ATTENDANCE AND BROADCAST DEMAND FOR PROFESSIONAL TEAM SPORT

The case of English league football

Babatunde Buraimo

Introduction

Broadcasting has undoubtedly had and continues to have a profound impact on sport. This is particularly the case for English football. However, this strong link between broadcasting and football has developed over a relatively short period of time, even though both broadcasting and football have much longer histories. The strength of the links between football and broadcasting presents a series of challenges for policy and decision makers. Football authorities and broadcast companies regularly have to deal with issues such as scheduling of matches, bidding for television rights, allocating and selling of broadcast rights, collective versus individual selling of rights, sharing the proceeds among league members, selling rights within secondary markets and dealing with competition authorities.

The importance and relevance of broadcasting is not limited to football clubs and broadcasters. Football broadcasting also has impacts on consumers and it has become the subject of court cases and has attracted the interests of competition authorities. For example, the (then) Monopolies and Mergers Commission (MMC) in 1998 recommended that the proposed merger between Manchester United and British Sky Broadcasting (BSkyB) be prohibited. In 1999, the collective selling of broadcast rights by the English Premier League (EPL) was the subject of a court ruling by the Restrictive Practices Court, a case brought by the Office of Fair Trading. In more recent years, the European competition authorities have taken a continued interest in the collective selling arrangements of broadcast rights in the EPL as well as those of other European football leagues.

One of the main features of broadcasting is its impact on demand for football. Prior to broadcasting, demand for (live) football was limited to stadium attendance. Beyond this, consumption was through coverage in newspapers, on radio, and the transmission of edited highlights on television. However, since the advent of live transmission, consumer demand for football has increased and many more consumers can watch live games on television in the comfort of their homes or in public venues. Broadcast demand for football itself has had a dramatic effect on traditional demand and the way in which football is managed. It is this demand for both live football at stadia and live viewing on television that is the principal focus...
of this chapter. The chapter examines the emergence of the football broadcast market, and goes on to examine the current situation for both attendance and broadcast consumption. The impact of live broadcasting on attendance demand is investigated, as are the determinants of broadcast demand. This is followed by an examination of the interplay between attendance and broadcast demands. The chapter concludes by noting that league authorities have to manage the dilemma that stadium attendances promote broadcast audiences, but growth in the latter can reduce stadium demand.

The emergence of the football broadcast market

In the early 1980s, there was limited transmission of live English football and much of what was broadcast was limited to a selection of matches from the FA Cup and highlights of league matches. The reluctance of the Football League, who at the time comprised 92 professional football clubs, to expand broadcast coverage was intended to protect its core source of finance, which was matchday revenue; it was thought that having matches televised would reduce revenues for clubs. In contrast, a small number of clubs felt that the Football League could generate more revenue, if only it was willing to engage more with the broadcast market.

The reluctance of the League had dictated the levels of broadcast exposure that the clubs experienced. In 1983, the state broadcaster, the BBC, and the network of independent television broadcasters, ITV, entered into a contract, acting essentially as a cartel, which saw the first broadcast of live games from the Football League. The agreement, which was worth £5.2 million (Baimbridge et al., 1996), meant that the broadcasters would televise ten matches per season; a very small number of games considering the League produced 462 matches per season in Division 1. It is unclear as to whether this small number of televised games had an adverse effect on matchday attendance and revenue, but the Football League sought greater rights fee for the 1985 season and thereafter. Given the lack of competition in the broadcast market for football rights, the broadcasters refused to increase payment and the 1985 season commenced with no agreement. As the balance of power lay with the broadcasters, the Football League eventually settled for a six-month agreement worth £1.3 million to televise six games.

The BBC–ITV cartel was strong enough to exert dominance within the football broadcast market. However, this dominance was challenged with the emergence of satellite broadcasting. While satellite broadcasting was an altogether different broadcast platform (direct-to-home) to that of the incumbent broadcasters, it provided competition within the football broadcast market. Sky Television and British Satellite Broadcasting (BSB) emerged in the late 1980s and while their business models meant that customers were charged directly for programming, their presence, and the mere threat of competition, to the free-to-air broadcasters put a strain on the cartel. This subsequently collapsed when ITV entered into an exclusive agreement with the Football League which foreclosed any involvement by the BBC (Cowie and Williams, 1997). This exclusive long-term agreement meant more broadcast revenue flowed to the Football League and its members.

While ITV enjoyed the exclusive broadcast of live domestic football, further changes were occurring within the broadcast market. Both Sky Television and BSB faced financial difficulties. In order to stem losses, the satellite broadcasters merged to form British Satellite Broadcasting (BSkyB). Another significant change was the growing disquiet among a small number of elite clubs. In the past, the Football League had altered the allocation of broadcast revenues among the four divisions to pacify the bigger clubs, who felt that they
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should be allocated a greater share of the broadcast revenue. Dobson and Goddard (2001) note that up until 1989 the league had allocated 50 per cent of broadcast income to clubs in Division 1, 25 per cent to clubs in Division 2 and the remaining 25 per cent to clubs in Divisions 3 and 4. With a threat of clubs breaking away from the League, 75 per cent of broadcast revenue was eventually allocated to clubs in the top division, of which 40 per cent was shared among the so-called ‘big five’ (Arsenal, Everton, Manchester United, Liverpool and Tottenham Hotspur). However, this only served to temporarily halt the inevitable. The big five not only felt that the cross-subsidization policy of the League was inappropriate, they also felt that the League had failed to realize the full commercial potential of the broadcast market. Consequently at the end of the 1991–92 season these clubs, along with 17 others, resigned from the English Football League and formed the English Premier League (EPL).

The start of the EPL coincided with the end of the exclusive ITV–Football League broadcast agreement. In truth, the start of the EPL marked the start of a new broadcast–sport alliance. BSkyB, having struggled with low number of subscribers for its pay service (1.8 million in June 1992), needed a strategy, particularly in light of its direct charge to consumers, to penetrate the UK household market and provide meaningful competition to the incumbent free-to-air broadcasters. Football was to provide what was described as a ‘battering ram’ approach (Williams, 1994). For the first time in football broadcasting, numerous matches were shown live and the level of payments by BSkyB to the new league was unprecedented. The headline figure was £304 million for five years although not all of this was realized given that BSkyB was unable to penetrate the overseas market; the league did receive approximately £52 million per season (Baimbridge et al., 1996). Table 29.1 shows the contracts for live broadcasting rights before and after the establishment of the EPL.

The football–broadcast alliance proved successful for both parties; BSkyB’s finances reverted from losses to profits and clubs in the EPL realized unprecedented levels of revenues, which they were able to spend on better players and improved stadia. The Football League

Table 29.1 Rights fees paid from 1983–84 to 2013–14

<p>| Live broadcasting rights for Football League 1985–86 to 1991–92 (all four divisions) |</p>
<table>
<thead>
<tr>
<th>Year</th>
<th>Duration of contract</th>
<th>Broadcaster</th>
<th>Matches per season</th>
<th>Mean annual rights fee (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>2 years</td>
<td>BBC/ITV</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>1985</td>
<td>6 months</td>
<td>BBC/ITV</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>1986</td>
<td>2 years</td>
<td>BBC/ITV</td>
<td>14</td>
<td>6</td>
</tr>
<tr>
<td>1988</td>
<td>4 years</td>
<td>ITV</td>
<td>18</td>
<td>19</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Duration of contract</th>
<th>Broadcaster</th>
<th>Matches per season</th>
<th>Mean annual rights fee (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>5 years</td>
<td>BSkyB</td>
<td>60</td>
<td>52</td>
</tr>
<tr>
<td>1997</td>
<td>4 years</td>
<td>BSkyB</td>
<td>60</td>
<td>199</td>
</tr>
<tr>
<td>2001</td>
<td>3 years</td>
<td>BSkyB</td>
<td>66</td>
<td>371</td>
</tr>
<tr>
<td>2004</td>
<td>3 years</td>
<td>BSkyB</td>
<td>88</td>
<td>341</td>
</tr>
<tr>
<td>2007</td>
<td>3 years</td>
<td>BSkyB and Setanta*</td>
<td>92 and 46</td>
<td>567</td>
</tr>
<tr>
<td>2010</td>
<td>3 years</td>
<td>BSkyB and ESPN</td>
<td>115 and 23</td>
<td>594</td>
</tr>
</tbody>
</table>

* Setanta’s entry into administration saw its final season’s rights bought by ESPN.
was now reduced to 70 clubs, which increased to 72 clubs two seasons later. However, it faced weakened revenue streams. The alliance between BSkyB and the newly formed EPL effectively created a monopoly for the broadcast of top-flight domestic football. This monopoly lasted for a number of contract periods from 1992. The first was for five seasons from the 1992–93 season. The subsequent contract period, which spanned the seasons from 1997–98 to 2006–7, saw the continued monopoly, though during this time a competitor in the form of a digital broadcaster, ONDigital (later rebranded as ITV Digital), entered and quickly exited the market as it was unable to compete with BSkyB. ITV Digital’s plight was that it tried to compete with BSkyB in the football-broadcast market using an inferior product, live games from the Football League, which it had overvalued. ITV Digital eventually went into administration in 2002 having only paid a fraction of the £315 million owed to the Football League’s clubs (Buraimo et al., 2006).

The dominance of BSkyB broadcasting EPL football was scrutinized by the domestic courts, BSkyB having first been prevented from merging with Manchester United in 1998 and the EPL having had to defend its collective selling of broadcast rights. However, it was the European competition authorities that strongly objected to a single broadcaster being able to exclusively broadcast football. By inference, the competition authority’s definition of football rights meant that live EPL games were treated as a single market. Therefore the broadcast of matches from, say, the Football League could not be viewed as substitutes for those from the EPL and consequently BSkyB’s exclusive contract with the EPL was considered anticompetitive. In fact, disquiet regarding this had been noted for some time and the three-year contract for the 2004–5 season was not sold as a single package but as four. This was to suggest that opportunities existed for competing broadcasters to bid for EPL rights. The four packages were branded as Gold, Silver, Bronze (1) and Bronze (2). Notwithstanding this, BSkyB succeeded in acquiring the rights to all four packages. It is unclear as to whether it outbid all other parties or whether there were simply no competing bids.

For the contract period spanning the three seasons beginning from 2007–8, the BSkyB–Premier League alliance was uneasy about the interest of the European Commission. It had been reported in the media that the European Commission was looking to prevent any single broadcaster from having a monopoly on English Premier League Matches. ‘The Commission had insisted that at least two broadcasters must have a viable and meaningful share of football TV rights in England to ensure viewers have more choice’ (BBC, 2005). This opportunity allowed Irish broadcaster Setanta to acquire the rights to two of the six packages to show a total of 46 games per season. For the first time, BSkyB’s dominance in the EPL rights market had been reduced. Setanta, however, paid a very high price (£392 million) for these two packages but had similar problems to those of ITVDigital. Setanta’s broadcast platform had a very low reach and, like ITV Digital, was not able to generate the subscriptions and audience ratings that would allow it to make profits. After all, revenue from advertising depends on viewers. After two seasons of broadcasting EPL football, Setanta went into administration and the broadcast rights for the third season were acquired by ESPN, the American sports broadcaster. The monopoly for live EPL matches that had existed for 15 years is no longer in place and an oligopoly now prevails, with the market dominated by a handful of companies. The extent to which this is good news for consumers depends on the number of televised matches and the price consumers have to pay to watch these.

In the past, the EPL benefitted from selling the rights to its matches on an exclusive basis to BSkyB and this has been a key driver in maximizing broadcast revenue. Although the monopoly previously enjoyed by BSkyB has been ended, this does not necessarily mean an end to the substantial sums previously generated by the league. In the present oligopoly, what
now matters is the design of the auction and bidding process. With an appropriate design, it is possible for the league to generate demand among broadcasters which should result in increased rights fees. With respect to the broadcast market, the complexities of the market do not preclude a complex monopoly arrangement.

Stadium attendance and audience ratings

The markets for English League football, in the light of the emergence and developments within the football broadcast market, now essentially comprise stadium attendance, the traditional source of revenue, as well as television audiences. A question that will be addressed in the next section is the impact of televised football on stadium attendance. However, before doing so, this section examines the development and state of the two markets.

Revenue from attendance, and by implication the size of matchday attendances, are very important for the League’s clubs. This has been and continues to be an important source of revenue for clubs. Matchday attendances have experienced positive growth in the EPL, as shown in Table 29.2. To some extent, the evidence presented in Table 29.2 is not entirely revealing of the positive growth in attendance. In viewing the table, promotion to and relegation from the EPL should be noted. Over the past years, some big city teams have been relegated and replaced by small city teams. For example, over time clubs like Leeds United and Newcastle United, who regularly report average attendances of 35,000 and 44,000 respectively, have been replaced by clubs such as Stoke City and Wigan Athletic, who have a mean attendance of 27,000 and 19,000 respectively. Another important factor to note is that there is a significant number of clubs whose matchday attendances are systematically constrained by the capacities of their stadia. This is the case for nearly all matches of clubs like Arsenal, Chelsea, Liverpool and Manchester United. Furthermore, other clubs from time to time face this problem. Table 29.2 therefore underreports the true level of match day demand for EPL matches.

As matchday attendance and associated revenue have grown, so has revenue from the broadcast market. As noted in Table 29.1, the revenues from the broadcast market have been substantial. Since the 2000–01 season, revenue from broadcasting has dominated that of

<table>
<thead>
<tr>
<th>Season</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993–94</td>
<td>23,043</td>
<td>9,891</td>
<td>4,739</td>
<td>45,347</td>
</tr>
<tr>
<td>1994–95</td>
<td>24,273</td>
<td>9,026</td>
<td>5,268</td>
<td>43,868</td>
</tr>
<tr>
<td>1995–96</td>
<td>27,550</td>
<td>8,835</td>
<td>6,352</td>
<td>53,926</td>
</tr>
<tr>
<td>1996–97</td>
<td>28,435</td>
<td>10,070</td>
<td>7,979</td>
<td>55,314</td>
</tr>
<tr>
<td>1997–98</td>
<td>29,190</td>
<td>9,930</td>
<td>7,688</td>
<td>55,306</td>
</tr>
<tr>
<td>1998–99</td>
<td>30,592</td>
<td>9,841</td>
<td>11,717</td>
<td>55,316</td>
</tr>
<tr>
<td>1999–2000</td>
<td>30,756</td>
<td>10,961</td>
<td>8,248</td>
<td>61,629</td>
</tr>
<tr>
<td>2000–01</td>
<td>32,906</td>
<td>12,594</td>
<td>14,651</td>
<td>67,637</td>
</tr>
<tr>
<td>2001–02</td>
<td>34,469</td>
<td>11,570</td>
<td>15,412</td>
<td>67,683</td>
</tr>
<tr>
<td>2002–03</td>
<td>35,466</td>
<td>10,747</td>
<td>14,017</td>
<td>67,721</td>
</tr>
<tr>
<td>2003–04</td>
<td>35,020</td>
<td>11,470</td>
<td>13,981</td>
<td>67,757</td>
</tr>
<tr>
<td>2004–05</td>
<td>33,917</td>
<td>11,758</td>
<td>16,180</td>
<td>67,989</td>
</tr>
<tr>
<td>2005–06</td>
<td>33,888</td>
<td>12,023</td>
<td>16,550</td>
<td>73,006</td>
</tr>
<tr>
<td>2006–07</td>
<td>34,357</td>
<td>14,674</td>
<td>13,760</td>
<td>76,098</td>
</tr>
<tr>
<td>2007–08</td>
<td>36,076</td>
<td>14,302</td>
<td>14,007</td>
<td>76,013</td>
</tr>
</tbody>
</table>
matchday takings, as well as other commercial activities (see Figure 29.1). This raises important questions of the relative economic importance of fans who consume EPL games by going to stadia and those who prefer to watch it from the comfort of their homes. The (economic) importance of these two sets of consumers is becoming apparent in the approaches and strategies of football clubs. For many clubs, the revenue they receive from the collective selling of rights is greater than that from matchday attendance. This has prompted some clubs to reduce, in real terms, the price of stadium admission. The revenue that these clubs stand to lose is more than compensated for by the increasing value of broadcast rights fee they receive.

The interplay between the two sets of consumers goes beyond the revenues they generate for the league. Their preferences are somewhat different and this creates complexities within the broadcast market. Fans who prefer to attend matches generally have a preference for weekend fixtures. However, broadcasting normally means rescheduling matches away from the traditional kick-off time of 3.00pm on a Saturday. And while matches are rescheduled at other times during the weekend, the volume of televised matches means that a significant proportion of these are rescheduled on weekday evenings, which is less convenient for those who attend matches. From 1993–94 to 2006–07 inclusive, 24 per cent of matches were played during the week. For the broadcast consumer or ‘couch potato’, this does not present a problem. It is (in theory at least) conceivable that, as revenue from broadcasting continues to grow faster than that of matchday attendance, football clubs should further subsidize the stadium admission in order to maximize the attendances and makes the product attractive to broadcasters.

For some clubs, the number of their home games that are televised may raise concerns. While broadcasting revenue more than adequately compensates clubs for any losses at the gate, a negative consequence is the disharmony it creates among their core consumers. One means
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of balancing the demands of stadium goers – particularly of those clubs who are likely to
generate high television ratings and are therefore more attractive to broadcasters – and those
of television audiences is to televise more of the away matches of high-drawing teams. This
still allows the broadcaster to show teams which are likely to draw large audiences, but mini-
mizes the disruption to the stadium goers. Consider a rescheduled televised match between
two teams, A and B, in which the former is a big-city team and the latter a small-city team. If
team A is the home team, the rescheduling of the match to a weekday causes greater disruption
as team A has more home fans and team B fewer away (travelling) fans. In contrast, the total
disruption is lessened given that the rescheduling will only inconvenience team B’s
home fans, who are smaller in number compared with team A’s, and team A’s travelling fans.

Table 29.3 shows the distribution of televised matches for the 2006–07 season across home and
away teams. From the table it is clear that the four most popular teams have more of their away
matches televised compared with home ones. This is necessary if the broadcaster is to maxi-
mize audience ratings by showing the most popular teams and, at the same time, not alienate
stadium goers even if their economic contribution is less than that of the broadcast market.

<table>
<thead>
<tr>
<th>Team</th>
<th>Home games</th>
<th>Away games</th>
<th>Total televised games</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arsenal</td>
<td>5</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>Aston Villa</td>
<td>4</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Blackburn Rovers</td>
<td>2</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Bolton Wanderers</td>
<td>4</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Charlton Athletic</td>
<td>4</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Chelsea</td>
<td>6</td>
<td>10</td>
<td>16</td>
</tr>
<tr>
<td>Everton</td>
<td>6</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Fulham</td>
<td>5</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Liverpool</td>
<td>5</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Manchester City</td>
<td>5</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Manchester United</td>
<td>6</td>
<td>12</td>
<td>18</td>
</tr>
<tr>
<td>Middlesbrough</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Newcastle United</td>
<td>4</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Portsmouth City</td>
<td>2</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Reading</td>
<td>4</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Sheffield United</td>
<td>4</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Tottenham Hotspur</td>
<td>6</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Watford</td>
<td>4</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>West Ham United</td>
<td>7</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Wigan Athletic</td>
<td>4</td>
<td>2</td>
<td>6</td>
</tr>
</tbody>
</table>

Impact of televised games on attendance

There is a growing number of studies assessing the impact that televising sport has on attend-
ance within the stadium. A significant number of these have analysed football. The evidence
suggests that the reluctance of the Football League to offer greater numbers of matches for
broadcasting was reasonable after all, despite the findings of early research.

Studies that had previously investigated this phenomenon had focused on sport in the US
and the results were mixed. For example, stadium attendances at the National Collegiate
Athletic Association (NCAA) football have been examined with specific attention placed on
broadcasting. Kaempfer and Pacey (1986) examined the relationship between broadcasting and attendance. They examined 72 NCAA teams from 1975 to 1981 and regressed the ratio of average annual attendance to the capacity of the stadium on a number of explanatory variables including the number of appearances by a team on television. They found that rather than adversely affecting attendance, it acted as a complement. Their premise was that television exposure acted as marketing and promotion tools and the more exposure given to a team, the greater its attendance. Fizel and Bennett (1989) also examined the impact of televised matches on NCAA football attendances from 1980 to 1985. They adopted a similar approach to Kaempfer and Pacey by using the ratio of average annual attendance to stadium capacity as their dependent variable. Controlling for a number of explanatory variables, they found that televising matches was detrimental to demand but the number of televised matches over a long-run period had a positive effect. The overall net effect, however, was that televising matches was harmful to attendance. It is interesting that these two studies of the same sport, although over different time periods, should produce contrasting conclusions. This makes decision-making difficult for sport administrators.

With respect to English football, one of the first studies of the impact of televised games on matchday attendance was that of Baimbridge et al. (1996), which was a cross-sectional analysis of the 1993–94 season, the EPL’s second season. Controlling for a number of variables, their analysis showed that when matches were televised live on BSkyB’s sport channels on Monday, average attendances fell by 15 per cent. Matches televised on Sunday had no significant effect on attendance at normal statistical levels. It would seem that the reservations of the Football League were justified. The financial impact of this decline in attendance, however, was positive. Although televised live matches caused attendance to decline, teams received facility fees which more than compensated for the loss in attendance.

Other studies of football that have investigated the impact of live broadcasting on attendance include Garcia and Rodriguez’s (2002) of Spanish football, Allan’s (2004) of Aston Villa in the EPL, Forrest et al.’s (2004) of the EPL, Forrest and Simmons’ (2006) of the second tier of English league football and, more recently, Allan and Roy’s (2008) of Scottish Premier League football, and Buraimo’s (2008) and Buraimo et al.’s (2009) of the Championship, the second tier of English league football. All these studies found that live broadcasting of football on television reduced attendance, whether televised on pay television satellite platforms or free-to-air.

When evaluating the impact of television on matchday attendance, the case of the EPL is a special one. Some previous studies have not always acknowledged the capacity constraint problem of the League. Across the 15 seasons from 1993–94 to 2007–08, 40 per cent of matches have been constrained by the capacities of stadia. For this reason special consideration must be given to matchday attendance figures. For example, in the cases of Arsenal, Chelsea, Manchester United and Liverpool, to name four clubs, the reported attendances are not a true measure of demand. The true level of demand is unobserved; these clubs could sell more tickets at current prices. Hence appropriate statistical and econometric approaches are necessary. One approach is to base analysis on those matches whose attendances are not constrained by capacity.

To illustrate this, an analysis of unconstrained matches in the EPL from 1993–94 to 2007–08 (n = 3,305) was undertaken using a fixed effects model for home team and controlling for a number of factors including:

- quality of the home and away teams’ players (using wage bills as a proxies);
- the respective performances of the two teams prior to the game;
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- whether the match has local or historical significance;
- whether the match is played at the weekend or on a weekday;
- habit persistence of home and away fans.

Matches televised live at the weekend on BSkyB’s sport channels reduced attendances on average by 4.8 per cent. For those matches televised live on Monday, attendances fell on average by 8.3 per cent and those televised on other weekdays reduce attendances by 5.4 per cent. During the 2007–08 season, Setanta broadcast 46 matches on its pay television platform. Unlike BSkyB’s broadcast, Setanta’s had no statistically significant effect on attendance. The main reason for this is that this was Setanta’s first season and it had yet to penetrate the market. During the 2007–08 season, BSkyB’s mean television audience for EPL games was 1.24 million household viewers while Setanta’s was 451,435. Hence Setanta’s offering had no substitution effect.

The managerial and financial issues for league administrators are to ensure that revenue generated from the broadcast market compensates for the loss of attendance. In the case of the EPL and BSkyB, the broadcaster has for many seasons compensated the league and its teams. This is principally because the EPL sells its broadcasting rights on a collective basis and the efforts of smaller teams in the league are essentially cross-subsidized. Some European leagues, however, sell their rights on an individual basis, e.g. Spain’s La Liga, and while this may suit the bigger teams, smaller teams often find it more challenging to sell their broadcast rights. For such teams, it is vital that they are able to evaluate the negative impact of television on their matchday attendance. It could well be that the rational decision is for their matches not to be televised, assuming there are no additional benefits (besides broadcasting revenue) to having games televised, which is not necessarily the case. The exposure that teams accrue from having their matches televised may itself benefit teams and this is an area for further empirical research.

Television audience demand

The number of studies on television audience demand for sport (and more specifically football) is rather limited compared with stadium demand. One reason is that the market for televised sport is relatively new compared with stadium attendance. Another reason is that data is not widely available. One of the earlier studies of television audience demand in football is by Forrest et al. (2005) in their analysis of the effects of outcome uncertainty on the size of television audiences for EPL matches. Others are Buraimo (2008) on the second tier of English Football and Alavy et al. (2010). A theoretical and empirical understanding of audience demand for football is vital to many of the agents involved in football. In the case of broadcasters, understanding the determinants of the size of television audiences is important. Doing so allows them to select the most appropriate matches for broadcasting in order that revenues from subscription and advertising could be maximized. In the case of leagues, especially where collective selling of rights takes place, at least the minimum value to compensate members should be extracted. For clubs, assessment of audience sizes allows them to determine the market value of their matches.

Forrest et al.’s (2005) analysis of television audience demand in the EPL is interesting for two reasons. Firstly it estimates the likelihood of a match being selected by the broadcaster BSkyB. The broadcaster’s role is complex as televising matches is not just a case of selecting the best matches from the schedule. Firstly, there is the constraint that only a proportion of matches may be televised. In the early days of the EPL this was limited to 60. Nowadays it is
138. The selection of matches must be evenly distributed across the number of rounds. It is therefore not possible for the broadcaster to choose an excessive number of matches in one round because the schedule is more attractive and fewer the following round because there are not as many attractive matches. The second constraint is the number of times each team is chosen for broadcast. In practice the broadcaster generally ensures that each team’s match is televised live on a minimum number of occasions. It would not be acceptable for the broadcaster to select only the bigger teams for broadcasting for reasons noted earlier. A third constraint is that, to minimize the disruption, during the first half of the season, the broadcaster nominates those matches that are to be televised; during the second half, it can give shorter notice periods to the league and clubs as to which matches are to be featured in its broadcast schedule. Given these constraints, the broadcaster is rational in that it places emphasis on those matches that, *ceteris paribus*, have a greater volume of playing talent on show (as measured using the teams’ wage bills) and have a greater level of outcome uncertainty.

The other interesting reason is that Forrest et al. (2005) is one of the first published articles to develop a model for television audience demand. They find in their model that the factors that influence the broadcaster’s choice of games to televise are also the factors that influence the demand from television viewers. This suggests that the broadcaster’s approach is rational in that its choice of which matches to televise aligns with those which consumers value given the constraints. Television audiences, among other factors, are driven by the talents of the home and away teams and the degree of outcome uncertainty attached to matches. Using the information from the empirical modelling, it would be possible to determine how the determinants of television audience demand might be influenced to maximize television viewers, which is after all one of the main sources of revenue for the broadcaster. The empirical evidence also offers some insight into how the demand for stadium attendance and television could and should be managed; this is now discussed.

**The interplay between stadium attendance and TV audiences**

To date, the majority of studies of stadium demand and television audience demand have, to a large extent, treated these markets independently in empirical analysis. Given that the demands of stadium goers and television audiences are not independent of one another, the empirical analysis should reflect this. In the above analysis, BSkyB’s broadcast of games has an adverse effect on stadium attendance, albeit revenue lost from stadium goers in the EPL is more than adequately replaced by that earned from broadcasting. However, do stadium attendances have an impact on broadcasting? Buraimo’s (2008) analysis of the second tier of English league football found that the number of fans in stadia had a positive impact on the size of television audiences. This was also shown to be the case in Spain’s Primera Liga (Buraimo and Simmons, 2009). The attractiveness of televised games is not just limited to the players of the two teams. In fact, the (perceived) quality of the televised product is a fusion of the quality of players across the two teams and the atmosphere created by fans in attendance at the stadia. That atmosphere may also impact on the quality of play by the players, which then has an impact on the quality of the game when televised. This is particularly relevant given that television viewers are more easily able to stop their spectatorship if the quality if the game is below expectation. Furthermore, this is also relevant for marketers and advertisers as they are less inclined to promote products and services in empty stadia.

The relationship between stadium demand and television audience demand is also relevant from a financial perspective. In the case of the EPL, and as noted earlier, revenue from broadcasting dominates that from attendance. In other leagues, even major ones, this may not be
the case. For example, the revenue generated by clubs in Spain’s Primera Liga, although greater than that generated from stadium attendance, does not substantially compensate clubs for the negative impact of broadcasting (certainly not to the same levels as those of the EPL).

What can be made of the relationship between stadium attendance demand and television audience demand? To understand this relationship fully, (some of) the fundamentals of the economics of professional team sport need to be established. Buraimo et al. (2007) in their analysis of market size and competitive outcomes provide empirical evidence of these. They show in a regression analysis that the size of a team’s local market and the presence of competing clubs influence performance. However, they also highlight that market size and the presence of competing clubs influence directly the revenues a club generates. Given the levels of revenue generated, this will directly influence the level of playing talent employed by a club. Given the competitive nature of the labor market for players in European football, the best players generally command a higher remuneration and consequently teams’ with higher wage bills perform better (see Kuper and Szymanski (2009); Frick (2007); Simmons and Forrest (2004)). Equations 6.1 to 6.3 summarize these relationships. Extending the earlier work Buraimo et al. (2009) and Buraimo and Simmons (2009) provided evidence of the influence of market size and the presence of competing clubs on matchday attendance in the second and first tiers of English League football respectively.

\[
\text{revenue} = f(\text{market size}, \text{competition})
\]  
(29.1)

\[
\text{wages} = g(\text{revenue})
\]  
(29.2)

\[
\text{performance} = h(\text{wages})
\]  
(29.3)

Given these fundamentals, what are the impacts of broadcasting and how do they influence the markets for stadium attendance and television audience ratings? The improved performances of teams, as a consequence of acquiring better playing talent, generate better attendances at stadia; this is one of the control variables noted earlier in the model of attendance. The levels of attendance have direct effects on revenue and television audience ratings. As the broadcasters are looking to maximize revenues (and profits), audience ratings are very important, and in turn positively influence advertising revenue. Hence, a high subscription base is not sufficient for a commercial broadcaster; what matters more is the audience ratings for programming generated from this base. Figure 29.2 shows the fundamentals of the market and the role of attendance and television audience demand.

From Figure 29.2, the success of broadcasting as measured by television audience ratings is likely to influence the revenues provided by the broadcasters to the clubs via the league. It is therefore in the interest of league teams to ensure that television audience ratings are maximized, \textit{ceteris paribus}. If clubs do not make a concerted effort to improve the quality of the product for television, this may potentially lead to a fall-out with the broadcaster. For example, Canal Plus, the principal broadcaster of live league matches for France’s top-flight domestic league, threatened to withhold payment to the league and its clubs in 2006. The reason was that the quality of football provided by the clubs was deemed by the broadcaster to be generally poor with very few goals (Sport Business, 2006). The quality of football in the EPL, as measured by the amounts spent in the players’ labour market, is generally high and consequently creates a sporting spectacle and generates high audience interest. As a result of this and other factors, the broadcasters (BSkyB and others) are willing to pay large sums to the League and its members.
Conclusions

The broadcast and sport market has evolved over the past years and its developments are typified by those seen within the English Premier League. It is hard to envisage either of these markets functioning independently of each other and their interdependencies have implications for a number of economic agents including leagues, clubs, broadcasters, consumers, players and many others. The developments in these markets have been complex. Competition in the broadcast market has seen major broadcasters in the form of ITV Digital and Setanta enter and exit the market.

Notwithstanding the changes to the supply side of the broadcast market, the developments in English football have coincided with various developments in the broadcast market. In football it is clear that clubs with higher levels of economic power have successfully engaged in regulatory capture and, consequently, this has resulted in the EPL, regarded as the most successful league in Europe and one of the most successful worldwide. The EPL and its clubs have been able to maximize the potential of their offering and monopoly practices have preserved the increases in rights fees that the market has become accustomed to; rights fees have increased over each contract period and clubs have been able to use the proceeds to attract better players and increase player earnings.

There are complexities in the consumption of live sport, however. Traditionally, the demand for football has been dominated by traditional fans visiting stadia on match day. The
advent of live broadcasting, while increasing the overall market demand for football, has had an adverse effect on stadium attendance. Clubs, however, have been adequately compensated for matchday revenue losses. While television has had a negative effect on attendances in stadia, stadium attendances have been shown to have a positive effect on television audience ratings. Audiences of the televised product are sensitive to not just the quality of player talent across the two teams involved in the matches, they are also sensitive to the product, that is the size of, and the atmosphere generated by, the crowd. Hence, leagues and clubs need to ensure that the stadium attendances are maximized in order to fulfil the market potential of television. After all, as the scale of television audiences increases, the broadcaster can increase its potential revenue from advertising. The dilemma for those involved in managing consumer demand for football is that stadium attendances are needed to improve television audience ratings; however, televising games reduces stadium attendances. An optimum balance is therefore necessary, particularly given that more and more games are being televised.

Notes
1 Broadcasters often have the option of selling rights to a secondary broadcaster, for example BSkyB in the secondary market buys rights from other broadcasters in addition to those acquired directly from rights owners.
2 This chapter focuses most on the relationship of broadcasting to attendance demand. There is a huge literature examining the determinants of the latter in sport. Interested readers are referred to Borland and McDonald (2003) and Downward et al. (2009), in which recent reviews are provided.
3 This is a regression model applied to data which measures aspects of a set of clubs over time, known as panel data. Qualitative or dummy variables for each club are included in the analysis to capture factors that are specific to the individual clubs.

References


