

Connecting the Economics of Art and Culture with the Economics of Sports

Reply to Bruce Seaman

Rob Simmons (Lancaster University)

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General Remarks

- I basically with Bruce's insightful comments
- Worthwhile to explore synergies and interactions between sports and cultural economics in future research
- I'll simply draw attention to a few possible developments in sports and cultural economics very much from a European perspective
- Mostly about team sports, not much to say about sports participation

The fan: Not just a consumer

- “It’s not the despair that is the problem for me, it’s the hope I can’t deal with” - Adrian Chiles, UK sports broadcaster and West Bromwich Albion fan
- West Brom relegated from English Premier League, 2017/18
- Fan attachment to a team- loyalty, habitual, sense of belonging to a community
- Only a small number of teams can win trophies in a given season
- Someone must come bottom- **promotion and relegation**: reward for success, punishment for failure

Chorley FC: The Magpies



Chorley FC

- Based in Lancashire
- 6th tier of English football
- 6th in 2017/18, lost in playoff competition for promotion
- Semi professional; grass roots, fan identification and connections with players
- No attempt to make profits, just break even
- Sponsored by local businessmen
- Rather like a repertory theatre
- 1000 fans per home game, fan loyalty, **habit, community involvement**
- Victory Park stadium, not in great condition, 5000 capacity
- Scope for art and cultural interactions? Yes: various promotional events, music, comedy, beer festivals

A different type of fan: the couch potato?

- TV viewing
- Not necessarily at home: on the move with smart phone or tablet
- Pub and club viewing: social dimension
- Looser, not as focused on the action
- New work on in play TV audience measurement plus probabilities of outcomes during a contest
- Bizzozero et al JEBO 2016 on Wimbledon mens' tennis
- **Surprise and suspense**, with surprise more important; possibility of an upset e.g. a young newcomer beats Federer

Sports as Excitement and Suspense

- Dramatic qualities
- Best enjoyed live so perishable
- Experience good
- Global appeal of some sports leagues e.g. EPL, NBA in China
- **Competition between leagues for global audience and for time and space within consumer leisure time-** back to Becker time and budget constraints as Bruce shows
- **High revenue growth for successful leagues: EPL, NFL and NBA**
- Where do smaller leagues fit within this? AFL?
- Rent seeking cf. FIFA World Cup
- Tensions between TV viewing and fan attendance at the stadium? E.g. short-term TV scheduling

Examples

- England 6 Panama 1: neither suspense nor surprise (apart from the 6!)
- Mexico 2 Germany 0: surprise with some suspense
- Spain 2 Morocco 2: surprise and suspense
- Melbourne 91 Collingwood 133: not much suspense as Melbourne was always behind in score; surprise that Collingwood was so much stronger?
- Buraimo et al 2018 on EPL: surprise and suspense both important with suspense having larger effect on TV audience demand

Do sports fans enjoy arts and cultural activities?

Depends on:

- Length of contest e.g. 5 day test match in cricket
- Distance travelled (Atlanta to New York for baseball game)
- Cost of travel: In Europe, budget airlines make travel cheaper. So football fans can arrive e.g to UK from different countries
- Makes definition of **market size** very ambiguous
- Complementarities in sport and culture- dining out, theatre, music

Price elasticity of demand for sports

- Bruce mentions the idea that demand for concessions can explain low price elasticity of demand
- Explanation works well if a) games are long enough for fans to enjoy the concessionary products and b) the share of concession spending in total spending on the sports event is high
- Doesn't really work for football- 90 minute games + 15 minute half time. Long queues at concession stalls, limited choice
- But there's another explanation: role of **travel costs**
- Forrest, Simmons & Feehan (2002): used a fan survey for 1 EPL season and found price elasticity **increased** when travel costs were included in a measure of generalised cost
- Cross price elasticities between sports and arts/cultural goods?
- Income elasticity of demand for sports and arts/cultural goods? Increasing for sports? But note adverse effects of 2008 financial crisis on e.g. baseball

Tourism Clusters

- Las Vegas Raiders (moving from Oakland)
- Las Vegas Knights- new NHL team, successful first season appearing in Stanley Cup finals
- But if there is an influx of sports fans what happens to hotel space?
- Studies on hotel occupancy and room rates
- Depken and Stephenson (2018) on sports events in Charlotte, NC
- Humphreys et al (2018) on Staples Center LA
- Significant displacement effects, rising room rates through increased demand. Local government distortions via tax waivers.
- New sports teams don't generate substantial economic impact. Need to rely on **intangible benefits** (Kavetsos and Szymanski, 2010)

Changing audiences?

- In football: more diverse, higher income, better educated- the 'prawn sandwich brigade'
- More diversity in age, gender, ethnicity
- Largely because stadia are safer and more comfortable in EPL (all seater, no hooliganism at least not in UK- other countries still have problems cf. Italy)
- Bruce is right to stress 'warm glow' effects of Championship wins and new stadia (Falter et al. on France)
- Product has improved- better pitches, better players
- EPL successful in attracting diverse players from around the world
- Fans have responded positively to this e.g. reduced racism in English football
- **Hypothesis to be tested: a more diverse sports audience is more likely to engage in arts and cultural activities**
- Back to Chorley FC: how to establish positive developments in both the football club and the local theatre?

How to buy a ticket for a sports event?

- Bruce rightly mentions importance of secondary markets and dynamic ticket pricing
- European sports clubs keep ticket management in-house as far as possible
- Secondary market via ebay etc.
- Helps make marketing connections with fans to sell more tickets and more merchandise
- Unlike US: StubHub and Ticketmaster as official ticket brokers and sponsors
- Europe: ticket and merchandising revenue kept by club, **not shared**

Dynamic ticket pricing: the future?

- Yes most likely but with conditions e.g. blocks of fans, segregation between home and away
- DTP great in principle for clubs to identify willingness to pay and extract consumer surplus
- Bruce mentions Kemper & Breuer on Bayern Munich
- DTP introduced by Derby County in England, see Kemper & Breuer, ESMQ 2016
- Key problem for Derby was need to avoid offending season ticket holders. Not such a problem for MLB.
- So DTP > season ticket threshold and pricing policy was made transparent on club website
- Also if fans perceive low prices via DTP strategy they won't buy till late
- Clubs (and theatres) want to avoid reputation for price cutting. So number of low price seats needs to be low cf. West End shows
- Lessons from hotel and airline industries.
- Prices rising towards game day, from evidence, but casual fans with high price elasticity may well revert to ebay etc.

The players

- The best players progress to the best clubs in the best leagues
- **Assortative matching (though imperfect; Coase theorem conditions don't really hold)**
- **Assuming freedom of movement**
- Bosman ruling helped promote freedom of movement of sports players within EU
- Also more liberal treatment of non-EU players in terms of work permits
- Positive productivity spillovers: strong empirical evidence from Europe and US (e.g. Kahane, Longley and Simmons, REStats on NHL)
- All this under threat with European (and US) nationalism and Brexit
- Shouldn't complain too much about Brexit- could give **natural experiment opportunities** for research!
- Analogies with artists, actors, musicians etc.