For all his brilliance, we’re going to have to replace Trewell. He never quite seems able to reduce his ideas to football analogies.
The Sports industry is the 11th largest, reflecting around $152 billion of output, or just over 2% of GDP.
Decomposing the Sports Industry

- Entertainment: 30%
- Advertising revenues: 5%
- Products & Services: 65%
Decomposing the Sports Industry

- Sports equipment and footwear: 50%
- Sports medicine: 13%
- Participation fees: 22%
- Admissions: 4%
- Pari-mutuel: 2%
- Concessions: 2%
- Advertising: 5%
- Publications: 2%
Decomposing the Sports Industry

- Participation: 84%
- Sports Fans: 16%
Big Four Sports: Valuing the Leagues
(Approximate Values; $Million)

- Football (NFL): $18,000
- Baseball (MLB): $13,500
- Basketball (NBA): $9,000
- Hockey (NHL): $4,500

The Business of Sports: Where’s the Money? Justin Wolfers, Stanford GSB
Big Four Sports: Annual Attendance
(Total bums-on-seats; 2001)

- Football (NFL)
- Baseball (MLB)
- Basketball (NBA)
- Hockey (NHL)
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

<table>
<thead>
<tr>
<th></th>
<th>MLB</th>
<th>NFL</th>
<th>NBA</th>
<th>NHL</th>
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</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Gate Receipts</td>
<td>39%</td>
<td>29%</td>
<td>41%</td>
<td>60%</td>
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<tr>
<td>Media Rights</td>
<td>38%</td>
<td>55%</td>
<td>37%</td>
<td>15%</td>
</tr>
<tr>
<td>Venue revenues</td>
<td>19%</td>
<td>10%</td>
<td>13%</td>
<td>19%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4%</td>
<td>6%</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Player salaries</td>
<td>60%</td>
<td>73%</td>
<td>58%</td>
<td>56%</td>
</tr>
</tbody>
</table>
Participation in Sports: 2001

- Football (inc. Touch): Millions of Participants
- Baseball/Softball: Millions of Participants
- Basketball: Millions of Participants
- Hockey (Ice/Roller): Millions of Participants
Participation in Sports: 2001
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 Participants

Number of competitors over time from 1971 to 2001-02.
Soccer: “The Big Five?”

Sports Participation by Age

- Basketball
- Soccer
- Football
- Baseball
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

<table>
<thead>
<tr>
<th>Force Shaping the Future</th>
<th>NFL</th>
<th>NHL</th>
<th>NBA</th>
<th>MLB</th>
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<tbody>
<tr>
<td>Market Growth</td>
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<td>Labor Relations</td>
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<td>TV and Media</td>
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<td>League Leadership</td>
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<td>Ownership Stability</td>
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<tr>
<td>Other?</td>
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<tr>
<td><strong>Recommendation:</strong> Buy/Sell/Hold???</td>
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