

## **Broncos versus Seahawks;2014 Winter Olympics in Sochi; and Youth Sports**

### **Sting Soccer CEO Discusses Economic Impact of Sport**

Even people who are not sports fans know that sports are big business. However, some sports have a bigger impact on the economy than others and not all make as much money as their sponsor committees had hoped.

“You might be surprised at the types of sporting events which have the most positive economic impact,” said **Brent Coralli**, CEO of Sting Soccer.

It seems logical that the huge sporting events such as **The Super Bowl**, **The Olympics** and the **NCAA Basketball Tournament** would generate billions of dollars in revenue, and they do. However, at what cost? Is there any profit left after expenses and do the businesses located in the proximity to these events really benefit?

Before answering that question, it’s interesting to look at a few recent or upcoming sporting events. As Coralli noted, it might be surprising.

#### **The Big Games Generate Revenue**

A couple of weeks ago, the **Florida State Seminoles** beat the **Auburn Tigers** to win the **BCS College Football Championship** and during the media hype leading up to the game, it was reported that visitors to Auburn’s home football games inject some \$50 million of direct spending into the local economy over the course of a single season, which is among the biggest economic impacts in college football. Florida State may not come close to comparing, but even the not-so-compelling Seminoles home games generate between \$1.5 and \$3 million in visitor spending per game.

On February 2, 2014, the **NFL** will crown a new champion after **Super Bowl XLVII** is played in MetLife Stadium in New Jersey. The TV spots on this once-a-year media juggernaut are averaging \$4 million each, but that is only part of the economics of this event. Just of few of the other activities in the New York City area include:

- Budweiser is turning a Norwegian cruise ship into “Bud Light Hotel” during the festivities;
- There are literally dozens of parties sponsored by the likes of Maxim and GQ;
- There’s **Super Bowl Boulevard** running 15 blocks in mid-town Manhattan wrapping in a concert stage, toboggan run, and Bryant Park, with a ton of NFL events cross-promoted with just about every brand you can think of;
- New York City's tourism organization, NYC & Co., notes that there will be a concert at Madison Square Garden by The **NFL Players** Choir with some Grammy Award-winning gospel artists participating;
- Brooklyn will host a "Taste of the NFL" program, wherein chefs from NFL cities descend on the Brooklyn Cruise Terminal in Red Hook; and
- **Chase Bank** and **United Airlines** will be at Chef Guy Fieri’s restaurant in Times Square to celebrate with Chase United MileagePlus card members. The company says the program includes “Touchdown Dinners” each night with a celebrity chef and “In The Huddle” events each night featuring former football stars like Dan Marino, Phil Simms and Boomer Esiason

All of these events are expensive to produce and each result in revenue being generated for local suppliers and workers. However, the cost to the local taxpayers to manage this infrastructure is huge.

Five days after the Super Bowl, the world turns its attention to the **2014 Winter Olympics in Sochi, Russia** which run through February 23<sup>rd</sup>. Bloomberg Business reports, “At \$51 billion, the Sochi Games are the costliest ever, surpassing the \$40 billion spent by China on the 2008 Summer Olympics. The suicide bombings in the Russian city of Volgograd on Dec. 29 and 30 have heightened fears of terrorism and given a renewed focus to security concerns as well as questions of cost.

## What Types of Sports Contests Generate Profitable Margins?

Coralli has committed capital and applied innovative business principles to a sports niche that many would consider unglamorous – girls soccer, men’s and women’s soccer apparel and active wear clothing. The **Sting Soccer** club has become one of the best known clubs in the world and the **VOLA** apparel brand, while new in the youth sports market, is beginning to be recognized as an up-and-comer in the multibillion dollar sports apparel industry. While these ventures have clearly been successful in this sports niche, do they have the same kind of economic impact as high profile events such as the Super Bowl or the Olympics?

“Actually, some research has suggested that the economic impact of youth sports is greater than the once-a-year championship game model that generates most of the headlines,” Coralli said. “Just think about all of the youth sports teams and players there are in every developed country in the world. This number is staggering,” he noted.

## Research Study Shows the Economic Clout of Youth Sports

Some recent research supports the theory that youth sports have more positive economic impact than the high profile events, especially in the United States. In a 2012 study entitled “**The Impact of Youth Sports on a Regional Economy**” the effects of youth sports on regional economies was noted.

Currently, team sports within the United States are at an all-time peak. According to the **Sporting Goods Manufacturers Association (SGMA)** nearly 70 percent of children (age 6-17) in the U.S. are playing team sports and three out of four teenagers are now playing at least one team sport. Youth sports are increasingly organized, with adults – parents, coaches, league organizers, referees and tournament operators – organizing both practices and competition.

The “travel team” stratum of youth sports in particular has exploded in the last twenty years. Travel teams grew out of recreational league play, as players, parents and coaches sought more and better venues in which to compete. The teams mushroomed in popularity as new leagues were formed to promote their play, tournaments proliferated to match the best against the best and large indoor facilities multiplied in suburban areas permitting year-round training and competition.

The emphasis on travel for competition has translated into significant economic impact on a national scale. According to the SGMA, parents will spend about \$7 billion this year on just the traveling involved with youth sports.

“Across the country, tourism and business leaders are starting to see that youth sports events deserve to be recognized as powerful engines of economic activity, often with relatively modest up-front investments,” Coralli said. “More thought should be given to the manner in which local communities can realize even more benefit from supporting youth sports.”

The return on investment in youth sports can be quite handsome. For example, it’s no accident that **The Walt Disney Company (NYSE:DIS)** built a state of the art athletic facility in the area near its Orlando amusement park. This complex is booked year-round for youth soccer, football, basketball, baseball and other sports. The games which are played in this complex have the effect of filling the thousands of hotel rooms, many of which are owned by Disney.

“Needless to say, the ROI on the ESPN/Disney youth sports complex is exemplary,” noted Coralli. “This is a model that other family entertainment companies could pursue.”

The 2012 study noted an importance of families in this equation - - An understanding of tournament economic impact begins with an exploration of who travels to attend the tournament. Because these are youth athletic tournaments, each athlete is typically accompanied by at least a parent. In fact, 66 percent of family groups have two parents, 50 percent have one or more siblings (not participating in the tournaments), 16 percent have one or more

grandparents and 14 percent have other relatives or adults who accompany them. All in, the typical tournament athlete brings an additional 2.14 people with them.

“Youth sports are and have been on a steady incline and are projected to see continued, large-scale growth,” notes Coralli. “We have designed our business model to capitalize on this growth.”

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