The Commercial Value of Amateurism: An Examination of the Procompetitive Presumption by Measuring Consumer Interest in NCAA Football

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The future of amateurism in NCAA athletics is unclear following the Supreme Court of the United States’ decision to decline certiorari in O’Bannon v. NCAA (2015). In O’Bannon, the Ninth Circuit Court of Appeals opened the door to the possibility that a class of plaintiffs could proffer enough evidence to overcome a procompetitive presumption that amateurism is “essential” to the creation of the NCAA’s products. The presumption stems from Justice Stevens’ seminal dicta in NCAA v. Board of Regents of the University of Oklahoma (1984) in which amateurism was described as necessary to creating a college football product that promoted competition by widening consumer choice. According to Justice Stevens, amateurism was a primary driver of consumer demand for college football and therefore was as important to the survival of the game as its constitutive rules. Prior to O’Bannon, a line of federal circuit court decisions relied on Justice Stevens’ dicta from Board of Regents in fashioning a procompetitive presumption that precluded Rule of Reason review of NCAA rules that regulated amateurism. In O’Bannon, however, the United States Court of Appeals for the Ninth Circuit rejected the “dubious proposition” that the NCAA’s eligibility rules governing amateurism were “virtually exempt” from antitrust scrutiny. In applying the Rule of Reason to the NCAA’s amateurism provisions the majority found that they failed to provide any direct economic evidence that disproved consumer interest in the “revered tradition of amateurism.”

This study follows the reasoning in O’Bannon by being the first to directly test the strength of the procompetitive presumption through an examination of the effect that an increase in stipends has on consumer interest in NCAA football. A study of this type is now possible because the amounts provided to college athletes changed for the first time in forty-two years in August 2015. With that change, the NCAA extended its limits from grant-in-aid, which only covers direct academic-based expenses (e.g. tuition, books, room and board), to include the full cost-of-attendance, which also covers some personal expenses (e.g. cell phones). In this study, an economic approach is employed to model the factors which are important in determining demand in college sport. Specifically, a model is derived from previous studies where it is theorized that the consumption of sport is a function of a number of: the quality of teams, market potential and economic factors, supply capacity, quality of viewing, and consumer preferences (Bird, 1982; Borland & Macdonald, 2003). Prior economic studies on the demand for college sport initially focused on television broadcasts (Bennett & Fizel, 1985), and the relationship which may exist between viewship numbers and live attendance in NCAA football (Fizel & Bennett, 1989; Kaempfer & Pacey, 1986). Indeed, while studies have expanded their scope to consider consumer interest in attending college football games in person (Price & Sen, 2003), there are still relatively few studies providing in-depth empirical examination of the demand for the NCAA. Thus, this research makes important contributions in not only considering the importance that changes in payments to student-athletes have on consumer interest in the NCAA, but also helps to extend the theoretical and empirical understanding of college sport demand. Notably, the present research also extends the literature in providing two levels of analysis by examining both live attendance as well as the viewship numbers for NCAA football games.

In order to estimate the results through the use of multiple regression analysis, data was collected for every NCAA football game played by all 64 teams in conferences that are part of the Power Five, the highest echelon of programs in college. For this research, data was gathered from the 2014 and 2015 seasons, in order to be able to provide a point of comparison for consumer interest before and after the increase in student-athlete stipends was approved by the NCAA. The data on student-athlete stipends was collected from the USA Today database that published the exact dollar amount of the increases in value as reported by most schools. The rest of the data for this research was collected from the websites of each athletic department, except for the viewship numbers which was reported by some television networks. It is important to note that in a number of instances, there was missing data due to either
schools not reporting student-athlete stipends, or because some games were played on networks that did not release ratings or viewership. Thus, because of the missing observations, the final data set for Model 1 measuring live attendance employed 696 observations, while Model 2 analyzing television demand had 381 useable observations.

Next, in order to estimate the results for this research, multiple regression analysis was used. Due to the panel nature of the data, a Hausman test was conducted on both a Generalized Least Squares (GLS) model with random-effects, as well as an Ordinary Least Squares (OLS) regression with fixed-effects to test which method would be the least biased. The results of the Hausman test (p < 0.05) indicated that the GLS with random-effects was suitable for this study, and thus was used to estimate both models. Furthermore, the use of a GLS is also appropriate for this research, as it allows for the inclusion of conference dummy variables which are time invariant. Returning to the main research question of this research, the results from both models found that the changes to the stipends were insignificant in relationship to both attendance and television viewership, indicating that consumers are not sensitive to the increased payments provided to student-athletes. In regards to other significant results, the research also found that ranked teams, timing of contests, and certain weather conditions all were important factors in determining attendance.

The results from this study provide evidence for the position that athlete compensation limits are not necessarily “essential to the creation of the product” of NCAA football for Power Five programs. It is possible that changes to a product that negatively influences a primary driver of consumer demand could potentially produce a decline in the consumption of that product (Baimbridge et al., 1996). For decades, the NCAA had insisted that any change in athlete compensation, even if slight, would cause irreparable harm to consumer interest in its products (Baker, Maxcy & Thomas, 2010). However, the results estimated from multiple models revealed no such negative influence in the consumption of college football for Power Five programs following an increase in athlete compensation. While this does not indicate that there is some form of consumer interest in amateurism, the results are analogous to similar investigations revealing that there was not a decline in demand when the Olympics transitioned to allowing professional athletes in competition (Moyer, 2015). What can be inferred from the findings of this study is that courts should consider rejecting the procompetitive presumption from Board of Regents that consumer interest in college football is dependent on limits to athlete compensation. The analysis provided within this research does not preclude the possibility that there may be a point at which amounts in excess of those provided through cost-of-attendance stipends negatively influence consumer demand for college football. However, courts should rely on empirically-produced research in determining the procompetitive nature of amateurism by actually measuring consumer interest in the concept.