An Investigation of the Factors Predicting Broadcast Rights Fees for Intercollegiate Athletic Conferences

Jonathan A. Jensen, The Ohio State University
Brian A. Turner (Advisor), The Ohio State University

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Demand for live sports events among broadcast rights holders has increased considerably, fueled by increased digital video recorder (DVR) penetration, media fragmentation and the attractiveness of the demographics of viewers among advertisers (Jensen, 2012; Ourand, 2011). The increased demand has caused a rapid escalation in the rights fees rights holders are willing to pay for sports programming, and is driving much of the growth of the sport industry today (Ourand, 2011). Beginning in 2014, the National Football League (NFL) and its 32 teams will receive nearly $6 billion in revenue annually via contracts with their network partners, while Major League Baseball (MLB) recently agreed to new contracts with FOX, ESPN and Turner Broadcasting System (TBS) worth more than $1.5 billion annually (Lee, 2012; Ourand, 2012).

This growth in the demand for live sports programming has also impacted intercollegiate athletics significantly (McEvoy & Morse, 2007; Ourand, 2011). In 2010-11, the National Collegiate Athletic Association (NCAA) received more than 81% of its total revenue ($845.9 million) via its contracts with TBS and CBS to broadcast the NCAA Division I Men's Basketball Championship (NCAA, 2012). Intercollegiate athletic conferences have also generated a significant amount of revenue for the conference and its members via television contracts. The Atlantic Coast Conference (ACC) recently agreed to a 12-year, $1.86 billion contract with ESPN through the 2022-23 season, while the Big 12 Conference agreed to a $2.6 million, 13-year agreement with rights holders ESPN and FOX (Smith, 2012). Consistent with the resource-based view (Barney, 1991), firms seek resources that will create a sustainable competitive advantage. The sale of broadcast rights is an important source of revenue for sport organizations (Fort, 2011; Tainsky, 2011). In the case of intercollegiate athletic conferences, it is theorized that conferences will seek members whose on-field success and off-field prestige will increase the revenue they may receive from the sales of their broadcast rights, with the goal of creating a competitive advantage over other conferences. Further, the economic concepts of demand, scarcity and the relative level of quality (Fort, 2011) suggest that rights holders are willing to pay higher prices to broadcast contests involving institutions that are in higher demand among consumers (as reflected by higher television viewership). Therefore, it is expected that variables reflecting a program's success and stature will have a statistically significant impact on the rights fees received by conferences for their broadcasts featuring contests involving these schools.

Most of the existing research on intercollegiate athletic conferences and the demand for individual schools within those conferences have focused on their effects on competitive balance within the conference (Depken & Wilson, 2004; Dittmore & Crow, 2010; Perline, Stoldt & Vermillion, 2011; Quirk, 2004; Rhoads, 2004) and on the attendance at the school's athletic contests (Groza, 2010; Price & Sen, 2003). Much of the television-related research on college sports has also focused on its impact on competitive balance (Bennett & Fizel, 1995) and attendance (Fizel & Bennett, 1989; Kaempfer & Pacey, 1986). However, there is a growing body of research that models the viewership for football telecasts based on game-related variables (Tainsky, 2010; Tainsky & McEvoy, 2011; Tainsky, Xu & Zhou, 2012).

This study sought to fill a gap in the existing literature by modeling the broadcast rights fees received by intercollegiate athletic conferences based on a variety of institution-level variables, including on-field success, off-field factors and the institution's academic reputation. These findings have significant implications for administrators at both the institutional and conference levels, as well as broadcast rights holders bidding on the broadcast rights of conferences and individual institutions.

The authors of this study focused on the top eight conferences as ranked by average football attendance during the 2011 season (i.e., the SEC, Big 10, Big 12, Pac 12, ACC, Big East, Mountain West, and Conference USA) (NCAA, 2012). Variables related to an institution's on-field success have been utilized throughout the literature to estimate demand

for the school's football team (and in the case of this study, potential attractiveness to a television network) and have included such variables as the number of years a school has fielded a team (Price & Sen, 1997), number of bowl appearances (Groza, 2010; Price & Sen, 2007), historical winning percentage (Kaempfer & Pacey, 1986) and Sagarin computer rating (Groza, 2010). Variables not directly related to a team's on-field performance have included average attendance (Groza, 2010), stadium capacity (Price & Sen, 1997), percent of stadium capacity (Fizel and Bennett, 1989; Groza, 2010), and school enrollment (DeSchriver & Jensen, 2002). The number of television households in each school's Nielsen Designated Market Area (DMA) was also compiled, as it is an appropriate measure of the size of a market in the eyes of broadcast rights holders (Althaus & Trautman, 2008; Tainsky, 2010; Wilbur, 2008). The authors of the study also investigated the potential impact of a school's academic reputation on rights fees by including a variable indicating each institution's standing in the 2013 U.S. News and World Report "Best Colleges" ranking, an increasingly important measure of an institution's academic reputation (Meredith, 2004).

In all, a total of 13 different variables were compiled. Multicollinearity issues were apparent among several variables, as six had tolerance values less than .10 and VIF values greater than 10. Given the exploratory nature of the study, a sequential regression procedure was utilized to produce a model that predicted a significant proportion of the total variation in the conference's rights fees ($F(4, 85) = 27.959$, $p < .001$) and did not exhibit any multicollinearity issues. In addition, tests were performed to ensure that independence, homogeneity of variance, linearity and normality were not unreasonable assumptions. The variables included in the model were the number of years the institution has had a football team (YRSFOOT) ($p = .059$), stadium capacity (STADCAP) ($p = .041$), percent capacity (PCTCAP) ($p < .001$) and the school's ranking in the U.S. News and World Report (USNWR) ($p < .001$). A total of 56.8% of the variation in rights fees was predicted by these variables. Estimated power is at the maximum, 1.00.

The unstandardized partial slope for YRSFOOT (55632.413) indicated that for every additional year an institution has been playing football, it should realize an additional $55,632 in rights fees for its conference, while the slope for PCTCAP (163829.428) indicated that every 1 percentage point increase in the percent capacity of an institution's football stadium should result in an additional $163,829 in rights fees. The slope for STADCAP (65.104) suggested that each additional seat in the institution's football stadium is worth $65 in rights fees (or more than $650,000 for every 10,000 additional seats). The slope of the academic variable (USNWR) was negative (-54742.656), indicating that for every one spot an institution drops in the U.S. News and World Report rankings, the institution should be worth $54,743 less in rights fees for the conference.

The study provided empirical evidence that an institution's academic reputation and attendance-related factors, in addition to its on-field success, should be considered when determining its potential attractiveness for a conference (as measured by rights fees). The model can be also utilized to estimate the amount in rights fees an individual institution could earn for a conference. These and other additional findings of the study will be discussed, along with potential future research studies.