

Financial issues in the sporting industry

In recent decades, financial and managerial issues in sport have become increasingly important and complex. According to *Forbes Magazine* (Heitner, 2015), the North American sports market revenues were an estimated 63.6 billion USD in 2015 and are expanding at an annual rate of 7.2 percent. By comparison, only 66 countries had higher gross domestic products in 2015 (International Monetary Fund, 2016) and only 12 national GDPs grew at a higher rate in 2014 (World Bank, 2015). In Europe, the sporting sector's share of GDP is comparable to that of agriculture, forestry, and fisheries combined (European Commission, 2014). In economic terms, the industry appears to be a luxury good across many regions of the world (i.e. growing at a higher proportional rate than are overall income levels). In places such as North America, the sports industry is therefore expanding not only in absolute size but also in proportional share of economic activity.

Moreover, the sports industry has become increasingly complex, as sources of revenue are increasingly varied and shifting. By 2017, it is projected that media rights will be worth more than gate revenues within the North American sports industry. In 2010, by comparison, media rights revenues were just 58 percent as large as gate revenues within the North American sports industry (Heitner, 2015). Innovations such as high definition television and multi-angled instant replay have greatly increased the value of home viewership. Sponsorships revenues also have the potential to eclipse gate revenues in magnitude within the coming decade.

The trends of increasing importance and complexity have important implications upon sports betting markets, viewership, and ticket pricing, collective bargaining agreements between players and owners, stadium financing arrangements, tournament bidding processes, and the relationship between performance and revenues.

This Special Issue seeks to address several of the most important issues in contemporary sport. Articles 1 and 6 (Paul *et al.*, 2016; Brook, 2016) consider the subtle relationships between team performance, fan interest, and revenues in sport. These studies highlight the related roles of outcome uncertainty and home team performance in promoting game attendance. Articles 2, 3, and 4 (Boudreaux *et al.*, 2016; Potter, 2016; Alakshendra, 2016) examine the complex and often controversial role of public finance in sport, with Article 2 considering the financial and managerial aspects of the FIFA corruption scandal and Articles 3 and 4 analyzing professional sports stadium financing. Articles 7 and 8 (Bouchet *et al.*, 2016; Chang *et al.*, 2016) address dynamic aspects of sports ticket pricing. These articles consider the effect of other revenue streams and of future games upon the price of a gate ticket. Article 5 (Sadler and Sanders, 2016) analyzes financial and bargaining aspects of the 2011-2021 National Basketball Association Collective Bargaining Agreement.

Collectively, the articles consider financial issues across a number of different sports and also at different sporting levels. However, the Issue also demonstrates that many financial issues in sporting events are universal. Financial activities such as ticket pricing or bargaining tend to have common attributes and outcomes across sporting environments. Another common theme throughout the Issue is that owners, managers, and players often find themselves locked in a zero-sum battle to divide the returns from

sporting events. These battles feature complexities such as asymmetric information that can lead to stalemates and canceled matches. From all of these layers, we obtain an expanding sports industry that incentivizes athletic feats that are on the frontier of human possibility.

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