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Should San Jose say “No Way” to the Oakland A’s?

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For more than 10 years, the Oakland Athletics (A’s) have desired to move to a new stadium. The O.co Coliseum (formerly the Oakland Alameda County Coliseum, Network Associates Coliseum, McAfee Coliseum and Overstock.com Coliseum) has been their home facility since the team moved to Oakland from Kansas City in 1968. The facility was once considered by many to be one of the nicer venues in Major League Baseball (MLB) because of the prominent views of the Oakland hills that it offered fans. However, since the National Football League’s (NFL) Los Angeles Raiders returned to Oakland in 1995 the facility has undergone extensive remodeling that has made it less “baseball friendly.” In addition, since 1995, numerous MLB facilities have either undergone extensive renovations or have been replaced with new facilities, leaving the A’s in a precarious financial position since their facility now lacks many of the revenue-generating amenities common in most other MLB facilities.

One of the A’s potential relocation options is San Jose, located in Santa Clara County 40 miles south of the A’s current Oakland location. The city of San Jose has repeatedly expressed its interest in accommodating the A’s by providing support for a new facility (“City of San Jose Memorandum,” 2011). The A’s have been unable to move south from their current Alameda County location due to a conflict with the San Francisco Giants, the team which currently “controls” Santa Clara County as part of its territory (Toyofuku, 2011). Though the dispute concerning the potential move of the A’s into the Giants’ territory has generated considerable local interest and academic study (Nagel, Brown, McEvoy, & Rascher, 2007), the A’s potential marketing and financial impact upon the National Hockey League’s San Jose Sharks has not been closely examined. This presentation will analyze the impact the A’s potential move to San Jose will have upon the Sharks. In addition, it will also detail the financial ramifications that will potentially impact the city of San Jose and Santa Clara County, an important, and often ignored, consideration since public money will likely be utilized to attract the A’s if MLB and the Giants resolve the territorial dispute. The analysis of the A’s potential relocation will provide information pertinent to other potential professional sport franchise relocations.

A variety of research studies have investigated the impact of professional sport teams upon their territorial neighbors. In the majority of cases, research has focused upon the impact of ticket sales when there are multiple teams in the same market competing for potential fans. Noll (1974) estimated that the average NHL per game attendance is 2,800 lower in the “average” city with three other professional sports teams and inter-sport competition reduces MLB season attendance by 250,000 (21%) in an “average” baseball city. Winfree, McCluskey, Mittelhammer, and Fort (2004) found that the closer two teams are, the lower attendance is at each team relative to two teams that are farther apart. Their findings included data that indicated that when the A’s moved from Kansas City to Oakland in 1968, the Giants attendance decreased by one third. Boyd and Boyd (1998) discovered that the amount of other recreational activities, including other professional sport franchises located within a metropolitan area, has a significant effect on home attendance in MLB.

Though attendance is an important consideration in a potential analysis of franchise relocation, other factors including overall revenues, value of media contracts, sponsorship agreements, and luxury suites sales should also be considered. Depken’s (2001) research indicated that a MLB team with attendance at the league average will lose about \$6.3 million in gate revenue per season for each other competing franchise located in that city and an even greater negative revenue effect for cities hosting more than one MLB team. Alexander and Kern (2004) found that relocation does not have a statistically significant impact on franchise value, but playing in a new facility does create a statistically significant impact on franchise value.

The limited amount of research in this area led the authors to solicit information regarding private studies of the relocation of franchises into other territories. Though there have been multiple examples of professional sport franchises moving to new territories, it appears that no private studies exist regarding the financial impact. The

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Washington Capitals and Washington Wizards explanation that they had not conducted an analysis of the financial impact of the movement of the Montreal Expos to Washington D. C. (to become the Nationals) was particularly interesting because Baltimore Orioles owner Peter Angelos demanded significant financial concessions from MLB for the “harm” that the Nationals would cause his team located 70 miles away (Borawski, 2004).

Since there are limited academic studies that investigate the overall effect of a new team upon other professional sports franchises in the area, the authors utilized a variety of primary and secondary data to complete their analysis of the potential impact of the A’s moving to San Jose. In particular, the authors attempted to note the economic impact of a potential decrease in Sharks attendance upon the local economy. Though data from other franchise relocations, such as the Expos’ move to Washington D.C., was utilized in the analyses, the unique nature of the A’s potential move (since they are already in the San Francisco-Oakland-San Jose metropolitan area) was the focal point of the study. The results of the study, and its potential application to other professional sport franchise movements into new territories (e.g. moving an NFL team to Los Angeles), will be discussed.