

# Module 1. Revenue models for sport organizations. How do sport entities make money

## Unit 1.1

Sports organizations operate within highly competitive markets that can be susceptible to sudden changes and shocks. It is therefore important to consider how sport entities make their money and, furthermore, the amount and breadth of their revenue sources. Successful sports organizations over the world are often the ones that have been able to drive revenue to support their activities from a variety of sources.

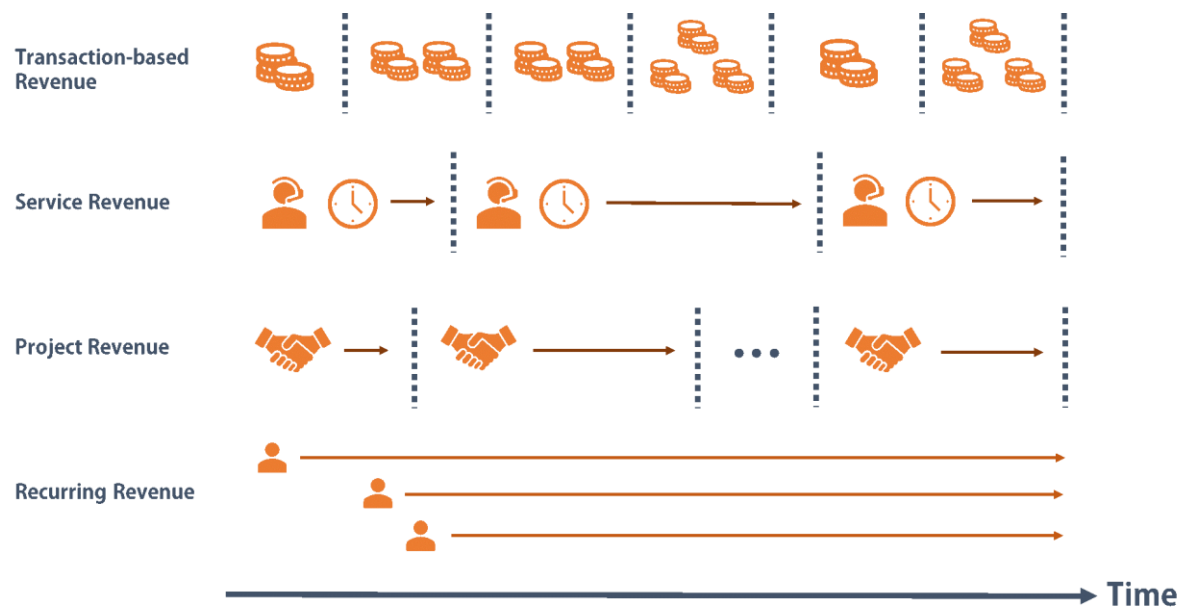
This module will discuss relevant revenue models and how these can be applied to the existing products that sporting organizations may have and how to make the best use of these. It will also suggest new ones that could attract new consumers and become a valuable revenue source.

The way in which this revenue is generated can be done in a multitude of ways and will vary from location to location and sport to sport. It is important that an organization chooses the most appropriate methods of achieving this revenue. Failed attempts at generating revenue can be costly errors for the business and impact a lot more than just the balance sheet.

One of the ways of assessing which area a sports organization should invest in is through revenue modelling. A revenue model is a simple framework which can assist an organization in deciding how to generate revenue. A revenue model framework is a strategy which allows an organization an overview of which particular revenue stream to focus on and how to generate revenue from that source. The figure below, figure 1, developed by the Corporate Finance Institute (CFI) illustrates the types of revenue models available to business including sports organizations.



**Figure 1: CFI Revenue Models**



From Revenue Streams, by Corporate Finance Institute, 2022. <https://corporatefinanceinstitute.com/resources/knowledge/accounting/revenue-streams/>

The revenue models that this module will focus on are: Transaction-Based Revenue and Recurring Revenue; as these are the most common within sporting organizations. Within these models, we will be focusing on revenue streams including ticketing, merchandising, sponsorship and media as revenue drivers for sports organizations. The price to charge and how to receive payment for the product or service is covered by a pricing model, which will be covered later in this course.

### 1.1.1 Adopting a Revenue Model

A key decision that an organization must make is the choice of revenue model, as some may be more appropriate than others for a particular market. It is, of course, perfectly acceptable and in most cases recommended that an organization adopts multiple revenue models. By adopting multiple revenue models, an organization can accrue benefits and lessen risk in a way in which an organization with a singular model cannot. Operating multiple revenue models can help an organization in the following ways: reducing risk, supporting other revenue streams, and developing new revenue streams through innovation.

The risk that an organization encounters can be reduced by having multiple streams of revenue. If a stream begins to fail or goes through a slump due to market conditions and brings in less revenue than previously expected, it can harm an organization as income will also decline. By adopting these multiple streams, any potential losses can be managed more effectively as revenue can continue to be drawn through these other sources.



We can see this in practice in multiple sports organizations who have adopted transaction, advertisement, commission and licensing models concurrently. For example, FC Barcelona will not just rely on ticketing and production of merchandise to drive revenue, but also has in place multiple agreements covering commission and licensing models in an effort to reduce any possible risk that may occur with market circumstances. This approach has become even more important due to the Coronavirus pandemic and the lack of in-person attendance at matches. Sports organizations, including the ones that have already been mentioned, have increasingly had to rely on other revenue models as primary streams within the traditional transaction-based model dried up.

By operating within a revenue model, an organization may find that further revenue streams can be opened within the same model to further increase the organizations overall profitability. The existing revenue streams that a sports organization can have further benefits the organization. For example, profitability generated from these existing streams can be used not only to finance the initial development of the streams through such costs as product development and advertising but support them through the early years of development.

### **1.1.2 Transaction-Based Model**

One of the most common revenue models is the Transaction-Based Model. This model relates to the selling of a good or service from the organization to a customer, the exchange may take place between businesses or also from a business to customers. The production costs and profit margin are contained within the overall price. When a sports organization wishes to make more money using this model, they must increase the profit margin and, therefore, the price. Within sports organizations, ticketing and merchandise are often the two most utilized methods of a transaction-based model.

### **1.1.3 Ticketing**

One of the most common elements of a transaction model in sport organizations is ticketing. Tickets allow access to events for customers to come and view the live sport event and are often in place regardless of the level of the sport taking place. Ticketing, sometimes known as 'gate receipts', has regularly been the main source of revenue for sports organizations throughout the years and, despite its lessening in importance within certain football leagues, remains an integral part of many sport revenue models.

Tickets, of course, can still be purchased on a one-off basis in the lead up or even on the day of the sporting event in question. This can be done either in person at dedicated outlets including at the stadium itself or mostly commonly now online with purchases emailed directly to the customers. The benefit of having tickets for sale online is that there is a significant reduction in cost to the selling club. No longer do they have to employ as many sellers even at peak times, or indeed print off hard copies of the tickets, to get them to the customers. Sports organizations can also benefit from having tickets for events on



sale 24 hours a day without the need for keeping face-to-face points of sale open. This not only allows a reduction in cost, but also that those people unable to get to the stadium to buy tickets during opening times can purchase at their leisure.

Although it is not only the sporting organization who benefits, the customer will also experience benefits from purchasing online. Customers will have a range of purchase options and will in most cases be able to choose their seat from those available. Furthermore, by having a confirmation of the purchase sent to them immediately following completion of the transaction, the customer, in the age of smartphones, can access these tickets wherever. This reduces the problem of losing or forgetting tickets on the way to matches and improves the experience for the customer. Though it is important that the sporting organizations get this aspect of the sale right, an easy-to-use website and ticketing purchasing system with a fair pricing structure will get return custom. If these elements are missing then, it is unlikely customers will return to that website to purchase their tickets, possibly reducing revenue.

Tickets that entitle the customer to attend all the matches an organization plays during an entire season are often known as 'season tickets.' These tickets, as well as giving access to the venue or stadium where the event is taking place, will often come with a dedicated seat and a price per game that is reduced in cost compared to a single ticket.

When spectator sports began to be charged for their attendance, all tickets were the same price. However, in the modern day, there are many types of ticketing that aim to cater for a vast array of customers of a sporting organization.

Tickets can be priced differently for several reasons, for example, due to the differences in the age of their purchasers, giving discount to younger and older people, those with different employment status or where the customers are sitting and if any additional privileges come with the ticket. When a sports organization prices its tickets in this dynamic way, the aim is always to increase the number of tickets sold (Howard and Crompton, 2004). It is worth noting that further in-depth discussion on ticketing pricing structure will be covered in both module 1.2 and 1.3.

It is perhaps not surprising that the higher level a competition is, the more sought after and therefore more expensive the tickets become. For example, the tickets for the Champions League final cost significantly more than a normal football fixture. There is a level of prestige about having these tickets and attending those matches. As a result, customers will often pay vast sums, much more than they normally would, to be at fixtures of note. If a team is playing in these high-level competitions, they can raise significant revenue from ticket sales, much more than they normally might do. This is arguably why the English Premier League has some of the highest priced tickets in world football, the prestige of the competition has therefore led to a consistently high demand for tickets season after season. Still, we now must consider how important these tickets are to clubs.



A study released in 2018 showed that 11 teams would have still made a profit if there had been no fans allowed in the stadiums (Aloia, 2018). This shows that ticketing revenue streams may be less important to the overall revenue profile of high-profile teams. However, the lower the league a team plays in, the more important ticketing becomes as the opportunities to make money from additional revenue sources, such as advertising and sponsorship, decrease.

The benefits of selling tickets to sporting events are numerous, and getting people into the stadium where a match or event is taking place can have a significant bearing on the financial performance of a sports organization. However, it should be remembered that this form of revenue is not just about 'bums on seats' but also associated goods.

### **Concessions**

Concessions are a typical sight at most sporting fixtures, concessions in a sporting context will often include drinks, snacks to more substantial meals which are available to purchase within the stadium complex (Seaman, 2021). Concessions are an important part of the match day experience for customers and revenue for amateur to professional sporting organizations alike (Levine, 2007). Even though studies have shown that concessions offered at a sporting fixture on their own are not a determinant of attendance (Slavich, Rufer and Greehaigh, 2018) they have an important role to play.

A successful offering by a sport organization can not only bring in much-needed revenue, but also positively impact the experience of fans within the stadium. Fans that experience good service from concessions will think positively about the sporting event and organization as a whole (Ireland and Watkins, 2010). In addition, it can also increase the likelihood of the customer returning and developing a strong loyalty to the team, as a study in the NFL showed (Jensen, Haskell Sr and Larson, 2018). This is perhaps the objective for the sports organization, as a fan will often spend more money over a longer period of time than just a casual customer.

However, it must be noted that while previously providing a limited, and often unhealthy range of food, was considered adequate, tastes and trends have changed. Sporting organizations are now having to work increasingly hard to satisfy their customers and to make revenue in this area. There has been a positive movement toward high quality, healthier, more local options for concessions (Parry, Hall and Baxter, 2017). A failure to recognize these changes in trends and to respond proactively with the choices that customers want risk negative experiences being had by these same customers when visiting the sports organization. Due to the relationship, some fans have with their chosen sporting organization the exact result of these negative experiences may be unclear but an organization should expect to see a drop in revenues from this particular stream.

Further discussion on the ticketing practices, including how to market tickets, what to charge for them and associated products such as concessions is covered in module 3.



However, it is worth considering now that given recent world events, the traditional ticketing model has had to undergo a form of transformation.

### **1.1.4 Coronavirus & Ticketing**

With the Coronavirus pandemic that began to hit large parts of the globe in the early part of 2020, existing ticketing strategies were put under enormous pressure. Pandemic regulations over the world shut down all levels of sporting activity, in the USA even the big four leagues were hit by the regulations where ticket revenue has made up a sizeable chunk of yearly revenue. In particular, the basketball teams of the NBA and ice hockey teams of the NHL whose competitions were coming to a climax of their seasons in the play-offs where attendances are usually higher (Young & Graham, 2020).

As we have already seen, the spend by customers once in the stadium or arena is also very important for a sporting organization's revenue.

When top-level leagues did return, they did so in the beginning without fans as stadiums across the continent were shut to spectators, considering national regulations that did not permit large-scale gatherings. This undoubtedly caused significant financial loss among sports organizations as operating costs such as player wages, transport, building, and insurance costs still needed to be paid.

Sports organizations from all disciplines attempted to recoup some lost revenue in a variety of ways. Some football clubs, for instance, made use of their existing video streaming capabilities to begin showing live matches from the stadium to fans at home. Fans were charged an access fee in much the same way as they would have been if attending in person and could buy a pass for multiple fixtures. Dividends in this approach were seen almost immediately, this method allowed clubs to continue bringing in revenue from supporters even though physical attendance was not allowed and provided a value stream of revenue for those who adopted it. In addition, it allowed clubs to engage with supporters from a wider geographical area, those fans that lived far away from the home stadium, making match attendance difficult, were able to buy a viewing pass to see their team play. Clubs were able to bring revenue in from these sources that had previously been lacking and have since incorporated this revenue sources into normal business activity.

### **1.1.5 Ticketing Changes**

A further change implemented on the return of spectators, but subsequently adopted by several organizations, is the move towards paperless tickets. In a move accelerated by the pandemic, many organizations have moved to E-tickets which can be bought and displayed on mobile devices and are now the preferred method of entry to some sporting events due to, in part, the limited social contact needed to access the stadium.



Alongside the efficiency when entering the arena, there are many other benefits that moving to a paperless ticketing system can provide for a sporting organization. One being that online tickets can be purchased 24/7 through fully automated transactions, usually via a website, reducing the need for point-of-sale locations which operate within business hours and require staffing.

Furthermore, the reduction in the need for production of paper tickets can make the process more environmentally friendly but once again save on associated costs. The cost saving can be used to make additional revenue for the organization or any savings passed along to the customers. Environmental benefits can be seen as positive in an ever increasingly green focused world. One such example is Forest Green Rovers, based out just outside of Bristol, UK, who have made a niche for themselves by promoting themselves as a green football club with recognition from the United Nations.

While this might appear on the surface to be a win-win situation for both the organization and their customers, it must be clarified that some customers remain unconvinced by this system. A study by Popp, Simmons, Smith, and Tasker (2021) showed that nearly 30% of surveyed customers preferred paper tickets over the digital alternatives.

Ticketing and their pricing strategies used in this area will be further discussed in module 1.2 and 1.3 alongside possible future considerations needed within the ticketing market.

### **1.1.6 Merchandise**

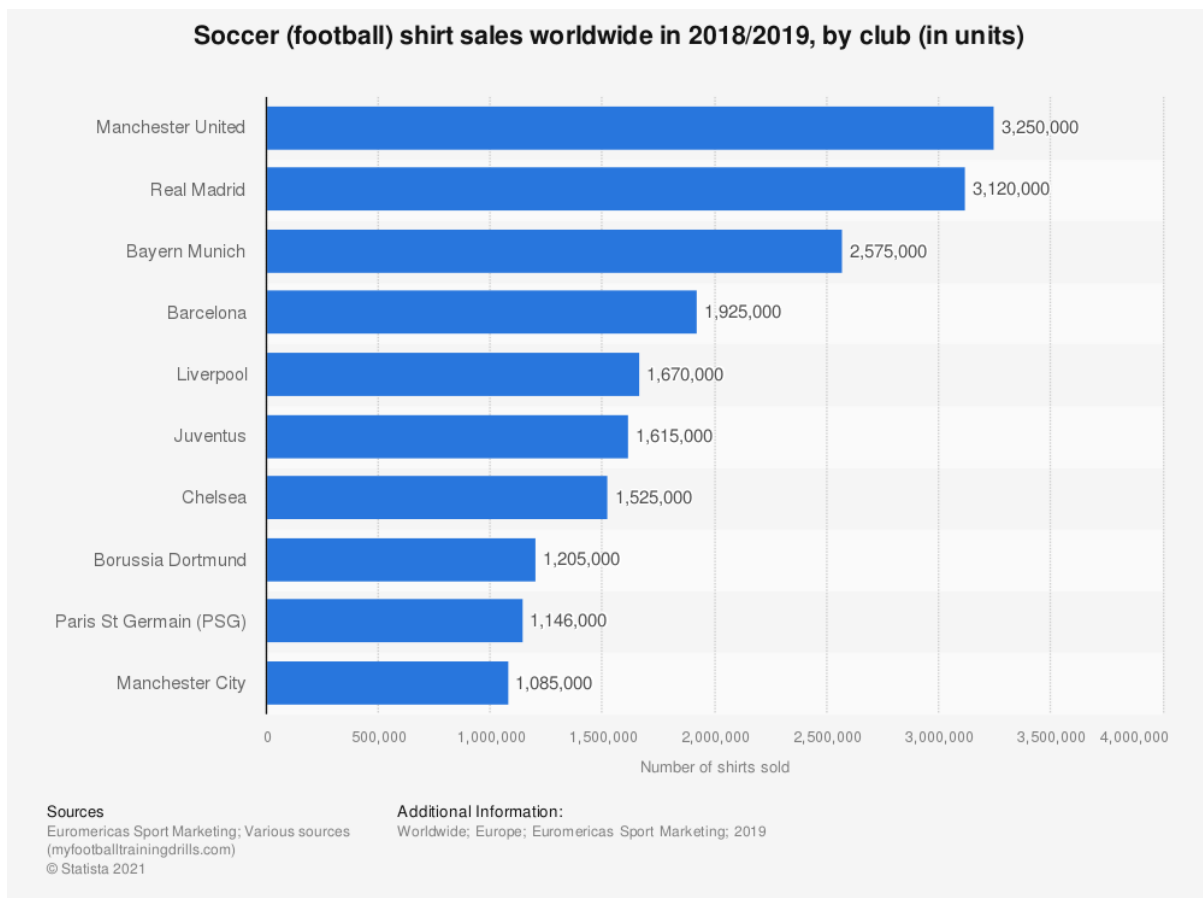
A further element that plays an important role in revenue generation for many sports organizations is merchandising. This is a brief overview of merchandising, as the strategies used in this area will be further discussed and covered in more detail in module 4.

Sports merchandising is the placing of a logo, name or additional brand markers of a sports team on a product (Kircova, 2019). These are often seen on articles of clothing, replica kits, training, or leisure wear in club shops.

The sport merchandise market, including that of replica kits, has become especially lucrative for sports organizations. Fans of sporting organizations have traditionally worn scarfs or hats in club colours and have provided revenue streams for these organizations from almost the very beginning of organized sport. Replica kits, initially designed and marketed as something for children to wear, have become a significant part of sports culture and identity (Stride, Catley and Headland, 2020). Figure 2 below, published by Statista in 2019, shows the vast quantities of shirts that the leading European football clubs sold during the 18/19 season. Demonstrating the importance of these sales, it was estimated that in the 2016 season the value of shirt sales alone for English Premier League clubs was in the region of £265 million, a significant sum for clubs.



Figure 2: Shirts sales worldwide



In *Statista*, 2019, retrieved March 14, 2020, from <https://es.statista.com/estadisticas/635409/paises-lideres-en-la-produccion-de-hulla/>

The sales of merchandise can be impacted by many factors, one of the easiest to consider is success. If a team is successful, the demand for its products will often increase in line with that success. The more a sports organization is seen within the media, the higher the sales will rise; however, there are other factors that can cause sale fluctuations, not all of them related to on the pitch performance. The signing of a high-profile player, such as Cristiano Ronaldo by Manchester United in 2021 and Lionel Messi by PSG, saw a rush to buy shirts adorned with their names. Several estimates regarding the Ronaldo transfer put sales around £160m, with many reports claiming his initial transfer fee of £13m having been paid back in purely the profit from these sales. Furthermore, in 2021, Newcastle United also saw an unprecedented boost in shirt sales due to their takeover by the Personal Investment Fund of Saudi Arabia. These cases illustrate that it is not just performance on the pitch that can have a significant impact on this particular revenue source.

### Points of Sale

While it is clear that these products are in demand, a further important question is: Where do customers purchase this merchandise?



The purchasing of merchandise has travelled in much the same direction as tickets, in that products can now be regularly bought online. The development of e-commerce has made the process of buying merchandise of your favourite team much simpler and from further away. This has allowed sporting organizations to open up revenue streams from all corners of the globe, bringing more money in, but also making sure that the business is sheltered from any market issues in one country or region.

Much like the purchasing of tickets was impacted by the coronavirus pandemic, so was the sale of merchandise. West Ham United reported a 15% fall in commercial revenue during the 2020-2021 financial year, in large part due to the inability of fans to get to the stadium and purchase these products (Maguire, 2022). West Ham were not alone in this fall, Sports Business Group also reported that across the Premier League the lack of fans purchases contributed to a 12% fall in total revenue from the previous season (Sports Business Group, 2021).

It must also be remembered that sporting organizations do not just make money on the sales of merchandise, but also on the sponsorship agreements that are entered into with multinational companies. It is this Advertisement-Based Model that we explore in further detail in the section 1.2.

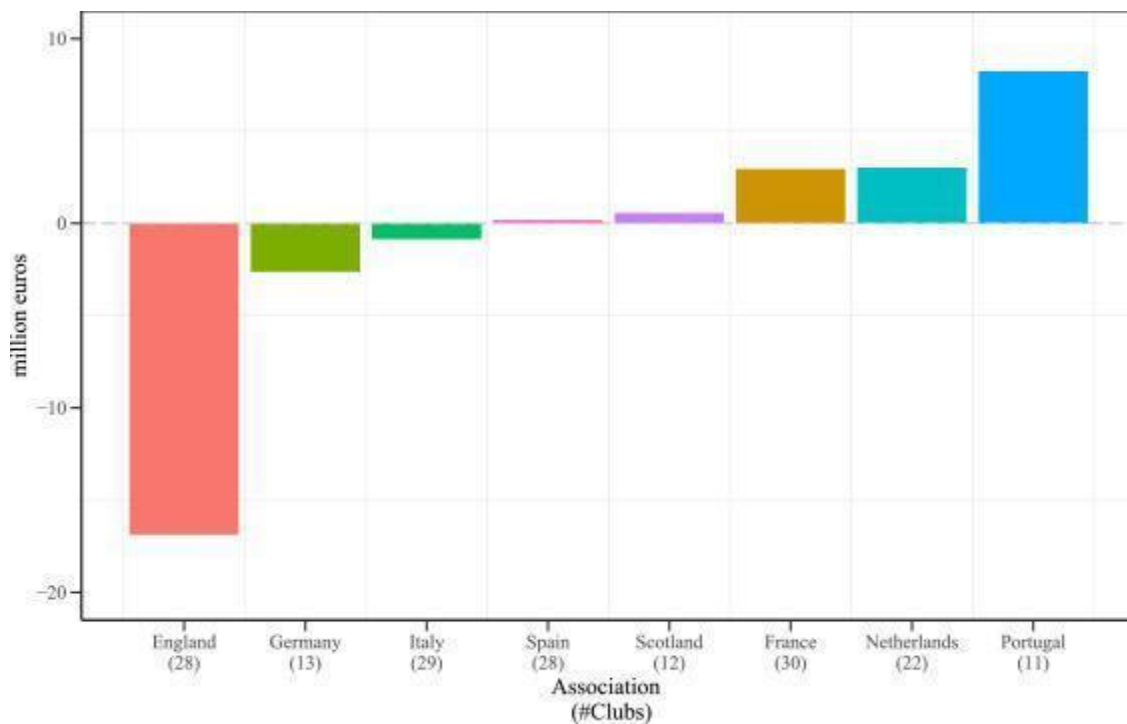
### **1.1.7 Business-to-Business Transactions**

The subsections that have been covered in this Transaction-Based section all involve business to customer relations. However, equally lucrative for sports organizations are the business-to-business transactions where two sporting organizations interact directly with each other.

Another common interaction between two sporting organizations, which have been touched on briefly already, is that of player sales. Player sales are a one-time transaction involving a player or another staff member, which can even include the manager of a sports team, moving to another. This method can be extremely lucrative for a selling club, the graph below from Hoey, Peeters and Principe (2021) demonstrates the average transfer earnings by club across Europe by national association.



Figure 3. Average Net Transfer Earnings by Association



From The transfer system in European football: A pro-competitive no-poaching agreement?, by Hoey et al., 2021. International journal of industrial organization, 75(2). <https://doi.org/10.1016/j.ijindorg.2020.102695>.

It can be seen that the average earnings vary considerably between different associations. While teams in England register a net loss, teams in France, Netherlands, and Portugal register significant gains. Those leagues are considered to be development leagues where players who are of sufficient quality will be sold on to the better leagues like England, Germany, Italy, and Spain.



## Unit 1.2 Recurring Revenue

This section will now consider the methods of attaining recurring revenue for sports organizations. To recap, unlike transaction-based revenue, recurring revenue relies on revenue streams derived from ongoing payments for the duration of the service. There are many methods that sports organizations can use to garner this type of revenue including advertisement, licensing and commissioning. We begin, however, with facility rental.

### 1.2.1 Facility Rental

Sports organizations often have access to substantial property portfolios made up of stadiums, training facilities and other associated buildings. These are either assets that are owned outright or let on long leases that can be additionally sublet. By having these buildings, sports organizations can make revenue from renting them out to third parties.

For small and medium-sized sports organizations, having additional buildings such as a clubhouse or bar area alongside pitch facilities can prove a vital income stream. They can be run exclusively on days when there are matches or training going on at the stadium, but also on days when there is not. These buildings can help bring in revenue that can keep the sport organization out of debt, or even direct profit to improve the team or facilities.

On the pitch, the renting of stadiums or training facilities can be as equally lucrative. Sports organizations can rent out their facilities to individuals, competition organizers or other clubs varying price due to the time of day, size of pitch or additional requirements that are needed such as changing rooms. Clubs have also installed 3G and 4G surfaces to make sure that they can continue to offer this service on every day of the week and in every month, regardless of weather conditions. This is not just the operations of smaller sports; some Premier League clubs even offer the chance for their fans or other individuals to rent out the entire stadium to play matches in. Agreements of this nature are for the long term, often lasting for seasons or agreed times. Within a football context, an example of this can be observed in the groundshare agreement between Coventry City FC and Wasps Rugby Club regarding the Ricoh Arena. Originally built for Coventry, the stadium was then sold to Wasps due to financial difficulties at Coventry. The football club now rents the stadium from Wasps after signing an agreement starting in 2021 and lasting for 10 years. Although exact terms of the rental agreement have not been disclosed, it is thought that Wasps will be receiving a windfall in the region of seven figures.

These relationships can also be built with organizations from outside the initial operator's home country. Tottenham Hotspur FC, even before completing their new White Hart Lane stadium had agreed a 10-year deal with the National Football League (NFL) to host two regular season American Football matches, like Wasps, also netting them a substantial windfall. In this agreement, the NFL 'home team' takes the ticket revenue which allows



Tottenham to collect a hosting fee, merchandise, food, and drink revenues. With attendances for these matches often sell out in a 60,000-capacity stadium, this represents a vital part of Tottenham's income and is very important as they seek to claw back losses experienced due to the pandemic but also the renting of Wembley Stadium while White Hart Lane itself was renovated.

There is an additional benefit that this could also have for Tottenham, and it is the fact that they might be able to further increase revenues from stadium naming rights due to the increased coverage White Hart Lane receives during these fixtures. Companies will wish to be associated with the brand due to the number of games, attendance, and TV viewing figures that the NFL games attract. It is this advertising revenue that we now turn to.

### **1.2.2 Advertisement-Based Model**

The advertisement sector within sports is a big business, with vast sums of money being exchanged between companies and sports organizations constantly. The reasons for this can be attributed to the ease of setting agreements such as this up and the visibility of sport within the media in all its forms. As such, there are many methods of advertisement that can be observed within sport, but we shall begin with one of the most visible and that is sponsorship.

### **1.2.3 Sponsorship**

While we will be talking about sponsorship within a relatively modern environment, it is important to understand that this is a tried and tested business arrangement, the practice even going back to the Ancient Olympics. Sponsorship is a mutually beneficial agreement entered into between a sport organization and another company. The sports organization and company become linked, for example, the logo is put on the shirts of the club, so it can be seen when the club play matches. The brand markers of the company will also appear on the stadium, website, in the program and in promotional material released by the club. Due to the high visibility of football, the cost of having a company logo connected to the club needs a significant financial outlay. FC Barcelona sponsors, Rakuten, have recently extended their deal as in front of shirt sponsors of the club for a further season with an annual fee of roughly \$64 million.

Looking at this figure, which is not unusual in the upper echelons of the game over the world, global value upwards of £35bn annually (Wilson, 2019), it is clear to see the attraction of these agreements for clubs. And it is true that arguably the main consideration for a sports organization are the financial benefits that a sponsorship agreement can bring. The financial support can be spent in many areas of a sports organization, for example, their operations including player wages, equipment, or stadium upkeep.

However, given the financial outlay and the risks, which we will touch on shortly, why do companies wish to do this?



The main benefit for the company sponsoring the sports organization is they are hoping to elicit a positive response from potential customers who they then hope will go on to purchase their goods or services (Smith, Graetz and Westerbeek, 2008). These opportunities go far beyond just the ground, with games often being publicized in all the forms of media including television, internet based and social media. Logos and other brand markers can be seen before, during and after the event. Some companies even become inextricably linked with the club they are sponsoring, like Pirelli and Inter Milan become much a part of the jersey and the club's successes as the team itself.

If the company is able to link itself with a sports organization that a potential customer has an affinity with then this is likely to elicit a positive response in the customer's mind, and they are more likely to purchase the product (Koronios, Psiloutsikou, Kriemadis, Zervoulakos and Leivaditi, 2016). This research by Koronios et al. (2016) even began to show that fans of a club would be more likely to purchase a product if they sponsored their club even if they were not interested in it, showing the real power of these agreements.

This is a valuable tool for a club to have, if they can show that they are a well-attended, popular club with a good level of media and fan interest they are more likely to attract substantial sponsorship agreements. While it might be nice if the club that is sponsored is winning, this has also been shown in studies to have little impact on the intention of fans to purchase products, removing a level of uncertainty, beneficial for both parties.

However, there are drawbacks to these agreements that sports organizations and sponsoring companies need to be aware of. The main draw of sponsorship is that the company can benefit from the positive 'rub off' effect, highlighted by Meenaghan.

The choice of a medium, and within a medium, the choice of a particular media vehicle, will often carry direct implications for company or product image. Individual activities or events are possessed of particular personality attributes in the public mind and much sponsorship activity is garnering a rub-off effect to the company or its products through association with a particular sponsorship activity or event. (Meenaghan, 1983, p. 29)

The 'rub-off' effect which companies seek can be given to them by sport, by being associated with a winning, appropriately managed, high-profile club will generate this positive effect as we have discussed already. However, actions by the club or individuals within it can have negative impacts on this effect and cause unwanted issues for the sponsor, and indeed the club (Meenaghan and Shipley, 1999). This was exemplified by the collapse of Football Index who had entered into sponsorship agreements with Nottingham Forest and Queens Park Rangers who both play in the second tier



Championship. The collapse not only left a huge financial hole in the budgets of each team, but also called into question the judgement of those inside the club making the agreements. In addition, the fallout and media coverage from the collapse, which left many people out of pocket, brought Forest and QPR into direct relation with Football Index, attention they could have done without.

### **1.2.4 Online Advertisement**

The development of the internet from a pure area for business and military use into the all-encompassing behemoth that it is today has provided many opportunities with which to make revenue from it, from individuals to the organizations that we are discussing here.

The revenue in this case is drawn from customer website visits, in some instances, they do not even have to sell products to achieve this revenue. By simply having the logo of a company present on the site can be a source of revenue. One of the first, and possibly more famous examples of this, was a site called 'The Million Dollar Homepage.' The site, developed by a university student in 2005 to pay for his tuition fees, worked on the premise that every pixel on the screen was available for sale. Some were set prices, while other selections of pixels were auctioned off on the website eBay. The site received significant media coverage which drove the public, and therefore, advertisers to the site. The student eventually walked away with the \$1 million dollars that he sought at the beginning of the project. It goes to show that you do not have to sell the products yourself to earn revenue from a website, as long as the number of people visiting the site remains consistently high.

The act of gaining revenue from clicks and subsequent purchases through a sports organization's website could also be considered to fall into the commission-based revenue stream. While the initial revenue is generated through having a logo appear on a sports organization's website, this can be supplemented through commission. Customers that come to the website and subsequently click on the logo (or related adverts) will be directed through to the sponsoring company's site. Just for clicking on the logo, a sports organization can be rewarded, if the click-through rate, known for short as CTR, is significantly high then this can prove valuable. However, if the right agreement is in place, this revenue stream does not just have to end here. If a customer then goes on to make a purchase on the website from following the link on the sports organization's website, a further commission can be achieved.

For major sports brands such as Barcelona, the revenue generated here can go far beyond just a small amount and can make up an integral part of the organization's income. Although this is not without its problems as you must be able to continuously drive customers to your website and also have sponsors that at least interest these customers so that they will click through. In addition, as well as the drop in physical attendance caused by the Covid-19 pandemic which has been previously discussed, this has also hit



this aspect of sports business with website traffic reported to be down across numerous clubs. This was due to the suspension of games and therefore a lack of need to purchase tickets from the websites or indeed any news to report which would have usually engaged fans (Young & Graham, 2020). This, unsurprisingly, resulted in lower revenue from adverts on websites as the click-through rate was lower during this period.

### **1.2.5 Commissioning**

Commissioning, sometimes also known as affiliate marketing, is the practice of an organization promoting the products of another and receiving a percentage of any sales that are as a direct result of this promotion. Within the context of a sports organization, this may happen in a few ways. Firstly, and arguably the most commonly observed is commissioning through a sports organization's website and other social media platforms, are advertisements that will appear on these platforms where customers can click through to the web shops of these companies. Purchases made by those who click through are tracked and a commission, based on the goods price, is then given to the sports organization. These can be once again a useful revenue stream for sports organizations to be involved in, especially if the companies are having discount promotions. Regardless, it must be remembered that a high volume of online traffic is often needed to see the real financial gains from this area.

Secondly, another commonly observed practice in this field is physical point of sales located at the stadium. These can range from food and drink to equipment stalls where a fee is paid by the outside company for the location of the shop, but also a commission on total earned through a period. More recently, betting terminals have also appeared in many sports stadiums. Bets can be placed by fans within the stadium on outcomes of the game or contest they have come to see, and also others in similar competitions. Commissions on the value of bets placed in person are also collated and given to the sports organization.

### **1.2.6 Licensing Model**

A further method for a sports organization to make money is through the licensing model and associated agreements. This is only a brief overview of licensing and its potential importance within revenue streams, as it will be covered in further depth in module 1.4. Sports licensing is an agreement between the sports entity and another company that gives permission for that company to use the name, logo and other trademarks on that companies' products or promotional material (Linton, 2010).

Done correctly, the benefits of this type of revenue generation can be numerous for both the licensee and the licensor. Firstly, it provides an opportunity for sports organizations to increase their reach into additional markets that they might not currently operate in and therefore attract even more sources of revenue. Secondly, this can all be achieved for



a much-reduced cost due to existing experience and distribution networks developed by the licensee.

In addition, licensing agreements of this type provide not only a valuable source of continued revenue in the form of passive revenues. Passive revenues can be collected in the form of royalties for continued use of the licence and require little time or financial investment from the licensor organization.

However, an organization must also be careful about using these types of agreements. A significant issue is that an organization, in this relationship the licensor, has to rely upon the expertise and distribution of the licensee. While with an experienced operator, this would not cause a problem, however, with an inexperienced operator, the relationship may not be successful. Sporting organizations may also be concerned about the lack of control of a licenced product and how the licensee chooses to interact with their product, for example, using trademarks and logos on inappropriate products that the organization would not wish to be associated with.

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