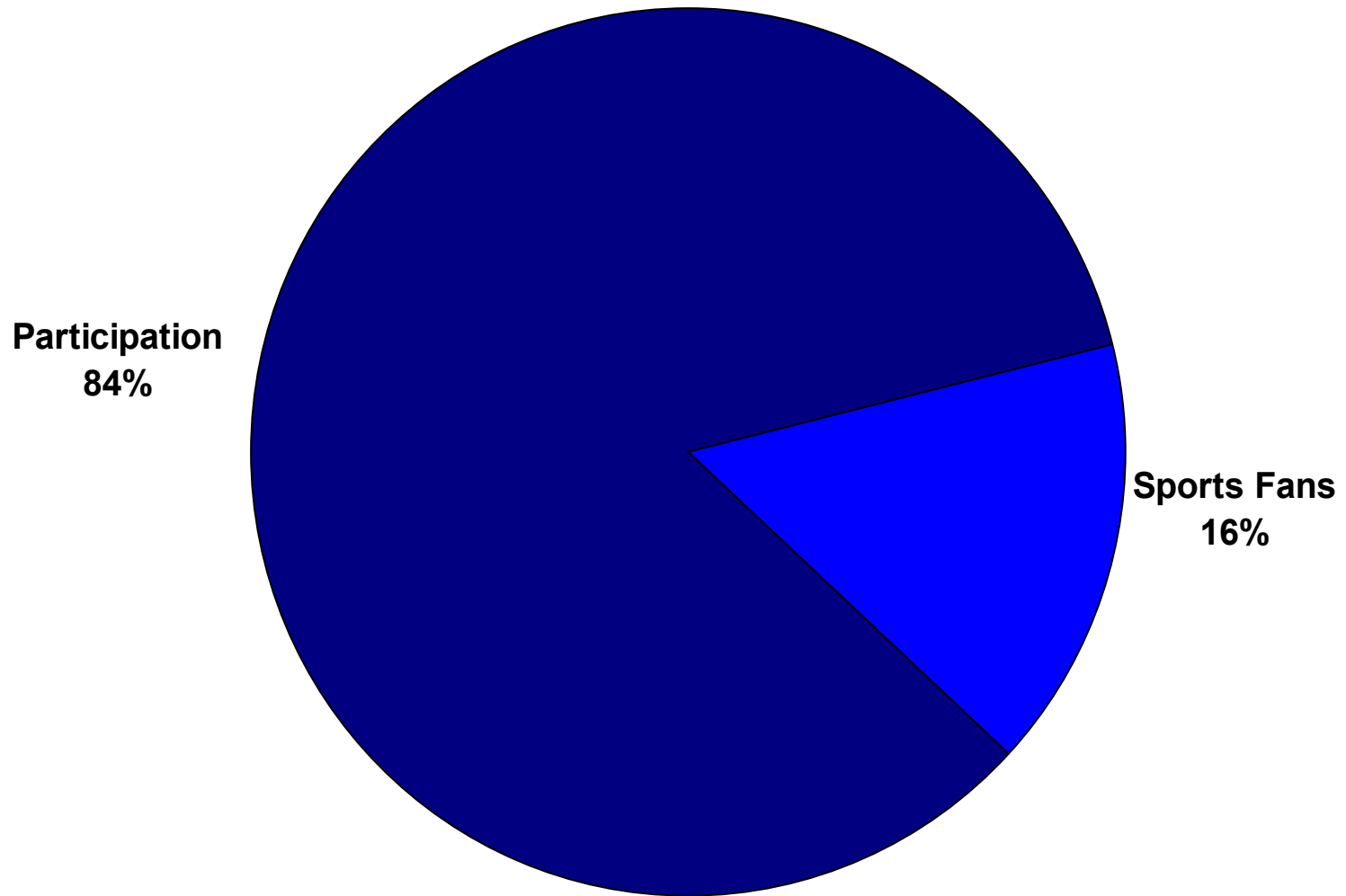
Decomposing the Sports Industry



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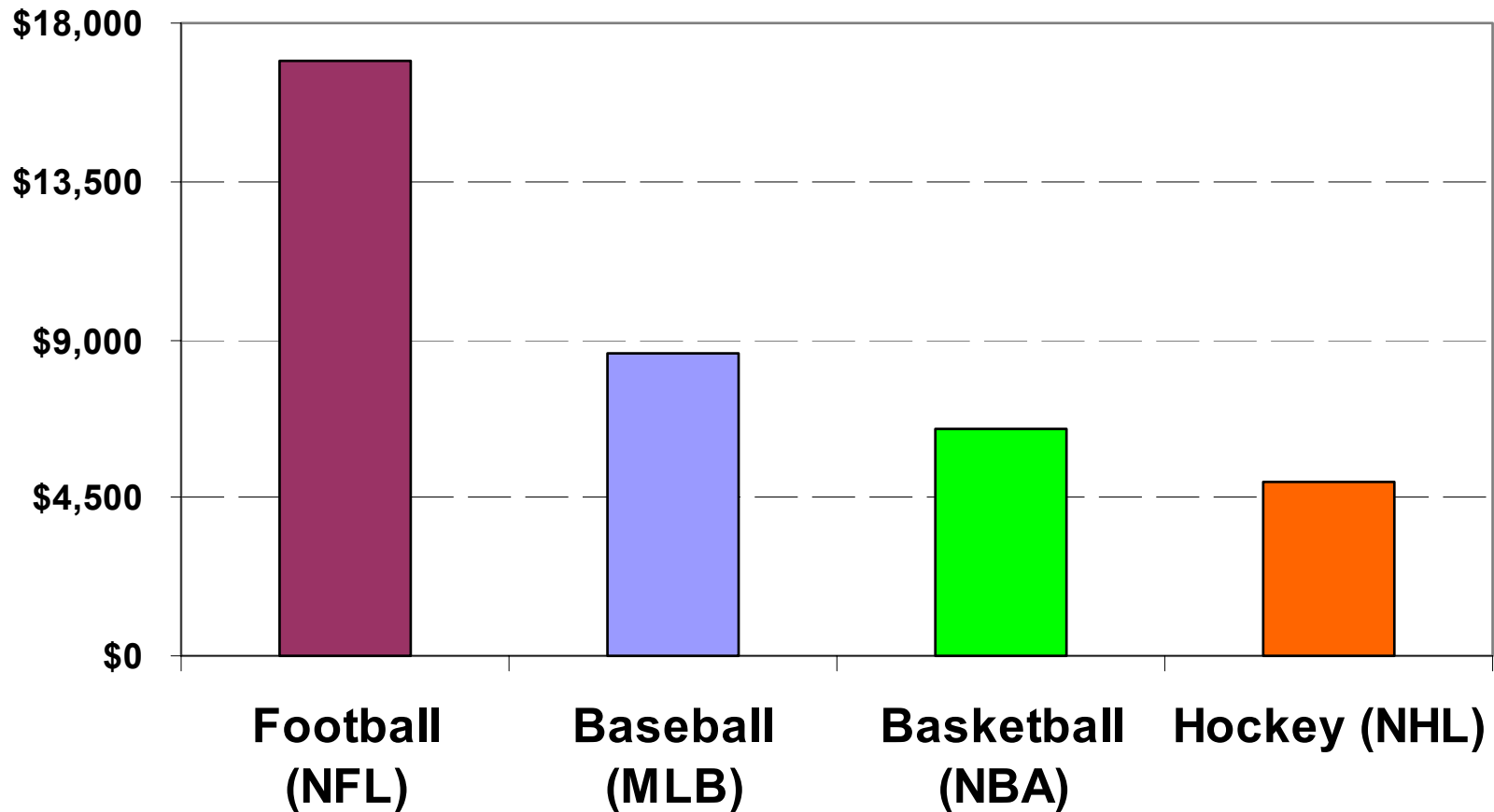


Decomposing the Sports Industry



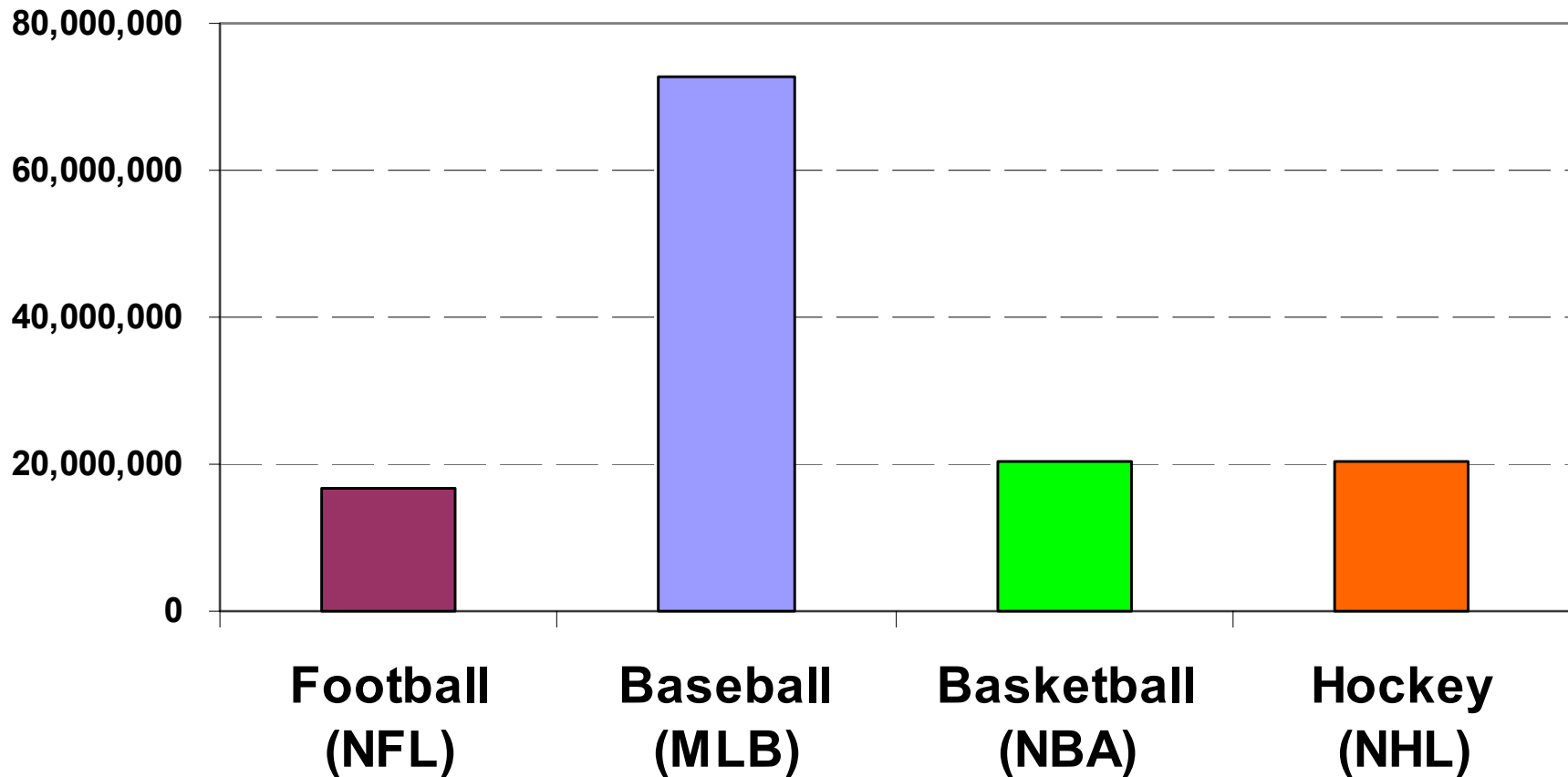
The Business of Pro Sports

Big Four Sports: Valuing the Leagues
(Approximate Values; \$Million)



Attendance

Big Four Sports: Annual Attendance
(Total bums-on-seats; 2001)



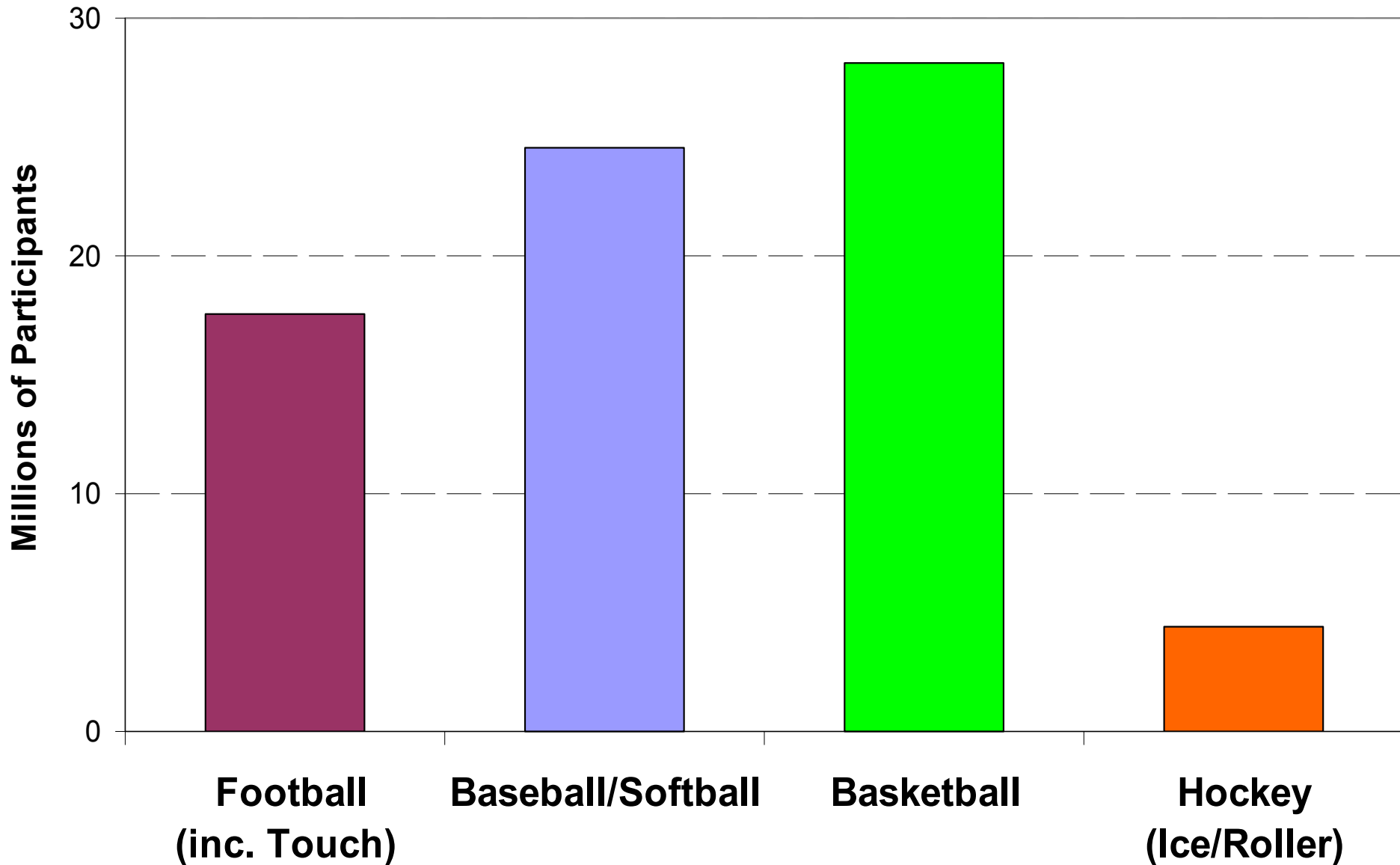
TV Deals

- ◆ NFL: Deals with Fox, CBS, ABC, ESPN worth \$17.6 billion; with DirecTV worth \$2 billion
- ◆ MLB: \$2.5 billion contract with Fox; with ESPN worth \$800 million
- ◆ NBA: \$4.6 billion with AOL Time Warner and Disney
- ◆ NHL: \$600 million with ABC/ESPN

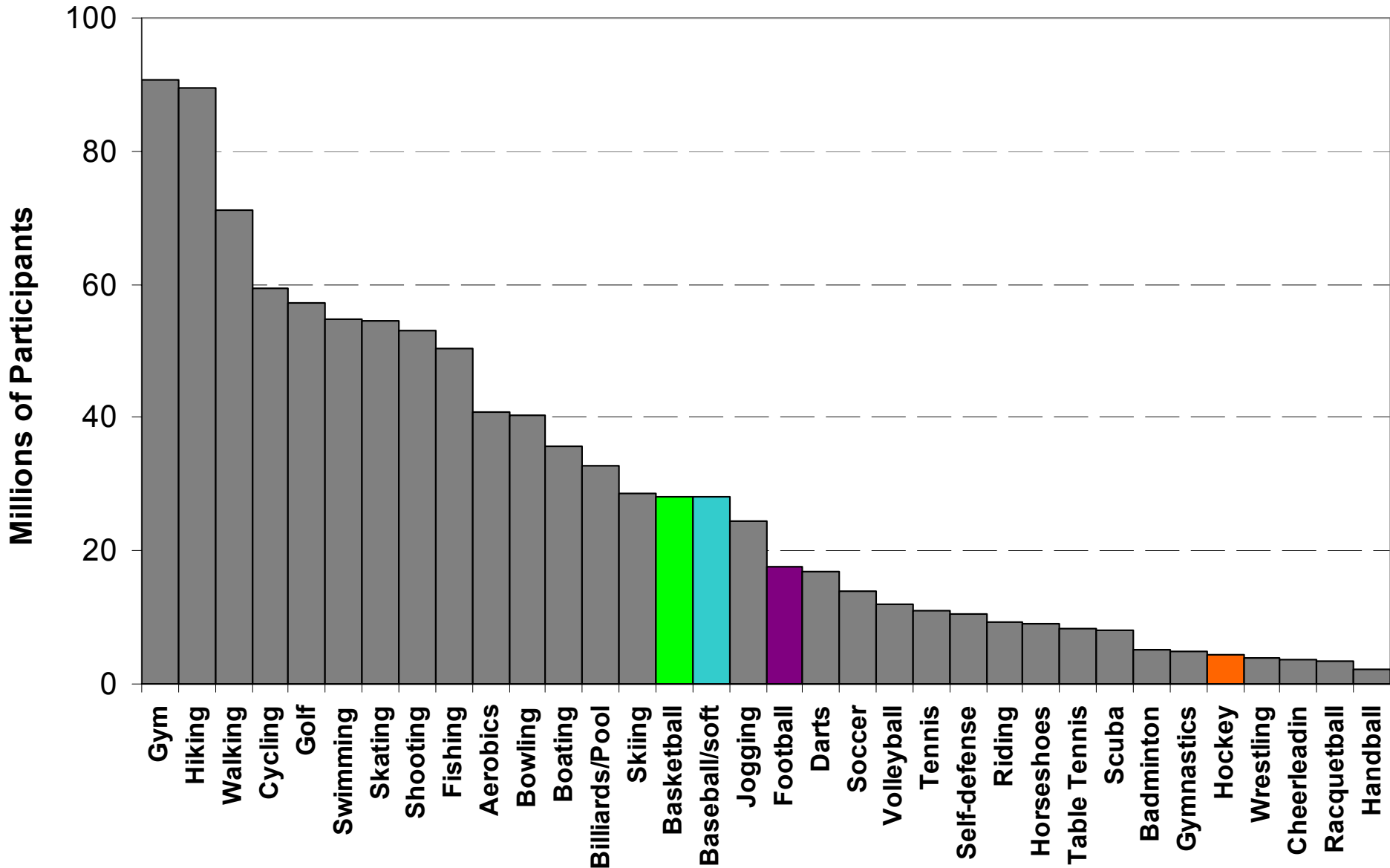
Economic Structure of Pro Sports

| | MLB | NFL | NBA | NHL |
|-----------------|-----|-----|-----|-----|
| Revenues | | | | |
| Gate Receipts | 39% | 29% | 41% | 60% |
| Media Rights | 38% | 55% | 37% | 15% |
| Venue revenues | 19% | 10% | 13% | 19% |
| Miscellaneous | 4% | 6% | 9% | 6% |
| Expenses | | | | |
| Player salaries | 60% | 73% | 58% | 56% |

Participation in Sports: 2001



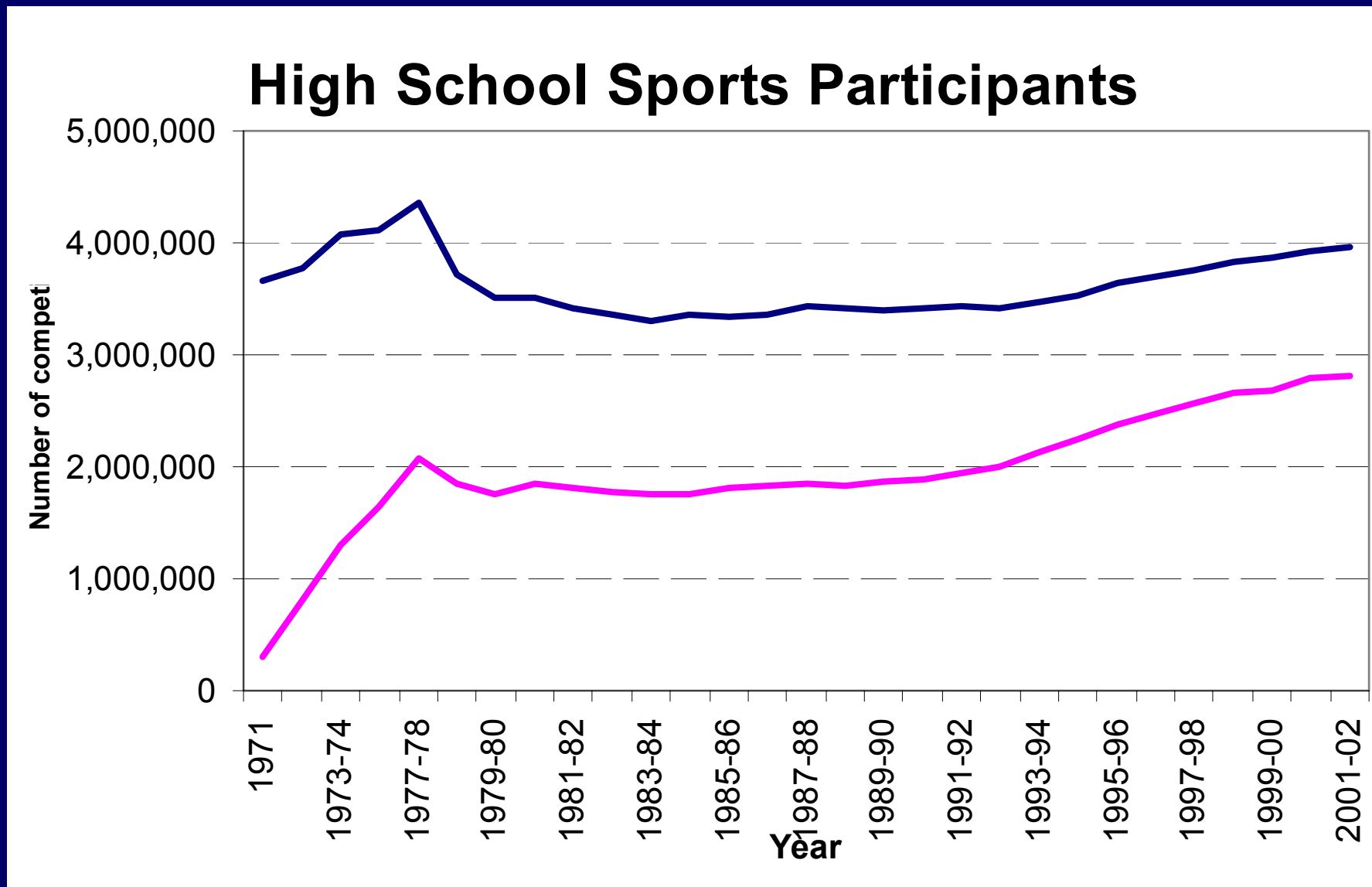
Participation in Sports: 2001



The Future: Women in Sports

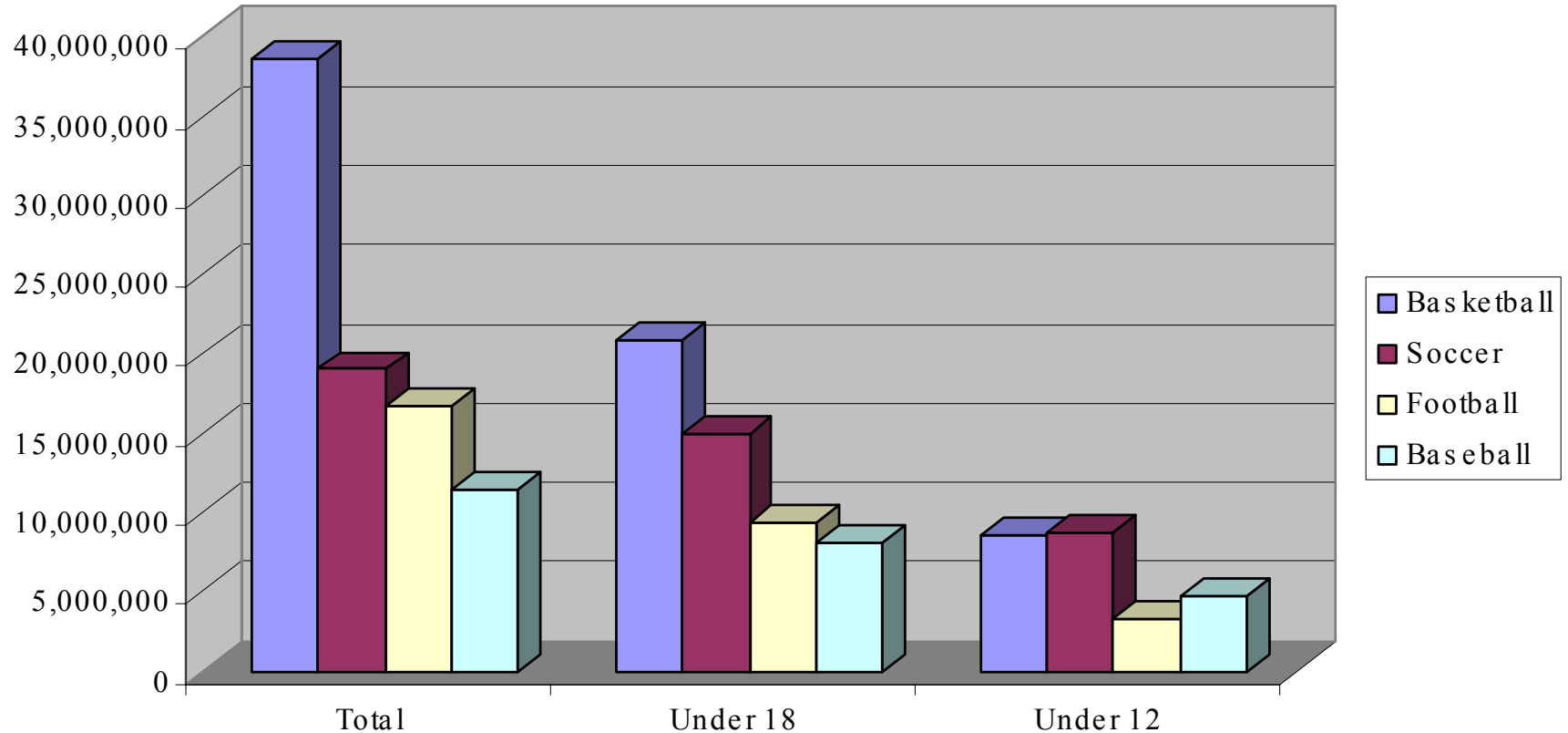
- ◆ In 1972 Congress passed Title IX of the Educational Amendments Act
 - Schools required to provide equal access to sports for women as for men
 - Currently under review by the Bush administration
 - In 1972, 1-in-27 girls played sports; today 2 in 5.
- ◆ Consider the Title IX generation:
 - World Cup soccer champions (Mia Hamm)
 - WNBA has become a viable commercial league
 - Fledgling WUSA soccer league shows early success
 - Olympic gold medallists: Since 1984 US women have won 301 gold medals (of a total of 1285 female golds = 25%)
 - 80% of female CEO's of Fortune 500 companies have sports backgrounds
- ◆ Women's apparel and athletic gear market yields revenues in excess of \$20 billion
- ◆ Did you know? Women purchased 46% of official NFL merchandise last year

High School Sports



Soccer: “The Big Five?”

Sports Participation by Age



Conclusions

- ◆ The sports industry is large
- ◆ It is growing
- ◆ While professional sports are only a segment of the sports industry, the Big Four sports realize massive revenues and huge mindshare
- ◆ The future:
 - Participation numbers suggest that the mindshare of the Big Four may decline
 - Soccer may be the sleeping giant
 - Massive transformations as women become more important consumers of sports

Some Issues in Sports Economics

- ◆ Peculiar structure: Sports teams do well if their opponents do well (“competitive balance”)
 - Parity issues, revenue sharing, salary caps, luxury tax
- ◆ Labor relations: One of the most highly unionized industries in the US
 - Labor agreements, strikes, role of agents, arbitration
- ◆ Competitive threats: Rival leagues, rival sports, rival entertainment (and antitrust)
- ◆ Market size: Small market and big market; national market and international
- ◆ Politically salient industry
 - Stadium agreements and public financing
- ◆ Competing objectives: Profit, public interest, owner’s whims
 - How to define success; building a successful organization

Yankees Ensure 2003 Pennant By Signing Every Player In Baseball

NEW YORK—With a week to go before pitchers and catchers report for spring training, the New York Yankees shored up their pitching, hitting, and defense Monday by signing every player in professional baseball.

"We'd like to welcome the entire roster of Major League Baseball into the Yankees family," said team owner George Steinbrenner, watching as the franchise's 928 newest additions held up their pinstripes at a Yankee Stadium press conference. "With these acquisitions, we are in position to finally nab that elusive 27th World Series title."

Sports reporters were not surprised by the move.

"This is not entirely unexpected," *New York Times* baseball writer Murray Chass said. "When the Yankees followed up their signing of Japanese slugger Hideki 'Godzilla' Matsui by annexing Cuba for use as a Triple-A farm club, it was clear that Steinbrenner was willing to do whatever it takes to win."



Above: Some of the New York Yankees' newest additions are introduced to the press.

Scorecard: The Health of Pro Sports

| Force Shaping the Future | NFL | NHL | NBA | MLB |
|-------------------------------------|-----|-----|-----|-----|
| Market Growth | | | | |
| Labor Relations | | | | |
| TV and Media | | | | |
| League Leadership | | | | |
| Ownership Stability | | | | |
| Other? | | | | |
| Recommendation: Buy/Sell/Hold??? | | | | |