

Exhibition games and the demand for overseas soccer telecasts in the US – results from a (quasi)natural experiment

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Aim of abstract/paper - research question

The objective of this study is to assess whether exhibition games involving English Premier League (EPL) clubs in the United States (US) stimulate US demand for EPL telecasts.

Theoretical background / literature review

Nowadays, sports leagues and clubs are faced with an intensified competition in a globalized sports market. As such, an internationalization process is indispensable for generating new revenue streams. In this regard, the English Premier League (EPL) appears to be particularly successful as one of the most marketable leagues worldwide. One of the reasons for its international success – as often argued – is the fact that EPL clubs travel each year around the globe to participate in exhibition games and tournaments in foreign countries. However, while some papers have previously focused on the internationalization process in sports (e.g. Kerr & Gladden, 2008; Richelieu, 2008) or the determinants of the demand for sports telecasts in general (e.g. Perez et al., 2015), there is no single study testing this popular claim. The lack of knowledge about the effectiveness of this measure is surprising, given the widely used league policy in various countries to (financially) support clubs playing exhibition games abroad. Therefore, this research attempts to provide some insights on this matter by implementing a difference-in-difference (DiD) approach with survey data derived from a (quasi-)natural experiment.

Methodology, research design and data analysis

Our setting is US demand for EPL soccer telecasts. During summer 2015, a total of 17 games of EPL teams were staged in the US. Before and after these exhibition games took place, i.e. in May and September 2015, soccer-interested individuals were randomly recruited from a US wide representative online panel provided by a market research company and surveyed about their willingness-to-pay (WTP) for an EPL subscription TV-package and other related issues. Overall, the data set consists of 1,160 panelists. By making use of information on the respondents' residence (ZIP code) and the location of the stadiums where the exhibition games took place, we are able to generate a binary treatment variable measuring whether or not a respondent lives within a radius of 10 (20, 30, ..., 100) miles around the stadium. It is assumed, that the closer the distance between a respondent's residence and one of the respective stadiums, the higher the probability of either attending an exhibition game or being confronted with particular advertisements related to that game. To account for the within-individual correlation, pooled models with individually clustered error terms were employed controlling for relevant characteristics like age, income and gender of respondents.

Results, discussion and implications

Our preliminary results indicate a positive though weakly significant effect of the treatment, i.e. controlling for other factors, respondents living within a radius of 10 miles indicate on average a higher WTP for an EPL sub-subscription TV-package in the second survey round. This finding is accompanied by expected effects of the control variables – such as a significant positive effect of income or a significant negative effect of age – and suggests that exhibition games staged abroad are indeed able to stimulate the overseas demand for sport. Therefore, it seems reasonable for league management to facilitate the organization of exhibition games staged abroad. Moreover, it may (re)open the discussion on whether clubs participating in such games should / could claim a bigger piece of the international broadcasting revenues pie, given the spillover effects identified here. However, since our preliminary models do not account for the censoring issue caused by zero WTPs, the estimated effect of exhibition games is downward-biased. Though common estimators for censored data (such as Tobit estimators) were previously already used in a DiD design (Klapper et al., 2006), Lechner (2010) argues that nonlinear models in this context yield inconsistent estimates. Fixing the issue of censored data is subject of ongoing work on this project. Final results and further robustness checks are expected by the end of August.

References

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