

# **Does the National Football League's Current Economic Model Threaten the Long Term Growth of Professional Football Globally?**

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## **Abstract**

The growth of the NFL in North America has been achieved through socialistic control of the game rules, locations played and players signed. However, during the last 25 years, North American football players have gained free agency rights (a form of individual capitalism) and have been allowed to see what the professional football market will bear. As such, the costs associated with the game have risen dramatically and many fans are being priced out of the stadium or away from the television (e.g., through rising cable television costs).

The purpose of this study is threefold. First, it provides a historical context of professional team sports in America in order to present evidence of the NFL's operational and financial evolution. Secondly, as the NFL has expanded its product offerings globally, by going into Europe (NFL Europe) or by offering single game events in Australia, Japan or Mexico (e.g., American Bowl games), the study looks at the international growth strategies of the NFL. Thirdly, the material will identify recent North American cultural developments and suggest implications or ramifications for the NFL and markets influenced by American sports (NFL, NBA).

By almost any global standard, the success of the U.S.-based National Football League (NFL) is significant. From spectators attending (almost 15 million in 1998) to broadcast revenues produced (the League signed an eight-year, four-network deal for more than US\$17 billion in 1998), the NFL has appeared to be enormously healthy (McGraw, 1998). In fact, in 1999, one franchise, the Washington Redskins, sold for \$780 million (Burton & Howard, 1999), a North American record (Sandomir, 1999). Despite these economic statistics, however, the NFL's objective of showing continued growth may represent areas of concern for other football codes, leagues and organisations. What follows is a discussion that offers historical context for the NFL's current financial position and discusses the NFL's potential for global influence. It is relevant to look at the NFL in this light because the NFL is America's most popular professional sport (Weisman, 1999a) and holds that honour based on average game attendance, TV ratings and league revenues produced.

Since sports is one of the most visible and largest engines in the United States economy, the NFL's business practices are significant and provide an

indication of how the League intends to broaden its appeal and influence. From a growth strategy standpoint, it is logical for the NFL, like the National Basketball Association (NBA), to explore new markets and the exportation of its product. This can be achieved through the distribution – either physically or electronically – of games, players, merchandise or product line extensions, like the NFL Europe League, to other countries where football is played. The issue of existing code orientation, such as rugby, Australian Rules, Canadian, Gaelic, or soccer/football, may only influence the amount spent by the NFL and its expected return on investment.

Each year, the NFL's International division studies markets in which to stage one-game exhibitions (American Bowls). This has been done for the last ten years and the NFL has annually flown two NFL teams to Canada, Mexico, Japan, England, Germany, Spain or Australia in order to introduce American-style professional football. To date, more than 1.5 million spectators have viewed NFL games in global cities outside the United States. In addition, the NFL has twice launched a development league in Europe – failing once with the World League of American Football (WLAF) – before establishing what is now called NFL Europe. This six team league features teams in Berlin, Edinburgh, Frankfurt, Barcelona, Amsterdam and Dusseldorf.

According to Don Garber, the new commissioner of the U.S. Major League Soccer (MLS) but formerly senior vice president and managing director of NFL International, American-style football is played in approximately 35 countries. Additionally, one of the NFL's objectives is to 'develop grass roots programs in countries where there is a spark of interest' (Gibson, 1998). This strategy has the benefit of either developing future NFL players, such as Australian-born punter Darren Bennett, or in developing future NFL fans who will watch telecasts or purchase merchandise. To this end, the NFL has established various offices around the world that are involved in either the broadcast, marketing or licensing of the American game. For example, in Australia, the NFL's games have been broadcast since 1979 with merchandise available for purchase since 1989 (Gibson, 1998). Additionally, the NFL played its first game in Australia in August 1999 at the new Olympic Stadium in Sydney. A review of the literature shows that the NFL is a tightly run business operation interested in expanding the wealth of its principal owners, administrators and players.

## **Historical Overview**

The history of professional team sport in the United States and England can be traced to approximately the same period in the middle of the nineteenth century, however, the resultant financial models for the professional leagues that were established in both countries are distinct. As we will see, the influence of baseball cannot be understated when discussing American football.

Andrew Zimbalist (1992) notes that the origin of formalised baseball in the U.S. started with the creation of the National Association of Baseball Players (NABP). That organisation was founded in 1858 as an amateur entity ‘that prohibited remuneration for the players’ (Zimbalist, 1992: 1). Five years later, representatives from the prestigious English boarding schools located at Eton, Rugby, Winchester, Westminster and Harrow met in November 1863 to establish the famed Football Association (FA). At that time, football in England was a ‘casual pastime for schoolboys’ (Tischler, 1981: 27), and one Association secretary noted that the founders ‘never in their wildest dreams contemplated the possibility of such a figure as a professional’ (Tischler, 1981: 31).

By the late 1860s however, baseball players in the U.S. were already receiving money from shared gate revenue or from the ‘passing of the hat’ and the first professional baseball team (the Cincinnati Red Stockings) was formed in 1869 (Zimbalist, 1992). The first ‘professional’ league – the National Association of Professional Baseball Players (NAPBP) – was started in 1871 (Helyar, 1994) and lasted until the 1876 season. Team salaries in that era ran as high as \$20,000 or approximately \$1,000 per player.

By early 1876, the owner of the Chicago White Stockings had realised the organisational and financial inefficiencies of the NAPBP and initiated a new baseball league ‘based on territorial monopolies and a restricted number of financially solid franchises’ (Zimbalist, 1992: 3). The concept was built around a supply and demand orientation that would steer the best players to the new league. If successful, it would also reduce player salaries and grow each owner’s profits.

When the league – the National League of Professional Baseball Clubs (NL) – was finally commissioned in February 1876, eight charter franchises paid \$100, an act that moved baseball from an activity driven by player associations and changed it into a business ‘with distinct [and] separate roles for players and owners’ (Zimbalist, 1992: 3). As Albert Goodwill Spalding, owner of the Chicago NL team, said in 1890, ‘The [baseball] magnate must be a strong man among strong men, else other club owners in the league will combine in their own interests against him and his interest, and by collusion, force him out of the game’ (Helyar, 1994: v).

In England, ‘rumors of illegal cash payments to players’ from the Darwen Football Club were evident as early as 1879 and by the early 1880s it was clear that many Football Association (FA) affiliated teams were paying players in order to enhance the likelihood of winning and drawing large ticket-purchasing crowds (Tischler, 1981: 42). The development of professional baseball in America differed quite notably from the origins of professional football in England. Both shared elements brought about by the industrialisation of communities. As in the U.S., the ‘evolution of the athlete’ was accelerated by sports entrepreneurs and commercial interests (Tischler, 1981: 1). In Victorian England the more established and productive football clubs

were 'financed by shareholders' who could buy into the club through public purchase of stock. As Steven Tischler (1981: 1) argues, 'As in the [business] world of factories and shops, those football clubs which were well financed and efficiently managed survived'. Additionally, by the 1880s English football club directors began tinkering with the game to reflect their business interests. This led to the creation of 'League' football and 'trade union militancy among professional players' (Tischler, 1981: 3). By 1884, there was significant debate in England about the appropriateness of professionals playing in the FA, however, faced with the 'threatened secession from the FA by its most successful clubs', the legalisation of professionalism was approved in July 1885 (Tischler, 1981: 48).

Thus, in both the United States and Britain, there were owners and players but the British approach was to build football around a model of public ownership and it allowed players to unionise. In America, the strength of the individual ownership model was creating a socialistic setting of powerful, colluding owners and 'employee' players. Unlike the FA in England, which ultimately seemed to speak for the respective communities that underwrote teams and players, America's early baseball years were turbulent and would greatly influence the foundation of the National Football League to follow. A particularly relevant example of this can be seen when baseball's National League (barely three years old) followed Boston owner Arthur Soden's suggestion for the creation of a reserve clause that would allow teams to reserve or, essentially protect, five players per team. This meant the opposing owners would agree not to recruit or entice any of the five 'reserved' players from one team to another. This action, which was approved by the NL owners in September 1879, led to the creation of new leagues such as the American Association, the Union Association and the Player's League. Each of the new leagues attempted throughout the 1880s to improve business conditions (i.e., allowing beer sales at games) or change the dynamic between players and owners. Popular causes included attempts to modify or stop the reserve clause, end owner-created salary caps, halt player sales between teams (wherein the player received no gain) and to disallow creating extra duties for players such as collecting tickets or sweeping up the stadium after games.

None of the rival leagues survived, and by 1891 the National League had re-secured its monopolistic position as America's primary professional team sport activity. This lasted for almost a decade during which player salaries were reduced and owner profits grown. However, the NL foolishly allowed co-ownership of multiple teams and subsequently the wealthiest owners bought influential interests in their chief competitors, moved key players to their primary teams and consequently destroyed the perception of parity on the field (Helyar, 1994).

This took its toll at the gate and the emergence of the Western League (started in 1892) ultimately led to the creation of a second major league, the

American League (AL). Underwritten by large sums of money, the AL capitalised on the NL's salary cap of \$2,500 and began stockpiling the NL's best players by paying them more money. By 1902, the two leagues were drawing a combined 3.9 million fans but the bidding wars for star players were again driving up costs (Zimbalist, 1992).

Thus, in 1903, the two leagues merged effectively creating Major League Baseball (MLB) and re-establishing an entertainment monopoly with a 24-year-old reserve clause concept still in tact. By 1910, attendance had more than doubled but the average player salary was still below \$2,500. This prompted the creation of yet another baseball league and in 1913 the Federal League (FL) was established. The FL decided it would not employ the reserve clause but rather try to lure star players with long-term contracts. This strategy was successful, and during the period of 1914-1915 more than 200 MLB players signed with the FL (Zimbalist, 1992).

The FL's signing of players led to a lawsuit involving a Buffalo-based player who wished to join the FL. Surprisingly, however, the New York State Supreme Court ruled that while baseball was a monopoly, it was not subject to antitrust laws because 'baseball is an amusement, a sport, a game' and 'not a commodity or an article of merchandise' (Zimbalist, 1992: 9). This ruling would be legally debated again in 1915, 1916, 1919, and 1921 before the United States Supreme Court ruled on 29 May 1922 that baseball was exempt from anti-trust statutes. This ruling, by Justice Oliver Wendell Holmes, 'a former amateur baseball player,' upheld the District of Columbia Court of Appeals ruling that found 'the players travel from place to place in interstate commerce, but they are not the game [which] is local in its beginning and in its end. [Thus,] the fact that the [owners] produce baseball games as a source of profit, large or small, cannot change the character of the games. They are still sport, not trade' (cited in Zimbalist, 1992: 10).

The act of the United States' highest court may have, in fact, played a significant role in the development of the new NFL that was founded in 1920 in Canton, Ohio. And while the NFL played the majority of its early games in smaller, second-tier American cities (such as Green Bay, Wisconsin; Marion, Ohio and Decatur, Illinois), the combined weight of baseball's numerous legal rulings made it possible for football to secure a modified form of the anti-trust exemption. In essence, baseball's legal allowances meant players were prevented from 'filing complaints with the government alleging unfair labor practices' (McGraw, 1998: 45).

Control of the players by American sports leagues would remain virtually unchanged until Christmas Eve 1969 when a baseball player named Curt Flood requested the Commissioner of Baseball nullify a pending trade (that would send Flood from his home in St. Louis to the Philadelphia Phillies). Flood's contention was that despite his contract with the baseball Cardinals, he was not 'a piece of property to be bought and sold irrespective of [his] wishes'

(cited in Zimbalist, 1992: 18). The Commissioner declined Flood's request and Flood filed suit in January 1970. He sought two primary provisions: damages (in the form of money) and free agency. He would get neither. He lost his first attempt in federal district court, his second in appeals court and his third in the U.S. Supreme Court. As the New York Times editorial of 23 June 1972, noted, 'The only basis for the judge-made monopoly status of baseball is that the Supreme Court made a mistake the first time it considered the subject fifty years ago and now feels obliged to keep on making the same mistake because Congress does not act to repeal the exemption it never ordered' (Zimbalist, 1992: 19).

Once again, professional team sports in America had been influenced by a court-led intervention. This action, while perhaps insignificant in the general scheme of labour law or labour relations allowed sports teams and leagues to operate outside the traditional confines of employer-employee dictum. Ultimately, Flood's efforts led to the creation of free agency in baseball, and in 1976 an arbitrator, agreed upon by the players' association and the owners, ruled that players 'were free to bargain with other clubs once their contracts expired' (Zimbalist, 1992: 21). This was an 'unprecedented challenge' to baseball's 96-year-old reserve clause and as a loophole allowed players to play out their 'option' year thus satisfying their standard contract's renewal clause, which had previously allowed owners to resign players, without their signatures, for one final year (Zimbalist, 1992: 21). This privilege, when fully granted to professional team sport athletes in the U.S., had the combined effect of introducing capitalism into a quasi-socialistic setting. Many have suggested that a capitalist system requires goods that are freely bought, sold and priced based on whatever the market will bear. Thus, in the case of purchasing players for a team, if the market is seen as the collection of owners and they cannot force (or 'reserve') players to stay with one team, then the players take on enormous leverage.

### **The NFL Operating Model**

The net result of baseball's free agency battles is that the NFL, which today plays only a sixteen game schedule (compared to MLB's 162), has been able to absorb the consequences of player capitalism and thrive. Much of this is due to a phrase termed as 'League Think' (Helyar, 1994) and is associated with Pete Rozelle, the NFL's commissioner of thirty years (1960-1989). Early in his stewardship of the NFL, Rozelle convinced his ownership group that parity on the field was a mandate they must uphold. In addition, he created a centralised league model, differing from baseball's de-centralised version, whereby all member clubs would share equally in the league's growth and revenues (Harris, 1986). This differed from baseball where every team was largely on its own.

One of Rozelle's most significant directives took place in 1963 when he moved to create a centralised marketing arm called NFL Properties that would

represent all NFL teams equally. Rozelle's thinking was that the League was more important than any one team and each owner must be committed to the League's health first. To that interest, the NFL moved to purchase and control all of the trademark rights (Burton, 1996) for not only the league (its familiar shield) but also all franchise marks (e.g., the New York Giants, Pittsburgh Steelers, Detroit Lions).

Rozelle also moved to unify the NFL's broadcasting package and in 1964 signed the first league-wide network television package with CBS for US\$28.2-million. This would be a turning point for football in its challenge to baseball as America's pre-eminent sport. The difference was that the NFL, behind Rozelle's vision, embraced the power of TV whereas baseball's owners feared TV, thinking it would decrease local attendance (Helyar, 1994). More impressive was Rozelle's mandate that each team would share equally in the distribution of the broadcast revenues. This meant that small-market franchises like the Green Bay Packers, in a town with a population of less than 100,000, would be compensated equally with the Chicago Bears, based in the second largest US city with a population in excess of three million.

The difference here between the NFL's centralised model and baseball's de-centralised version was that the NFL offices controlled all media negotiations and bargained with the TV networks based on the strength of the collective whole. No NFL team could sell local broadcasts of its games. The broadcast and re-transmission of NFL games was the sole property of the NFL. For advertisers, this meant that, unlike in baseball, they did not have to negotiate on a market by market basis but rather just with the networks. Since American markets vary greatly in size, this also balanced the value of each team and fortified the decision to buy the NFL versus buying single baseball teams such as the Cleveland Indians or New York Yankees. An advertiser could believe that in buying time on NFL broadcasts they were reaching the entire country rather than just one municipality or region.

Rozelle was also able to re-affirm an existing owners' agreement to split gate revenues on a 60/40 basis with the home team earning sixty per cent of ticket sales and the visiting team receiving the remaining forty per cent. This further cemented economic parity as well as the concept that a fiscally healthy league, with on-field parity, would best reward each owner. In other words, a handful of extremely strong teams surrounded by a number of very weak teams would not generate maximised attendance because fans would perceive inequities and not support each game equally. The resultant management of the NFL property was that the NFL soon developed a financial model (or economic structure) notably different from that of baseball's As Table 1 shows, football became much more of a national broadcast product while baseball developed into a local entity.

Table 1: 1993 League Revenue Comparison (NFL and MLB) in %.

	NFL	MLB
Gate Receipts	22.8	34.3
media rights	64.9	43.0
Stadium	6.2	14.8
Miscellaneous	6.1	7.9
Total	100.0	100.0

Source: D. Howard and J. Crompton (1995). Drawn from Ozanian's work in the 10 May 1994 *Financial World*, pp 50-59.

By 1994, the NFL had the highest percentage of revenue drawn from rights fees (64.9) of any of the other three major U.S. leagues with MLB at 43 per cent, the NBA at forty per cent and the National Hockey League (NHL) at 15.8 per cent. That the NFL should exceed all other leagues by more than twenty per cent takes on significance when looking at how the NFL's broadcast revenue packages has grown. The most recent television contract, involving four over-the-air or cable networks, will guarantee the NFL \$17.6-billion for eight years from the 1999-2000 season. That amount was 'the most ever paid for any television programming and twice the NFL's previous annual take' from its network partners (Fatsis & Pope, 1998: B1). As shown in Table 2, the growth has been notable:

Table 2: NFL Television Rights Fees by Contract (1978-1998)

Year (contract length)	Amount Paid (in billions)	Networks Involved (over-the-air and cable)
1978 (4 years)	\$ 0.656	NBC, CBS, ABC
1982 (5 years)	\$2.135	NBC, CBS, ABC
1987 (3 years)	\$1.872	NBC, CBS, ABC
1990 (4 years)	\$3.700	NBC, CBS, ABC, ESPN
1994 (4 years)	\$4.580	NBC, Fox, ABC, ESPN, TNT
1998 (8 years)	\$17.600	CBS, Fox, ABC, ESPN

Source: Burton & Howard (1999).

Some of the financial advantage (via advertisers and networks) has been accrued by the NFL based on the scarcity of its product (only sixteen regular season games held, on average, once a week) and the seasonal window in which American football is contested. With official league games beginning in early September and ending in late December, the NFL is well-poised to lure advertisers anxious to connect with the start of the U.S. school year, Labor Day, Halloween, Thanksgiving and Christmas. The football season also coincides with the introduction of new car models that are introduced in the U.S. during the last three months of the year for the following year's market.

Finally, from a television standpoint, the NFL has been able to develop its own holiday in the form of the Super Bowl. This event, designed in 1967 and contested every January since, has generated five of the most highly-viewed television events in U.S. history. One element that makes the NFL's Super Bowl attractive as a television product is that it is the only U.S. league to contest its championship in one game. Baseball's World Series, the NBA Finals and the NHL's Stanley Cup Finals are scheduled as a best-of-seven experience.

The NFL's players (who are represented by the NFL Players Association or NFLPA) have not been blind to the fiscal success of the League and through aggressive bargaining have been able to link their contracts to the Defined Gross Revenues (DGR) of pro football. This is generally (and simply) identified as media revenues and gate revenues and NFL players now receive approximately 67 per cent of the DGR (Howard & Crompton, 1995). Thus, as NFL TV revenues have increased so have player salaries. In 1957, for example, the average player salary was \$16,000 and the average TV revenue per team was \$85,000. By 1998, however, these figures had increased to \$1 million and \$73 million respectively.

Given 45 man rosters, it is not surprising that the NFL salary caps rose by 25 per cent to \$54.4 million for the 1998-99 season and that player salaries caused every NFL team (there were thirty in 1998) to develop total team payrolls that exceeded \$39 million. The top salaried teams (Arizona Cardinals, Tennessee Titans, Buffalo Bills, Tampa Bay Buccaneers, Philadelphia Eagles, Minnesota Vikings and Washington Redskins) all had 1998 payrolls exceeding \$50 million. In addition, 21 of the thirty teams pay their head coaches US\$1-million or more with Seattle Seahawks head coach, Mike Holmgren, who also serves as general manager, receiving a record \$4.5 million (Forbes, 1999). In all, more than 450 NFL players made more than one million dollars for the 1998-99 season, an increase of 37 per cent over the previous year (Weisman, 1999a). That number should continue to rise in light of the new vastly increased television contract and with League expansion. The supply and demand curve now favours players instead of the owners because the number of 'talented players has not grown as quickly as the quantity of positions that need to be filled' (Ozanian & Taub, 1995: 34). The NFL has added a new Cleveland Browns franchise in 1999 and will add Houston for the 2002 season.

Historically, an increase in cost of goods sold or an increase in operating overhead has resulted in product pricing increases. The NFL is no exception and between 1991 and 1998, while the U.S. consumer price index (CPI or cost of living index) rose twenty per cent, the cost of attending an NFL game increased 60.6 per cent. This meant that in the same time frame an average American paid twenty per cent more for all items (generally related to inflation), the cost of attending an NFL game grew three times faster (Burton & Howard, 1999). Specifically, as calculated by Team Marketing Report, the Fan Cost Index (FCI) for a family of four to attend an NFL game moved from \$152.55 in 1991 to \$243.34 in 1998. Note, this amount included not only game tickets for four but also incorporated the cost of parking, food, drinks and a souvenir. As of 1998, the NFL had the highest FCI of the four North American leagues with the NHL second at \$238.97, NBA third at \$214.28 and MLB last at \$114.82.

Ultimately, for a league like the NFL, the fast-moving increases at the stadium have not resulted in a drop in attendance. McGraw (1998) reports that between 1981 and 1997, NFL average per game attendance grew from 59,787 to 62,364. However, there are issues with television ratings and for the first extended period of time, the NFL is coming to grips with decreasing ratings at a time when the cost of advertising has never been higher. As recently as October 1998, Fatsis and Pope (1998) reported three of the four NFL game carriers were reporting mid-season ratings drops while charging more for their game airtime. Their work could be summarised as follows in Table 3:

Table 3: NFL Ratings vs. Advertising Rates Charged (by network)

Network	Rating Change (1997)	Price Change (Compared to Previous Deal)
ESPN	-11.0%	+135.0% <sup>a</sup>
ABC	-10.0%	+139.0%
Fox	-9.0%	+39.0%
CBS	unchanged	+130.0% <sup>b</sup>

<sup>a</sup>Previous deal with ESPN and Turner Sports; <sup>b</sup>Previous deal with NBC.

McGraw (1998) studied the League's TV ratings over a ten year period and noted the NFL was down by 22 per cent in that time frame (for both regular season and playoff games). NFL president, Neil Austrian, has suggested the NFL's ratings decline is due to the proliferation of cable television channels

and the creation of new sports. Harvey Araton (1998: 60), however, noted that 'working and middle-class families, the traditional bedrock of professional sports, are gradually losing interest in watching major league games because they can no longer afford to attend them'. In fact, 'during the 1998 season, fourteen of the [NFL's] thirty teams showed no growth or slight to substantial declines' (Burton & Howard, 1999: 40). Given fixed stadium sizes, even if every home game is sold out, the ticket and concession revenues – even given increased prices – will probably be unable to keep pace with player salaries. This becomes a more substantial issue if general attendance declines or if fans buy tickets but do not attend the games (which can be tracked on a game by game basis as a percent of capacity).

### **Implications and Observations**

America's promotion of itself through entertainment vehicles, such as movies, videos, broadcast mediums, sports, is significant. As one of the richest countries, Americans have some of the highest per capita spending and earning averages. Additionally, American athletes are among the highest paid for professional participation in sport. Hence, American earning power, while not always relevant in another country, does not usually go unnoticed. Basketball players around the world probably had a sense that Michael Jordan made \$30 million in his final year with the Chicago Bulls. Similarly, footballers might be aware that Dallas Cowboys defensive specialist Deion Sanders made nearly \$8 million in 1998 or that quarterbacks Brett Favre (Green Bay Packers) or Troy Aikman (Dallas Cowboys) made more than \$5.5 million for the same year (Weisman, 1999b). Even former Australian Rules footballer Darren Bennett, now a punter for the San Diego Chargers, made \$530,600 in 1998 (Weisman, 1999a) for taking the field fewer than ten plays per game for 16 games.

As strong as the NFL appears financially, league executives are aware of certain sport and societal trends. They can be summarised as follows:

Rising ticket prices are making it difficult for many Americans to attend NFL games in person.

- Higher player salaries, declining or flat attendance trends and advertiser alternatives should suggest that NFL owners and officials must secure more revenue from the spectators who do attend and from advertisers/sponsors.
- The violent nature of American football (which requires protective helmets and padding) is limiting American youth participation. Significant equipment needs, unlike the minimal equipment required for soccer or basketball, is discouraging many children (or their parents) from actively endorsing or playing the sport at the youth level.
- The growth of electronic sport consumption (for example, video games, computer games, Internet discussions) is probably diminishing or, at the least, changing football trial and participation rates in the U.S.

- The male-only orientation of the NFL and university football limits a huge potential growth area since more than fifty per cent of the U.S. population is female. Unlike the NBA (which established the WNBA) or women's soccer, which produced an Olympic and World Cup champion for the Americans, there is no female line extension (yet) for American football.

With NFL TV ratings declining in the U.S., the League has less than eight years to determine the optimal way to grow future broadcast revenues. Since television represents more than sixty per cent of the NFL's revenue production, this area suggests the League must grow globally to reach new audiences.

Capitalistic theory suggests that a weakened competitor will start to see providers who offer cost-efficient alternatives. To that end, American Arena football, women's team sports, Major League Soccer and alternative sports, such as ESPN's X-Games, may combine (at random) to challenge some of the NFL's dominance.

## **Conclusions**

The NFL is one of the strongest sport organisations in the world. Its Super Bowl event rivals (in broadcast numbers) most Olympic events and exceeds all other sport telecasts with the exception of the World Cup soccer final. Many of its players are among the highest paid in the world and its broadcast package with four networks guarantees financial security through the 2005 season. In addition, franchise values for teams have continued to climb reaching a high of \$780 million in 1999.

Nonetheless, the NFL is not without its share of future concerns. Quite simply, the NFL must expand beyond its U.S. borders and must do so in a way that produces fan avidity for broadcasters, advertisers and sponsors. To achieve that, the NFL will need to grow the NFL Europe (expanding its beachhead in Europe) and consider launching start-up leagues in markets open to American-style capitalism or fascinated with American culture. Markets such as Japan, Mexico, Canada, Australia and possibly China represent development zones. The alternative, while costly and unlikely from a cultural rootedness, is simply to buy out or merge with similar codes. In North America, this may be imminent with the Canadian Football League (CFL) where the NFL has already provided some financial support and continues to recruit players, such as Buffalo quarterback Doug Flutie. The NFL's leadership must call for the creation of a globally-followed code that can keep pace with world sports such as soccer, basketball and to a lesser degree, rugby and volleyball.

However, the NFL's financial model will be difficult to duplicate in countries where individual wealth and individual capitalism is less pronounced or less accepted. The 'wild card' in the NFL's future is the growth of the World Wide Web and the Internet that will allow products to be moved regardless of

geographical boundaries. This digital revolution could revise the way in which leagues are developed, the manner in which games are played and the skills required to perform a sport. Just as baseball ignored television and gave the NFL a window of opportunity, the NFL must be an early adopter of digital technology if it expects to grow significantly in the new millennium.

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