

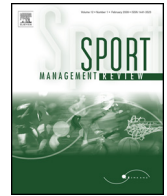


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NCAA football television viewership: Product quality and consumer preference relative to market expectations

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ABSTRACT

The authors estimate the determinants of college football television viewership across the full quality spectrum of contests and test whether consumer preferences vary based on changes in the attributes of the core product. They utilize national television viewership data at the individual game level over a three season period and estimate numerous consumer demand models using zero-truncated negative binomial regression. The results indicate a lack of support for anticipated outcome uncertainty, but support for contests where actual outcomes are closer than market expectations. Consumer preferences are not consistent across game qualities, which may indicate that game type is linked to variation in the consumer base and reference-dependent preferences. The findings may also explain why the uncertainty of outcome hypothesis is supported in some contexts, but not others. Preference for absolute quality also dominates preference for relative quality. This finding has important implications for contest scheduling. Given the common practice of advance scheduling creates sub-optimal conference and network television schedules, stakeholders could be leaving television revenues on the table.

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1. Introduction

Empirical research estimating the determinants of consumer demand is a cornerstone topic in the sport literature, with roots dating back to the foundational paper in the field of sports economics (Rottenberg, 1956). Historically, researchers have utilized live attendance as a proxy for demand (Borland & Macdonald, 2003) largely due to the importance of gate receipts and ancillary game-day revenues in the overall revenue structure of franchises. While attendance and related revenues are still a critical component of firm income, television broadcasting revenues are both substantial and growing (Fittipaldo, 2015), in part due to sport being one of the few remaining genres of programming which consumers prefer to view live (Paul & Weinbach, 2015).

U.S. college football represents a product where consumer demand is robust (Fort, 2011) and television broadcasting rights contracts for conferences in the National Collegiate Athletic Association (NCAA) Football Bowl Subdivision (FBS) are growing (Salaga & Tainsky, 2015a). To illustrate, *Forbes* estimated the Southeastern Conference (SEC) generated \$375 million in television revenue in 2014–15 (Smith, 2016), and SNL Kagan placed a valuation of the conference's SEC Network at \$4.77 billion (Talty, 2015). The revenues are also sizable in other FBS conferences, as *Forbes* valued 2014–15 Big Ten

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Conference television revenues at \$291 million (Smith, 2016) and annual television revenue payouts for each of the conference's fully vested programs are estimated to reach \$44.5 million by 2017–18 (Ourand & Smith, 2016). Given the financial impact of television revenues on FBS conferences and member institutions, it is important to investigate the drivers of consumption of live broadcasts to allow for the potential ability to maximize consumer utility, television viewership, and ultimately revenues.

We add to the literature on consumer demand in sport by testing whether consumer preferences vary given changes in the characteristics of the core product of televised college football. Our baseline models illustrate how viewership is influenced by product attributes anticipated prior to the start of the contest as well as actual contest outcomes relative to those expectations. We then estimate a series of additional models where the full sample is divided based on the levels of both absolute and relative contest quality. This allows for the ability to illustrate how consumer preferences change given variation in the perceived quality levels of the core product. The results have important implications for executives responsible for conference and network scheduling with respect to maximizing consumer utility, viewership, and revenues.

2. Literature review

2.1. Consumer demand in sport

The origins of modern demand studies in sport are derived from the pioneering works of Rottenberg (1956) and Neale (1964). Horowitz (1978) and Noll (1974) are credited with identifying potential determinants of attendance, while Cairns, Jennett, and Sloane (1986) and Sloane (1980) first recognized the importance of potential substitution between television and attendance. Over time, researchers empirically addressed the potentially negative influence of television on the demand for tickets (Allan & Roy, 2008; Baimbridge, Cameron, & Dawson, 1995; Carmichael, Millington, & Simmons, 1999; Fizek & Bennett, 1989; García & Rodríguez, 2002; McEvoy & Morse, 2007; Price & Sen, 2003; Welki & Zlatoper, 1999) with no clear consensus on the nature of the relationship.

While many researchers utilize game-day attendance as a proxy for consumer interest, there is a growing line of investigators who estimate the determinants of television viewership (i.e. – Alavy, Gaskell, Leach, & Szymanski, 2010; Paul & Weinbach, 2007; Tainsky, 2010). Although this shift in context may appear to be inconsequential, there are clear differences in the composition of the two consumer bases which impact the interpretation of results. The audience in the former is likely to be dominated by supporters of the home club due in part to economic considerations, such as travel costs (Borland & Macdonald, 2003). In the latter, the audience for broadcasts at the national level is likely to be more diverse, with supporters of both the home and away clubs and general fans of both the sport and league. These differences have important implications for the sport demand literature as in attendance studies, empirical results largely illuminate the preferences of home team fans (Coates, Humphreys, & Zhou, 2014) while those estimating national viewership are more likely to produce preferences representative of the full consumer base of the product given its unique characteristics.

2.2. Television viewership in sport

One downside of attendance demand studies is the likelihood of capturing preferences from a homogenous group of home team supporters. If a large proportion of this group is season ticket holders, the modeling will identify purchase decision preferences months in advance before many relevant product quality factors are known. Alternatively, utilizing television viewership avoids this issue and allows for the ability to capture consumer preferences based on product characteristics at the time the game takes place (Paul & Weinbach, 2007). Recent scholars have estimated broadcast viewership preferences in North American sports leagues (Mongeon & Winfree, 2012; Paul & Weinbach, 2007; Tainsky & McEvoy, 2012; Tainsky, 2010), the Ultimate Fighting Championship (Tainsky, Salaga, & Santos, 2013), and European Football (Alavy et al., 2010; Benz, Brandes, & Franck, 2009; Buraimo & Simmons, 2009; Buraimo, 2008; Forrest, Simmons, & Buraimo, 2005).

Researchers have also investigated superstar effects and the impact of athlete race on television demand. Hausman and Leonard (1997) examined viewership of National Basketball Association (NBA) games from the 1991–1992 season and found consumers have strong preferences for superstars, with television ratings increasing by 28% and 27%, respectively, when Michael Jordan and Larry Bird were in action. Feddersen and Rott (2011) produced similar findings regarding the German national football team, as viewership was positively associated with the presence of longer established star players. Aldrich, Arcidiacono, and Vigdor (2005) examined the effect of athlete race on demand in the National Football League (NFL), and found ratings for Monday Night Football games between 1997 and 2001 generated significantly higher ratings when the contest featured at least one Black quarterback. However, Kanazawa and Funk (2001) uncovered ratings for NBA contests were higher when more White players were on the court.

While the television demand literature in professional sport is robust, little attention has been dedicated to the topic in collegiate sports. Tainsky, Kerwin, Xu, and Zhou (2014) examined gender differences in NCAA Bowl Championship Series (BCS) game viewership and found variation in consumption behavior with respect to income levels and market location. However, they found no significant gender differences related to expected or actual game competitiveness. Salaga and Tainsky (2015b) estimated determinants of Nielsen ratings for BCS contests and found larger start-of-game ratings for

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