

# Sport Business Industry Continues to Grow

*Dasher Board Advertisements at the UM Yost Ice Arena*

Why does sport business revenue continue to be such an important element of the economy, even in difficult economic times? Kinesiology alumni working in the industry today offer many insights into this seeming paradox.

“The sport business industry is unique and tied to one very basic psychological principle, that people get involved because they love it,” said Todd Gershwin, BA '97, executive vice president for STS Partners, a New York City marketing and communications firm in the sport industry.

Sports lovers show their support by spending an estimated \$26.17 billion for concessions and tickets to a variety of sporting events.<sup>2</sup> The viewing audience statistics are also impressive. For example, CNN reported that an estimated 113 million people tuned in to watch the 2003 Super Bowl. It is estimated that the USA contributed 187 million viewers to the 2002 winter Olympics.<sup>3</sup> On a smaller scale, even the 2002 FIFA World Cup claimed a national audience of 4.16 million, despite the fact that the soccer event played live at 2:15 a.m. EST.<sup>4</sup>

Companies and organizations, eager to have a presence in front of large audiences, spend an estimated \$27.43 billion annually to advertise at a variety of sporting events.<sup>5</sup>

Seth Ader, BA '94, marketing manager of the ESPN Consumer Marketing Department, describes sports as the ulti-

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**The sport business industry is one of the largest and fastest growing industries in the United States, with an estimated annual \$213 billion in revenue.<sup>1</sup>**

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mate getaway from depressing national and international news. Consequently, ESPN provides coverage 24 hours a day, seven days a week to people in over 85 million homes nationwide. Cable companies with the ESPN signal pay a monthly fee based on the number of homes that are wired in to view the popular international sports network.

The stakes for air time are higher for certain events. For example, NBC paid \$1.27 billion for the right to televise the 2000 summer and 2002 winter Olympics games. Four major networks paid over \$21 billion to broadcast the NFL games from 1998-2005, even though the likelihood of recovering their investment with advertisements was minimal.<sup>6</sup> They did this for a number of reasons: because they wanted to maintain a large viewing audience and their “major network” status and because they were afraid that without football programming their affiliates and marketers would take their business to other networks.

When analysts evaluate the success or failure of products and services they look at several elements in the business and marketing environment. Following are some of the social, cultural, legal, advertising and promotional aspects.

## Social

The social aspect of the sport business industry brings a secondary audience to the forefront. Even people who are not interested in the games may be interested in attending the various parties and other events associated with them. The plush seating areas and food offerings that are often enjoyed in stadium boxes or suites can make game time enjoyable, whether or not one watches the game. Those same people may purchase sporting goods or apparel for themselves or as gifts for others.

## Cultural

The cultural aspect includes the desire to “fit in” by going to the same games, cheering the same team, or wearing apparel with the same logo as others in the neighborhood or workplace. Tina Bucciarelli, BA '96, director of marketing for the New York Mets, said, “The more people wear our merchandise, the more our brand gets out in the market.”

Sports video games have exploded to the point where they are almost a home appliance, according to Brian Movolson, BA '90, brand manager for Electronic Arts (EA) Sports, a \$1.8 billion

UM Photo Services, Martin Vloet

company, and the largest interactive software-maker in the world. "Video games are like the microwaves were in the 1970s—every kid wants a Playstation II, or XBOX," he said.

## Legal

As the sport business industry has grown, so too has the need for sophisticated contractual agreements. Steve Weinreich, BA '93, is the associate counsel for Sports-Loop, a full service marketing and events company located in Chicago. Weinrich is involved in drawing up contracts for sporting events, and he also assists athletes in negotiating contracts, to make sure that people are represented equitably.

The complexity of the sport business industry brings the potential for many "legal firsts." For example, CNN reported that in a recent case a basketball player had to take legal action against the team management for the right to use his own name in the address of his personal web site.

## Advertising

Advertising in the area of sports is another competitive arena. For example, *The Wall Street Journal* reported that the 2003 Super Bowl ads sold at a cost of \$2.2 million for a thirty second spot. The televised Super Bowl advertisements are nothing short of a phenomenon, with many people watching the ad spots as intensely as the game.

Pepsi gave an early release of its 2002 Super Bowl advertisement with celebrity pop star Britney Spears in order to take advantage of the intense pre-game publicity, which Pepsi spokesman Dave DeCecco said more than paid for the advertisement cost. The Super Bowl post-game publicity is just as intense, with ad analyses on the morning shows, on the Internet, and in many written publications for five to ten days following the event. DeCecco refers to the goal of "creating a buzz" to take advantage of "the water cooler factor," when company products become the subject of discussion in public meeting places.

## Arena/Stadium Advertising

Many other forms of advertising are used at sports events to increase brand recognition. The dasher boards at ice arenas are filled with corporate names and logos.

## Public Relations

DeCecco said that Pepsi product sales at a large stadium are only equivalent to a small convenience store, but building the rapport is worth much more. "The consumers see our presence, and they have the opportunity to taste and feel the product while doing something they enjoy," he said.

## Sponsorships

Sponsorships are another way in which companies gain product visibility when they pay for a direct association with a sports event or team. Movolson said that EA Sports sponsors approximately twelve sports events annually, such as the EA Sports 500 car race and the Sports Maui invitational, where the nation's top intercollegiate basketball teams are invited to play. Nine out of twelve of the events are broadcast on ESPN.

Buccarelli said that the New York Mets think of their sponsors as partners. "We worked with Pepsi to develop a commemorative can for our 40th anniversary logo," said Bucciarelli. "When Verizon became a Mets sponsor, I negotiated with them to place a Mets schedule at their counters."

## Image Matching

Michigan faculty is currently conducting research on the image matching aspect of sponsorships, looking at the extent to which a sponsored sport property and a sponsoring corporation project consistent images. A second important focus is the development of an approach which prospective sponsors could use to determine what sport properties provide appropriate image matches. Kinesiology faculty Richard Wolfe and David Moore are collaborating on this project with Jay

Gladden, associate professor of sport management at the University of Massachusetts.

## Venue Marketing

Venue marketing has become more prevalent in the last several years, where companies provide construction funding in exchange for a sponsorship for their name to be linked to a physical site. For example, Federal Express committed \$205 million to rename the home of the Washington Redskins to the FedEx Field. "Comerica Park went up in Detroit, and the Lions played at Ford Field for the first time this year," said Craig Wotta, BA '91, UM Yost Ice Arena manager.

Sport Management (SM) faculty is studying the justification for investing public funds in facilities for professional sports. The objective is to compare the rationale for and the effects of such an investment. SM faculty members Richard Wolfe, David Moore, and Keith Harrison are involved in this research, along with faculty member Michael Johnson of the Michigan Business School.

In summary, the sport business industry crosses state lines, product lines, and legal lines to touch almost every area of the economy. Many Kinesiology and other UM alumni have careers in the industry, and we are thus connected to the sport business network. Faculty remain current with ongoing research using state-of-the-art methods. Through research publications, Kinesiology has a national and international voice in this significant part of the economy.

1. *Street & Smith's Sports Business Journal*, <<http://www.sportsbusinessjournal.com/page.cms?featureId=13x>>

2. Ibid.

3. Thalman, James. "To buy Games publicity would cost \$22.9 million," *Deseret News*, 25 April, 2002, p. 1.

4. Fédération Internationale de Football Web site: <[AssociationFIFAworldecup.yahoo.com/en/020624/2/17xw.html](mailto:AssociationFIFAworldecup.yahoo.com/en/020624/2/17xw.html)>

5. *Street & Smith's Sports Business Journal*

6. Harris, Richard Jackson. *A Cognitive Psychology of Mass Communication*. (Mahwah, NJ: L. Erlbaum Associates, 2001), 19.