

PROFESSIONAL SPORT

James (“Jay”) M. Gladden ■ William A. Sutton

LEARNING OBJECTIVES

1. Define, explain, and discuss the development of professional sport.
2. Describe the unique facets of professional sport, including its governance and the labor–management relationship on which professional team sports depend.
3. Document the significance of the relationship between media and professional sport.
4. Describe the major revenue sources for a professional sport team.
5. Identify the types of employment opportunities available in this segment of the sport industry.
6. Apply ethical reasoning and critical thinking skills to issues in professional sport.

Key Terms

collective bargaining
labor
league think
LED signage
local television contracts
luxury tax
management
salary caps
sponsorship
virtual signage



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Professional sport is any sport activity or skill for which the athlete is compensated. Compensation can be in the form of salary, bonuses, reimbursement for expenses, or any other type of direct payment. The activity that the athlete performs can be a team sport such as basketball, a dual sport such as tennis, an individual sport such as figure skating or skateboarding, or a sport entertainment performance such as World Wrestling Entertainment (WWE). A representative list of some professional sports in North America includes the following:

Baseball	Golf	Skateboarding
Basketball	Hockey	Skiing
Billiards	Horse racing	Snowboarding
Bodybuilding	Ice skating	Soccer
Bowling	Mixed martial arts	Surfing
Boxing	Motocross	Tennis
Curling	Racquetball	Triathlon
Football	Rodeo	Volleyball

Professional sport events such as the Super Bowl, World Series, Masters Golf Tournament, Indianapolis 500, Wimbledon Championships, Kentucky Derby, and X Games now occupy the heart of North American sport. Although we have mentioned both team sports and sports featuring the individual, this chapter concentrates on professional team sport because of its profound economic effect and the number of job opportunities available in this segment of the sport industry. Most jobs associated with professional individual sports are found in sport management and marketing agencies (see chapter 10). The purpose of this chapter is to provide information and insight about four primary aspects of North American professional team sport—its historical development, its unique aspects, its revenue sources, and the variety of career opportunities associated with professional sport.

► NATURE OF PROFESSIONAL SPORT

Novelist David Guterson (1994) described professional sport this way: “Like money, it is something we love, a first waking thought and a chronic passion, as well as a vast sector of the economy, a wellspring for myth and totem, and a media phenomenon of the highest order.” He added in his *Harper’s Magazine* commentary, “Our sports can fend off the brute facts of existence, temporarily arrest the sadness of life, briefly shroud the inevitability of death and provide the happy illusion of meaning through long enchanted afternoons.” Guterson then explained, “Sport is a language we all speak. Sport is a mirror. Sport is life. Through sport we might know ourselves” (p. 38).

Guterson’s description accurately portrays the powerful role that professional sport occupies in the everyday lives of many people. Professional sport exemplifies sport at its highest level of performance, and it generates the majority of coverage devoted to sport through the print, electronic, and new media. As packaged events, professional team sports (e.g., men’s and women’s football, men’s and women’s ice hockey, men’s and women’s soccer, men’s baseball, women’s softball, men’s and women’s basketball) provide considerable entertainment and pleasure for spectators. As such, demands on the three principals that form the professional sport industry—labor, management, and governance—are complex, diverse, and ever changing. **Labor** aggressively continues to protect and procure additional resources for its membership, which is made up of the professional athletes. Management, or the owners of professional teams, is trying to win back some leverage and control lost to labor over the past few decades.

labor—A collective group of athletes in team sports who unionize so that they can bargain collectively with the league owners (i.e., management). Labor is typically represented by a union head in negotiations with management.

Finally, governance, made up of the professional sport leagues, attempts to regulate, but not completely control, both labor and **management**. In professional team sport, governance is the league structure that exists to oversee both the competitive and business elements of the sport. For example, the National Football League (NFL), Major League Baseball (MLB), National Hockey League (NHL), and the Women's National Basketball Association (WNBA) are all forms of governance.

management—When referring to the collective bargaining process, management refers to the collective group of ownership that is negotiating with the players, or labor. Management is typically represented by a league commissioner, who is technically an agent for the owners, in negotiations with labor.

HISTORY OF MAJOR AMERICAN PROFESSIONAL SPORTS

Professional sport can be traced to ancient Greece where, beginning with the Olympic Games in 776 BCE, a class of professional sportsmen known as *athletai* existed. These *athletai* were well-paid men recruited from mercenary armies and trained exclusively for brutal competition (Freedman, 1987). In exchange for competing and winning, *athletai* often received remuneration in the form of prizes and money.

Although baseball is often considered America's national pastime, it was not the first sport that professionals played. Boxers, jockeys, and runners were paid for their prowess during the early and mid-19th century. Baseball, however, was the first team sport to employ professionals. In 1869 the Cincinnati Red Stockings became the first professional baseball team. Their appearance was closely followed in 1871 by the National Association of Professional Base Ball Players (NAPBBP), the first professional sport league (Rader, 2009). In 1876 William Hulbert formed the National League, the precursor to MLB as we know it today.

A recognized professional league in another sport did not form until after the turn of the 20th century. In 1917 the NHL emerged after the National Hockey Association of Canada Limited suspended its operations. This was closely followed in 1921 with the creation of the NFL. The National Basketball League (NBL), founded in 1937, was the first professional basketball league. In 1949 the NBA resulted from a merger between the NBL and the Basketball Association of America (BAA) (Staudohar & Mangan, 1991).

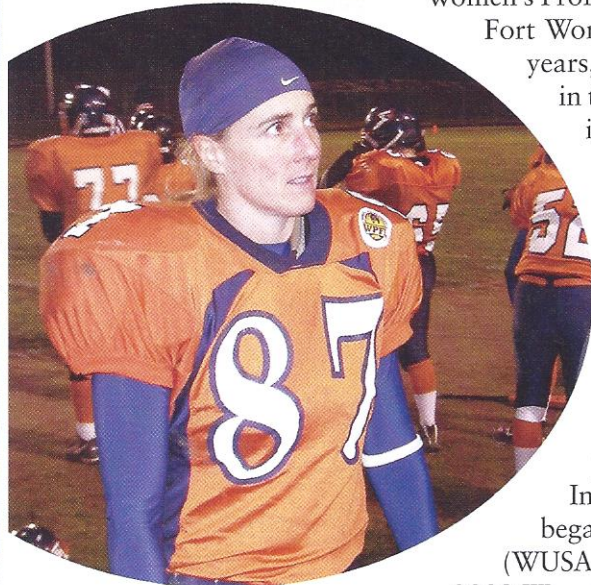
Inclusion (and Exclusion) in Professional Sport

Although professional team sport has been in existence for more than 100 years, only in the past 70 years have professional sport opportunities been available to many minority segments of the American population. Professional sport opportunities were segregated until 1947, when Jackie Robinson broke baseball's modern color line with the Brooklyn Dodgers. Although Fleetwood Walker broke baseball's color barrier in the 1880s, for the most part before 1947 African Americans played in separate, segregated professional leagues. The National Colored Baseball League was founded in 1887 as an outlet for African American baseball players, who were not allowed to play in the all-White major leagues. This league failed because of lack of attendance. But in 1920 the Negro National League was formed. This league and others, such as the Eastern Negro League and Negro American League, afforded players such as Satchel Paige, Josh Gibson, and even Robinson an opportunity to play (*Negro League Baseball*, 2005). In addition, most owners, club managers, reporters, and umpires in the Negro leagues were also African American.

Professional sport outlets for women have also arisen only in the past 70 years. In the 1940s the first women's professional league, the All-American Girls Professional Baseball League (AAGPBL), was formed. Created in 1943 in response to decreased player quality in MLB during World War II and the popularity of women's amateur softball, the AAGPBL played 11 seasons before folding in 1954 because of poor management

April Priest (no. 87) is the tight end, linebacker, and co-owner of the Indiana Speed, a professional football team affiliated with the Women's Football Alliance.

Photo courtesy of Paul M. Pedersen.



(Browne, 1992). Since 1954 a number of other women's professional leagues have operated, mainly in the sport of basketball. From 1979 to 1991 there were four attempts to capitalize on the growing participation and interest of women in basketball, but each league was unsuccessful because of financial difficulty.

In the mid-1960s women began playing semipro tackle football, and by the 1970s teams were competing in Ohio, New York, Michigan, and Pennsylvania. In 1974 the Women's Professional Football League (WPFL) was established with teams in Dallas, Fort Worth, Columbus, Toledo, Los Angeles, and Detroit. During the ensuing years, a number of leagues emerged as women expressed interest and ability in tackle football. Examples of these women's professional football leagues include the Women's American Football League (WAFL), American Football Women's League (AFWL), United Football League, Independent Women's Football League (IWFL), National Women's Football Association (NWFA), Women's Football League, Women's Spring Football League, and Women's Football Alliance (WFA).

The past two decades have seen a resurgence of interest in women's professional sport. In 1996 two women's professional basketball leagues were formed: the American Basketball League (ABL) and the WNBA. The ABL played over two seasons before folding because of financial difficulties, which were at least partially because of competition from the NBA-sponsored WNBA (which still exists today). In June 1997 the Women's Professional Fastpitch (WPF) softball league began. During the summer of 2001 the Women's United Soccer Association (WUSA) began play, but it folded in 2003 because of financial difficulties. In 2009 Women's Professional Soccer (WPS) marked the second formal attempt for women's soccer.

Factors Affecting the Growth of Professional Sport

As professional sport progressed throughout the 20th century, its success was largely tied to the media, which both promoted and financed professional sport. As early as the 1920s baseball games were broadcast on the radio. By the mid-1930s radio networks were paying US\$100,000 for the rights to carry the World Series (Rader, 2009). The popularity of professional sport (mainly baseball) on the radio reached its apex in the 1940s and 1950s. During the 1950s televised sporting events became commonplace.

After Congress passed the Sports Broadcasting Act in 1961, the relationship between the media and professional sports changed dramatically. Until that time, antitrust law had prohibited leagues from negotiating network television contracts on behalf of their members. But the leagues believed that they needed to negotiate a collective (on behalf of all league teams) agreement to ensure the financial viability of their member teams. This rationale suggested that the major television networks (i.e., ABC, CBS, and NBC) would pay significantly larger sums of money to obtain leaguewide rights rather than rights to individual teams. As a result, the NFL successfully led a lobbying effort to create an exemption in antitrust law. The Sports Broadcasting Act gave sport leagues an exemption from antitrust law, granting them the right to negotiate fees collectively with the networks. This legislation paved the way for the highly lucrative leaguewide television deals that pervade professional sports today.

► UNIQUE ASPECTS OF PROFESSIONAL SPORT

Four aspects of professional sport distinguish it from other industries: interdependence, structure and governance, labor-management relations, and the role of the electronic and new media.

Interdependence

The central premise that differentiates professional team sport from any other business is the need for teams to compete and cooperate simultaneously (Mullin, Hardy, & Sutton, 2007). In other words, the teams depend on one another to stage the games that constitute the product. In his classic work on the NFL, *The League*, David Harris (1986) described this unique situation as **league think**. When teams function together collectively, some teams sacrifice the potential for higher revenue in the interest of league stability. For example, the Dallas Cowboys and Oakland Raiders typically sell a disproportionate amount of NFL-licensed merchandise. This money, however, is pooled and shared equally among all 32 NFL teams. The presence of the Cowboys and Raiders in the collective bargaining agreement increases the revenue generated for all NFL member teams. Because of their location in large television markets, the New York Giants and Chicago Bears function in much the same way during television negotiations. The key is that all members make sacrifices and concessions for the long-term benefit and growth of the league.

Although major professional sport leagues differ in the extent to which they share revenues, each league pools its revenues to some extent. For example, NFL teams all share equally in their national media contracts (e.g., cable, satellite, network) and cannot negotiate separate local media contracts, whereas baseball teams share only their national contracts and keep all revenue from their local agreements. These local agreements can vary significantly in the amount of revenue produced. Large-market teams (clubs located in heavily populated cities that have the potential to negotiate lucrative local media contracts), such as the New York Yankees, have local broadcast packages that are significantly larger than those of small-market teams (clubs in midsize or smaller markets whose potential for local media contracts is not that high), such as the Kansas City Royals. Over the past 15 years the disparity in local media revenues has created significant discrepancies in the amount of money that MLB teams are able to pay their players. Such revenue disparities led MLB to implement a **luxury tax** on teams that had the highest payrolls. Teams with disproportionately high payrolls pay a tax to MLB, and the collected luxury tax money is then shared among teams with lower payrolls.

Structure and Governance

Each professional sport has its own structure and system of governance, typically referred to as the league office, which usually involves the following components:

1. League commissioner
2. Board of governors or committee structure composed of the team owners
3. A central administrative unit that negotiates contracts and agreements on behalf of the league and assumes responsibility for scheduling, licensing, record keeping, financial management, discipline and fines, revenue-sharing payments, marketing and promotional activities, developing and managing special events, and other functions such as coordinating publicity and advertising on behalf of the teams as a whole

For example, MLB is composed of 30 teams situated in two leagues (National and American—see table 6.1). Each league consists of three divisions (i.e., East, Central, and West). The MLB commissioner is responsible for representing the interests of all parties associated with professional baseball. These parties include owners, players, fans, television networks, corporate sponsors, host cities and venues, and the minor leagues. Contrast this organizational structure with mainstream business. For example, no authority governs the actions of candy manufacturers Hershey's and M&M Mars in their attempts to make money.

league think—Pioneered and most effectively implemented by the NFL, this term represents the notion that teams must recognize the importance of their competition and share revenues to ensure that their competitors remain strong.

luxury tax—Device used by MLB and the NBA to tax the teams that spend the most (or spend too much as defined by the collective bargaining agreement [CBA]) on player payroll and those taxes are then shared with teams that do not have high payrolls.

TABLE 6.1 Organization of Major League Baseball

National League East	National League Central	National League West	American League East	American League Central	American League West
Atlanta Braves	Chicago Cubs	Colorado Rockies	Baltimore Orioles	Chicago White Sox	Los Angeles Angels of Anaheim
Florida Marlins	Cincinnati Reds	Los Angeles Dodgers	Boston Red Sox	Cleveland Indians	Oakland A's
Washington Nationals	Houston Astros	San Diego Padres	New York Yankees	Detroit Tigers	Seattle Mariners
New York Mets	Milwaukee Brewers	San Francisco Giants	Tampa Bay Rays	Kansas City Royals	Texas Rangers
Philadelphia Phillies	Pittsburgh Pirates	Arizona Diamondbacks	Toronto Blue Jays	Minnesota Twins	
	St. Louis Cardinals				

Baseball is unique in having an extensive minor league system, which provides an elaborate way of preparing players to participate in the major leagues. Each major league team has at least four affiliate teams in the minor leagues. As long as they meet certain standards in terms of the size of their facilities, owners of minor league teams can enter into contractual relationships with major league clubs whereby the minor league team becomes an affiliate of a major league team. The cultivation of minor league systems is increasingly popular among the other major professional sport leagues. For example, the NBA Development League commonly referred to as "NBA-D," or just the "D League," began play in 2001 and in 2010 the league had 17 teams playing in 14 states. The purpose of the league is to provide a training ground for players, referees, coaches, front-office personnel, and other operational staff who want to prepare for a possible career in the NBA. Each D-League team has one or more NBA affiliates. For example, the Bakersfield Jam is affiliated with both the Los Angeles Clippers and the Golden State Warriors. The 2009-2010 champion, the Rio Grande Valley Vipers, has an affiliate relationship with the Houston Rockets.

Labor-Management Relations

Five unique circumstances and conditions are related to the labor-management relationship in North American professional sport: baseball's antitrust exemption, collective bargaining, free agency, salary caps, and player draft. Some aspects are the opposite of common, traditional business practices and philosophies. But the participating parties consider such idiosyncrasies essential to preserving the financial stability of the professional sport product. In the following sections we will examine each element and explain its uniqueness and significance to professional sport.

Baseball's Antitrust Exemption

Perhaps the most exceptional condition in professional sport is MLB's exemption from the rules and regulations of the Sherman Antitrust Act. This antitrust legislation was created to prohibit companies from dominating their respective markets in interstate commercial activity, thus creating a monopoly in which consumers have only one product choice rather than several. But as a result of the US Supreme Court's ruling in the *Federal Base Ball Club of Baltimore, Inc. v. National League of Professional Base Ball Clubs* (1922), MLB was granted an exemption to antitrust law. In its decision,

the court deemed that baseball was local in nature, did not involve the production of a tangible good, and thus was not subject to interstate commerce law. In effect, this ruling granted MLB the right to undertake strategies that would prevent the establishment of competitive leagues. This exemption gives professional baseball team owners significant leverage over the cities in which they operate. In some cases, owners have threatened to leave their host cities if new stadia are not built. Although MLB's exemption from antitrust regulations has been challenged on several occasions, the courts have not overturned the decision.

Collective Bargaining

Workers involved in interstate commerce, which includes all professional team sport (except MLB because of its antitrust exemption), are covered by the National Labor Relations Act (NLRA). The NLRA provides three basic rights that are at the center of labor relations policy in the United States: (1) the right to self-organize, form, join, or assist labor organizations; (2) the right to bargain collectively through agents of one's own choosing; and (3) the right to engage in concerted activities for employees' mutual aid or protection (Staudohar, 1989). In professional team sport, the NLRA provides players the right to join a union, to have a basic player contract (establishing a minimum salary, benefits, and working conditions) negotiated collectively by union representatives, and to strike or conduct other activities that help achieve objectives. The term **collective bargaining** is used because all active league players are in the bargaining unit and thus form a collective unit (labor) for negotiating and bargaining with the owners (management). Teams join as a league in bargaining with the players union so that in each league the negotiated contract applies to all teams uniformly. Some of the issues that are subject to collective bargaining include salary (minimum and maximum), drug testing, and discipline procedures.

Free Agency

Free agency is the ability of players, after fulfilling an agreed-upon (through a collective bargaining agreement [CBA]) number of years of service with a team, to sell their services to another team with limited or no compensation to the team losing the players. Thus the terms *free agent* and *free agency* have evolved to signify the relative freedom that all professional team sport players have to move from one team to another. Professional team sport, however, still imposes significant restrictions on its labor. For example, players do not immediately become free agents. Instead, free agency is a negotiated item in the CBA of all professional team sport leagues. The CBA recognizes the investment that the team has incurred in developing the player, while also recognizing the fair market value of the player in the open market. Thus, the CBA provides free agency after the player has played an agreed-upon (by both labor and management) number of years.

The implementation of free agency in the mid-1970s had a profound effect on the economics of professional sport. After professional athletes gained the freedom to negotiate with the highest bidder, their salaries escalated astronomically. In 1976, when the players first earned the right to become free agents, the average salary in professional baseball was US\$46,000. In 2009 (based upon opening day rosters) the average salary in MLB was US\$3.26 million, which represents a 4% increase over 2008 (Kendrick, 2009). Similar salaries exist in the other men's major professional sport leagues (i.e., NHL, NFL, and NBA) while currently the average salaries for women's professional sport teams are much lower. See table 6.2 for information on the average salaries in professional sports. The heightened power of the players unions and increased salaries of players contributed to an increase in labor stoppages in the professional sport leagues. With player salaries continuing to rise, owners of professional sport teams are facing the challenge of generating sufficient revenue to match those increased costs.

collective bargaining—

Process used to negotiate work terms between labor and management. All active league players are in a bargaining unit and thus form a collective unit (i.e., labor) for negotiating and bargaining with the owners (i.e., management).

TABLE 6.2 Average Salaries for Select Professional Sport Leagues*

League	Average salary (US\$)
Major League Baseball (MLB)	\$3.26 M
Major League Soccer (MLS)	\$115,432
National Basketball Association (NBA)	\$5.36 M
National Football League (NFL)	\$904,522**
National Hockey League (NHL)	\$1.9 M
Women's National Basketball Association (WNBA)	\$55,000

*Compiled from a variety of sources including *USA Today*, *Street & Smith's SportsBusiness Journal*, and various player association Web sites.

**The NFL figure does not account for the wide range of bonus payments. Bonuses are usually given as a lump sum. For example, in 2008 Pittsburgh Steelers quarterback Ben Roethlisberger received compensation in the amount of US\$27.7 million, of which \$25.2 million was a one-time bonus payment (Weisman, 2008).

Such concerns have led owners to take an increasingly tough stance during collective bargaining negotiations. Because of management-labor salary disputes, work stoppages have become a frequent occurrence.

Salary Caps

With the onset of free agency in the 1970s, the professional segment of the sport industry allowed players who became unrestricted free agents (those who had fulfilled the terms of their contracts) to sign with the highest bidder or whomever they chose. Consequently, spending on player salaries increased significantly, particularly among teams with greater resources. In response, **salary caps** that set a ceiling on player payrolls were created to protect the owners, essentially from themselves, from overbidding for talent. Salary caps are agreements collectively bargained between labor and management that establish a leaguewide team payroll threshold that cannot be exceeded in most cases. The salary cap is typically set using a percentage of league gross revenues as a starting point. Pioneered by the NBA in 1983 and implemented for the 1985–86 season, the salary cap guarantees that players will receive an established percentage of all gross revenues. The initial NBA salary cap established this percentage at 53%, and the latest CBA implemented in 2005 set the percentage at 57% of all gross revenues.

Salary caps were designed to ensure parity between large- and small-market teams as well as between owners whose resources may vary considerably. In addition to the NBA, the NFL, the NHL, and MLS have all adopted a salary cap structure, and of the four major pro sport leagues in the United States only MLB does not have a cap. The NBA salary cap is referred to as a soft cap because it has exceptions that in some cases allow teams to exceed the cap. The most notable exception is the “Bird Rule,” which was designed to help teams retain their most famous and marketable players by permitting them to pay a higher salary to that player if he elects to stay with that original team. The NFL salary cap is a hard cap. There are no exceptions in a hard cap; teams are allowed to spend only to the ceiling of the salary cap.

Player Draft

In accordance with the principles of league think, the player draft is designed to be an equitable system for distributing new talent among all league members. The draft provides each professional sport league with a mechanism for the teams with poor records to have an advantage over teams with winning records in acquiring talented new players. Through the draft, teams voluntarily agree to restrict competition for

salary caps—Agreements collectively bargained between labor and management that establish a leaguewide team payroll (i.e., salaries, bonuses, and incentive clauses) threshold that cannot be exceeded in most cases. The salary cap is typically set using a percentage of league gross revenues as a starting point.

new talent. As a result, the team that drafts a player determines the player's destination and salary. Phenomena such as the player draft do not exist in other areas of the labor market. Imagine a scenario in which top sport management graduates were restricted as to whom they could work for and where they could work by an annual draft held by sport businesses throughout the country! Collective bargaining agreements in men's basketball and men's football have sought to limit the number of rounds of the draft. This limitation results in fewer players being drafted and more players being free agents to sign with any team that offers them a contract.

Role of the Electronic and New Media

The electronic and new media—network television, cable and satellite television, terrestrial and satellite radio, and the Internet—play a critical role in driving the popularity of professional sport and generating additional revenue for associated teams. Although radio was the first electronic medium to bring professional sport to the masses, television (e.g., network, cable, satellite) has had a profound effect on the development of professional team sport over the past 50 years. As we move into the second decade of the 21st century, new media sources such as satellite television and the Internet could be the next important horizons in broadening the reach of professional team sport and the enhancement of league revenue streams.

Importance of Television

No single factor has influenced the popularity of sport, the escalation in player salaries, free agency, and the growth and increase of corporate involvement in professional sport more than television. TV has helped elevate professional sport beyond competition and athleticism into the realm of entertainment. *Monday Night Football* (MNF), which is now on ESPN, was a pioneering effort to package professional sport as entertainment. Although there were popular televised spectacles for other sports (e.g., boxing, roller derby, bowling), the prime-time extravaganza of MNF sought to reach more than just traditional football fans by adding analysis, commentary, special guests, additional camera angles, video replays, graphics, and highlights to enhance the event and broaden its appeal to women and other nontraditional viewing groups (Roberts & Olson, 1995). Concurrent with the success of MNF, the ultimate TV sport spectacle, the Super Bowl, was created. Born from the rivalry and merger of the NFL and the American Football League (AFL), the Super Bowl has become one of the most successful televised events of all time, viewed by millions around the world.

Leagues associated with professional sport need TV for three reasons. First, as already discussed, the leagues and member teams receive significant revenue outlays from network, satellite, and cable TV agreements. Second, TV enhances the enjoyment associated with watching professional sport events. Third, TV helps increase the amount that teams and leagues can charge for sponsorships because of the increased exposure that TV provides.

Emerging Sources of Media Coverage

Imagine that you grew up in Chicago and now live on the East Coast. Because of where you were raised, you are an ardent follower of the Chicago professional sports teams (the Bulls, Red Stars, Bears, Sky, Cubs, Fire, White Sox, and Blackhawks). Unless these teams make the playoffs, however, you are rarely able to follow your team through radio or cable television broadcasts. Millions of fans worldwide face this dilemma. But solutions are becoming increasingly available to such fans. Most notably, satellite television and the Internet have greatly increased the access of sport fans to a full menu of sport events.



Go to the OSG and complete the first Web search activity, which will help you investigate how *Monday Night Football* has affected many areas of professional sport.

Satellite technology and satellite television providers such as DirecTV have worked with the leagues to create packages whereby the average sport fan can access any game during the season either by paying an up-front fee for season-long access or by subscribing (paying a one-time fee) on a game-by-game basis. For example, in 2009, for US\$299, owners of a satellite television system received NFL Sunday Ticket, which provided them access to all regular season games. Satellite radio providers such as XM and Sirius also allow displaced fans an opportunity to follow their favorite teams on a regular basis for a monthly fee. The Internet is affording fans increased access to games of interest. Fans can now listen (radio) and view various online sporting events and broadcasts, typically through league-run Web sites. For example, in the scenario described earlier, the Chicago fan living on the East Coast could watch every Cubs game on MLB.com.

▶ REVENUE SOURCES FOR PROFESSIONAL SPORT TEAMS

Revenue sources for sport organizations will be discussed in more detail in chapter 14. We will discuss here some unique aspects of revenue generation in professional sport.

Media Contracts

The details of the national media contracts for a variety of professional sport leagues are presented in table 6.3. One major distinction is found with respect to media revenues in professional sport. Namely, MLB, the NBA, and the NHL all permit their member teams to negotiate **local television contracts** for regular season games, whereas the NFL does not. This arrangement results in great disparity in revenue among teams. For example, the Yankees generate significantly more income from the local television contract with the Yankees Entertainment and Sports (YES) Network than do the Pittsburgh Pirates through their agreement with Fox Sports Pittsburgh.

In reality, these dollar amounts listed in table 6.3 may represent the zenith of media rights fees. Although the next NFL agreement may be larger, it may be based on 18 regular season games, not the 16 games required in the current contract. Why are we projecting national and cable media rights fees to decline?

local television contracts—Agreements made between professional teams and local television stations and regional sport networks. These agreements provide teams with additional media revenue beyond what they receive from the national television contract.

TABLE 6.3 Media Agreements for Four Professional Sport Leagues

League	Network TV	Cable TV	Satellite or other provider	Total TV-related revenue
NFL	\$11.6 billion	\$8.8 billion	\$3.5 billion	\$23.9 billion ^a
NBA	\$2.4 billion	\$2.2 billion	n.a.	\$4.6 billion ^b
MLB	\$1.5 billion	\$1.755 billion	n.a.	\$3.255 billion ^c
NHL	Revenue share	\$72.5 million	n.a.	\$72.5 million ^d

Note: All figures are in US\$.

^aAlthough the dollar figures include the network agreement through 2011, cable through 2013, and DirecTV through 2014, they do not include revenue from the NFL Network (Joyner, 2004).

^bThese figures do not include revenue from DirecTV NBA League Pass or the NBA Network (*NBA TV Contracts*, 2009).

^cDoes not include revenue from DirecTV Extra Innings Package or from the newly formed MLB Network (Bloom, 2006).

^dThe contract with Versus was for the 2008–09 season only; revenue does include NHL Center Ice package with DirecTV or the NHL Network (*NHL, Versus Negotiate*, 2008).

n.a.—not applicable.

- Each league now has its own network (e.g., MLB Network, NHL Network) and is broadcasting games on those networks; hence, the leagues are becoming limited competitors as well as partners.
- Sponsorship dollars that are a large part of television rights fees have been affected by the economic crisis of 2008–2010 and will decline.
- Television is becoming fragmented, and alternative entertainment options are emerging.

Gate Receipts

As late as 1950, gate receipts and concessions accounted for more than 92% of the revenue of professional teams (Gorman & Calhoun, 1994). With the increasing importance of media revenues, professional sport teams have become less reliant on gate receipts, although gate receipts remain the major source of revenue for NHL and MLS teams as well as minor league baseball. In addition, gate receipts have historically been the most important source of revenue for newer professional leagues such as the WNBA and WPS. The home team retains the majority of the gate receipts, but to varying degrees, depending on the league, a portion of the gate receipts is given to the league (to cover league operating expenses) and a portion of the proceeds may be given to the visiting team. This is not to say that gate receipts are not of consequence to MLB, the NBA, and the NFL. For example, in 2007 the Yankees grossed a US\$188 million in gate receipts (Brown, 2008). Table 6.4 provides a sampling of attendance information from a variety of professional sport leagues.

Licensing and Merchandising Revenues

Licensing revenues are generated when leagues and teams grant merchandise and apparel manufacturers the right to use their names and logos. In return for that right, the leagues and teams receive a royalty (i.e., a percentage of the selling price) for each item sold by the manufacturers. These agreements have been an increasingly lucrative source of revenue for professional teams. Licensing programs, administered by the league offices, distribute the revenue equally among the teams. Domestic licensing revenues, however, have begun to plateau as the market for such merchandise has become saturated. The ability to continue to increase licensing revenues depends partly on the growth and demand for league-licensed video games and the demand for league-licensed products overseas. Although leagues continue to seek new opportunities for revenue growth, this revenue stream appears to have leveled off during the 2000 through 2010 period.

TABLE 6.4 Attendance Information from Select Professional Sport Leagues*

League	Average attendance	Percent of capacity	Number of teams at 90% of capacity or greater
NFL (2008)	68,241	97.3%	29 out of 32
NBA (2008–09)	17,385	90.4%	18 out of 30
NHL (2008–09)	17,460	94.8%	20 out of 30
MLB (2008)	32,543	73.2%	8 out of 30
MLS (2008)	16,402	59.9%	3 out of 14
WNBA (2008)	7,917	72.2%	1 out of 14

*Some attendance figures include only partial seasons because of the publication schedule of this textbook.

Adapted from Turnstile Tracker 2008a, 2008b, 2009a, 2009b, 2009c.

sponsorship—The acquisition of rights to affiliate or associate directly with a product or event for the purpose of deriving benefits related to that affiliation or association (Mullin, Hardy, & Sutton, 2007).

LED signage—Signage located in the arena bowl and primarily found on the fascia below the upper bowl. This signage is computer generated and has the capability to add sound, animation, and other visual effects to present a colorful eye-catching message. LED, which stands for light emitting diode, signage is usually sold in 30-second increments with a predetermined number of rotations per game.

virtual signage—Signage that is generated by digital technology and placed into a sport event telecast so that it appears as though the sign is part of the playing surface or adjacent to the playing surface.

Sponsorship

Consider for a moment the magnitude of these sponsorship agreements:

- Prudential Insurance is paying an average of US\$5.27 million over 20 years to have its name on the new arena in Newark, New Jersey, which is the home to professional hockey (New Jersey Devils), collegiate basketball (Seton Hall University), and professional soccer (New Jersey Ironmen) (“Naming Rights Deals,” 2007)
- Major League Soccer (MLS) and adidas signed off on a 10-year, US\$150 million agreement (Warfield, 2005).

Given Mullin, Hardy, and Sutton’s (2007) definition of **sponsorship**, these associations and affiliations could be quite lucrative.

Most leagues and teams have more than 100 sponsorship agreements in place and are always looking for more. Revenue per agreement has dropped in recent years, putting more pressure on teams and leagues to find additional sponsors to make up the revenue shortfall. The benefits provided to sponsors through the associations and affiliations often include signage that is visible in the sport venue as well as on television (local broadcasts only). The demand for signage location visible to both attendees and television viewers has led sport marketers to seek new and innovative display techniques such as rotational signage (stationary signage placed on scoreboards and around the playing surfaces that rotates the advertisements shown, usually in 15- to 30-second intervals), **LED signage** (computer-generated signage that can be animated, is much more visual, and is typically found above the lower bowl and below the upper bowl in arenas and stadiums), and **virtual signage** (also computer-generated but imposed over an existing space, such as the wall behind home plate on telecasts during baseball games).

► FUTURE CHALLENGES FACING PROFESSIONAL SPORT

As teams in professional sport move to the future, they face a variety of challenges, many of which we have already discussed in this chapter. Although all the challenges are too many to enumerate in this section, we have isolated four major challenges that professional teams face in the future: maintaining reasonable labor–management relations, developing new revenue streams, managing new technology, and dealing with globalization.

▪ *Maintaining labor–management harmony in the face of rising salaries.* First, given the history of acrimony between the players (labor) and the owners (management), and the history of work stoppages (i.e., strikes or lockouts), a continual challenge for professional sport will be ensuring that the games go on. As evidenced by the NHL lockout that cancelled the entire 2004–05 season, accomplishing this goal is not always easy. Although typically a variety of issues create tension between labor and management, the most visible conflict is associated with the owners’ desire to manage costs, mostly tied to players’ salaries. At the same time, the players are seeking their fair share of the ever-increasing revenues generated by teams and their owners. For this reason, labor disputes are likely to keep occurring.

All eyes have been on the latest round of NFL negotiations with the NFLPA, which commenced in 2009. Early speculation is that league leadership and ownership supported by the television partners will seek to convince the players to agree to an 18-game regular season schedule (up from the current 16 games) to generate additional revenue. Such an agreement would probably avoid a work stoppage in the NFL. The NBA, NHL, and MLB will all monitor this situation closely if any attempt is made

to lower player compensation and monies allocated to player salaries. This will be an issue in the other leagues, especially the NBA. For further discussion of this topic, refer to the critical thinking scenario presented later.

▪ **Developing new revenue streams.** Table 6.2 provides the average salaries in professional sport. The size of those salaries has clearly had an effect on the business of sport. To fund continued increases, team owners are looking for new revenue streams or ways to enhance existing revenue streams. Technological advances, such as the virtual signage and satellite television opportunities examined earlier, have already provided significant new revenues to leagues and teams. Such quests for revenue enhancement are likely to continue in the future, and technology will probably be involved. Think for a minute about how our world is shrinking because of technology. Professional sport crosses international barriers with increasing regularity. The Manchester United professional football (soccer to North Americans) team is so popular in Asia that the franchise can operate merchandise stores there. The sales of professional sport products globally, whether through broadcasts or apparel, will continue to be a focus for professional sport organizations.

One of the more intriguing new revenue stories of late is the formation of Legends Hospitality Management by the Yankees, Cowboys, and equity partner Goldman Sachs. Legends manages regular concessions, suite catering, and team stores at the new Yankees and Cowboys stadiums that opened in 2009. Legends plans to pursue other accounts in the major leagues, as well as college athletics and international sports (Kaplan & Muret, 2008). If this joint effort proves successful, watch for similar models involving successful brands in various leagues to try other ventures.

▪ **Meeting the challenges created by technology.** The same technologies that have helped spread the popularity of professional sport and increase revenues have also created the most competitive entertainment and leisure landscape ever. Twenty-five years ago people could access four or five TV channels. Today they can access hundreds of channels and choose from a wide variety of entertainment without leaving their homes. Further, think about all the other leisure options that compete with the consumption of sporting events. Video games, movies, numerous outdoor activities, e-mail, instant messaging, and other activities occupy people's time as never before. Couple this with the fact that new sports and sporting genres such as action sports appear to be here to stay, and you can clearly see how professional teams have to compete for consumers' attention and money as never before. This competition is likely to continue in the future. Technology will also present challenges to the traditional business models employed by professional sport. For example, digital video recorders (DVRs) such as TiVo allow people to consume sporting events and shows at their leisure and more quickly because they can skip through commercials. This practice may significantly affect the broadcast advertising models that are currently in place. Similarly, the streaming of video content to handheld devices such as cell phones creates a new way for athletes, teams, and leagues to deliver broadcasts. The challenge is to determine what consumers want and how to provide it. Further, at the league level, the emergence of such new sources of revenue will challenge traditional league revenue-sharing concepts.

▪ **Dealing with globalization.** New technologies are also helping spread professional sport across international boundaries as never before. Thanks to technology, Japanese fans can watch Ichiro Suzuki play for MLB's Seattle Mariners and Chinese fans can watch Yao Ming play for the NBA's Houston Rockets. Similarly, new means to facilitate the spread of sport across international boundaries are emerging every day. The NFL has played exhibition and regular season games in Mexico City, London, Toronto, Tokyo, and Berlin, and in the future two regular season games could be played abroad in the



Go to the OSG and complete the second Web search activity, which shows you how emerging technology can help you find information and view sporting events.



A UNIQUE MATCH-UP: GIORGIO ARMANI AND PROFESSIONAL BASKETBALL

By Giorgio Gandolfi, editor-in-chief
FIBA Assist Magazine, ITALY

Giorgio Armani. His name evokes a sense of style, class, and elegance, which befits the well-respected Italian clothing empire that is his namesake. The name *Armani* also means big-time basketball in Italy. That's because the Armani Jeans label sponsors Olimpia Milan, one of the most successful teams in the Italian professional basketball league. In 2008, after sponsoring the team for four years, Mr. Armani purchased the fabled club that had already won 25 national championships. Olimpia Milan immediately repaid Armani's belief in them, reaching the finals of the 2008–09 Italian league championship before falling to the team from Siena, which captured its fourth title.

Mr. Armani explained his interest in basketball:

I have always admired the world of sports, and basketball particularly, because I am tied to my memories [his sister, Rosanna, played basketball]. Sport is very important because it helps people grow. It also offers ideal challenges that people can meet, build strength, and develop discipline, which molds the body and gives power to the mind.



**AJ | ARMANI
JEANS
MILANO**



Olimpia Milan players wearing their Armani Jeans-sponsored uniforms.

Photo courtesy of Giorgio Armani S.p.A.

same year. Similarly, MLB has held season-opening games in other countries, as has the NBA. MLB has been an integral part of the World Baseball Classic, which was played in 2006 and 2009. The NBA sent the Orlando Magic and the Cleveland Cavaliers to China in 2007 to participate in the China Games, and in 2009, the Denver Nuggets and Indiana Pacers played an exhibition game in China. These efforts have been geared toward increasing the global popularity of the sports as a way to generate more revenue. One obvious decision facing the leagues is whether to put a professional team outside North America. This issue raises several challenges, such as how to deal with cultural differences and account for exchange rates. At a league-specific level, NFL Europe, the NFL's former development league that played games in the spring and summer, never was profitable, and its long-term viability was always in question. These issues are just a few of the challenges facing professional sport in the future.

I recognize all these character traits when I watch the young players. I can read it on their faces, on and off the court. They have ambition, great motivation and passion, which magically generate excitement and capture the hearts of the fans. I have the same reaction, and for these reasons, as a Milanese, I decided to donate this beloved team to the city of Milan.

Mr. Armani's sporting interests extend far beyond his Armani Jeans team. He has also turned his attention to the youth of Milan. Livio Proli, the Olimpia team president, has launched the Armani Junior Program with the help of Gianmarco Pozzecco, one of Italy's most beloved basketball players. Professor William Sutton, a former vice president with the National Basketball Association in the United States, is a marketing consultant for the program.

Fifty youth teams from Milan and the surrounding area are affiliated with the program, learning not only the rudiments of basketball but also what it takes to be a true sportsperson. In collaboration with the Milan City Hall, summer day camps for 5,000 youth between 6 and 14 years of age were organized last summer. Other Armani-sponsored events aimed at young athletes are on the drawing board and set to launch over the next few years. The overriding goals are to develop new players for the Armani Jeans team and to help all people involved in local basketball, including coaches, team officials, doctors, trainers, and conditioning coaches.

Although Giorgio Armani calls Piacenza his birthplace, the city of Milan is where he has grown as a fashion icon and where he continues to be an avid promoter of sport as a way of life for the young people of the city. He has given Milan a top basketball team and is helping to secure the team's future success by bringing top-level instruction to young athletes who want to learn to play basketball. That is surely a legacy that the city of Milan will never forget.



INTERNATIONAL LEARNING ACTIVITY #1

Using information posted at www.eurobasket.com, write a report on both men's and women's professional basketball in a country or continent other than your own. Focus on one or two specific aspects that you find interesting (e.g., numbers of teams, competitive schedules, summer camps, national age group teams, news items).



INTERNATIONAL LEARNING ACTIVITY #2

Go to Web sites of five professional sport leagues or teams and explore ways in which they give back to their communities and societies (e.g., WNBA Cares, WizardsCare, Florida Marlins Community Foundation, Chicago Red Stars Charitable Foundation, and Euroleague for Life). Write a paper describing the grassroots efforts of these organizations.



CAREER OPPORTUNITIES IN PROFESSIONAL SPORT

Like any business, a professional sport organization constantly attempts to upgrade its efficiency through its personnel. In searching for new employees, management often looks to sport management and administration programs, to other professional sport organizations, and to people working in the corporate sector who may have skills essential to the sport industry.

Common Categories of Work Responsibility

The types and existence of positions in professional sport organizations vary from team to team and sport to sport. For example, MLB teams, because of their extensive



Photo courtesy of Jeff Ianello.

n Profile: Jeff Ianello

Toward the end of my senior year of college I had little idea where my career was going to begin. I had learned that breaking into the world of sport was going to be difficult. Every job I was being interviewed for was a sales position (in retrospect, I realized that companies were seeking help in sales because they always need people who can produce revenue). Ultimately, I was recommended for an entry-level ticket sales program with the NBA's Hornets, who were just moving from Charlotte to New Orleans. The job entailed selling season tickets as well as ticket packages and group sales. If not for the relationships and advice that my professors had given me, I would not have been recommended for the position, nor would I have accepted it.

My first month as an inside sales representative for the New Orleans Hornets was a rollercoaster ride. Sales consultants recommended by the NBA were sent in to train the staff of 10 new hires. Considering that I had minimal sales experience, the consultants' word was gospel to me. After training we were thrust into the fire of making sales calls. We did most of this by phone, attempting to contact decision makers at businesses, with an occasional face-to-face appointment mixed in. Dealing with rejection, both soft and harsh, was new to me. I quickly identified two things that could give me a competitive advantage—my call volume (it seemed logical that more opportunities would produce more sales) and my technique (the more I worked at it, the better I would be on every call). These two factors paid off as I rose to the top of my inside sales class. After six months in New Orleans I accepted a job as a season ticket account executive on the senior staff with the Phoenix Suns.

I have been in Phoenix for about six and a half years. The basic principles that I learned in New Orleans and the tutelage that I received from my managers in Phoenix led me to become one of the top producers on a senior level and someone who has been fortunate enough to ascend to inside sales manager, director of sales and development, and now senior director of sales. I always feel refreshed when I go to work in the morning because my office is inside a sports arena! My workday begins sometime between 6:45 and 7:15 a.m., because I have found that the best time to get busy work done is before and after hours. Developing great sales people is a pillar of my management philosophy, so I usually send out an e-mail to rally the troops by setting goals for the day or providing a tip on sales technique or sales strategy. I also like to set the pace and lead by example for our current sales staff and managers so they are aware of the importance of work ethic and time management. I have found it is a much better message to do as I say *and* as I do than to simply do as I say.

minor league systems, employ more people in player personnel than do teams in the NBA or the NFL. In addition, minor league organizations (e.g., International Hockey League [IHL], East Coast Hockey League [ECHL]) typically employ fewer people than do major league organizations (e.g., NHL, MLS). This section highlights positions that may be available within any professional sport organization. Major professional sport teams typically have several executives on board:

- Chief executive or operating officer (CEO or COO)—responsible for the day-to-day functioning of the entire organization, both on the field (performance) and off the field (revenue generation)
- Chief financial officer (CFO)—responsible for the organization's accounting and financial planning
- Chief marketing officer (CMO)—responsible for coordinating the marketing mix among communications, ticket sales, and corporate sponsorship and partnership sales

- General counsel—responsible for overseeing all legal matters associated with the team including, but not limited to, player contracts, liability issues, and marketing contracts
- General manager—typically responsible for acquiring, developing, trading, and releasing talent, as well as creating a development system for young players

Beyond these executive positions, jobs with professional sport teams typically fall into two categories:

1. Player personnel positions
2. Business positions

Player Personnel Positions

Numerous jobs focus on player personnel. These jobs involve putting the best possible team on the field or court. Descriptions of these jobs follow. Before you examine the individual jobs on this side of the professional sport organization, recognize the difficulty and competitiveness associated with these positions. Because many of the positions require intricate knowledge of the sport, being a former athlete, or even a former professional athlete, in the particular sport may be a prerequisite for success.

- **Player personnel.** This department is involved in identifying, evaluating, and developing potential and current players. In baseball, this department would also be involved in observing players assigned to the minor leagues. Typical jobs in this area include being a scout, in which researching potential draft picks and upcoming opponents are central responsibilities. The pinnacle position within the player personnel side of the organization is typically the general manager position. The general manager is the final decision maker on drafting and trading decisions.

- **Medical, training, and team support.** These people assume responsibility for the physical (and sometimes mental) preparation and readiness of the players. Responsibilities include medical care, treatment of injuries, rehabilitation, dental care, nutrition, strength training and conditioning, career counseling, and after-care programs.

- **Coaching staff.** This group concentrates on all activities occurring between the lines. In other words, these professionals are primarily concerned with coaching, managing, and training the players on their rosters.

- **Player education and relations.** People in these positions are typically responsible for educating players on issues like financial management, substance abuse, nutrition, image management, and additional higher education. Other responsibilities may include working as a liaison between the team and players with respect to player appearances in the community.

- **Video support staff.** Responsibilities of the video support staff include producing and editing videos, purchasing and maintaining video hardware and software products, supervising and coordinating satellite feeds, and coordinating all broadcasting that originates at the home facility. The video support staff also is responsible for filming games and maintaining the team's library of game films and player-evaluation videos.

- **Stadium and facility staff.** This group is responsible for the maintenance, upkeep, and repair of the playing surface. They are also responsible for preparing the team's offices, locker rooms, training facilities, practice facilities, and playing fields. In terms of playing surfaces and related areas, these people are the liaisons between the venue management team and the professional franchise.

Case Study

The phone rang in Tonya Mertz's apartment. As a senior in the sport management program at Smithsonian University, Tonya was hoping that this would be a return phone call about an internship for summer.

"Hi, Tonya, this is Kristin Carter of the Raleigh Flyers. I'm calling to offer you an internship in our community relations department. Your responsibilities will include assisting with all of our charitable efforts and events in the community. Your background working in the community with your team at Smithsonian is what convinced us that you were right for this internship. What do you think?"

"Ms. Carter, I am flattered by your offer," said Tonya. "Would it be possible to think about this over the weekend?"

"No problem, Tonya. I will look forward to hearing your response on Monday," concluded Carter.

Tonya was excited as she hung up the phone. As a four-year starter on the Smithsonian basketball team, Tonya's career had just ended. Knowing that she was not quite good enough for the WNBA, Tonya decided to parlay her passion for basketball into a career in professional basketball. This opportunity with the Flyers could provide the start she was looking for . . . until the phone rang again.

"Hello, Tonya. This is Paul Butterworth of the Topeka Trackers [a new team in the NBA Development League]. I'm calling to offer you an internship position in marketing. As you know, we are a new organization. So, while this is an internship, we are poised to integrate you into the workings of our ticket sales, corporate sales, and promotions efforts."

Tonya was stunned, but she collected herself enough to say, "Wow, Mr. Butterworth, that sounds great. But would you mind if I took the weekend to think about it?"

"No problem, Tonya. I will wait for your call on Monday." With that Butterworth hung up.

Tonya did not know what to do. She was stunned. Five minutes ago, she was all but headed for the Raleigh-Durham area. Now another company was offering her an internship. What should she do?

Based on what you learned in this chapter, and in chapter 2, and what you can garner from outside research, consider the following questions:

1. What does Tonya need to consider before making a decision?
2. What are the advantages and disadvantages of each opportunity?
3. What are the opportunities for growth with each opportunity?

Business Positions

Unlike the player personnel side of the organization, the business side does not have any control over team performance issues. But people in these positions play an important role in the organization because they are responsible for generating revenue, marketing the product, developing a fan base, and working with customers and other stakeholders.

■ **Ticket sales.** One of two types of sales representatives within the organization, ticket sales people typically focus on selling season tickets, partial season tickets, and group tickets. They target not only individual ticket purchasers but also groups and corporations that can buy either a larger number of tickets or expensive season tickets. Working in ticket sales is a good first position in professional sport. Many openings are available in this area because teams must sell a large number of tickets to maximize team revenues.

■ **Corporate sales.** In contrast to those who primarily sell individual tickets, corporate salespeople target corporations exclusively. Corporate salespeople may sell corporate sponsorships, luxury suites, or club seats.

■ **Game experience.** Responsibilities for these positions focus on enhancing the experience of people who attend games. Specific tasks may include overseeing the music, video boards, and public address messaging during a game. Opportunities in

this area have increased as stadia and arenas have become more sophisticated and as teams have increasingly focused on providing an entertaining experience both on and off the field, court, or ice.

- **Advertising.** Responsibilities in advertising include designing and writing advertising copy and identifying, securing, and placing advertisements in a variety of media. The sport organization may handle this responsibility in-house or outsource it to an advertising agency that specializes in ad creation and placement.

- **Promotions.** Like the game experience area, promotions offers increasing opportunity as organizations focus on providing an optimal experience to spectators. Responsibilities in promotions typically include overseeing all promotional activity that occurs on the field of play or in the stands during the game.

- **Community relations.** This department may be part of the public relations or marketing department. The community relations staff is responsible for creating and administering grassroots functions, such as clinics and other charitable events that the team sponsors. Staff members are also responsible for implementing leaguewide programs, such as the NBA's Read to Achieve program.

- **Media relations.** This department is involved in assisting and working with the media by providing information necessary for game coverage and publicity. This job includes ensuring that the needs of the media are met at every sporting event. People in media relations positions are also responsible for all publications, such as media guides, yearbooks, and game programs.

- **Database marketing coordinator.** People in this area focus on building databases of information about the team's customers so that the team can more effectively serve its customers and better meet their needs. This position may also include overseeing the marketing research efforts of the professional sport organization.

- **Hospitality coordinators.** Hospitality coordinators are responsible for the game-related needs of corporate clients, club seat holders, and luxury box owners. This responsibility includes coordinating the provision of food, beverages, and any other special needs (e.g., Internet connection) required by corporate clients.

- **Ticketing.** This department may or may not include the ticket sales staff. Ticketing personnel manage the ticket inventory. They are responsible for ticket distribution, printing, accounting, game-day box office sales, complimentary tickets, and the financial settlement for the visiting team.

► CRITICAL THINKING IN PROFESSIONAL SPORT

Assume that you work for a major professional sport league that is establishing a league-controlled cable network (e.g., NBA TV, MLB Network, NFL Network, NHL Network). The success of these networks depends on your ability to (a) gain distribution through all the cable carriers (e.g., Comcast) and (b) attract enough viewers to be able to sell advertising during programming at a price that will generate a profit. Central to meeting this goal is the quality and attractiveness of the programming offered on the network. Although you can control rebroadcasts of your games, your past practice has been to sell the rights to televise your games to networks and cable channels. That said, if you carried live games, you could sell the advertising in-house (using league resources) and attract a broad audience interested in watching your games. You are now approaching the point where you need to decide whether and how much of the current content (e.g., games) you do not allow the networks and cable channels to use so that you can use the live games to attract viewers.



Go to the OSG and complete the Learning in Action activity, which tests how well you remembered some of the key terms and their definitions used throughout this chapter.

ACTION



Complete the critical thinking portfolio activity in the OSG, consulting as needed the "Eight Critical Thinking Questions" section in chapter 1.

PORTFOLIO

► ETHICS IN PROFESSIONAL SPORT

The topic of professional athletes' use of performance-enhancing drugs has been at the forefront of conversations about professional sport for the better part of the last 20 years (including in 2010 when former slugger Mark McGwire admitted steroid use during his playing days and Floyd Landis admitted to using performance-enhancing drugs during his professional career as a cyclist). Interestingly, the collective bargaining process has played an important role in this issue. Taking MLB as an example, some argue that management was aware that the gaudy batting statistics posted after 1995 were due to the use of steroids or other illegal supplements and that management ignored this circumstance because of the marketing benefits that accrued from high-scoring games, record-breaking performances, and more towering home runs than ever. Finally, in the past decade, management sought to implement a drug-testing program. Yet this issue is part of the collective bargaining agreement. Therefore, the Major League Baseball Players Association (MLBPA) was not willing initially to agree to a drug-testing program unless management was willing to give concessions in other areas of the collective bargaining process (e.g., more flexibility with free agency, lessening of the luxury tax). Further, the MLBPA could argue that they were acting in the best interests of their players to resist a drug-testing program. Not until the last five years did societal and governmental pressure become so significant that both labor and management agreed on a drug-testing program. Even then, the program was enacted only after a year of confidential testing whereby the volume of positive drug tests had to exceed a certain level for a program to be implemented.



PORTFOLIO

Complete the ethical issues portfolio activity in the OSG, consulting as needed the "Guidelines for Making Ethical Decisions" section in chapter 1.

Summary

Professional sport is a large part of the entertainment, social, political, economic, legal, and cultural fabric of North America. The continued growth of the media and related technology, particularly television and the Internet, ensures that professional sport is prevalent and highly accessible, regardless of the demographic characteristics of its audience. Because of this accessibility and prevalence, the importance of the roles that labor, management, and governance play often seem out of balance when compared with their roles in other forms of business. For the most part, reserve clauses, free agency, league think, and antitrust exemptions exist only in the context of professional sport. These concepts are not essential in conducting the traditional activities of mainstream business operations, but they appear to be essential to the survival of the business of professional sport. Further, these concepts will be crucial for those involved in new professional sport leagues, such as Women's Professional Soccer (WPS), to understand if they are to be successful. By understanding the unique limitations and opportunities of professional sport as well as the revenue sources and the influence of the media, you will be able to appreciate the career challenges and possibilities in the field.



QUIZ TIME

Did you grasp all the key points in this chapter? Go to the OSG for a short quiz to test your understanding of the material.

Review Questions

1. Since 1850, what have been the three most significant developments affecting the growth of professional sport?
2. How is the management of professional sport different from the management of Microsoft?
3. Why is league think important to professional sport?
4. What has been the effect of the Sports Broadcasting Act of 1961? How does it affect media rights agreements today?

5. Can professional sport continue to grow its revenues? Identify the revenue sources that can be enhanced.
6. What would you consider three future challenges that will face the professional sport segment of the sport industry?
7. What are the two general categories of jobs within a professional sport organization?

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