



## Financial & Economic Aspects of Sport Industry

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### Outlines

- Troubles in Sport Industry
- Worthwhile Investment?: Benefits
- Worthwhile Investment?: Costs
- Principles of Economic Impact Analysis

### Troubles in Sport Industry

- Saturated market condition
- Public interest is getting down
- Emerging new technology
- New generations (N & Z) and other competitive leisure activities (i.e., Video Games)
- Emerging new sports (i.e., Fantasy Sports, Action Sports, & others)

### Having Professional Teams?

- Deal with monopoly and monopsony power
- Provide public goods, private goods, or social goods?
- Deal with externalities
  - Positive externalities
  - Negative externalities

### Externalities (Benefits or Costs?)

- Positive Externalities: the benefits by having a franchise to the third party
- Negative Externalities: the costs by having a franchise to the third party
  - Example of N.Y. Yankees and MLB on negative externalities
  - NIMBY vs. Old Stadiums

## Worthwhile Investment ? : Benefits

- Increase community visibility
  - Free media supports (publicity)
- Enhance community image
  - "Major League City" or "First-tier City"
- Stimulate other developments
  - Redevelopment of city and Infrastructure
- Psychic income
  - "Medium" of residents' status and quality of life

## Worthwhile Investment ? : Costs

- Some teams pay no rent at all/share revenues from concessions, signage, parking, etc.
- Some teams pay \$1.00
- Indirect Costs:
  - Congestion
  - Pollution
  - Public safety/crime
  - Other social problems

## Worthwhile Investment ? : Costs

- New stadium construction
  - Revenue sharing system
  - Luxury box and club seat
- Relocation of professional franchise
- Economic impact analysis

## Economic Impact Analysis

- Economic impact analysis MUST be the basis for an estimate of the amount of income to a community, HOWEVER,
- Many results of economic analysis are not value-free, but based on the assumptions of study sponsor
  - Not to find the "truth," but to be "proved"
  - "Log Rolling"

## Four Big Problems of Economic Impact Analysis

- Inclusion of local residents
- Inclusion of "time-switchers" and "casual"
- Exaggeration of new employment measures
- Exaggeration of immeasurable psychic impact

## What is Your Thought?

- Having a HK United? HK Dodgers?
- Opinions and Questions?