

(SP) POLITICS AND NAMING RIGHTS: NEW YORK'S NEW SPORT VENUES

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Introduction

By 1950, the New York City (USA) metropolitan region was already a global “mega-city” in terms of population (more than 10 million) and currently is the largest media market in the U.S. This market encompasses not only television (Nielsen Media Research, 2004), but also newspaper (Crain Communications Inc., 2005) and radio (Arbitron 2005). It is a well-known fact that professional sports teams that play in “large media markets” have a significant competitive advantage over teams that play in “small markets.” This is partly due to the fact that the large media market environment itself contributes to generating substantial revenues. Consequently, while most major league teams depend on corporate naming rights as a source of continuing income (that is often used to help off-set venue development and construction costs), New York’s teams have thus far been able to develop venues and operate at a profitable level without the need to sell naming rights to their venues.

Venue naming rights are a key financing factor and pivotal marketing component of nearly every professional sport venue in the U.S. However, the current venues for the four major professional sport leagues (baseball, football, basketball, and hockey) in the New York metropolitan region are in contrast to the industry standard. There are two Major League Baseball teams (Yankees and Mets), one National Basketball Association team (Knickerbockers), two National Football League teams (Jets and Giants), and two National Hockey League teams (Islanders and Rangers) that use “New York” as the “city” element of their name, and none of their venues currently have a corporate sponsor.

However, it is evident that in the wake of the attack on the World Trade Center in 2001 and the subsequent downturn in the New York regional economy, that state and local governments can no longer support the development and construction of sport venues at previous levels. Thus, local, regional, and state (New York *and* New Jersey) politics and economics are changing the way in which newly proposed sport venues are developed and funded. For example, local politicians have called for additional economic benefits to the Bronx community related to the proposed new Yankee Stadium (Bagli and Williams, 2006) and, at the same time, the recently elected governor of the state of New Jersey has called for a review of the contract for the new Giants/Jets Stadium (Jones, 2006).

The objectives of this presentation are: 1) to identify and examine key political issues facing the development and construction of new venues for NY’s professional sports teams; 2) to identify and examine the nature of the changes in funding for these venues and their implications on the future sale of corporate naming rights, and 3) to discuss the outcomes and future trends related to venue development and corporate naming rights for the broader sport industry.

Methods

A systematic review of research related to the recent development and funding of sport venues in the New York metropolitan region was conducted. A critical appraisal and analysis was performed on data collected from *Revenues From Sports Venues* (2006) and the *RSV Pro Facilities Report* (2006), as well from the *Sport Business Research Network*. Additionally, financial analyses were carried out for all of the proposed facilities.

Results

It was determined that a complex mix of local, regional, and state politics has significantly affected the dynamics of professional sport venue development and funding in the New York metropolitan region and that not only the region, but the entire country will see a major trend toward the “mallification” of new sport venues. This is the result of a political pressure, the need to rapidly recoup investment costs related to new sport venues, and the need to justify the development of sport venues to a broader political constituency. With respect to corporate naming rights, it was determined that New York teams have not sold their sport venue naming rights for several reasons: 1) tradition and history- the names of some of these venues are deeply ingrained in the local and regional culture and history and some, such as Yankee Stadium are recognizable worldwide; 2) fan insistence- management respects the needs of heavily-vested fans, and these fans simply cannot envision anything different, even if that results in higher ticket and merchandise prices; and 3) although it is the trend and it is profitable to have a corporate naming rights sponsor, there are actually some advantages to having a landplace venue such as Madison Square Garden.

Discussion

Not surprisingly, many national and global corporations are interested in being involved in the corporate naming of these new proposed venues. The Giants/Jets shared facility is expected to be the biggest naming rights deal in U.S. history (Mullen & Kaplan, 2006) and the bidding is expected to begin at US\$20M per year (Lefton, 2006).

New York Metropolitan Region Proposed New Venues New York Metropolitan Region Proposed New Venues

SPORT	TEAM	CURRENT SITUATION	PROPOSED
MLB	Yankees	Yankee Stadium (Bronx, NY)	New \$1.02B facility
MLB	Mets	Shea Stadium (Flushing, NY)	New \$631M facility
NBA	Knicks	Madison Square Garden (NY City)	future + \$300M renovation ('04)
NHL	Islanders	Nassau Coliseum (Hempstead, NY)	\$1.5B renovate/develop
NHL	Rangers	Madison Square Garden (NY City)	future + \$300M renovation ('04)
NFL	Giants	Giants Stadium (E. Rutherford, NJ)	New \$800M facility*
NFL	Jets	Giants Stadium (E. Rutherford, NJ)	New \$800M facility*

*shared

Major League Baseball officials stated that “the procurement of a naming-rights partner is essential to the financing, [thus the Mets] will continue ongoing dialogue with... corporations regarding their association with our team and our new home.” However, the owner of the N.Y. Knickerbockers and Rangers, guaranteed that Madison Square Garden (MSG) won’t ever be called anything else, even though some estimates are that MSG could make \$500 million in naming rights (Soshnick, 2005). Similarly, few can ever envision the Yankees playing anywhere but in Yankee Stadium.

Conclusion

Using findings from this study, several management strategies are proposed – both for sport managers in the U.S. and for their various constituencies (ex: stakeholders). These strategies strongly support information garnered from the facility reports.

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