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The Value of a Sports Franchise: The Influence of Coaches, Fans, and Players

Montgomery Gray

This article examines existing data to consider the factors that go into the valuation of a sports franchise. Rather than assuming a narrow monetary calculation, I argue for a broader perspective that includes the often incalculable influence of coaches, fans, and players.

Key words: Sports franchises, sports teams, sports, economics.

For all the attention it devotes to professional sports, the United States has not devised an accurate means of measuring a team's value. Is value simply determined by net profit? Is it simply that a winning team has inherently more value than a team with a losing record? Or what other factors might be involved? This article aims to answer those questions. Perhaps the most common approach is to focus on profitability, or the simple monetary value of a franchise. The true value also consists in the quality of the coaches, the fan base, and the players associated with the team. In that sense, even though a team may have the worst record in a league, their total value could be much greater.

Coaches

With a steady rise in popularity of basketball, for example, the importance of coaches to teams has grown tremendously. This can be seen through the increase in salaries to many coaches at both the professional and intercollegiate levels ("College coaches," 2017). The compensation for coaches has increased to reflect how influential they are to the players and to the bottom line.

The importance of basketball coaches to a team is revealed in surveys and testimonials. A survey conducted by Stacy A. Forsythe, a graduate student at Western Kentucky University at the time, interviewed multiple collegiate athletes who went through coaching changes. One of these athletes competed on their college women's basketball team for two years before experiencing a coaching change (Coach A was replaced by Coach B) after a bad season. With the change from Coach A to Coach B, the next season was a complete success for the team as they even advanced to the NCAA tournaments. The informant also discusses her "trust in the new head coach to develop a successful program," as well as "Coach B's ability to bring everyone up to speed" (Forsythe, 2015).

A change in coaches is a tremendous burden on a team, but when the coach is strong and influential, it can lead to major success. The team began to decline and was losing value, until the new coach came in and was able to turn it around. Coach B remained strong and through an ability to influence players was able to reverse the team's direction.

How exactly does a coach inspire a losing team? *Facing the Giants* is a 2006 film that follows the true story of a football coach, Grant Taylor, who pulls his team together to help redeem the season. After six seasons of posting a losing season and beginning the seven 0-3, Taylor evaluated his coaching style and was able to inspire his team to not lose another game. The Eagles, Taylor's team, advanced to the state championships and would go on to clinch the title.

At one point in the film, one of players believes that there was no chance that the team could win the state championship, so Taylor has him do a death crawl, while one of his teammates sits on his back and is blind-folded. Taylor does not give the player a certain distance to travel, just to give all he can throughout the whole crawl. Taylor was there yelling to keep going and that the player only had a little left to go, and by the end of it, the player was able to make it all the way to the other end zone. The player never believed that he could have made it that far and thought that he only made it halfway across the field. The inspiration that Taylor has on to his players allows him to get his best effort from them, making the team more competitive but also more valuable.

Inspiring twenty or more players as they prepare for one of the most physically challenging sports is a very difficult task. A hockey coach must string together the perfect words for a five to ten-minute speech before each period that keeps his players energized and focus on their goals. The inspiration that they bring to their players will determine if the team will come out with a victory.

Herb Brooks was one of the best at inspiring his team to leave everything they have on the ice. He is best known for coaching the 1980 gold medal-winning U.S. Olympics men's ice hockey team. The team started as twenty individuals, many who played against each other at rival colleges, who were talented but could not work together. With Brooks at the helm, the team became a family and went to defy the odds and defeat the dominant U.S.S.R. at the Olympic Games. Documented in a book and a movie, Brooks pre-game speech has become one of the most notable moments in sports history. With a silence within the locker room, Brooks delivers his speech that was only written on a scrap of yellow paper. Three short sentences stuck out the most: "You were born to be a player. You were meant to be here. This moment is yours" (Coffey, 2005). His words mattered. The inspiration he was able to provide to his players allowed them to take down what was the best team in the world.

Without a strong coach, the 1980's U.S. Men's Ice Hockey team would not have had the success that they did. The influence of Brooks on the team made them effective and competitive in ways they would not otherwise have been.

Fans

Coaches of sports teams influence players through their knowledge and inspiration, but the fans give players something more to play for. The pride of the city can also keep players focused and dedicated to the task of winning. Fans can also have an impact on the monetary value of a sports team by attending games and buying merchandise.

A prime example of this comes from when the Charlotte Hornets relocated and later became the New Orleans Pelicans. The relocation was prompted from the little support the team had in Charlotte, but in New Orleans, the team only grew. The valuation of the team has almost tripled in recent years which, “can primarily be attributed to new ownership investing in trades for superstar athletes and obtaining superstar athletes through the NBA draft, which in turn increased the overall competitiveness of the franchise and increased fan interest” (Rozier, 2018). The Pelicans were struggling with fan support, but once they moved and were able to grow their support, the value of the team increased. The number of fans has a direct relationship on the overall value of a franchise.

It is clear to see the support that football fans have for their teams on game days. They are fully committed to their team and influence the team’s value significantly. One team that it can clearly see be impactful on is the Dallas Cowboys. In 2009, the Cowboys opened their new stadium and saw their local revenue, “increase from \$280 million to \$420 million due to the team’s ability to sell personal seat licenses” (Abreu and Spradley, 2016). The new stadium consisted of numerous club and luxury seats that many fans purchased. Commitment to their team led many fans to spend anywhere between \$150,00-\$900,000 on these seats, which leads to their team being valued higher than others.

Another important part of the Cowboys’ increased revenue came from the sale of apparel. Even if a fan cannot be at every game, he or she can still show their support by buying merchandise. The Cowboys capitalized on this as, “the Cowboys’ 25% increase in worth from 2015 was fueled by their ability to control local revenue from merchandise sold apart from the NFL’s licensing agreement” (Abreu and Spradley, 2016). Support of fans also inspires teams to strive to do better to prove that they deserve the support. The overall influence of the fans through the purchase of seats and merchandise increases the monetary value of the franchise and leads to better outcomes, especially for a team’s home games.

The purchase of merchandise is also a heavy influence on a hockey team’s monetary value. For example, during the Pittsburgh Penguins versus Arizona Coyotes game in December of 2017. The Coyotes were the home team which typically allows for an advantage in support from the fans, but after a dominant season before, the Penguins had the complete support of the fans in the stadium. Within the seats of the arena was a sea of black and gold, the Penguins colors, and cheers that only supported the Penguins. As time was ticking down with a tied game, the roars from the fans gave inspiration to the Penguins as they came out and scored with only two minutes remaining in the game. This strong fan

base allowed for the Penguins to come out victorious in the contest as the fans influenced them to play better. Going into the arena with the backing of the people only inspires a team to prove themselves to be better, thus raising the value of the franchise.

Players

The influence of coaches and fans can have a direct or indirect influence on the value of a team, but players also have an important role to play.

Yao Ming is one player who brought extreme monetary value to his team as he was the first prominently Chinese player in the National Basketball Association (NBA). When he was drafted in 2002, there was not that strong of an international interest in the league, but adding him to the lineup caught the attention of the Chinese sports markets. The NBA was able to begin their expansion into China through Yao Ming, which has allowed for a strong basis as, “relations within social media, television broadcast, and the overall NBA brand continues to expand tremendously within international sports markets” (Rozier 2018). Without the addition of international players, many teams would not have the outreach or the brand that they do.

Moreover, players have an immense impact on the competitive success of teams, even if it is just one player. In football, there are numerous instances when an injured player has caused his team to become less competitive. A prime example of this is the 2008 NFL season when the New England Patriots lost star quarterback Tom Brady in the first week. The team ended up going 11-5 and did not qualify for the playoffs, which is the only time they have not been in the playoffs since drafting Tom Brady. It was the Miami Dolphins who won the division that year, while playing with a healthy roster. As Bill Barnes argues:

The New England Patriots’ fall was driven by the season-ending injury to quarterback Tom Brady in Week 1. And the Dolphins, who won the division in the final week, received 16-game seasons from Pennington, who had played only one other full season in his nine-year career, and Brown, who played his first in four seasons.

Losing a single player can change the outcome for a team. Tom Brady plays a key role in his team’s competitive success on the field, and he inspires the players around him. Without him, the Patriots are not the same team and do not have the same value.

Along with bringing competitive success, a player can also bring financial success for his or her team. In addition to what a star player can do to win games, a popular player can attract fans to buy tickets and spend money on concessions and merchandise. An example of on such player is Sidney Crosby for the Pittsburgh Penguins. The Penguins were struggling with their fan base and needed to find a way to stay competitively and financially successful. They soon drafted Crosby, along with other stars, in hopes that he could make a large impact for the team, which he did. It was quite clear to see that, “after the draft the

revenue started increasing...the team saw financial success” (McGinnis 2013). Crosby and the Penguins would go on to win the Stanley Cup in 2009.

In the interim, Crosby was able to bring his team financial success as everyone wanted to watch him play and buy merchandise with his number. Even if a team is struggling financially or competitively in hockey, one player could change that and bring a dynasty of greatness with them.

Counter-argument

Illustrating the countless instances in which coaches, fans, and players affect the valuation of a franchise is not to say that net worth has no impact. The net worth of a team is significant, but it not the only factor. Consider the top 11 highest-valued National Hockey League (NHL) teams below, which shows the New York Rangers with the highest value.

	2011	2012	2013	2014	2015	2016	2017
New York Rangers	507	750	850	1,100	1,200	1,250	1,500
Toronto Maple Leafs	521	1,000	1,150	1,300	1,150	1,100	1,400
Montreal Canadiens	445	575	775	1,000	1,175	1,200	1,250
Chicago Blackhawks	306	350	625	825	925	925	1,000
Boston Bruins	325	348	600	750	750	800	890
Los Angeles Kings	232	276	450	580	580	600	750
Philadelphia Flyers	290	336	500	625	660	720	740
Vancouver Canucks	300	342	700	800	745	700	730
Detroit Red Wings	336	346	470	570	600	625	700
Pittsburgh Penguins	264	288	480	565	560	570	650
Washington Capitals	225	250	414	500	565	570	625

Figure 1: Ice Hockey: NHL Team Valuations (Forbes) (in mil. of \$ - add 000,000)

Looking exclusively at net worth is a good way to view how a team is doing financially, but it is not a reflection of a team’s true value. This chart is only based off net worth and does not reflect the competition value that teams have. Note that the Pittsburgh Penguins, which recently won the multiple championships, are ranked only 10th.

Monetary value alone causes people to rank teams poorly, as it does not reflect the overall value of a franchise. Knowing how much a team makes is very important, especially insofar as it captures other elements of a team’s potential value, but it is not a complete or accurate picture.

Conclusion

It is true that any sport can sometimes be as much about profit as it is about winning. But those are not mutually exclusive goals; nor are they one and the same. To be successful and sustainable, every team needs to have both aspects to get a full view of their value because basing the value from just one does not truly reflect the team.

The influence from coaches and fans on the player helps the team grow in both aspects so to find the true value of a team, one must look at the coaches, fans, and players as they produce successes throughout a season.

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