INTRODUCTION

Sports and entertainment have been converging since the dawn of capitalism, if not before—businesspeople were just slow to notice and identify the monetizing opportunities this trend offered, although they are now making up for lost time. *Convergence* can be defined as "the process of coming together, or the state of having come together, toward a common point." "Common points" can vary, depending on which forces have been converging and what the goals and expectations of such converging entities are, but in the case of the convergence of sports and entertainment, the "common points" or, perhaps more accurately, the desired outcomes, are to build brands and generate revenue and, by extension, increase value for myriad stakeholders in the process. While the story of this convergence can be told from multiple vantage points, this book tackles it from a "sports-moving-into-entertainment" perspective.

Historically, the convergence of sports and entertainment has been relatively contained, primarily taking place in and around sports venues. Today such convergence, like the rest of business, is borderless—both literally and figuratively. Though consumers continue to experience the entertainment aspects of this merging while enjoying sports on location, they increasingly experience it as they relax in the comfort of their own homes watching sports on TV. When traveling for work or pleasure they check their laptops for streaming content of their favorite teams, and while at the office or running errands they frequently check their smartphones for scores and statistics.

The convergence of sports and entertainment is pervasive, and it continues to create business challenges while simultaneously providing significant opportunities for those hoping to make money from it. Although it is often easy to confuse savvy cross-promotion or other tactical marketing initiatives—such as cross-branding—with convergence, the former tends to be less symbiotic and, more often than not, represents short-term, opportunistic marketing and business development. By comparison, convergence typically includes an "experiential" element, providing fans a multidimensional marketing experience in the process.

To gain an even better understanding of what convergence is and how it has evolved and differentiated itself, it is useful to highlight critical milestones that have led to the current era of convergence—an era defined and reinforced by rapid advances in technology, the advent of multifaceted marketing strategies, and mixed-use or themed real estate development.

IN THE BEGINNING: BREAD AND CIRCUS, COLUMBIA VERSUS PRINCETON, AND IMG

About two thousand years ago Roman poet and satirist Juvenal, who routinely denounced what he viewed as the corruption and extravagance associated with the privileged classes in Rome, noted that most Romans seemed content with what he termed their "bread and circuses."[1] To him, "bread and circuses" suggested that rather than express interest in other, more vital and cerebral public interests, especially the arts and other cultural undertakings, Romans were happy to distract themselves with sports and entertainment, particularly chariot racing and gladiator fighting. Events were advertised and promoted, avid fans supported their favorite individual gladiators, gambling on event outcomes was commonplace, and vendors sold special souvenir glass cups and flasks embossed with the names of the most popular gladiators—activities bearing a striking resemblance to today's "game day" experience.

The convergence of sports and entertainment is not a recent phenomenon, but advances in business and technology have dramatically transformed it since the days of Juvenal. In terms of technology, a watershed moment occurred about two thousand years later. Playing in the first-ever televised sporting event in 1939, the baseball teams from Columbia and Princeton universities found themselves at the forefront of media-related convergence.[2] Even though the broadcast elements were limited due to the use of a single camera, one focused along the third-base line, and the broadcast was picked up by only about four hundred sets, this signaled the beginning of a technological movement that continues today—a movement that has captivated advertisers and sponsors, as well as fans, more than seventy years later.

Even then, the power of sports as content was not lost on the networks, which were actually manufacturing and selling their own televisions. Broadcasters, whose goal it was to increase consumer adoption of the television, believed sports would be the compelling hook to drive demand and, shortly thereafter, provide advertisers a platform to reach customers. While not entirely attributable to televised sports, the number of television sets in use by 1950 surpassed ten million—a dramatic increase from just two years earlier when a mere 190,000 sets were in use.[3]

In the years that followed, television broadcasts enabled fans from coast to coast to root for (and against) athletes such as Major League Baseball legend Joe DiMaggio and eventual heavyweight champion Cassius Clay, as the era of personal branding—and the ability to monetize it through endorsements—began in earnest.

More quickly than his competitors, Mark McCormack recognized the inherent value of athletes as both content and pitchmen. While representing and managing such golf icons as Arnold Palmer, Gary Player, and Jack Nicklaus, McCormack launched what would become the sports business industry's first vertically integrated sports management firm, International Management Group (IMG), in 1960. By 1963, McCormack's IMG had become the world's first international agency engaged in the representation of athletes and entertainers because he accurately believed that the popularity and marketability of athletes could transcend borders, cultures, language, and even sports itself. IMG's clients endorsed a wide range of products and did so while touring the globe to participate in exhibitions and tournaments. McCormack regularly made his athletes and entertainers available for corporate hospitality events, further cementing important bonds with corporate America. The company's broadcast division, Trans World International (TWI), established in the 1960s to film a handful of golf events, remains among the world's largest independent television sports production companies and rights distributors. IMG also owns, operates, and represents many major sports properties, including Wimbledon, as well as other sporting events around the world, several sports academies, and even a fashion division that manages and represents top international models. McCormack's approach to positioning his athletes as personal brands and leveraging their notoriety through IMG's stable of holdings could not have come at a more opportune time, as he was at the forefront of a marketing platform that would fundamentally accelerate athlete marketing: the televising of sports in primetime.

ON THE AIR: MONDAY NIGHT FOOTBALL AND ESPN RESHAPE SPORTS

In what was believed by many to be a risky move, the National Football League (NFL) and American Broadcasting Company (ABC) began shifting one televised football game per week from Sunday afternoon into primetime. The first *Monday Night Football* game aired on September 21, 1970, a bold move that forever changed the television landscape. Appreciating the differences between Sunday afternoon and Monday night viewing audiences, those behind the launch of *Monday Night Football*, NFL commissioner Pete Rozelle and ABC Sports's Roone Arledge, recognized that reaching and, more important, holding onto a broad family audience required a blend of sports and entertainment. By increasing the number and location of cameras used; perfecting the use of storytelling while simultaneously teaching casual fans about the nuances of the sport; providing on-air talent that included Howard Cosell, Frank Gifford, and Don Meredith; and inviting dignitaries and entertainers including Vice President Spiro Agnew, Beatle John Lennon, and Kermit the Frog into the broadcast booth, *Monday Night Football* became one of the most successful shows of all time. *Monday Night Football* ultimately became the second-longest-running primetime show on American broadcast network television (behind *60 Minutes*), and its visionaries were recognized for their contribution to blending sports into entertainment when, in 1999, *The Sporting News* named Rozelle the most powerful person in sports during the twentieth century; he was followed by Arledge at number three.

Perhaps as notable as the building of *Monday Night Football*, the development of the Entertainment and Sports Programming Network (ESPN) was a significant milestone. It was launched on September 7, 1979, and the first program to air on the cable network founded by Scott and Bill Rasmussen was *SportsCenter*, which remains ESPN's flagship program. Beginning with a modest household penetration of 1.5 million homes, and since growing to about 99 million homes, ESPN not only changed how we watched sports but also fundamentally changed how we consume sports, due to its wide range of content and distribution channels.[4] ESPN transformed sports the way MTV forever changed the music industry in 1981 and CNN redefined the news business a year earlier. ESPN has become a lifestyle brand to a generation nicknamed the "Highlight Generation," a reference to *SportsCenter*'s programming format. The cable network continues to put the "E" in ESPN with its original programming, notably movies and made-for-television events, including its award show, the ESPY's; branded sporting competitions, particularly the X-Games; and even themed ESPN Zone restaurants. ESPN measurably contributed to advertisers' ability to reach what had historically been an evasive demographic, young men, and reinforced its ability to do so when, in 2002, it became the first network to hold simultaneously the broadcasting rights of all four major sports leagues. (It bears mentioning that following thirty-six years on ABC, *Monday Night Football* has been televised by ESPN since 2006).

The rapid and consequential evolution of sports on television, highlighted by *Monday Night Football* and ESPN, helped cultivate corporate America's interest in using sports as a vehicle to sell goods and services.

BROUGHT TO YOU BY CORPORATE AMERICA: THE 1984 SUMMER OLYMPICS AND SUPER BOWL ADS

While *Monday Night Football* and ESPN helped cultivate corporate America's interest in sports marketing, the 1984 Summer Olympics in Los Angeles secured it. Following a failed ballot measure that would have helped underwrite the Games using public subsidies, Los Angeles Olympic Organizing Committee president Peter Ueberroth was required to finance the Games through private sources. Ueberroth successfully communicated with corporate America regarding the marketing and business development benefits that would come with linking corporate brands to this unparalleled global sports and entertainment event. As a result, forty-three companies became official sponsors, sixty-four secured the rights to become official Olympic suppliers of goods and services, and licenses were granted to an additional sixty-five companies and organizations. Most of those sponsoring the Games were large, multinational corporations, including Coca-Cola, McDonald's, and Fuji, that received exclusive marketing rights, as well as the right to use Olympic symbols in their advertisements. In addition to being the first privately financed Olympic Games, those held in Los Angeles were also the first to turn a profit for the host city. The unprecedented profit, $215 million—much of which was attributable to Ueberroth's sports marketing acumen—resulted in his being named *Time* magazine's Man of the Year.[5]

The success of the 1984 Games triggered an increase in the cost of doing business with the International Olympic Committee, especially in the areas of sponsorship and broadcast rights. These games also set the stage for the modern era of sports marketing, one in which every league, event, and team—at virtually all levels of competition—seems to be sponsored.

In addition to sponsorship taking hold in the 1980s, so too did advertising during major sporting events. A must-see sporting event that has generated half of the top-twenty-rated TV shows of all time, the Super Bowl, continues to be a source of pride and competition for companies buying advertising time during the game.[6] Coca Cola's 1979 "Have a Coke & a Smile" commercial featuring the Pittsburgh Steelers' "Mean" Joe Greene was followed five years later with what is considered by many to be the most important single television advertisement of all time: Apple Computer's Orwellian "1984" commercial, which introduced the Macintosh computer.

Prior to these advertisements, corporate America had been using the Super Bowl as a marquee platform to reach large audiences, but it may very well have been these two ads that most materially contributed to the Super Bowl becoming a mass entertainment experience for fans and advertisers alike. In the years that followed, advertisers began allocating substantial resources to their Super Bowl ads to ensure they resonated with a viewing audience that had become increasingly interested in watching the ads and debating their effectiveness. In 1989 *USA Today* created the "Super Bowl Ad Meter" in an effort to gauge consumers' opinions about Super Bowl ads. With this data, *USA Today* essentially developed a new competition for Super Bowl Sunday, one in which corporate America eagerly participates.

Corporate marketers, such as Pepsi, integrated celebrities and entertainers, notably Michael J. Fox (1987), Ray Charles (1991), Cindy Crawford (1992, 1995), Brittney Spears (2002), and Jackie Chan (2006) into their Super Bowl commercials in attempts to increase awareness and sell more soda. Others continued to rely on a combination of humor, such as Anheuser Busch's series of Bud Bowl ads of the late 1980s and 1990s, and vivid imagery, such as the same company's famed Clydesdales, to reinforce their brands' attributes.

Emerging technologies and the trend toward user-generated content enabled corporate America to extend the marketing reach of its Super Bowl ads by actually placing the fan at the core of the marketing message. Frito-Lay and Chevrolet were among advertisers that aired commercials written and submitted by fans, thereby taking the convergence of sports, entertainment, and business to a new level. Super Bowl advertisers, regardless of their methods or messages, spend handsomely to be a part of the game, with the cost for a single thirty-second spot commanding approximately $3 million, a seventy-five-fold increase since 1967's Super Bowl I.[7]

Of import, marketing and business development opportunities have not been limited to *real* sports, taking place at *real* venues, but regularly include the use of technology.

TECHNOLOGY CHANGES EVERYTHING: MADDEN AND FANTASY SPORTS

Video games entered the home market as early as the 1970s and created a new entertainment format for sports-craved consumers in the process. However, none have had the impact of Electronic Arts's (EA's) signature sports video game, John Madden Football. Debuting in 1989, it has become North America's best-selling sports video game of all time, selling approximately eighty five million copies and generating about $3 billion in revenue.[8]

Despite the fact that the game play was basic by today's standards, and that the initial game launched with only sixteen of the NFL's twenty eight teams included, it was more the timing of the game's release that altered the video game business. While other products released during the Atari, Nintendo, and PlayStation eras contributed to the emergence of video games as a legitimate art form, it was the Madden franchise that elevated video games beyond "toy" status. By attracting and largely maintaining its loyal following, even as this following matured beyond the traditional video game demographic, Madden Football has secured its place in pop culture, alongside movies, television, and music.

Not only have domestic sales of the game in the United States surpassed the multi-billion dollar mark but the Madden game has spawned numerous other opportunities for EA, including being among the first to successfully integrate a music soundtrack into the game, one record producers clamor to be associated with given the typically elusive target demographic that plays Madden Football. Companion events, such as the Madden Challenge, whereby thousands of participants compete in a global tournament, and the Madden Bowl, in which current NFL players compete against one another during Super Bowl weekend, have enabled the brand to further elevate its status by taking advantage of the melding of sports and entertainment.

Like the Madden video game franchise, the Internet boom of the late 1990s forever changed the way fans consumed and played sports. In addition to delivering more timely news, information, and statistics to rabid fans, the Internet also provided the ultimate framework for sports junkies to participate in sports, given the Internet's ability to efficiently aggregate what was once a modest, low-revenue undertaking: fantasy sports leagues.

In fantasy sports leagues, participants select players from real professional sports leagues and then accumulate points on the basis of the actual statistical performances of their hand-picked players. Websites that host fantasy sports leagues generate revenue from subscriptions and advertising, as do other publishers who sell research and statistical information and content to participants. From their humble beginning in the early 1980s, the once-dubbed Rotisserie Leagues, named after the New York restaurant La Rotisserie Francaise, in which its creators regularly met, grew dramatically in popularity because of the ease of use and scalability brought about by online technologies.

Among the early online entrants was sportsline.com, which in 1998 purchased the rights to commissioner.com, one of the original fantasy websites. To many, this transaction marked the beginning of what was destined to become the fantasy sports phenomena; one that quickly became the thriving, multibillion dollar industry we have today.

With a user demographic consisting of young males willing to pay several hundred dollars a year to participate, fantasy sports quickly drew the attention of major advertisers and sponsors. It also sparked enormous interest from professional sports leagues, which viewed fantasy sports as an opportunity to extend their brands and build viewer interest.

With estimates suggesting that as many as twenty-seven million American adults play fantasy sports, major television networks, including ESPN, have created television programming (including pay-per-view events) and website content specifically targeting these online players and their desire for the latest player information.[9] Consumers are delighted that information about, and the ability to participate in, fantasy sports is now everywhere. But this is not so much the case with employers, who remain concerned about the lost productivity brought about by employees checking their fantasy league statistics during work hours.

The aforementioned examples of convergence incorporate multiple business tenets, and each has provided the impetus from which big business has recognized a compelling opening to establish and build shareholder value. Industry stakeholders are poised and compelled to continue building on this opportunity, as described in the next sections.

WHY ANALYZE CONVERGENCE?

The array of companies, organizations, and individuals affected by the increasingly rapid pace of convergence provides a dynamic backdrop from which to examine established and emerging best business practices. Sports business industry stakeholders affected by—and hoping to profit from—this combination include, but are not limited to, financiers in the investment banking and private equity fields; developers of commercial, retail, and residential real estate; media and technology professionals focusing on enhanced content distribution; corporate marketers desiring to leverage sports to sell products and services; and sports management executives who oversee leagues, events, venues, and athletes.

Each of these professionals recognizes that none of their businesses operate in a standalone fashion anymore but rather are intertwined with multiple business disciplines, often those well beyond their own core competencies. While they strive to supply what they believe to be sought-after sports entertainment, it is in fact consumer preferences and associated demand that are driving a substantial portion of convergence. Stakeholders also acknowledge the incremental shareholder value to be gained by optimizing convergence as it relates to their primary businesses, provided they take evolving consumer wants and needs into account. This is especially the case in an era when doing so routinely requires constructing strategic alliances with partners once considered to be operating unrelated businesses. Properly structured, the strategic alliances brought about by this evolution enable partners to monetize sports becoming entertainment. Finally, because the sports business industry recognizes that this merging will continue unabated, a comprehensive analysis is warranted.

All of these reasons have contributed to the overwhelming show of support provided to this research by prominent industry participants. Not only has their outpouring of support reinforced the timeliness and relevance of *Money Games: Profiting from the Convergence of Sports and Entertainment*, but it also helped frame how such an analysis of convergence should be undertaken.

TACKLING CONVERGENCE

Tackling a topic as expansive as the convergence of sports and entertainment and, more precisely, how industry stakeholders monetize it, is made even more challenging when factoring in the speed with which this phenomenon continues to evolve. All-encompassing, convenient, and linear discussions are all but impossible to frame. So too are analyses that focus on how convergence is delivered to consumers, as these rapidly become unwieldy. Accordingly, *Money Games* describes how stakeholders from the sports and entertainment industries have monetized convergence by presenting and analyzing the interconnected—and ongoing—evolution of the two industries from the consumer's perspective. That is, the focus will be on consumer touchpoints—specifically how and where consumers experience or are otherwise affected by, or exposed to, convergence.

Realizing that fans now have the opportunity to consume sports when and where they choose, and to exercise great discretion in determining precisely what they are willing to consume, it was determined by our research team that identifying the primary locales where these activities occur made sense. Further, by focusing on these locales separately, it is possible to partition distinct areas to examine while simultaneously minimizing the potential for overlap yet highlighting the symmetry between and among the topics analyzed. Therefore, the book has been divided into three sections:

Part 1: At-Home Convergence
Part 2: Away-from-Home Convergence
Part 3: At-Venue Convergence

Each part includes a brief introduction intended to "set the table" for the subsequent chapters within that section. Chapters within each part begin with a case study that immediately distinguishes the subject matter at hand. Case studies are followed by brief histories of the topic, as well as discussions of two prominent examples of convergence. Following these examples, an analysis is provided describing the key takeaways. Finally, each chapter features a Q&A with an industry patriarch who shares his perspective on the convergence of sports and entertainment and how it is having an impact on his approach to business.

Prior to a description of each part's content, four goals associated with this research undertaking should be highlighted. First, it was necessary to analyze a representative cross-section of topics in order to reinforce the extent to which convergence has had an impact on all facets of the sports industry. Next, it was mandatory to include both domestic and international examples of convergence, especially given worldwide interest in sports. Third, it was essential to include a diversity of impacted stakeholders. Finally, and given the considerable industry relationships enjoyed by the USC Marshall Sports Business Institute (SBI), which conducts research, undertakes consulting projects, and hosts special events, it was deemed worthwhile by our research team to include input and analysis gained from three dozen first-person interviews of senior sports industry executives, conducted by SBI representatives. With this as a backdrop, the following paragraphs describe the important elements of each part.

Part 1: At-Home Convergence

Traditional forms of media have been forced to evolve with the advent of new media platforms. Sports is the most unique driver of all new media platforms and has, more so than any other form of entertainment, truly blended with traditional media entertainment. The creation of on-demand programming, digital video recording, and Internet services has provided today's consumers with numerous ways to experience sports in the comfort of their own homes. Sports are now consumed around the clock and, notably, fans are utilizing multiple platforms simultaneously (that is, using their computers to check scores and statistics while watching a game on their high-definition televisions).

The means by which sports leagues, teams, and individual athletes are marketed to home-bound fans is also continuing to evolve to reflect consumers' ever-changing consumption patterns. Marketers actively search for ways to communicate directly with these at-home core target audiences. So too do athletes who wish to differentiate themselves by taking advantage of the wide array of home entertainment platforms to establish or extend their brands and generate additional endorsement dollars.

Part 2: Away-from-Home Convergence

Consumer acceptance of wireless Internet and mobile technology in the form of cellular phones, handheld devices, and consumer electronics has resulted in a rapidly growing platform upon which sports and entertainment are accessed in increasing amounts. Sports properties and media rights holders are now able to control content distribution and unlock incremental revenue by reaching fan bases and consumer groups directly. Brands, sports properties, media outlets, and electronics manufacturers that succeed in driving innovation and meeting burgeoning consumer demand in these areas will add market, mind share, or both. First movers in this space thus far have been brands and sports properties that have harnessed the power of digital content and information distribution. Mobile devices and other content delivery systems will continue to evolve and will support increased gaming and interactive functionality, simultaneously meeting consumer demand while building shareholder value.

Part 3: At-Venue Convergence

Due to their lack of revenue-generating capabilities, multisport, standalone athletic facilities and venues have become obsolete. To keep pace with expanding consumer entertainment expectations, and the revenue emanating from these expectations, sports leagues, franchises, properties, and sponsors are focused on establishing unique, experiential marketing programs through the development of sports and entertainment-themed facilities and venues. Providing stakeholders, especially retail, commercial, and residential real estate developers and corporate sponsors extensive and tactical branding opportunities that target captive audiences in and around venues will be vital to long-term financial success.

With the book's structure outlined and convergence now defined as it applies to sports and entertainment, including a historical backdrop and a description of its relevance in today's business environment, it's time to get started by considering "at-home" convergence.