

Behavioral Economics and Football – The (Ir)relevance of Outcome Uncertainty Reconsidered

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“Let's put our cards on the table and be honest with ourselves: the biggest challenge over the next few years will be 'competitive balance'” (UEFA President Aleksander Ceferin in his speech during the 2017 General Assembly of the European Club Association in Geneva).

Aim

The objective of this paper is to review, summarize and discuss a series of recently published papers as well as ongoing empirical research investigating behavioral anomalies as possible explanations for the common finding on the irrelevance of outcome uncertainty in football.

Theoretical Background and Literature Review

Since 1956, when Simon Rottenberg published his seminal work on the baseball players' labor market, testing the relation between outcome (un)certainty and the demand for sports has become a popular topic in sports economics research resulting in a considerable number of publications during recent years (for a summary see Pawlowski, 2013). This development is driven by two facts: on the one hand, the competitive balance (CB) defense, i.e. the preservation of competitiveness of participating clubs in a league in order to maximize fan welfare, serves as pro-competitive argument in many competition policy cases around the globe (Budzinski, 2012). In this regard, knowing whether or not (and under which conditions) outcome uncertainty really matters for fans has major implications for several law suits worldwide. On the other hand, however, and despite the popular claim about the relevance of outcome uncertainty for fans, most studies have not been successful in establishing clear evidence for the Uncertainty of Outcome Hypothesis (UOH), particularly in European football. Rather, confusion exists about whether the UOH is just wrong *in general* or whether behavioral anomalies might explain the lack of empirical support for the UOH in previous studies and reveal conditions under which the UOH might hold.

In my presentation I intend to recap this discussion and reflect new insights from a series of recently published papers as well as ongoing empirical research with regard to their implications for designing football contests. The focus is put on three behavioral anomalies tested empirically in two papers (Pawlowski, Coates & Nalbantis, 2018; Nalbantis & Pawlowski, 2018), i.e. (i) possible differences between objective and perceived game uncertainty; (ii) possible differences between consumers due to differences in their affective disposition; (iii) possible cross-cultural differences with regard to risk and uncertainty attitudes, the type of sports watched and the mode of consumption.

Empirical strategy

Sampling: Data was gathered in the days prior to German (European) league and cup games in 2x2 online surveys of football interested individuals in Germany (10/2014, 3/2015) and the USA (5/2015, 9/2015). The respondents were recruited randomly by a market research company via an automated fielding process from a German and an US-wide representative online panel. To ensure that the respondents were familiar with the sport, a filter question enabled us to identify individuals with a minimum interest in football.

Measures: The fans' stated intention to watch a game live (or tape-delayed, just its highlights or not at all) on TV (or via online streaming on their computer, tablet, phone, or favorite connected device) serves as dependent variable in our demand models. As argued by Pawlowski et al. (2018), the specificity of the developed setting, i.e. the concreteness of the products under consideration, the choice scenario developed, and the question asked, enables us to treat this stated preference measure as reliable proxy for demand. Our main explanatory variable measures subjective home win probabilities and is strongly correlated with objective home win probabilities derived from betting odds. Furthermore, we control for various socio-demographic variables and game characteristics in our regression model.

Estimation: Given the panel structure of our data with up to nine observations per respondent, pooled (multinomial) logit as well as fixed effects models were estimated.

Results and Discussion

In line with earlier studies employing objective measures of game uncertainty and in contrast to the UOH, our findings (for both countries and both waves) suggest, that the probability of watching a football game *live* is higher when respondents expect a *certain* home or away team win. Moreover, while fans are more likely to watch a game of their favorite team, we do not find any evidence that fanship status moderates the relation between game (un)certainly and the demand for sport. In addition, while the relevance of game (un)certainly for *live viewing* decisions is the same across countries, game (un)certainly appears to be unrelated to watching tape-delayed or just highlights. Finally, uncertainty in sub competitions appears to me more important than game uncertainty per se, pointing towards the relevance of preserving oligopolies of teams in contention for the same stakes, such as the championship or the qualification for European Club competitions as argued by Budzinski and Pawlowski (2017).

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