Corporate Interest in Sports: Minting Money out of People's Passion

Sabyasachi Mitra

Globalisation has changed the very nature of the way sports has been traditionally played and organized worldwide. While sports has, for long, played a significant role in shaping the local and national identities, the process of globalisation, which sports has been experiencing since the last quarter of the twentieth century, has threatened the very existence of indigenous sports and traditional games which have remained a part of local and national cultures and identities. Today sports, instead of being a social tool, is put into greater use by the sponsors to promote their brands and products. The overall dominance of values of trade is leaving an indelible negative impact on the future of sports. People getting together just for the fun of it is no longer the motive of any sporting event on which the emphasis is laid. The new generation in almost all communities wants to play games which would help them in securing status, sponsorship deals and international acclaim. Anything that local communities might cherish, but the market might find not profitable enough to preserve cannot survive in today's world. A recent example is the withdrawal of Castrol as sponsors of the Indian men's hockey team (once the best in the world, but currently not attracting too many spectators) as part of the company's cost-cutting exercise. The emphasis is solely on mass-market communication, sponsorships and TV ratings. As Anthony Giddens has pointed out, globalisation has increasingly detached people from local traditions[1], while David Harvey has emphasized on the speeding up processes that have been a result of the technological and economic changes made possible through globalisation, particularly since the end of the 1960s. [2] [3]

Sports has become inextricably linked to capitalist firms which have a sole objective of maximizing profits, and the new global political economy has facilitated this process. Sporting events are no longer a source of mere enjoyment and leisure activity, but events hosted to generate enormous profits. International sports bodies and federations (like the International Olympic Committee (IOC), Federation Internationale de Football Association (FIFA), International Amateur Athletics Federation (IAAF), International Cricket Council (ICC)) earn enormous revenue by selling television and sponsorship rights to Multinational Companies (MNCs). Only thirty years ago the total sponsorship money in sports was to the tune of US $5,00,000. In the last few years it has skyrocketed to US $20 billion. The TV rights to the last Soccer World Cup and Olympic Games combined were reported to be over US $2.3 billion.

The distribution of this sponsorship money, however, has been far from egalitarian. In 1998, of the total money that came to sports from sponsors, 37.8 per cent was spent in North America, another 36.4 per cent was spent in Europe, and 20.8 per cent in Asia. South America got a very small amount, while Africa got almost nothing. One wonders why Brazil, the reigning FIFA World Cup champions, got almost nothing, and why its players mostly play for European clubs to earn a greater share of their incomes. It has to do with the reach of the cable television (through which the sponsors reach out to the potential consumers with their products) in Brazil, with only 3.3 per cent of Brazilian households having access to the same.

Also, no longer do the financial gains from sports go back to benefit sports. Sports is being handled as every other merchandise. Profits from organizing sporting events now go into the pockets of agents and merchants using sports merely as a means of financial speculation.[4]

As mentioned of by George Wright, the global sports industry consists of multiple forces that have overlapping relationships and increasing concentration and centralisation tendencies. A categorisation of those constituent parts include: conglomerate oligopolies that own a range of subsidiaries, including sports-oriented firms as well as other firms that can compliment the sports-related businesses; firms whose sole activities centre around sports, some in the service sector, some in mass entertainment, others in manufacturing; national sports leagues that promote their teams and athletes and have sponsorship and merchandising relations with TNCs and local businesses; and international sports organizations and federations and national sports bodies. Businesses that are allied to the sports industry include suppliers of food and beverages at stadiums, raw material suppliers for sports apparel and shoe producers, public relations firms, sports lawyers, and the sports medicine industry. Finally, gambling, which has legal and illegal components overlapping formal and informal economies worldwide, is also integral to the global sports industry.[5] As discussed by Mike Marqusee[6], the convergence of a deregulated financial regime and the spread of information technology, substantial sums of money now flow from one account to another with blithe disregard for national boundaries or legal niceties. In the globalised economy, information is not only the driving force but a precious commodity in its own right: informants inside the dressing rooms or the press box provide bookmakers with a precious advantage, and are rewarded accordingly.

Recent sporting events have witnessed increased involvement by multinational business houses and global telecommunication and media oligopolies, including News Corporation, Disney and Time Warner. It is these companies which now decide the scheduling and production of sporting competitions, rather than the international bodies which govern the games. These companies use sports as a marketing device and often own teams in different games, from soccer to baseball to basketball to motor sports, besides sponsoring a string of national and regional teams in several countries in the world. Disney, for example, owns ABC Sports, ESPN, Eurosport, and teams like the Anaheim Angels (Major League Baseball) and the Mighty Ducks (National Hockey League). "The ownership model of the 21st century is you buy the franchise, you buy the sports facility, you develop other opportunities around the sports facility, including retail and entertainment developments. You buy radio stations or television stations, or create a regional sports network," said Bonham, the Denver sports consultant. "You basically create a sports conglomerate from the ground floor up."[7]

Sports associations and governing bodies have structures ill equipped to deal with the dramatic changes which result from the involvement in sport of media companies such as those owned and controlled by Murdoch. This is bound to happen to any game if it is taken over by someone totally amoral and absurdly rich, by someone who treats sports not as a performance, but simply as just another product. In fact owners of several teams, be in baseball, basketball, rugby, soccer, or any other sport, have often made millions by selling the teams off to others.

All these purchases would not have taken place if not for the immense opportunity ownership of such teams provide in popularizing and merchandising the business houses that own them, and the money they can make from the sale of advertising, televising and other rights, as well as sports-related merchandise endorsed and popularized by top players playing for these teams.

During the period when Ronaldo played for Inter Milan, 2000 jerseys with the number Ronaldo used to wear during the games sold daily from the club. Inter Milan saw their sale of season tickets soar from 35,000 to 48,000 once Ronaldo joined the club. Barcelona also enjoys similar business booms riding on Ronaldo's association with the club. In 1999 the English soccer club Manchester United earned only US $56 million through sale of tickets. However it earned another US $70 million through commercial activities and US $46 million from the television channel it owns. In the year ending in July 2002 Manchester United earned revenue of US $190 million, with a net profit of US $22 million. Manchester United has 50 million fans worldwide, with 30 million of them in Asia. The club's property is estimated at more than US $800 million. Figures for Juventus and Barcelona FC also tell similar stories. As Mark Cuban, who bought the Dallas Mavericks, an NBA side, for US $280 million has openly admitted, " having paid $200 million (sic) for my franchise, I want, and need, the NBA running on all cylinders in order to maximize the return on my investment".[8] This, in fact, is the guiding principle and bottom line of all investors in today's world of corporate sports business.

Endorsement of goods marketed under multinational brand names by popular sportspersons, while boosting the earnings of the players, have furthered the cause of the companies to a much greater extent. Nike went public in 1980 and shortly afterwards signed the basketball player Michael Jordan. Jordan is credited with raising the profile of the brand to new heights. Combined with Nike's 'Just Do It' advertising campaign which reached all corners of the world the company saw staggering growth in revenues from $269 million to over $2 billion during the decade.

The sporting goods industries alone are estimated to have an annual retail market possibly of over US $600 billion, linked to a global network of small and big businesses, focused primarily on the 16-25 age group - which is more than the GDP of many countries. This doesn't count in media revenues and sponsorship, travel and tourism, infrastructure, associated food and beverages, gambling, corporate entertaining, and millions from sports club and entrance fees. European soccer leagues alone are said to be a $10 billion market.[9]

Following the success of Michael Jordan, Nike continued to make huge endorsement deals. These included Andre Agassi, Mary Pierce, Pete Sampras and Carl Lewis. The objective of these endorsements has been to project the brand image of the Nike label using the number one athlete in their respective sports. The cost to Nike of these deals is counted in the millions. Revenues, in part associated with the association of success by these sportsmen and women can be counted in the billions. Latest available figures put Nike's revenues at US$ 9 billion. With net income of $579 million, Nike is the biggest player in the global sports business. The vast majority of these sales come from shoe sales. Basketball shoes, athletic shoes, tennis shoes and more recently soccer boots. Name a sport and it's likely that Nike makes a shoe that fits.[10]

The only sad part might be that those who make these shoes factories without basic facilities and safety standards might themselves be and have to remain barefooted. Nike employs 35,000 mostly female workers in Vietnam. For an eight-hour day they are paid on average $1.60. The shoes they make can retail for up to $165 in the United States. In a different forum Doug Hall, Chairman of Newcastle United FC once said, "We sell 600,000 shirts a year. Every shirt costs £50, but the shirts cost only £5 to make in Asia."[11] Other manufacturers of sporting equipments, be it Reebok, Adidas, Mitre or Umbro, are no different when it comes to paying the workers poorly.

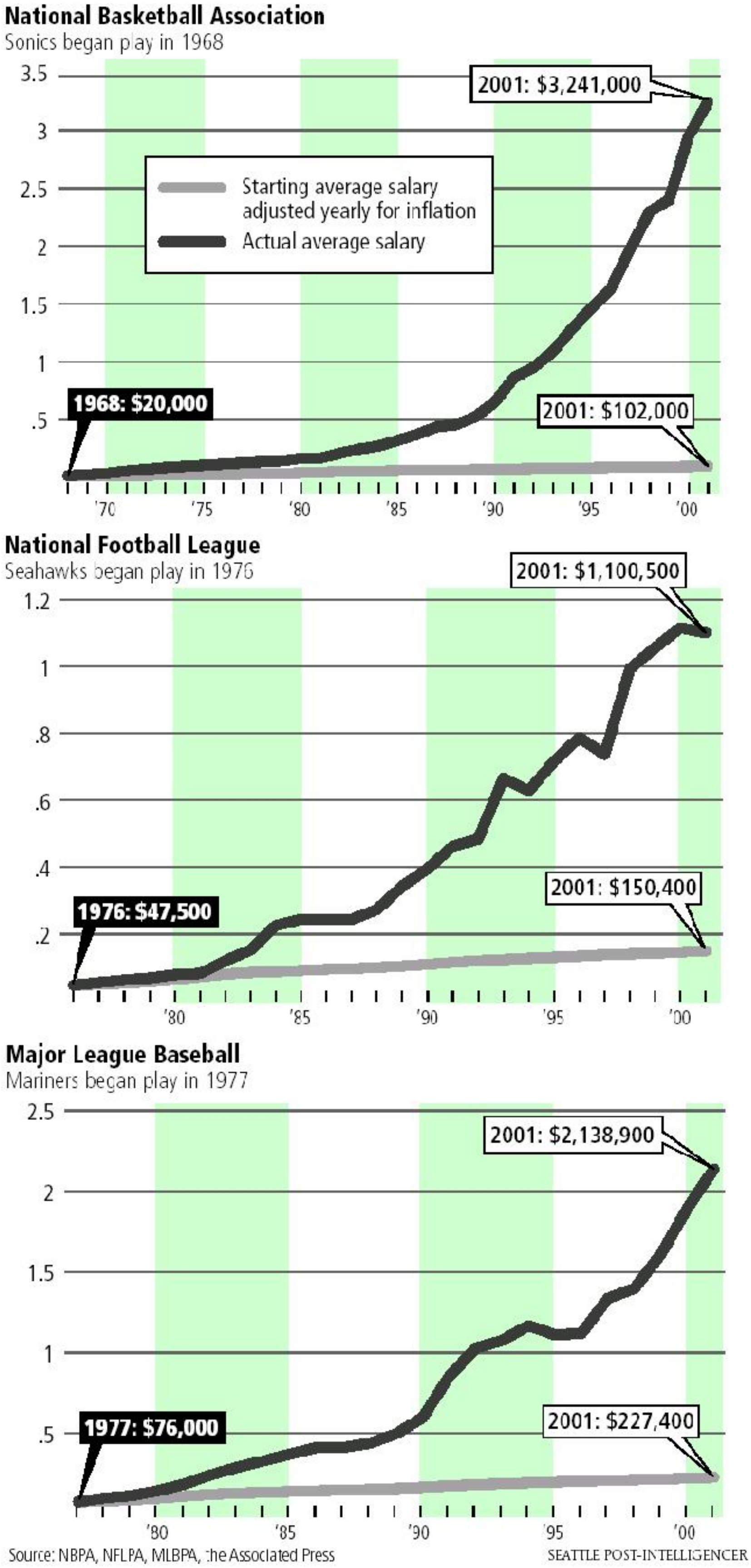
Sports has indeed become increasingly important to the globalisation process as a means to promote commodity consumption. In 1993 the four major professional leagues in the United States sold US$ 9 billion worth of franchised goods; while the three major television networks generated $2.2 billion in sports related advertising, and the cable networks generated US$ 800 million. When the Japanese JLeague football games were put on commercial television that same year, it generated US$ 300 million worth of sales for Sony Creative Products and one million new depositors for Fuji Bank.

Soccer is not that popular in the United States, and just banking on the non-American workforce in that country would not have made the FIFA World Cup 1994, organized in the US, a huge success. However, with the commodification of sporting events, and the development of a global mass consumption culture, companies could advertise their products all over the world, while the US organizers of the Cup kept all the profits and revenue from selling of sponsorship and television rights.

However, while sponsorship deals have made players, many of whom (significantly in games like soccer and athletics) had spent their childhood in abject poverty, rich, these deals have also affected the health and longevity of careers of several players. Countries and players sponsored by the companies have become hostage to the interests of the sponsors. International sports management firms, such as the International Management Group (IMG) control athletes and players, promote events in which these players compete, and produce the televising of these competitions. Nike, the sponsors of the Brazilian soccer team, forced an injured Ronaldo, who had convulsions the night before the 1998 World Cup final against France led by Adidas-sponsored Zinedine Zidane, to take the field after getting injected with painkillers. Apparently it is because of Ronaldo's presence in the team that Nike has committed US $2 billion for the Brazilian national squad over 10 years. And it is Nike which is charting out Brazil's playing schedule since 1997.

Entry of the corporate sector into sports inevitably leads to concentration in the sporting industry. Business houses, and media companies in particular, own or purchase teams, be it in soccer, baseball or basketball, or even athletics. Till such time that they own the teams, the teams become marketing tools in the hands of the owners to sell luxury suites, seat licenses, premium seats, season tickets and multimedia content. Companies can run teams at a loss but make up for it through advertisements and subscription fees. Media tycoon Rupert Murdoch purchased the US Baseball team LA Dodgers for 25 times the team's the then earnings in the late 1990s. He also signed pitcher Kevin Brown on a seven-year US $105 million contract (about $400,000 per game).

Salaries of players playing with major clubs have indeed gone up many times during the recent decades. While, not long ago, US $100,000 was a lot of money an entry-level player in the US league could hope for, signing amounts in the vicinity of a million dollars no longer make any wave. Players' salaries have outstripped inflation by absurd proportions. Babe Ruth, the baseball icon of the 1920s, got US $10,000 per year in 1919, which doubled in the next year, and in 1921 his salary went up to US $52,000 when the Boston Red Sox sold him to the New York Yankees for US $125,000.[12] In contrast, average annual salaries of players representing the Sonics in the NBA League have increased 162 times in 33 years. Even if one takes into account the inflation factor, these salaries have grown at 31 times the rate of inflation. Between 1976 and 2001 average salaries of those playing for the Seahawks in the NFL rose 23 times, while that of those playing for the Mariners in the MLB went up by 28 times between 1976 and 2001. The graphs below show the rise in salaries of players of three top teams (since they started playing) in the United States, one each from the National Basketball Association, National Football League, and Major League Baseball.[13]



Source: http://seattlepi.nwsource.com/specials/moneyinsports/salaries.pdf

Such deals threaten the competitiveness of smaller clubs which are not able to spend so much on the teams. It is inevitable that smaller clubs will soon be left with no player of any repute resulting in fans deserting these clubs, thereby pauperizing the smaller clubs further and pushing them to the brink of extinction. Eventually these uncompetitive clubs may be forced to sell off the teams and tycoons can consolidate and monopolise control over national leagues and sports federations. In some other cases smaller clubs end up as mere talent spotters and providers of a steady flow of talented players to the richer clubs, not only inside the country but also in different parts of the world. The involvement of multinational companies in the conduct of sports, and in organization of sporting events, has often eroded the national boundaries of the players. International soccer players are often accused of saving their best for their clubs and not putting in their best while representing national squads. "The global labor market for athletic talent confers a de facto dual citizenship on elite athletes that frequently devalues service to the nation in favor of service to professional clubs." [14] As Jayati Ghosh has cited, "of the 23 main players in the team from Senegal that won so many hearts at the 2002 FIFA World Cup, as many as 21 play in the French league. The real Senegalese football, it has been pointed out, is not played within Senegal, but in the clubs of Europe." [15] National leagues in Latin America are floundering, resulting in even lower spectator interest, and hence to increased pauperization of the clubs. The players also lose their obviously more attractive Latin American style of soccer, as they play to survive in the European circuit.

However, even as some players are getting increasingly higher salaries, and clubs are making more profits, one can witness growing animosity between club owners and players, players and supporters and supporters and club owners. Players and their agents often complain that team owners and team managers cultivate resentment surreptitiously among supporters toward athletes' salary demands, knowing that media attention would then be focused on athletes' earnings, diverting attention away from the monstrous profits the teams, leagues and networks make. Supporters blame the rising salaries of the players partially for rising costs of tickets and often create a bedlam if these players cannot perform. Supporters also accuse club owners of increasing the ticket prices to cover 'ever-increasing costs', but making enormous profits, and even selling off the teams to make windfall gains.

During the last decade fans in the US have seen seven, nine and seven hikes in ticket rates by the Seahawks (National Football League team), Mariners (Major League Baseball team), and Sonics (National Basketball Association team) respectively. Lots of stadiums in the US are restructuring the seating arrangements by drastically reducing the number of cheaper, affordable seats, and increasing the number of box and premium seats. Corporations rather than traditional fans purchase nearly 60 percent of NBA season tickets, according to Team Marketing Report in Chicago. Not only has this driven up prices, the tickets often go unused.[16] The ones who used to buy the cheaper tickets, and were usually more active supporters vociferously cheering their teams, are now condemned to watching games on television, or worse, reading about them in the newspaper the next day.[17] The games have become venues for the rich to meet and greet, and may be discuss business deals.

Corporatisation has changed the entire running of sports from a traditional, fan-led model of club ownership to private, US-style run-for-profit franchises with fewer teams, each with territorial rights and market zones. This indeed has been a major shift that the world has witnessed after the corporate takeover of sporting events and teams worldwide. Fans and supporters no longer remain the most important stakeholder group for any club. The corporate owner wrests control even as the fans keep adding to the financial kitty of the owner through increased subscription and gate money rates.

Corporatisation of sports has also taken its toll on players in more than one way. Even as earnings from winning events are paling into insignificance when compared to the sponsorship deals that top players now command, even as players become apt symbols of the fusion of consumerism with national chauvinism[18], burn-outs and exhaustion of established stars have become regular owing to over-commercialization of sports and sporting events. Pressure on the top players to perform in every game or event has ruined the life of many a player, who to combat failure and depression often take to drugs. The cases of the NBA star Shawn Kemp, or the more illustrious one of the Argentine soccer superstar Diego Armando Maradona, both of whom finally ended in rehabilitation for drug dependency are just two of the innumerable sportspersons to have fallen victim to the pressure of modern day sports.

Besides, money in sports has led parents into pressurizing their kids to aspire and train to become world champions from a very early age. Parents are taking up second jobs to fund their kids' training costs. Parents often hope that a sports scholarship would pay for their wards' tuition costs in college and hence put additional pressure on kids to perform. However, pressure to perform is taking its toll on even the kids, and coaches have warned that they have come across kids very good when 7, but who break by the time they reach 12. As Greg Patton, a coach with the USTA juniors has said, the kids are often pushed way too hard, and specialized way too young. As Patton says, everybody is in a hurry to be great, and is lost when pushed too fast and hard. For every child who ascends to stardom, there are thousands more who never cash in. The National Collegiate Athletic Association (NCAA) figures in the US reveal that out of 1 million high school rugby football players only 150 make it to the NFL. The National Alliance for Youth Sports reports that 33 out of the 1 million prep basketball players can make it to the NBA.

Doping is another cause of worry plaguing modern day sports. With lots of money and job offers chasing a successful player, participants now want to win by any means, and this has led to a massive increase in the number of doping cases reported from all over the world. A recent case in point is that of athletes from several states switching over to compete for Andhra Pradesh in the recently-concluded National Games in India, lured by the monetary incentives Chandrababu Naidu, the Chief Minister of the state, had promised to all those who would win medals for the state. Even though there is nothing wrong in athletes getting monetary incentives, what is really worrying is that Andhra Pradesh had the maximum number of athletes caught for doping-related offences in these games.

Even as costs of watching a game is soaring, sponsors are trying to shore up passion and attract viewers despite the high costs by portraying matches between players and teams as wars which one badly needs to win by any means. This has led to growing animosity between the fans of 'warring' teams. Indian fans now consider Pakistani fans as enemies. A supporter of Steffi Graf, the German tennis player, stabbed Graf's rival Monica Seles so that Graf can win tournaments easily. Fans in recent times have often disrupted sporting events when the teams they were supporting faced a possible loss. A win against a rival team leads to a frenzy of excitement among the masses, which forgetting all the ills plaguing the country get immersed in what their team has 'won'.

It is not without reason that the Brazilian soccer player Tostao, a contemporary of the legendary Pele, wanted Brazil not to fair so well in World Cups. It is not because he did not support Brazil. As he told the author of the book, 'Football: the Brazilian way of life', fans get so obsessed with Brazil's success that they ignore the government's failure in taking the country ahead. The people in the government, riding on the people's obsession with Brazil's success in soccer, can get away with amassing personal wealth out of public funds, and still coming back to power when elections are due. Socrates, the captain of the Brazilian squad during the early 1980s also once said that it is in Brazil's interest that the team performs very badly in the World Cup.

In the world of sports those who wield that power today are not the federations supposed to govern the game but the corporate sponsors (most of them are US companies), some of whose annual revenue is several times the GDP of smaller nations. How can anyone, otherwise, explain a sick Ronaldo's inclusion in the Brazilian squad against France for the final match of the FIFA World Cup 1998? One can, once he is able to find corporate interest behind it.

As cited in an article by Ian P. Henry[19], sports is no longer viewed as part of a welfare policy pursues by the state, with the aim to make 'sport for all' a reality. To quote from the piece, "the demise of the welfare philosophy of universal rights has led to a de-emphasising of the notion of sport for all". Almost in every part of the world the promotion of individualist, rather than collectivist, policy goals and a shift away from the universal provision of sporting facilities are becoming increasingly evident. The marketisation of sporting services has made such services unaffordable for the majority. This is just one of the inherent dangers resulting from the globalisation of sports governance, alongside the no-less worrying tendencies of corruption (doping, betting and bidding scandals), mediatisation of sports ownership and the commodification of team loyalties.

Media barons like Murdoch has so far been successful in making sports a globally-traded commodity. As must be evident by now, organization of sporting events in today's world has more to do with trying to increase profits of the sponsors through various means like popularizing their products and trying to increase sales of the same. No longer is popularization and spread of the sport an intended objective. And this the sponsors are doing with the hope of increasing their markets and finding a way out of the recession that is plaguing most 'advanced capitalist economies' of the world today. The tendencies in the global sports industry today towards concentration, specially by the media houses (who are the most important players in making sports globally tradable), are attempts to beat the crisis of overproduction or underconsumption. Mergers and acquisitions, or alliances between major houses in the industry, are targeted towards reducing, if not altogether eliminating, competition. The corporate sponsorship of popular sporting events is expected to open up new markets for the products of the sponsors. However, the chances that the corporate houses will be able to meet their desired objective are grim. While the initial stages may see these transnational companies being successful in penetrating the limited upper-middle and elite consumers in the new markets, greater impoverishment and greater inequality in mass markets resulting from the layoffs and the transformation of the work force into part-time, temporary, free-lance, and home-based workers will cut the very consumer demand that needs to be boosted to counter overproduction. While industry concentration and globalisation of sports might succeed in postponing the inevitable, the inherent contradiction of global capitalism – that of a tremendous concentration of wealth among the few at the top, a tremendous poverty among the billions at the bottom, and a middle stratum whose incomes are eroding or are stagnant – will definitely make this solution short-lived.[20] In other words, the stagnationary tendencies facing capitalism cannot be countered without a conscious, demand-driven policy from the forces that govern the world economy today.

1 Anthony Giddens (1990): The Consequences of Modernity; Cambridge: Polity Press
2 David Harvey (1989): The Condition of Postmodernity; Oxford: Basil Blackwell

[3] Both the references noted in footnotes 1 and 2 are mentioned in the article, 'The Governance of Sport and Leisure: the roles of the Nation-State, the European Union and the City' written by Ian P. Henry, and available at http://fag.hit.no/af/if/kjerne/seminar_des_2001/Plenumsinnlegg_Henry.htm

[4] Boris Bergant: "Entertainment for the Privileged? – The Economic Avalanche of Televised Sports", available at http://www.play-the-game.org/articles/1997/1997/the_economic.html

[5] Wright, George: Globalisation and Sport; New Political Economy, Spring 1999

[6] http://www.flonnet.com/fl1709/17090140.htm

[7] Angelo Bruscus: Money in Sports: The empire builders; Seattle Post-Intelligencer Reporter, June 20, 2002

[8] Angelo Bruscus: Cuban swears by the bottom line, Seattle Post-Intelligencer Reporter, June 20, 2002

[9] Robert Davies: Media Power and Responsibility in Sport and Globalisation; 3rd International Conference for Media Professionals in a Globalised Sports World, Copenhagen, 12th November, 2002

[10] www.macduffgolf.com/article5.htm

[11] Globalisation - the human cost http://www.heureka.clara.net/gaia/global02.htm

[12] See http://seattlepi.nwsource.com/specials/moneyinsports/sportstimeline.pdf for details of salary hikes in US Leagues during the last century.

[13] Amounts are average salaries in millions of dollars.

[14] http://www.hum.au.dk/ckulturf/pages/news/news3.html

[15] http://www.macroscan.net/cur/feb03/cur210203Global_Game.htm

[16] Dan Raley: Money in Sports: The high cost of fandom; Seattle Post-Intelligencer Reporter, June 18, 2002

[17] NFL has an antiquated TV blackout rule of home games that are not sold out.

[18] Mike Marqusee: Mammon at the wicket, Frontline; Volume 17 - Issue 09, Apr. 29 - May 12, 2000

[19] Ian P. Henry: 'The Governance of Sport and Leisure: the roles of the Nation-State, the European Union and the City'

[20] For a detailed discussion see Walden Bello's No Logo: A brilliant but flawed portrait of contemporary capitalism, A review of No Logo by Naomi Klein in http://www.globalsolidarity.org/articles/nologo.pdf