

Manuel Jakab

Potential of popular US Professional Sports Leagues/Franchises Expanding to the European Sports Market

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Potential of popular US Professional Sports Leagues/Franchises Expanding to the European Sports Market

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Abstract

This paper discusses the potential of popular US professional sports leagues expanding to the European and especially the German sports market with regard to the NBA, NFL, NHL and MLS. The unique characteristics of sports consumption and differences between US and European sports cultures and economics are taken into consideration. Furthermore, earlier expansions by these leagues are explored. Due to the lack of sufficient scientific literature, two web-surveys were carried out in the United States and in Germany in order to collect primary data. Additionally, an expert interview was conducted. Based on these data this paper presents recommendations on the following questions: Which league should expand to Europe? Which expansion strategies should be used? What are possible limitations and difficulties? Which areas need further research?

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1 Introduction

Between the 1870s to the 1920s, the world of sports experienced its first expansion. It started in England and spread different sports all over the world. This expansion also included a significant increase of international sports events (Smart, 2007). Since the 1970s sports experienced a new wave of globalization and expansion. Markovits & Rensmann (2010, p.26) describe this development as the “second (...) postindustrial Globalization”. They indicate five reasons that led to this development: New technologies and media, new types of sports fans and consumers, workplace-related changes, increased global political interactions, and improved outreach of sports related institutions (ib.).

A new study by A.T. Kearney (2014) shows that the current turnover generated per year by the worldwide Sports Industry is approximately 700 billion US-Dollars, which is equal to one percent of the global GDP, and the size of the market increases an average of seven percent each year. The seven sports with the biggest volume in chronological order are soccer, American football, baseball, Formula One, basketball, hockey and tennis.

Despite the continuous growth of sports broadcasting and sponsorship, leagues and franchises continually try to expand to new markets and to steadily improve the popularity of their respective sport. This year, under the claim *Experience Greatness*, eight of the world’s most popular soccer clubs, among which are Real Madrid, Manchester United, Liverpool FC and A.C. Milan competed in the International Champions Cup in the United States (internationalchampionscup.com, 2014). Thanks to the World Cup 2014, they profited from the actual soccer boom in the United States. The game between Real Madrid and Manchester United was played in front of a record crowd of 109,318 spectators (focus.de, 2014). Another example for the desire to expand is Bayern Munich. They did a nine-day trip across the United States. Not only did they play against the MLS All-Stars and Club Deportivo Guadalajara, but they also did a lot of promotion events and introduced a new office in New York (fcbayern.de, 2014).

However, not only soccer teams try to increase global interest in their leagues. Leagues like the NFL, NBA and NHL play games all over the world to present their respective sport to new markets and to attract new sports consumers. The NFL even introduced its own developmental league in Europe, but the project had only moderate success (Markovits & Rensmann, 2010). Nevertheless, officials of US leagues are constantly trying to elaborate new expansion concepts and even consider the implementation of European teams into their associations.

This is the exact starting point for this paper. Because of the second globalization, sports have received a lot of new broadening opportunities. The question is, which forms can US Leagues and Franchises use to expand to the European Market and, in the case of this paper, especially to the German Market? What is the potential of these expansion processes and what are possible difficulties and limitations?

2 Structure of the Paper

In recent years, US Leagues have been very interested in expanding to the European sports market. In almost every interview, league officials consider this market a great opportunity, but so far few studies have looked at the real potential of US Sports on the European, and particularly on the German Market.

The purpose of this paper is to offer scientific conclusions and answers to the previously mentioned questions. The scope of this paper is limited to the National Football League (NFL), the National Basketball Association (NBA), the National Hockey League (NHL), and the Major League Soccer (MLS). Here, the Major League Baseball (MLB) is not taken into consideration, as it is not as popular in Europe at the moment. Baseball has expanded to Japan and the Caribbean, but so far failed to extend its range to Europe. However, recently this sport has gained more global popularity (Markovits & Rensmann, 2010).

This paper is organized as follows: Chapter 3 illuminates the theoretical principles of sports consumption. These principles include the unique nature of sports fans and special characteristics of sports products. Chapter 4 outlines the current state of research. US league structures, former expansions to the European and mainly the German market, and

the economics of US sports in the United States and in Germany will be regarded. In Chapter 5, the researcher presents a case study approach in the form of a Web-Survey. In this survey, the current interest in US sports by German students was examined. The students are generally interested in sports. It further addresses the attitude of German students towards the expansions of US professional sports leagues to Europe. In addition, a second Web-Survey, which thematized the same topics, was carried out in the United States in order to enable a comparison of both studies. Subsequently, the methodology, results, limitations and recommendations of these surveys are presented. Chapter 6 is divided into four sections: International Games, new league structures and tournaments, merchandising, and media. Each of these topics examines possible forms and limitations of expansion for the NFL and NBA. The MLS and NHL are not included, as the results of the studies apply to these just as well. Chapter 7 offers recommendations for each of the four leagues with regard to possible future expansion concepts. Chapter 8 goes on to discuss, whether a European expansion makes sense and which further factors need to be taken into consideration in each case. In the concluding section, it is outlined how these leagues should proceed in the future and advice and ideas for further research are given.

3 Theoretical principles of sports consumption

Sports consumption is not comparable to any other kind of consumption, because sports have various unique characteristics. According to Bühler and Nufer (2014) these characteristics relate to the sports market, the sports product, and the sports consumer. Consumer-behavior of sports fans in particular is influenced by more variables and factors than general consumer-behavior and their buying decision process. In the following, the particularities of every characteristic are shown with the primary focus on passive sports consumption.

3.1 The sports market

To begin with, it is necessary to divide the sports market into active and passive. The active market includes sports participants and the passive sports spectators. The latter can further be divided into consumers who

attend live events and consumers who enjoy sports through conventional and new media (Shank, 2005). Nevertheless, many people are a member of both main groups. This means they attend sporting events or watch them on media devices, but also participate in sports. Every sport has different correlations with regard to the amount of active and passive sports consumers. For example, while 81% of the people playing basketball also consume professional basketball, on the other hand almost no NASCAR spectator is also a participant (ib.).

The sports market has more exceptional characteristics, which cannot be found in any other market. These include the competition, the *coopetition*, the focus on the sporting performance and the extent of public perception (A. Bühler & Nufer, 2014).

First, competition in sports is organized in leagues, which often have cartel structures. These leagues determine structures, schedules, and rules to “guarantee a certain level of competitive balance” (Bühler & Nufer, 2014, p.7). Therefore, leagues function as coordinators and ensure an equal distribution of the available resources. In many other economic sectors this would be inconceivable.

The second particularity of sports is the phenomenon of *coopetition*. This is a combination of cooperation and competition. On the one hand, leagues and teams need to cooperate with each other in order to produce and distribute their product. On the other hand, they compete on and off the court for titles, players and different resources to gain sporting success and to arouse interest. (A. Bühler & Nufer, 2014)

Thirdly, companies normally try to maximize their profit. By contrast, sports organizations are often non-profit oriented and focus on the sporting performance itself. However, the financial aspect is not unimportant, because every league and franchise needs to stay liquid in order to survive.

The fourth and probably the most meaningful characteristic is the extent of public perception. Despite the huge media coverage of sports, consumers personally identify themselves much more with the product *sports* than customers of other products. Therefore, almost everyone considers him- or herself an expert and sports organizations have to justify every decision towards the public. (ib.)

3.2 The sports product

The sports product itself also has unique characteristics. Shrank (2005, p.16) defines a sports product as “a good, a service, or any combination of the two that is designed to provide benefits to a sports spectator, participant, or sponsor”. As Figure 1 shows, it needs to be divided into the product extensions and into the core product, which is further subclassified into participant and spectator sports. Main products are always a service, whereas product extensions can either be a good or a service (A. Bühler & Nufer, 2014). A service is, among other specificities, defined through intangibility, heterogeneity, perishability, and inseparability of production and consumption (Bruhn & Meffert, 2012). Typical sporting goods are merchandising articles, collectibles, and sports equipment (Shank, 2005). In this chapter, only spectator sports and its product extensions are discussed in detail.

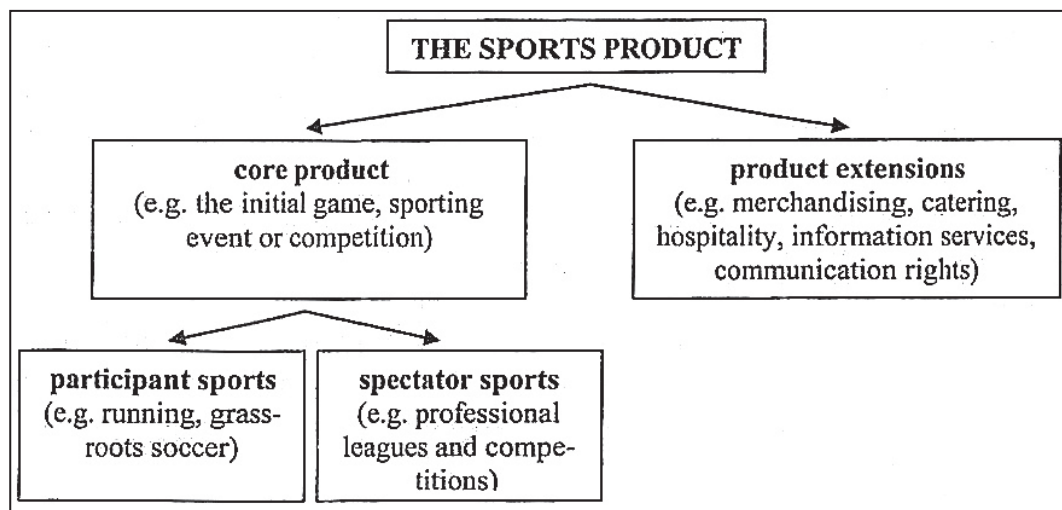


Figure 1 The sports product (Bühler & Nufer, 2014, p.9)

In this paper the sporting event is always the primary product. As already mentioned, people can watch a game live at the stadium or at home on TV or on the internet. The following characteristics apply for both groups, but though especially for fans attending an event.

One of the most important attributes of sports is the uncertainty of the outcome. Three types of *uncertainty* are to be distinguished: Firstly, the course of a game as well as the result is uncertain to some degree. The second type is the course of the season: Nobody knows with absolute certainty, which team will win the championship. And finally, there is long-term uncertainty. It encompasses the unpredictable future development of teams, leagues, and of the sport itself. For this reason, every sporting

event always also entails a certain degree of suspense (Andreff & Szymanski, 2009).

A further characteristic of every sports competition is the fact that every fan is a consumer and producer at the same time. Thereafter, every fan is a “co-creator of value” (A. Bühler & Nufer, 2014, p.11). This phenomenon has been demonstrated in the Sport Value Framework by Woratschek et al. (2014), which was developed on the basis of the Service-Dominant Logic (Vargo & Lusch, 2004). Essentially, this means that every fan, watching a sporting event with other people, affects the experience of everybody around him by creating a special atmosphere.

Lastly, every core product cannot be separated from its product extensions. Accordingly, every sporting event consists of “complementary products” (Andreff & Szymanski, 2009, p.79). The term refers to intangible as well as tangible products. A few examples of it are stadium newness and access, licensed merchandise articles, catering, hospitality, atmosphere and fan solidarity. It can be concluded that every consumer experiences a completely different event and product.

3.3 The sports consumer

Moreover, sports consumers also have exclusive characteristics which influence their behavior and experience. These emerge from the fact that every customer is also some kind of fan and that every purchasing decision is influenced by emotions (Kahle & Close, 2011). Therefore, these customers are not typical consumers; they also identify themselves with one or more teams and its particular products. The question is how do these customers get interested in sports in the first place and then consequently develop their fandom? In order to answer this question it has to be noted that both, active and passive sports consumers have “completely different motives” (Bühler & Nufer, 2014, p.11). Furthermore, there are various reasons for sports consumption within these groups: Whereas one fan desires a close game and hopes for a victory of his favored team, another simply wants to enjoy the overall spectacle of the event (Nufer & Bühler, 2011). There are different motivations for active sports consumption, as well, but as pointed out earlier, this paper only studies the passive consumption of sports.

People become sports fans for multiple reasons. One important factor is the influence of the family, friends, and the social environment as well as the geographical location. Further reasons are the preference of certain players, a team's style of play, and the amount of TV coverage of a team (Kahle & Close, 2011). Especially in team sports, a correlation between sports participation and fandom is frequent. As a result of sports fandom, people develop emotions and affiliations towards their favored team. This commitment also results in different needs and motivations, which can only be satisfied through sports.

As Westerbeek (2003) has noted, the influences on the behavior of sports customers can be divided into *harder* and *softer* factors. The former include the "price of the event, real incomes of spectators, price of substitute goods, market size, importance of the contest (...) and closeness of the competition" (Andreff & Szymanski, 2009, p.79). According to the neoclassical theory, these are typical factors that influence and determine the decision-making process. However, the soft factors are just as crucial. These include three core needs of fanship: validation, pleasure, and arousal. Table 1 shows the most important motives that are associated with said needs. There are several others, but the illustration and explanation of all would go beyond the framework of this thesis.

Table 1 Core Needs of Fanship (Kahle & Close, 2011, p.74)

Core Needs of Fanship	
Need	Selected Examples of Motives Subsumed Under These Needs
Validation	Self-esteem
	Companionship
	Group affiliation
Pleasure	Entertainment
	Aesthetics
Arousal	Escape
	Eustress

As can be seen, self-esteem is an important motive closely connected to fan identification. It is important to have high self-esteem in everyday life and it can be significantly influenced through sports. Closely linked with this motive of self-esteem are the phenomena of *basking in reflected glory (BIRGing)* and of *cutting off reflected failure (CORFing)* (Nufer & Bühler, 2013). In the case of a win of the preferred team, the fan's self-esteem

increases, as he or she feels proud and sometimes even perceives the win as his or her own (*BIRGing*). In case of loss, fans often distance themselves from the club in order to avoid negative effects and to protect themselves (*CORFing*) (Kahle & Close, 2011; Woratschek et al., 2014). They might even feel like they lost at the game themselves. The extent of these phenomena depends on the level of commitment towards a team.

Companionship and Group Affiliation are both inseparably linked to social interactions with other sports fans. Sports spectators converse about sports with each other and develop a feeling of belonging to a specific group (Kahle & Close, 2011; Westerbeek & Smith, 2003). Following Maslow's (1978) hierarchy of needs, people seek for love and belonging. Sports provide an opportunity to satisfy these needs.

Furthermore, one of the most fundamental reasons for people watching sports is the desire to experience entertainment. They hope to enjoy a good game and to achieve "emotional satisfaction" (Kahle & Close, 2011, p.63), while supporting their team.

Aesthetics are closely related to entertainment. Sports consumers admire the athletes' skills and the beauty of a sport. This phenomenon is not exclusively limited to sports that mainly focus on the perfect execution of a routine, like gymnastics or ice figure skating. The unbelievable catch by Odell Beckham Jr., this NFL season, is also considered some kind of aesthetics as well, for instance.

Another important motive is eustress. The term describes positive stress that is healthy and gives sports customers a feeling of fulfillment. Eustress is an arousal, which fans experience before and during a sporting event in terms of different emotions. It is especially influenced by the uncertainty of outcome and the closeness of the contest. Therefore, eustress is independent from the final result (Kahle & Close, 2011).

Many sports consumers also use sports to escape from their daily lives, which is often characterized by routines or stresses (ib.). While watching sports, they can forget all these things for a certain time. They can take on a different role and use it to release their emotions and frustrations by celebrating, cheering, and shouting before returning to their everyday life (Westerbeek & Smith, 2003). All in all, every fan has various reasons for

his or her sports consumption and every sports consumer lives a different kind of sports fandom.

As a consequence, the combination of hard and soft factors results in a unique sports consumer behavior. In particular, this means that fans are passionate and loyal with regard of the product *sports*. This may result in an irrational purchasing behavior (A. Bühler & Nufer, 2014). Furthermore, in the case of extremely committed fans, substitute goods for their sports are nonexistent (Andreff & Szymanski, 2009). The influence of these characteristics on the customer behavior increases with the degree of fan identification and commitment as well as his satisfaction. For all these reasons, it is essential to understand the characteristics of the sports market, products, and especially the consumers before developing any expansion strategies.

4 Current state of Research

As already mentioned, although, in recent years, many officials of US leagues have developed a generally positive attitude towards expansion and globalization, there are hardly any operating numbers about the real potential thereof.

Previous research has mainly concentrated on the economics of US sports inside the United States, or compared US leagues to European soccer leagues, especially the English Premier League (EPL). These researches have mostly failed to provide sufficient insight into the economics, popularity, and opportunities of US Sports outside of the United States. Hence, this chapter outlines the structures and economics of US sports and leagues in the United States and Europe based on former researches and literature.

4.1 US Sports and League Structures

In general, sports in the United States are dominated by the *Big Four*: National Football League (NFL), National Basketball Association (NBA), Major League Baseball (MLB), and National Hockey League (NHL). Indeed, in the near future it could become the *Big Five*, because the Major League Soccer (MLS) registers a significant increase in interest and