Module 2. Ticketing Strategies - Utility vs. Profit Maximization

Unit 2.1

As we delve into the topic of utility vs. profit maximization, the first thing we will do is explain what do these two concepts mean. Further into this module, we will investigate the decisions that have to be made by these sports organizations between utility and profit maximization. This will include discussions on the impact of these decisions, the factors that can influence them, and the concept of win maximization. Finally, we will provide—in depth—analysis of what this means for sports organizations and their ticketing policy. Firstly, we will discuss the concepts of utility and profit maximization in 'normal' business environments.

2.1.1 Utility vs. profit maximization

The two concepts that we will be investigating in this section are utility maximization and profit maximization. Profit maximization is assumed to be the end goal of all managers in the firms they control. They aim to achieve the highest profit possible for the firm by selling a good or service; the revenue gained by the firm is at the greatest point over total cost.

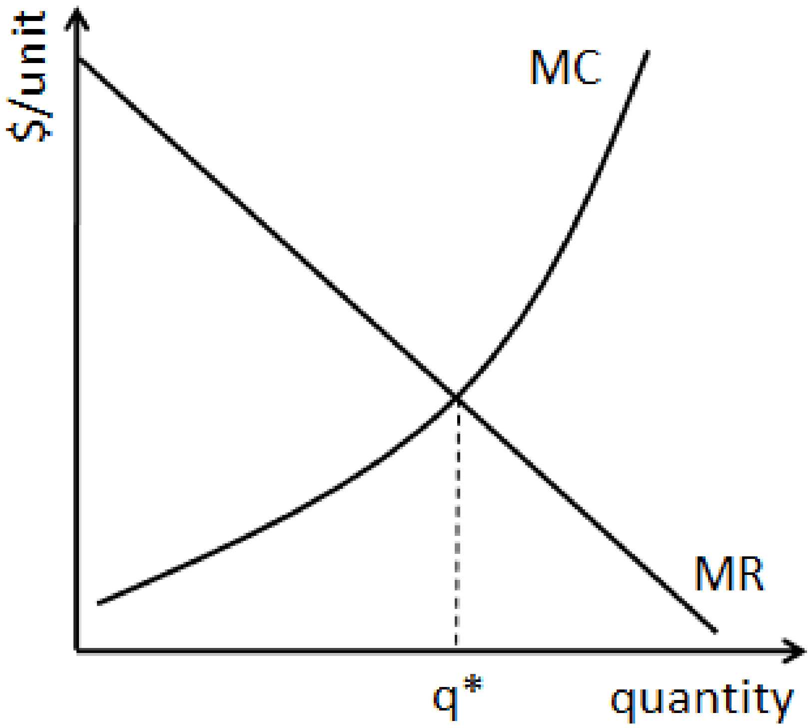
Firstly, it is important to recap. We must always remember that profit = revenue – cost, as a basic principle. Revenue is made up of all the income an organization obtains from its business activities (e.g. selling goods and services).

Costs are often split into two groups: fixed and variable costs. Fixed costs do not change with the level of output of a company. They include things such as wages, rent of premises, or insurance payments. Variable costs, on the other hand, do change with the level of output from an organization. These can include raw materials, commissions, or wages.

You may have noticed that wages have appeared twice, as both a fixed cost and a variable cost. Wages can be both: as a fixed cost, they remain the same for employees even at 0 % production rate, and the organization cannot get rid of them in the short term. They can also be a variable cost, since an organization may hire employees on a temporary contract to help with a larger production run.

From here, we can then begin our understanding on profit maximization. The graph in figure 1 shows the basic concept of profit maximization.

Figure 1. Profit maximization



Source: Beggs, 2017

If all things are equal within a market a firm is operating in, as shown in this graph, then for every extra unit of output that the firm produces, more revenue for each additional unit will be gained. While marginal revenue (MR) will decrease for each additional unit, revenue will still increase at a greater rate than cost, resulting in additional profit for the organization. However, this rise in profit will only continue until a certain level of production. When the quantity produced increases above a certain point, the marginal cost (MC) will increase at a greater rate than the MR.

As shown in figure 2, when the lines of marginal revenue (MR) and marginal cost (MC) intersect, there is a point at which MR and MC are equal: the point of profit maximization, indicated on this particular graph above by q*. This is where the organization will make the most profit.

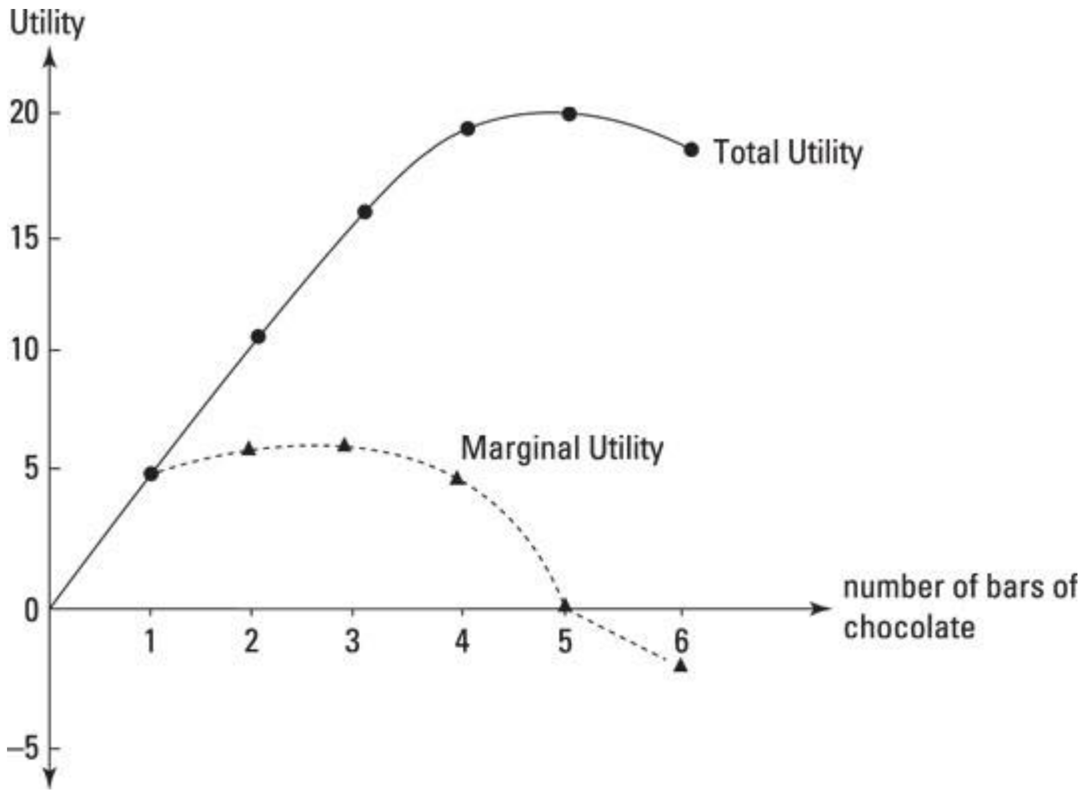
The figure above shows how MR and MC might operate when an industry is within 'perfect competition'. Of course, the real world does not operate like this, and there are many other graphs that detail the impact on MR, MC, and other factors, due to different situations within markets—for example, an organization operating in a monopoly will have a much different curve due to the lack of competition.

However, these graphs may not, in fact, give us a detailed enough view of what might occur if we were to adopt a profit maximization strategy. Markets do not operate within a vacuum, and an action by one firm will no doubt lead to a response by others within that particular market. A further complication is that it might be hard to know the exact reason for a change in demand. While a company may suspect it is from their own price changes, it may be unrelated to company actions and caused by something else, outside their influence.

In comparison, utility maximization is the theory that both firms and customers will seek to achieve the highest amount of satisfaction from their economic decisions. The level of satisfaction gained from an individual purchase is called the marginal utility. This can be both increasing or decreasing, but will always attempt to be maximized by the purchaser.

We must also consider the law of diminishing marginal utility. Diminishing marginal utility is the concept of the decreasing satisfaction that is obtained from the purchase of each additional unit. We may purchase a product, a chocolate bar, and enjoy it; however, as we purchase more, the satisfaction of this decreases (and in truth will probably makes us sick!). This process can also be impacted by how many units of a product we have already. If you have little or none of a particular product, then you are likely to derive a good level of satisfaction from the purchase of a one unit. However, if a consumer has a large amount of a particular product—for example, a garage full of cars—he/she is unlikely to achieve much utility from an additional purchase. These ideas are detailed in figure 2 below.

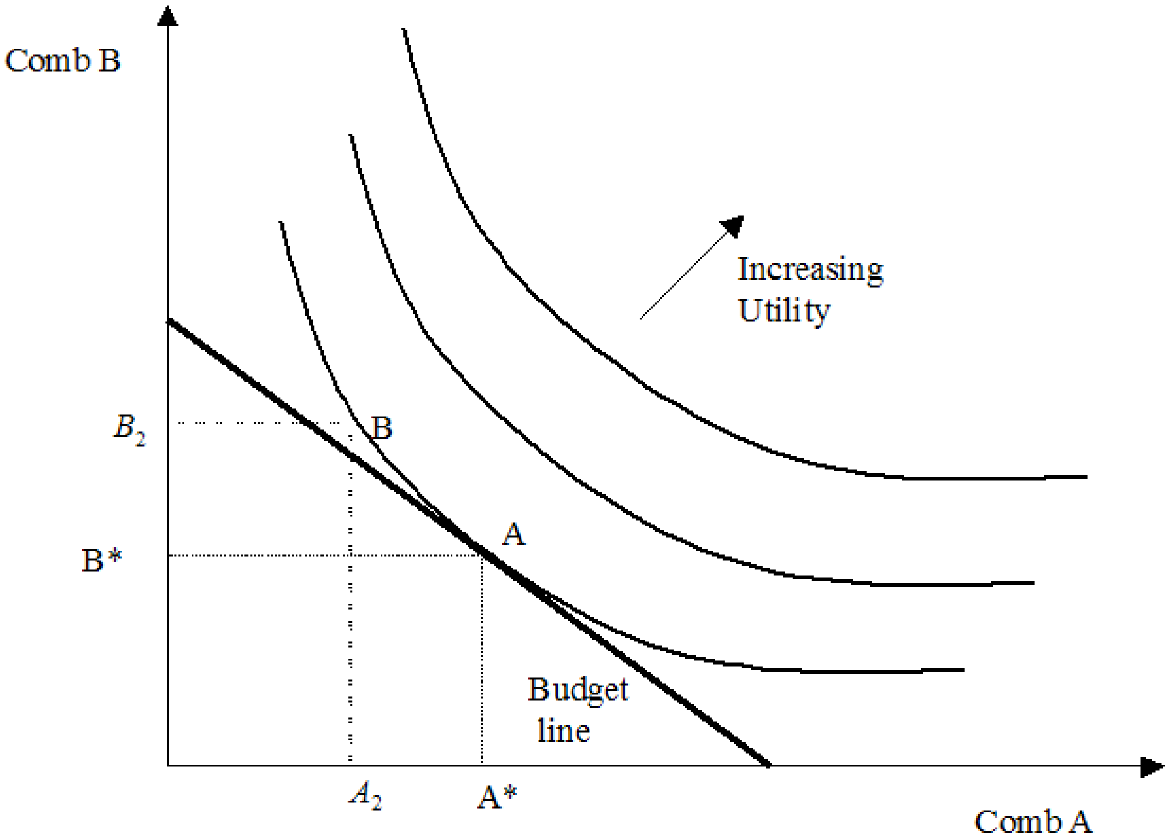
Figure 2. Marginal utility



Source: Pepall, Antonioni & Rashid, 2016

From this figure, we can see that while total utility—the total amount of utility the consumers gain from their consumption—continues to climb, marginal utility dips significantly. Ultimately, if a product gives no utility to the consumer, he/she will stop buying or using it. It is clearly in an organizations' interest to make sure that satisfaction for any products or services is kept as high as possible. Organizations can do this through various methods of marketing, which can communicate new features or discounts that can maintain this utility. We can show this through the use of indifference curves, highlighted in figure 3. The goods are on the axis, and in this case are labelled 'Good Y' and 'Good X'. Any combination of these goods which sit along these curves—I1, I2 and I3—will provide the consumer with the same utility function.

Figure 3. Indifference curves



Source: Garcia, 2005

Of course, we must also remember we only have a limited amount to spend, no matter how wealthy we may be. Therefore, we, as consumers, will seek to purchase products that offer us the best utility for the price we can afford. We can illustrate this constraint with the addition of the blue budget line in figure 3. Everything below the line is affordable to the consumer, while everything above is not.

While the line furthest to the right—I3—that gives this combination of Good Y and Good X will provide the highest utility to the consumer, they are tied by the wealth to only being afforded I2. The consumer can also afford good I1, but this gives him/her a lower level of satisfaction, and therefore it is not considered.

The consumer may benefit from a change in price of the goods. If the price was to decrease of one of the goods, then consumers could enjoy additional purchasing power with the curves moving down, and spend any additional money on other products. However, should prices increase the budget line will move down the axis, and consumers will find that they can afford less.

As we move towards looking at these issues within sport, try to begin focusing on this industry. We might see similar graphs when we consider the options available to fans of sports teams, when they consider the purchase of tickets or merchandise. In the next section, we will discuss—whether or not we are likely to see—not only similar consumer and organization behaviour in the field of sport, but also what the motivating factors are.

Utility vs. profit maximization in sport

Having tackled the concepts of utility and profit maximization in what we might term 'normal' businesses, we now move on to those firms operating within the sporting sector. It is not just the differences seen in the business of sport, but also the constant development of the industry. This change in ethos has brought it into direct conflict with typical business, thinking causing issues for those that run the clubs and the sport itself.

The business of sport

There is a feeling that the commercialization of sport, which began to really take hold in the 20th and accelerated significantly in the 21st century, has undermined the previous values and ethos, upon which it was originally founded. The pastimes—which were previously entered into for largely enjoyment and fun purposes—have changed into business focused operations (Stewart and Smith, 1999).

As a result, it was not too long before some of the business practices—that we have discussed in the previous section—began to be observed in the world of sport (Stewart and Smith, 1999). As the authors report, in the past, clubs and organizations were solely concerned with winning and being at the top of the competition. However, following the changes regarding commercialization and professionalization of the players, coaches, managers, and wider game, has caused these clubs and organizations to take a more business focused approach (Stewart and Smith, 1999).

However, even though these business practices are now common within all levels of sport—and therefore some literature suggests that sports organizations should be treated exclusively as 'normal' businesses—disagreement is still found.

For instance, Farquhar *et al*. suggest that the markets that these organizations operate in cannot be considered to be similar to other business markets, as they require a level of cooperation not observed in typical business markets (Farquhar, Machold and Ahmed, 2005).

Whereas sport organizations do behave like typical companies, in the fact that they are competing against each other, they cannot be considered to be in the same fashion. Sports organizations rely on each other for revenue generation; matches against two competitive teams will draw many more paying customers than a one-sided fixture.

Furthermore, the connection between the sport organization and its customers—the fans—is strong and founded in emotion and tradition, and, as a result, their behaviour can sometimes be irrational (Stewart and Smith, 1999). Customers—in this case, fans—do not respond in the same way in which they might when dealing with a normal good and company. Even after disappointing results, some fans remain loyal to their team and continue to purchase tickets, merchandise, or other products. But this does not mean that every sport organization, owner, competition, and location is the same, and there are differing approaches within the same industry.

Win maximizing in sport

Fashioned from Sloane's (1971) utility maximizing model, the win maximizing model, developed by Késenne (2000), believes that a club will spend money on elements that will maximize their ability to win as many matches as possible. Win maximizers, as the name would suggest, operate with the aim of winning as many games as possible, and therefore finishing the highest in the competition that they operate in (Késenne and Pauwels, 2006).

Even if teams are following this model, they cannot ignore profit completely. In chasing wins, sporting organizations often spend above and beyond their revenues. Unsurprisingly, this has led some of these organizations to overstretching themselves financially and having to rebuild, some quite substantially. Take the example of Portsmouth FC, an English Premier League team who won the national cup competition in 2008. They had reached the Premier League following significant cash input from the owners of the club, and during their time in the top league were again indebted to owners, providing vast sums of cash to various managers to bring in top talent. The incoming talent allowed Portsmouth to become an established Premier League team, and play some of the biggest names in world football in European competition. Things began to unravel in the 2009/10 season, as wages became unpaid for months, and it was discovered the club was hundreds of millions of pounds in debt. This level of debt led to administration and a points' deduction for the club. In the following years, the club was relegated three times and playing in the fourth division (Callow, 2010). In some sense, Portsmouth and its fans were fortunate that the club survived and retained its professional status, as many have not. In 2019, Bury FC, a club based on the outskirts of

Manchester, won promotion from the fourth to third tier, before being kicked out of the league due to financial concerns in the very next season and have yet to remerge (Freeman, 2020).

Although the aim of the team is to win as many matches as possible, it might not be in the interests of a team to win constantly. The model suggests that an uncompetitive league can cause profits to decline. Domination of one team over a league or its competition does more to harm attendances than to grow them (Sloane, 1971). Highly predictable outcomes will not attract large attendances, and overtime will weaken both the teams and competitions within which they play. But uncertainty of outcome is not the only reason for individuals to part with their money and watch a club's matches. As Haugen and Vik state: "After all, if the only point would be to make all sports contenders equally good, we could simply substitute all sports with coin tossing" (Haugen and Vik, 2020, p. 3).

However, the leagues themselves may operate differently from their member clubs. Goddard and Sloane (2005) state the "league as an entity has no interest in the total number of wins for each team, as each win within the league is also a loss for one of its teams" (p. 5). Therefore, even if the organizations contained within the league structure are concerned with utility over profit, their desires might not be matched by their own competition.

Differing approaches within sport

The owners of clubs who wish to profit maximize, as we highlighted earlier, will seek to attain the biggest cap between total revenue and total cost. They aim to achieve this, in the same way 'normal' businesses do, by keeping their outgoings at a sport organization low, while attempting to bring in as much revenue as they can. Those sporting organizations concerned with utility will aim to take decisions that maximize the utility of the owners, organization, and its fans.

Not all sports organizations approach the concepts of profit and utility in the same way, and the reasons for this are numerous. It is often a combination of factors, including but not limited to the owners' wishes, the market that the club operate in, and the ability of other teams in the league to work in similar ways. Leagues and the way they operate can be impacted by the location in which they take place.

The literature in this area is often split between the Americanized model and European. Prinz highlights that the "accepted view in sports economics that U.S. American sports leagues are characterized by profit maximization, whereas utility maximization, defined as maximization of the teams' winning percentages (or short: wins), is the main objective of teams in European football leagues" (Prinz, 2019, p. 1).

American sports teams are considered to be profit maximizers due to the fact they rarely make a loss, regardless of performance outcome, and rate of returns on investments for shareholders, or outright owners remains consistent. In contrast, Sloane (1971) considered that those football clubs based within Europe and Australia were utility maximizers who were concerned, not just with financial performance, but also other factors such as playing success and health of the league. Evidence of this viewpoint was given by Késenne and Pauwels (2006), who noted that many European football teams had been operating with significant losses for a number of years.

There are several reasons for these differing approaches. To begin with, there is Sloane, who notes the differences in history of the sports in different countries. The make-up of European teams, clubs, and sporting organizations, founded in the amateur ideals, and developing as organizations that were initially unconcerned with profit, but focused on winning fixtures against other organizations.

In addition, the lack of relegation plays an arguably significant role in how teams operate. This is due to the nature of the leagues that these clubs and organizations participate in, which, unlike the North American leagues, contain promotion and relegation. The clubs, therefore, have a desire to win fixtures, not just for utility, but to either gain promotion to the higher competitions or avoid the lower leagues. When teams are relegated, they will undoubtedly lose financially. For example, prize money, tickets, and sponsorship will decrease as teams move into worse leagues. Therefore, clubs in these open competitions will focus on utility maximization, as if an organization solely seeks to profit maximize in; then, the organization will likely face demotion harming profits regardless (Grecomoro, 2021). With no relegation and continued access to the same competition, North American-based organizations are somewhat abler to focus on profit maximization.

But how do we know which approach a team is using? Goddard and Sloane (2005) suggest that there are a number of ways to test which approach a sports club or organization might be pursing—these are highlighted in Table 1.

Table 1. Ways to Test Which Approach a Sports Club or Organization Might Be Pursing

Number	Method
1	Long-Running Losses
2	Over Paying Players
3	Overly Large Squad
4	Stadium too Large
5	Ticket Prices Below Marginal Cost

Note. From Goddard and Sloane. *Economics of Sport*. In Bowmaker, S. W. Economics uncut: A complete guide to life, death and misadventure.

Firstly, the accepting of long-term losses, which is common among utility maximizing clubs such as those found in Europe. If these teams are focused on profit maximization, then these losses would have been inconsistent with this approach.

The overpayment of players above their market value is also inconsistent with a profit maximization stance where players are paid in line with their marginal revenue. You might think it is rare that players are over-played, but remember that we are not operating within a vacuum, and that other factors such as needs of the buying club and selling club need to be factored in.

Third, the hiring of a squad which is larger than requirements, in this instance defined "as paying a higher salary to the last player signed than that player's expected contribution to future team revenue" (Goddard and Sloane, 2005, p. 4) would also be against a profit maximization stance. Again, like the measure above, you must also factor in the external factors that occur within the sports industry.

Having a stadium that is too large is also inconsistent with a profit maximization approach. This occurs when a team or organization is unable to fill its existing stadium with enough paying customers. When this occurs, the organization playing in this stadium will often not have the marginal revenue available to cover the cost of the stadium.

Finally, charging prices for tickets that are below the marginal cost of providing them is incompatible with profit maximization. The NFL even work with local media to organize media blackouts to encourage ticket sales at the arenas. We will discuss this particular element regarding ticket sales in the following sections, as we bring this module to its conclusion, as in modern sport the behaviour shown is not always logical.

A lot of these elements suggested by Goddard and Sloane would provide further evidence that European clubs are not profit maximizers. Although, this conventional viewpoint may well be shifting.

English clubs, and latterly some European ones, were taken over by shareholders and private ownership groups in turn, discarding their previous democratic multi-ownership structures. Traditionally, one would suspect that these new owners have the aim of maximizing profits and manufacturing return on investments and regular dividends. However, this may not be enough on its own to suggest a change in emphasis. As pointed out by Leach and Szymanski (2015), the initial list of shareholders in a club would often have contained those passionate about or highly involved in the club previously. In this case, those individuals or groups simply wished for their clubs to operate on a more financially sound footing, but to continue to aim for utility maximization.

What do these approaches do to the competition that the teams play in and the other clubs in that environment? Does this put leagues and their clubs on a collision course? Well, perhaps as we discuss in the following sub-section.

League regulations: impact on strategy

Leagues and other sports competitions around the world have sought to protect the 'integrity' of their competitions through numerous measures that have aimed to limit the power of the participating sports organizations. In an effort to make leagues more financially viable and competitive, several sports governing bodies have introduced salary caps. These are caps that limit the players' wages in a sport to a certain level, and salary caps impact on profit and win maximizers in different ways. While they are relatively common fixture in American sports leagues, they are uncommon within Europe and other territories where win maximization is considered the ultimate goal. However, there has been growing discussion on their usefulness following poor governance from teams and leagues.

The English Rugby Premiership is the main rugby competition in England and one of the top rugby leagues in the world. Following professionalization in the early 1990s, and the demise of several high-profile clubs due to financial mismanagement—as owners focused on extreme methods of utility and win maximization at their clubs—the organizing committee brought in the cap. The motivations for doing so are highlighted below (Premiership Rugby, 2022):

- ensuring the financial viability of all clubs and of the Gallagher Premiership Rugby competition;
- controlling inflationary pressures on clubs' costs;
- providing a level playing field for clubs;
- ensuring a competitive Gallagher Premiership competition; and
- enabling clubs to compete in European competitions.

As previously mentioned, salary caps impact on those organizations pursing different goals in different ways. For example, profit maximizers can then spend closer to the bottom of the cap to maximize the gap between their revenue and costs. On the other hand, win maximizers are able to spend at the cap limit to increase their chances of paying the talent that will hopefully give them the wins they crave.

Clubs operating within competitions with salary caps are expected to comply with these regulations, and any deviation from the accepted limits is dealt with harshly. One of the most successful teams of the recent era, Saracens, were found to have breached salary cap regulations for multiple seasons. The club were significantly fined and deducted multiple points, resulting in their relegation to the second-tier competition and effective ban from European competition.

By having a cap, clubs are forced to save money which can be used to put off any financial hardships that may occur, and make sure that the club does not go out of business, strengthening the league they operate in. However, while this does highlight that salary caps are beneficial for sports organizations, are they beneficial for the fans? The conclusions drawn from the work of Késenne and Pauwels discusses this in the following:

> win maximizing clubs not only hire more talents, but also charge higher ticket prices than profit maximizing clubs. Another finding is that higher player salaries do not result in higher ticket prices, but in lower optimal

ticket prices. Imposing a salary cap will lower the ticket price of large-market clubs but will raise the ticket price of small-market clubs. (Késenne and Pauwels, 2006, p. 16).

But with all this discussion on profit, utility, and win maximization, what does this actually mean for ticketing practices within sport and the consumers who buy them?

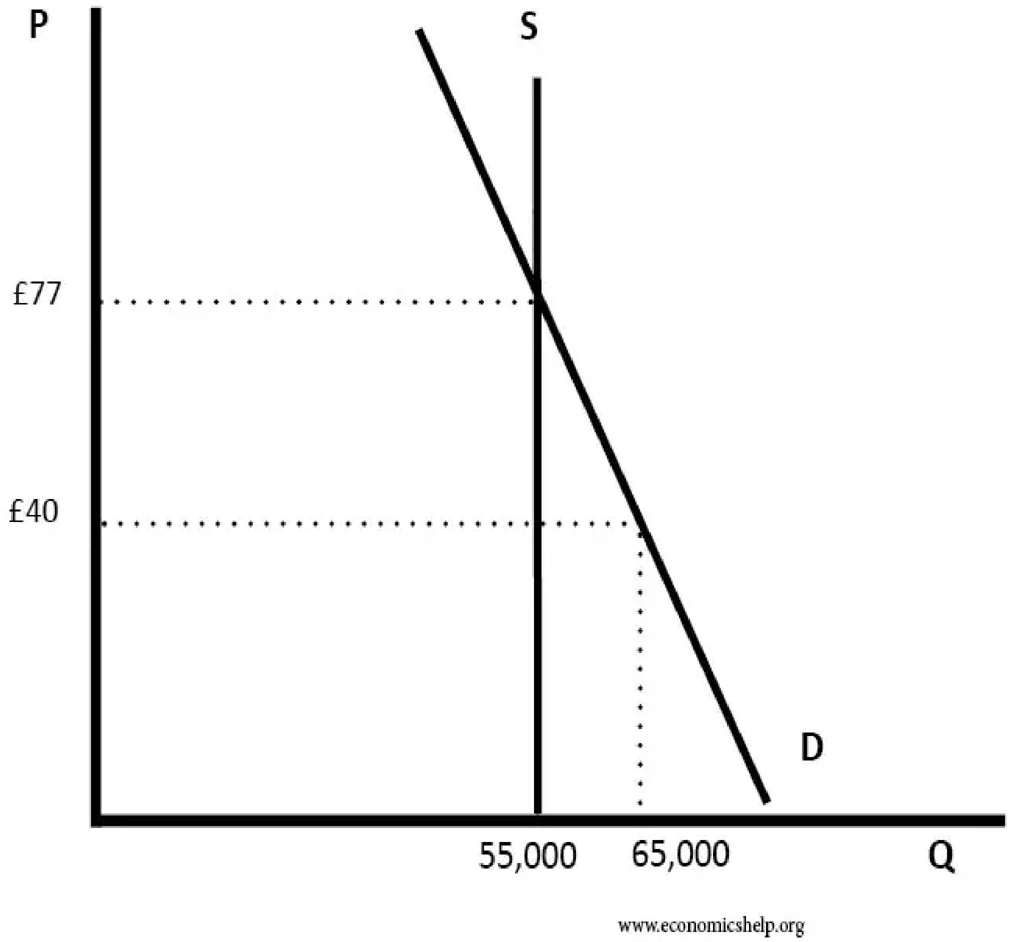
Ticketing: utility vs. profit maximization

As we already know, there are many revenue streams that football clubs now rely upon to generate their profit; hence, this could make it difficult to narrow the focus to purely ticketing when considering utility or profit maximization. However, Késenne and Pauwels (2006) argue that it is from attendance at the stadium that most other revenue is derived from. Merchandise, sponsors, and media interest are all likely to increase when stadium attendances are higher (Késenne and Pauwels, 2006). There are many other factors which need to be considered, some of which cannot be explained through just the models that we have focused on in this module, and we will come to these in due course.

Sports organizations sell tickets, and we have already discussed in the previous module quite how valuable these tickets can be to various revenue streams. Remember, it is not just the price of the ticket, but associated spend within the stadium by the supporters, which might include food, drinks and merchandise. Clubs must also recognize the marginal utility for the supporters when setting prices for items such as tickets, recognizing that even the most loyal supporters' experiences this to some degree.

When setting prices, factors that sports organizations must consider include price, quantity, sales, and demand; we can illustrate this in figure 4 from Pettinger (2016): P = price, Q = quantity, S = sales, and D = demand.

Figure 4. Factors that sports organizations must consider include price, quantity, sales and demand when setting prices



From *Are Premier League football ticket prices too high?* By T. Pettinger, 2016. *Economics Help*. https://www.economicshelp.org/blog/16096/economics/are-premier-league-football-ticket-prices-too-high/.

For the example, that is detailed in the figure, we are presuming that the club has a total capacity of just under 55,000 at its home stadium, and therefore, that is the maximum number of fans that they can have per match. By charging £77, the club is near enough to sell out their stadium and make a pure ticket revenue of £4.2 million per match day.

Of course, the club could charge only £40 as shown on this graph. this price would allow the club to make £2.2 million per match day, a reduction of £2 million compared to when tickets are priced at £77. By accepting the decline in revenue, this could give them the potential to sell up to 65,000 tickets. However, the capacity of the stadium remains fixed at just 55,000, limiting the amount of tickets that can be sold. This means that over 10,000 customers who want to be at the match cannot be. Often, these customers will transfer to a waiting list. The indication is that, if this occurs, the price being charged for the match tickets is below-market equilibrium, and the price being charged is not at the correct amount. While this is only an example, real life scenarios can also be seen; the English

Premier League clubs often sell out their stadium for match days, once again indicating that the ticket prices are lower than they should be, and the clubs should be charging more. Clubs that are profit maximizers will therefore always aim to increase prices when sell-outs occur.

Within a win maximizing club, research has suggested that ticket price turns out to be higher than in profit maximizing clubs. This may be due to the talented players demanded to keep winning and maintain utility. These players demand vast sums of money in wages and purchase price, requiring significant revenue. The demand for these tickers is also often high, as fans want to see winning teams, further increasing the price.

Ticket prices based on differing club approaches

Even though we have covered ticketing in relation to economic theory and suggested that some clubs, even in Europe, operate as profit maximizers, it is also worth discussing that not all decisions are made with this in mind, and some approaches may not follow any economic model, but with the aim of achieving other factors. Pettinger (2016) highlights some of these factors; PR for the club, corporate social responsibility, and other revenue.

As stated previously, sports clubs, particularly in football, sometimes do not operate as traditional businesses and are subject to many different pressures. Liverpool FC fans famously protested at the club, raising ticket prices to £77 for a match by walking out of the stadium during the game, with the club reconsidering its move due to widespread negative supporter reaction and press. The negative PR felt by Liverpool was a catalyst for them to reverse their pricing decision.

While Liverpool did attempt to be more profit orientated, some of those in charge of football clubs might also change tactics due to their desire to attract positive PR. For a recent example, the new owner of English Championship club, Hull City, Acun Ilicali, signalled his intention to reduce the cost of all tickets following his takeover. Ilicali's view was that he would rather have a full stadium than a bit more money (Cooper, 2021). This move is beneficial for the new owner, as it makes him popular among the club's fans, and for what could be a tricky period for the club as the takeover becomes reality.

Clubs with big stadiums might attempt to lure more fans in by charging a lower price, below-market equilibrium. This, of course, only works if the club has tickets to sell and space to do, so as we have spoken about before. The aim for this is to attract more fans into a place where they could be tempted to purchase other products such as food, merchandise, or further tickets to other matches at more expensive prices. There have been occasions where clubs have even gone as far as to put on free entry matches to encourage this type of attendance.

A further point suggested by Pettinger is the revenue from tickets has become less important. Within England in particular, the revenue gained from ticketing and match attendance has been overtaken in the top division by revenues from sponsorship and TV.

Due to this increase in these revenues, a number of clubs in the English Premier League could actually still make a profit despite playing in front of empty stadiums. Given this information, is common knowledge among supporters of these clubs, it is perhaps unwise for these clubs to charge amounts that would maximize the profit from the fans when it is not needed. This is a topic that was the subject of a quote widely attributed to former Bayern Munich president, Uli Holness:

> We could charge more than £104, let's say we charged £300. We would get £2m more in income, but what is £2m to us? In a transfer discussion, you argue about that sum for five minutes but the difference between £104 and £300 is huge for the fan. We don't think that the fans are like cows who you milk. Football has got to be for everybody, and that is the biggest difference between us and England. (Bayern Club President, Uli Hoeness, on the clubs' season ticket prices, 2021).

This quote perhaps encapsulates the idea of utility maximization in European sport best. Yes, more money could be made, but would it be for the wider benefit of the club, supporters, and sport?

What remains important is how this additional money is spent. While some organizations will use the money to increase the chances of victories, focusing on win maximizing, this may have consequences such as perhaps forgoing supporter experience.

We have already considered in brief the difficulties of finding out whether changes made by an organization have the desired impact and how we measure success, this combined with additional factors both internal and external to the organization will be discussed in the following section.

Internal and external factors acting on ticket price

An organized sport does not operate within a vacuum, and therefore it is of merit to discuss factors that can impact on the ticket strategy and price of sports organizations. While the goal of an organization might be to focus on utility or profit maximization, the league and other competitions that a team plays in might not allow for just one behaviour over the other. Brunkhorst and Fenn (2010) suggested some of the factors that could impact on a sports organization, regardless of a utility or profit maximizing approach.

This can be due to the location in which the sports organization operates in. An area that has a high amount of wealth in the population will often see their sports teams have higher ticket prices than those from less well-off neighbours.

It is also thought that by having high-profile players at teams or clubs, there will be an impact on ticket prices and attendance. Termed as 'star power', Brunkhorst and Fenn theorize that the more players of an exceptional standard—or unique attributes not necessarily related to performance—that are on a team, the more demand from fans for tickets. This increase in demand for tickets is likely to lead to higher ticket prices as clubs seek to maximize profits.

However, it appears that a more important driver for increasing attendance is, perhaps unsurprisingly, team success. We once again must acknowledge that sport is not a normal business, and dissatisfaction with results does not automatically mean fans will not continue to engage. While there will, of course, be some drop off in attendance for teams performing badly in a league, a number of fans of a particular club or team will continue to buy tickets, even if the team they are watching are not winning. As Brunkhorst and Fenn state, this is good news for the owners of these clubs, as they can still make a profit even if match outcomes are poor. Of course, though, people do want to watch a winning team over one that is losing. Existing research has shown that attendances at teams performing well and accumulating wins are likely to increase. This is true for both the current season and past ones, as teams that have been historically successful also experience high attendances due to the expectation that the team will win again. Studies on this subject have also found that as teams win and attendances rise, demand and ticket price will follow. The more successful the team, the more profit that can be gained. Although—as we have previously discussed—competitive balance is important, winning too often can actually be detrimental to attendances and as a result profit.

Clubs must also be mindful of the impact of substitutions; fans do display strong bonds with their teams, but that does not mean they will continuously attend fixtures. Matches that have been chosen for live television coverage will experience a decline of in-person attendance. Furthermore, some sports organizations do indeed have a monopoly within their areas and sports. Though often multiple sports organizations participating in different sports can be in the same area. If a location has more than one sports organization, then there is a threat of substitution from here as well.

Measures

The way in which we measure success differs depending on whether we are following a profit or win maximization method. We might initially consider that it would be simple to measure just the numbers of fans within the stadium on a match day; however, Terrien, Scelles, Morrow, Maltese and Durand (2017) argue that due to the multifaceted nature of this measure it cannot be captured by a single indicator.

This is not to say that looking at attendance figures does not have merit when deciding whether an organization focused on profit maximization has made the correct decision in terms of pricing. However, we must be aware that there are different objectives and pressures at play in sports. For example, the effectiveness of a club's corporate social responsibility and how it is viewed among its fan base and wider population in its home country or region can be of equal importance.

If we revisit figure 3 and the indifferences curves, we can perhaps see how else we can measure success. The sales difference lies between items available for purchase on a match day, tickets, merchandise, food and drink. The revenues derived from sales are easy to quantify through sales reports, and can give an indication of how pricing changes are impacting on consumer behaviours.

If a team is concentrating on win maximization, then they need to measure playing success, asking such questions as 'is the team winning leagues?' If the team is being successful, then they are meeting the objectives of a win maximizer. But they might also be concerned with the overall health of the league that the organization participates in. Are the wins coming too easily? And if they continue to do so, what does this mean for attendance and interest? Even though the organization is focused on winning, they cannot discount making profit entirely.

But what about the future? As we have noted earlier on in this piece, football, and sport in general, has moved on at great pace, as has the business alongside it. So, what does this mean for the future of the sport? Can our existing assumptions about how teams and clubs within these fields operate hold up?

The future and implications

What does the future have in store for these sporting organizations, their aims, and its fans? There is perhaps no doubt that sports organizations maintain an insatiable appetite for revenue, and this is unlikely to change. The quote from David Conn is 25 years old, but the aims of most top-level football clubs have not changed, and have probably accelerated in this time.

"Those clubs which have floated to become public companies – Manchester United, Newcastle United, Aston Villa, Chelsea, Tottenham – now have as their principal objective the making of money for their shareholders" (Conn, 1997, p. 154).

While the organizations' appetite for revenue continues, so does the fans' demand for live experiences; as such, sports organizations are overcoming capacity limits in different ways. Recently, a move towards a European Super League in football highlighted the desire for revenue and profit. In the National Basketball Association, the Golden State Warriors—based in California—have begun to sell tickets to their arena only on game days (Felt, 2018). If we consider that the Warriors are indeed a profit maximizing team participating in the lucrative NBA competition—based in the affluent state of California—then they seek to increase revenue at every opportunity. This, combined with the fact that they are one of the most successful teams of recent years, has a great impact on the arena in which they play, selling out regularly. So, how does a team which is limited by capacity for its games gain more revenue from a game day? The Warriors seem to have provided a solution by developing 'building only' game passes. These passes allow fans to access the arena on game day to all areas of the arena where you cannot see the court. Fans can wander the halls, bar areas, and food courts to soak in the atmosphere while watching the game on TVs, but will not be given the opportunity to see the actual live game. Felt (2018) provided a quote by ESPN's Darren Rovell, which, with the benefit of hindsight was a very good projection:

> Some people will rip the Warriors for selling a building pass with no access to the court. But a lot of people want to feel the energy from the crowd. At about $15 per game, they'll sell out of the 200 passes they are offering.

The organization did indeed get critically panned, but the passes did sell out. However, this appeared not to be enough for the organization, and, shortly after announcing this option, they then moved physically across the Bay Area from their home in Oakland to San Francisco. The reasons for the move are in truth complex, but a main driver was the thought of a new arena in the more affluent city with the potential for even more revenue for the team. Some sporting organizations have also begun selling tickets to live match broadcasts, pioneered during COVID-19 by some sports teams, leagues, and organizations. There is a growing acceptance that, by increasing profit, the additional finances can increase the likelihood of winning in these hyper-competitive leagues.

Summary

In this summary, let's recap some of the important things we have covered in this unit. While sport organizations do act like normal businesses in some aspects, in others, they do not. For example, European clubs often do not charge at the level, which would suggest they operate as profit maximizers, and that despite the development of the industry remain focused on winning matches and maximizing the utilities of those involved.

In terms of ticket prices, win maximizing clubs will often charge more for tickets than profit maximizing clubs, due to the need for large revenues to pay for players that will assist with their win maximization aims. The drive by the largest sports organizations for more revenue, and due to the slowdown in the last few years because of COVID-19, has made this even more important. But how fans respond to this drive for revenue in the future is unclear and will always be governed by the utility they receive from those purchases.

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