

## **SPORTS ECONOMICS AND POLICY**

**A Term - Fall 2022**

**Monday 6:00pm – 9:15pm**

**Room: Kravis 440**

Professor Sunil Gulati  
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**COURSE DESCRIPTION:** The course examines economic and policy issues raised by the rapid changes in the contemporary sports industry. The focus is on understanding the implications of industry structure, economics, law and culture in both the domestic and international sports businesses (especially soccer), with an emphasis the media sector and on how these factors may impact the post pandemic world for various stakeholders. In addition, we consider various forms of public and self-regulation designed to improve the effective operation of sports businesses in the face of this transformation.

Grades will be based on a combination of your attendance, class participation, weekly short homework assignments, a project outline, and a group project. The project outline is due the Friday before session #4 (September 26<sup>th</sup>). The group project will be due before the start of class session #5 (October 3<sup>rd</sup>) and two of the groups will be asked to make short presentations of their work during the final session (#6 - October 10<sup>th</sup>). A schedule for the classes is listed below, though we reserve the right to make changes primarily due to the availability of guest speakers.

**EVALUATION:** will be based on four criteria: (i) a Group Project (50%): Groups will be randomly assigned at the first class session and the project will be due at the start of the 5<sup>th</sup> session. Two groups will be selected to present their projects during the last class. (ii) Class participation (25%) TA keeps track of participation and attendance; (iii) Homework (15%): Due each week before the start of class starting on week 2 through Canvas; and (iv) Project Outline (10%) Due by 5pm on Sept 23<sup>th</sup> through Canvas.

**ATTENDANCE POLICY:** Students are required to attend each class and first class attendance is mandatory. Students should reach out to the instructor or TA to seek an excused absence (for religious observances; personal, medical, and family emergencies; military service; court appearances such as jury duty). Note that if a category of absence provides a legitimate basis for excuse, if the student has adequate notice it is his/her responsibility to arrange for the class to be taped. Only after the student confirms that the tape has been viewed is an excused absence granted. Unexcused absences will affect your course grade. It is the student's responsibility to confirm the accuracy of attendance records with the TA on an ongoing basis.

- Students that miss **33%** of their classes (2 unexcused absences or more) will at most receive a **P for the course grade**
- Students that miss **50%** of their classes (3 unexcused absences or more) will receive a **F for the course grade**

**INCLUSION, ACCOMMODATIONS, AND SUPPORT FOR STUDENTS:** At Columbia Business School, we believe that diversity strengthens any community or business model and brings it greater success. Columbia Business School is committed to providing all students with the equal opportunity to thrive in the classroom by providing a learning, living, and working environment free from discrimination, harassment, and bias.

Columbia Business School will make reasonable accommodations for persons with documented disabilities. Students are encouraged to contact the Columbia University's Office of Disability Services for information about registration. Students seeking accommodation in the classroom may obtain information on the services offered by Columbia University's Office of Disability Services online at [www.health.columbia.edu/docs/services/ods/index.html](http://www.health.columbia.edu/docs/services/ods/index.html) or by contacting (212) 854-2388.

Columbia Business School is committed to maintaining a safe environment for students, staff and faculty. Because of this commitment and because of federal and state regulations, we must advise you that if you tell any of your instructors about sexual harassment or gender-based misconduct involving a member of the campus community, your instructor is required to report this information to a Title IX Coordinator. They will treat this information as private, but will need to follow up with you and possibly look into the matter. Counseling and Psychological Services, the Office of the University Chaplain, and the Ombuds Office for Gender-Based Misconduct are confidential resources available for students, staff and faculty. "Gender-based misconduct" includes sexual assault, stalking, sexual harassment, dating violence, domestic violence, sexual exploitation, and gender-based harassment. For more information, see <http://sexualrespect.columbia.edu/gender-based-misconduct-policy-students>.

### Session 1: (September 9) Intro to Sports Economics and Industry Structure (Professor Gulati)

- (1) Class overview and organization
- (2) Microeconomics tools and sports
- (3) The structure of professional sports in the U.S.
- (4) Taking A Knee: Pre and Post George Floyd

#### Readings:

1. Richard H. Thaler, "Anomalies: The Winner's Curse." *The Journal of Economic Perspectives*, Vol. 2, No. 1. (Winter, 1988), pp. 191-202.
2. Jeffery Borland and Robert Macdonald, "Demand for Sport" *Oxford Review of Economic Policy*, Vol. 19, No. 4 (2003), pp.478-502.
3. Stefan Szymanski, "The Economic Design of Sporting Contests." *Journal of Economic Literature*, Vol. 41 (Dec., 2003), pp. 1137-1187.
4. Allen Sanderson and John Siegfried, "Thinking about Competitive Balance." *Journal of Sports Economics*, V.4, Issue 4, 2003. pp. 255-

#### Project groups assigned

### Session 2: (September 12) Sports Value Chain and Value in Sports (Professor Knee)

- (1) Key factors determining how much value there is and who captures it
  - (2) Key factors determining where superior investment opportunities are likely to be (and not be) in sports
- Cases:** Bharat N. Anand and Kate Altea, International Management Group (IMG), HBS case 9-702-409, Sept. 16, 2002

**Guests:** **George Pyne, CEO, Bruin Sports Capital;**  
**Don Cornwell, Co-Founder, Dynasty Equity**

#### Readings:

1. 2014 financing documents, WME acquisition of IMG. (P15-30, 36-37).
2. Endeavor Group Holdings form S-1 (P1-11).
3. Alex Wittenberg et. al, Private Equity Funds are Pushing Deeper Into Pro-Sports, Bloomberg, March 24, 2022.
4. Sam Carp, From New York to Mumbai, Fanatics to Dream Sports, and NFTs to connected fitness...breaking down the sports tech investment scene, *Sports Pro*, June 30, 2022.
5. Jabari Young, Private equity invaded sports in 2021 with nearly \$2 billion in deals, and the NBA was in high demand, CNBC, February 7, 2022
6. Alex Weprin, "Regional Sports Networks Plot Streaming Future Without Pay TV Bundle," *Hollywood Reporter*, July 1, 2022.
7. William D. Cohan, "Machiavelli and Mogul," *Vanity Fair*, November 21, 2011.

#### Key Questions:

- (1) Where does the value lie in the talent value chain? In sports who has leverage-athlete, agent, agency, team, league, broadcaster?
- (2) What should one look for as critical qualities of attractive sports businesses to invest in?
- (3) What drove the changes in the composition of IMG from the time of the case to its sale to WME and to its IPO this year?

### Session 3: (September 19) Media Rights Deals (Professor Knee)

- (1) Key trends in cost, structure and exploitation of sports rights
  - (2) Apple purchase of Major League Soccer streaming rights
- Cases:** Anita Elberse and Elizabeth Warner, the NFL's \$110-Billion Media Rights Deals, HBS Case 9-522-090, May 5, 2022.

**Guests:** **Sean McManus, Chairman, CBS Sports; Gary Stevenson, President and Managing Director of MLS Business Ventures**

#### Readings:

1. Bharat Anand, "Spillovers," from *The Content Trap*.
2. History of Sports Rights Fees 1966-2002, Exhibit 6, from Victoria Chavez and George Foster, Fox Sports and News Corp., Sports Empire, Stanford Graduate School of Business, September 3, 2003.
3. JP Morgan, "Sports Rights Almanac 2022," North American Equity Research, July 11, 2022. (P1-11).
4. Steve McCaskill, Apple and MLS: What the US\$2.5bn deal tells us about soccer and streaming in the US and beyond, *Sports Pro*, July
5. Alex Silverman and John Durand, Apple of Their Eye: How the Major League Soccer deal went down, why other leagues are watching, *Sports Business Journal*, June 20, 2022.

#### Key Questions:

- (1) Was News Corp's decision to outbid CBS for football rights for 1994-1997 wise financially and/or strategically? Do you think those are different questions?
- (2) What are the most significant current trends (pricing, bidders, structure, duration, etc.) in sports rights deals?
- (3) What criteria did the NFL apply in selecting media partners and structuring deals?
- (4) What makes a party the "best" licensor of particular rights? Is Apple the "best" holder of MLS streaming rights?

#### Project outline due by Friday, September 23<sup>rd</sup>

### Session 4: (September 26) The Impact of Digital Platforms (Professor Knee)

- (1) Emergence of SVOD and OTT platforms
  - (2) Emergence of other sports digital models
- Cases:** Anita Elberse and Brett Laffel, Major League Baseball Advanced Media: America's Pastime Goes Digital, Harvard Business 9-510-092, February 28, 2011

**Guests:** **John Skipper, CEO, Meadowlark Media; Former President, ESPN**

### Readings:

1. BAMTech marketing materials
2. "Disney Invests \$1 Billion in MLB's Streaming Business, BAMTech," *Hollywood Reporter*, August 9, 2016.
3. "Disney to End Netflix Deal, Sets Launch of ESPN and Disney Branded Streaming Services," *Variety*, August 8, 2017.
4. Kristopher J. Brooks, Online sports gambling is a home run, but not yet with investors, CBS News, March 25, 2022
5. Samuel Agini, Anna Gross, and Anna Nicolaou, Sports rights to sports betting: what next for Blavatnik-backed DAZN?, *Financial Times*, July 22, 2022.
6. Brendan Coffey, Bears come for sports stocks, as betting plays lead way down again, *Sportico*, February 1, 2022.
7. Adriano Marchese, Sportrader Shares Fall After Market Debut, *WSJ*, September 14, 2021.

### Key Questions:

- (1) What businesses is BAMTech in? In which of these do you think it has a competitive advantage and what is the source of that?
- (2) Why did Disney invest in BAMTech and why did it accelerate its purchase of control?
- (3) Is DAZN a good business?
- (4) Is online sports betting a good business?

### Session 5: (October 3) Soccer--Domestic and International (Professor Gulati)

- (1) The Institutional Landscape
- (2) MLS and International Soccer
- (3) USWNT and Equal Pay
- (4) Rise and Fall of Superleague

**Guests:** Jessica Berman, NWSL Commissioner

Ivan Gazidis, CEO AC Milan; Former CEO, Arsenal FC

### Readings:

1. Bruce Kogut, "Super League," Columbia University Business School Case (June 2022).
2. Morgan, et.al. v. United States Soccer Federation; Complaint, Response and Ruling; Various Documents
3. Tariq Panja, Super League Collapses as Premier League Teams Walk Away, *NYT*, April 20.
4. Sam Stejskal, "MLS Partity compared to top European soccer leagues is proving to be its weakness," *The Athletic*, August 17, 2022.

### Key Questions:

- (1) What are the important distinctions between the US and European sports models? How do these impact structure, governance,
- (2) Why wasn't the Super League quite as super as it had hoped?
- (3) For the NWSL, is this just another moment in time or is time different?
- (4) Will World Cup 2026 be yet another "Soccer is Here" moment?

**Group Projects Due**

### Session 6: (October 10) Policy Implications: Public and Private (Professors Gulati/Knee)

- (1) Presentation of final projects
- (2) Ethics, Values and Corruption in Sports
- (3) Public Policy: antitrust, price regulation, "public" access
- (4) Private policy: student athletes, head injury
- (5) Winners/losers in the post pandemic world

**Cases: TBD**

**Guest: TBD**

**Reading: TBD**