Nfl revenue sharing – america’s greatest sports league

Business, Marketing

NFL Revenue Sharing To many the NFL may be considered America’s greatest sports league. The league definitely has the numbers to back up this claim. The ever-growing sport has maintained keen interest from fans all across the world, all the while generating enormous amounts of revenue. Currently the league rakes in close to $9 billion annually. The success of the NFL is something to marvel at. Even in a shaky economy the NFL continues to flourish. What is interesting about the NFL is how the business aspect is structured. TV is the NFL’s biggest source of revenue. 0% of the NFL’s earnings come from TV revenue according to Forbes. The NFL operates in a unique manner regarding its TV generated revenue. The television rights to broadcast NFL games are the most lucrative and expensive rights of any American sport. NFL broadcasts have become among the most-watched programs on American television, and the financial futures of entire networks have depended on owning NFL broadcasting rights. This has raised questions about the dependency of the networks to the sport and whether they can criticize the NFL without the possibility of losing their broadcasting rights and their income.

While TV advertising has generally grown slowly in recent years, advertising on NFL games has soared. The Wall Street Journal notes that ad rates for NFL games rose 27% to $347, 800 for a 30-second spot last season. So far this fall, NFL games have averaged 17. 8 million viewers at any given minute, more than almost all regularly scheduled programs, according to Nielsen data. Importantly, many of those viewers are young men, who are hard for advertisers to reach through other programs.

And the fact that most consumers watch NFL games live is important at a time when many viewers record shows and then skip the commercials when they watch them later. Under the current contract, which began in 2006 and expires in 2013, the top television networks are paying a combined sum of $20. 4 billion dollars. CBS ($3. 73B), NBC ($3. 6B) and Fox ($4. 27B) and cable television's ESPN ($8. 8B) are all contributing to a pot that the NFL divides equally among all 32 NFL teams. The revenue generated by television is divided annually. For example, in the year 2010 the NFL received $3. 85 billion from their contracts with CBS, ESPN, FOX, NBC, and DirecTV’s Sunday Ticket. Dividing this amount equally among all 32 NFL teams averages out to $118 million per team. The new contract with the prominent television networks that extends from 2014 to 2022 is going be worth 63% more than the previous contract, according to the Wall Street Journal. Within the article it states that the annual figure for the NFL will increase from previous figure of $3. 785 billion to approximately 6 billion a year because of new TV packages.

The Wall Street Journal estimates that the four major networks, CBS, ESPN, FOX, and NBC, are designating nearly a quarter of their total programming budget to purchasing NFL rights. The fact that there are teams that generate much more interest than others brings about a dilemma that suggests revenue sharing isn’t completely fair. For example, the Dallas Cowboys have a far greater fan base than the Jacksonville Jaguars. Is it fair for the Jacksonville Jaguars to be given the same share of profits from the TV revenue as the Dallas Cowboys? I recently attended an NFL game in the home stadium of the Arizona Cardinals.

The away team was the Dallas Cowboys, but from what I witnessed there was an equal to greater amount of Cowboy fans than Cardinal fans within the stadium. If a team such as the Dallas Cowboys maintains a dominant presence within the NFL brand, you could imagine that they would be reluctant to split profits with a team that has a hard time even selling home game tickets. Bill Wanger, the executive vice president of programming and research at Fox Sports Media Group, says the Cowboys are among a handful of " national-appeal teams" that draw huge TV ratings no matter what market they're broadcast in.

Neilson Co. completed a recent popularity survey based on local and national television ratings, the amount of traffic the teams' official websites draw, and how many times the teams are mentioned on the internet. According to the survey the Dallas Cowboys, Pittsburgh Steelers, New York Giants, Chicago Bears, and Green Bay Packers were the top 5 most popular teams, respectively. When any one of these teams play they will attract far more viewers than teams nearing the bottom of the popularity poll.

These teams contribute far more interest to the NFL brand, but take home the same check as the other low-profile franchises. Depending on the franchise that you own, you could be benefitting from the popularity of the other teams, or uneasy with the way themoneyis being distributed throughout the league. As a league, I believethe NFL is doing the right thing. The revenue distribution helps the less popular teams maintain financial success and longevity. The league has aresponsibilitytoward owners to operate in a manner that assists all eams in prolonging their brand and providing an equal field of play for competition. In contrast to other sporting leagues such as the MLB, the NFL has salary caps and other restrictions that prolong smaller market franchises and allow them to be financially competitive. For example the Pittsburgh Steelers have won the most Super Bowls despite being from a relatively small market, but the Pittsburgh Pirates struggle to compete against the fiscally empowered New York Yankees. The unique approach by the NFL creates a more competitiveenvironmentand fosters a sense of hope for fans every season.