

## The Designated Player Rule in Major League Soccer: A study of Game-Specific Attendance

Clinton J. Warren, University of Minnesota

Stephen D. Ross (Advisor), University of Minnesota

**Economics**  
**Abstract 2009-003**

**May 28, 2009**  
**8:00 AM**

**25 minute oral**  
**(Richland A)**

In 2006, the Board of Governors for Major League Soccer (MLS) passed the Designated Player Rule. This rule was adopted as part of a set of salary cap regulations prior to the 2007 MLS season (MLS Press Release, November 11, 2006). As a result of the rule, the Los Angeles Galaxy of the MLS was able to sign international superstar David Beckham. As such, the rule was nicknamed "The Beckham Exception." Beckham signed the most lucrative player contract in the history of MLS, being paid \$6.5 million per year for five seasons (Associated Press, 2007). While Beckham has clearly been the most notable acquisition for MLS under the Designated Player Rule, other star players have joined the league following the rule's implementation. Five clubs have chosen to exercise this salary cap exception and sign designated players: Los Angeles Galaxy, Chicago Fire, D.C. United, New York Red Bulls, and Kansas City Wizards.

It is clear that Beckham has had a significant effect on game-specific spectator attendance at MLS matches. The LA Galaxy averaged a league leading 26,009 spectators at home, and the club's average road attendance was approximately 28,035 (Sports Business Journal, November 3, 2008). However, it is decidedly less clear what impact the other designated players have had on attendance. In fact, average league attendance fell to 16,459 in 2008, a drop of 1.8% from 2007, and television viewership dropped from an average of 289,000 to 253,000 viewers (Sports Business Journal, November 3, 2008). As a salary cap regulation, the designated player rule allows a MLS club more financial flexibility. David Beckham receives the richest MLS contract; however, the other designated players are paid much more than the rest of the players in MLS as well. The average salary for the other five designated players is approximately \$1.5 million per season. In contrast, the median MLS player's salary is approximately \$53,000 (MLS Players Union). With falling attendance and television viewership, MLS clubs may not be equipped to engage in the type of spending allowed under the Designated Player Rule. The MLS Board of Governors must review the Designated Player Rule upon completion of the 2009 season and need to arrive at a decision regarding the future of this rule. Research regarding the impact of the Designated Player Rule is now needed. Previous research analyzing MLS spectator attendance has revealed that signing a star player at a record-high salary can be a financial advantage to the league, in the short-term (DeSchrive, 2007). It was shown that investing approximately \$500,000 in the contract of Freddy Adu in 2004 resulted in statistically significant increases in spectator attendance, and that this increase represented substantial growth in ticket revenue (DeSchrive, 2007). However, the Designated Player Rule has allowed for much greater spending power for MLS clubs. Researchers have shown that estimating multiple-regression equations can be an accurate way to predict spectator attendance (DeSchrive 2007, Donihue, Findlay, & Newberry, 2007, Jewell & Molina, 2000). Therefore, the purpose of this study was to analyze the relationship between game-specific attendance data and the presence of a designated player in 2008 MLS league games. Specifically, the current study examined games in which designated players (other than David Beckham) were present.

Data were collected from the 2008 MLS regular season. The 15 member clubs in MLS combined to play 209 matches that were part of the league's regular season schedule. Of these 209 contests, at least 1 designated player was present in 125 games and 84 games were played in which no designated players were present. A demand model for attendance during the 2008 MLS regular season was estimated using a multiple-regression analysis. As with previous attendance demand studies, spectator attendance was analyzed as a function of various explanatory variables (DeSchrive 2007, Donihue, Findlay, & Newberry, 2007, Jewell & Molina, 2000). This study included 22 explanatory variables for attendance: the expected presence of a designated player (other than David Beckham), the overall number of designated players expected to appear, whether or not the game was played in a soccer-specific stadium, day of the week, weather, promotional activities associated with the game, quality of the home team, quality of the away team, and a fixed-effects variable representing each MLS market. Each variable will be discussed in detail.

The regression model was found to be significant ( $F = 10.534(178)$ ,  $p < .001$ ), explaining approximately 57% of the variability in game-specific attendance. The model revealed that 8 of the 22 explanatory variables were statistically significant at the .05 level. The significant variables in this attendance model included: day of the week ( $t = 2.645$ ,  $p = .009$ ), promotional activities associated with the game ( $t = 3.966$ ,  $p < .001$ ), quality of the home team ( $t = 4.075$ ,  $p < .001$ ), and 4 of the fixed-effects variables representing MLS markets. The statistical significance and implications of each explanatory variable will be discussed in detail. Specifically, the results of this study indicate that when controlling for the Beckham effect, and extreme outliers, the expected presence of a designated player did not have a statistically significant affect on spectator attendance at the .05 level ( $t = .785$ ,  $p = .434$ ). The ability to evaluate the Designated Player Rule in terms of spectator attendance allows MLS to begin reviewing the impact the rule has had on the league. This information is valuable to MLS as the league determines the future of this rule. When evaluating its effect on spectator attendance, the league should consider revising the Designated Player Rule.