

## Perceived competitive balance in three European soccer leagues: Implications for league management

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### Aim and research question

For managers of professional sports leagues or championships, the maintenance of a sufficient level of competitive balance (CB) represents an important task in order to enhance the attractiveness of the league for fans and media and, thus, to improve the business success of the league. This idea can be traced back to the uncertainty of outcome hypothesis (UOH) introduced by Rottenberg (1956) and Neale (1964). Since then the UOH belongs to the core of economic knowledge about league and championship management.

Within the mainstream of sports business analysis it is the state-of-the-art to rely management implications and recommendations on measures of 'objective' competitive balance (OCB), i.e. (advanced) statistical instruments measuring how competitive balance in leagues has actually developed (inter alia, Pawlowski, Breuer & Hovemann, 2010). However, many studies do not find a reliable correlation between statistically measured OCB and business success indicators such as attendance or viewer figures (inter alia, Pawlowski & Anders, 2012). Furthermore, it remains an open question so far, whether these 'objective' measures of competitive balance represent a good fit to how fans *perceive* competitive balance. The paper aims to close this research gap by analyzing how perceived competitive balance (PCB) differs from OCB. It does so by using a unique primary data set about fan perception of CB. The results offer important management implications: the sometimes concluded 'unimportance' of CB (due to the lack of statistical correlation between OCB and business success like attendance figures) potentially leads to wrong management recommendation since (as the findings suggest) PCB matters to the fans and affects their patterns of consumption.

### Theoretical background

If fans would follow the model of perfectly rational behaviour, then there should be no difference between the statistically measured CB in European soccer leagues and the PCB by the fans. However, behavioural economics together with constructivism suggest that bounded rationality

and subjective perception create incompatibilities between OCB and PCB. For instance, framing effects imply that changes in CB influence perception more strongly and in a non-linear way than CB-levels. Furthermore, attention levels should depend on competition importance and media intensity. Therefore, CB between (few) top teams may be more important for fan perception than the balance of the league in total. Eventually, instead of an 'optimal' CB, fans are rather interested in a satisficing CB, implying that a discontinuity effect emerges: PCB changes above the satisficing CB are not perceived to be relevant for consumption behaviour whereas a drop of PCB below the satisficing level may cause discontinuous, perhaps even extreme consumption reactions.

### Methodology, research design and data analysis

To inquire the PCB by the fans a written survey amongst soccer fans in Europe was conducted. In contrast to previous research on soccer fans' perceptions in Europe (inter alia, Königstorfer, Groeppel-Klein & Kunkel, 2010), three countries (Germany, Denmark and the Netherlands) with different quality levels of the leagues were selected (following UEFA ranking Germany is 3rd, the Netherlands are 9th and Denmark is 12th). Since it is often argued that fans in the stadium are less sensitive to changes in CB compared to those watching soccer on TV, both, fans in the stadium and in the bars (where soccer matches are live broadcasted) were inquired. To further control for possible heterogeneity between fans of different teams, cities were chosen with different types of first division teams performing either "constantly good", "constantly bad" or "volatile" during the last ten years. Overall, the inquiries took place before/during 14 matches in the first divisions of the respective leagues and the complete data base contains  $n=1,689$  observations. With questions on both, the PCB by the fans and the conditional intention to "consume the product" (i.e. attending a match in the stadium or watching a match on TV) it is possible to estimate conditional demand functions. Furthermore, ordered probit and logit models with robust and clustered standard errors by favourite teams are employed to detect different factors influencing the PCB by the fans.

### Results, discussion and implications/conclusions

The data collection has already been completed and the data set is currently in the process of being analysed. First results indicate that behavioural economic theories are relevant in this research context since framing effects, attention level effects and satisficing effects indeed play a role. PCB differs from OCB and for league and championship managers it is relevant to align their strategies with PCB (and not only with OCB). Final results are expected to be ready by June.

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