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The Economics of the Super Bowl

Players, Performers, and Cities

Yvan J. Kelly · David Berri
Victor A. Matheson

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To Kris and Allie, and to the teams I coached and scouted for who were Knights, Warriors, Tigers, Saints, Lakers, Sonics, Nuggets and Rockets. Thousands of miles and thousands of games, but never a first down.

—Yvan J. Kelly.

This book is dedicated to my wife Lynn and my daughters Allyson and Jessica. I would have also loved to mention how much the Detroit Lions—who have been my team since the 1970s—have inspired my interest in the Super Bowl. But since the Lions have only won a single playoff game in my entire lifetime, it would be disingenuous for me to do so!!!

—David Berri

This book is dedicated to Jolie, Lara, and Aly for always making life worth living. I would also like to thank my original hometown team, the Denver Broncos, for first inspiring my interest in the Super Bowl by managing to lose their first four trips to the big game during my formative years as a sports fan by a combined score of 163-50. What a great preparation to enter the “dismal science.”

—Victor A. Matheson

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ABBREVIATIONS

AAFC	All-American Football Conference
ABC	American Broadcasting Company
AFC	American Football Conference
AFL	American Football League
APFA	American Professional Football Association
CBS	Columbia Broadcasting System
CD	Compact Disc
EMS	Emergency Medical Services
ESPN	Entertainment and Sports Programming Network
FOX	Fox Broadcasting Company
IMPLAN	Impact Analysis for Planning
MRP	Marginal Revenue Product
NBA	National Basketball Association
NBC	National Broadcasting Company
NFC	National Football Conference
NFL	National Football League
PGA	Professional Golfers Association
RIMS II	Regional Input–Output Multiplier System
SAG-AFTRA	Screen Actors Guild-American Federation of Television and Radio Artists
SMRI	Sports Management Research Institute
UCR	Uniform Crime Reports
UEFA	Union of European Football Associations

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Introduction

Abstract The 1966 merger of the NFL and the AFL led to the playing of a championship game, initially titled the NFL–AFL World Championship. That bulky name was soon dropped and the game is now commonly referred to as the Super Bowl. The game has grown in societal importance and become part of the cultural fabric of the United States. This chapter provides an overview of the economics of the three major components of the game that are covered in this book: the football players, the cities that host the games, and the halftime artists.

Keywords Player valuation · Economic impact · Song consumption valuation

Nothing on the US sports scene compares to the Super Bowl. The championship game of the National Football League (NFL) is a social phenomenon which dominates sports coverage for the two weeks leading up to the game, is annually the most watched sporting event in the country, and is the justification for social gatherings and parties throughout the land. Over the years, the game has taken on a global interest and is broadcast internationally.

Fans from across the country who are able to get tickets to the game flock to the host cities. There, they stay several days in hotels, eat in the restaurants, enjoy local entertainment, and enjoy the excitement and

anticipation of the big game. Corporations host private and exclusive parties rewarding their most accomplished employees and best customers. There is a lot of money spent in the host city as a result of the presence of the Super Bowl. But what exactly are the benefits from hosting the game? Are the benefits as large as popularly reported?

For NFL players, reaching the championship game is the pinnacle of their professional playing career. Being able to play in the Super Bowl is a dream most players have had since they began playing the game as a child. To be a champion might mean more to the players than the bonus money they receive for the victory. Perhaps there is a financial incentive to reach the title game and to be successful once there. Specifically, does winning a Super Bowl impact future pay? And does winning a Super Bowl have any impact on the future revenues of the championship team?

As part of the celebration of the game, the NFL puts on an elaborate and expensive halftime show featuring some of the top musical stars of the day as well as legacy stars who have had long and very successful careers. It is surprising to some to learn that the featured artists are compensated with only the union's minimum pay scale. Surely, there must be some financial benefit to the artists for having practically volunteered their time to be the halftime performer. Where do the musical artists see the payoff? Is it in the consumption of their music following the game? Is it in future concert revenues? Are there other revenue sources from which they benefit from having been the halftime act? And what about the cheerleaders who typically perform at each game? What are they paid to perform on the NFL's biggest stage?

This book is designed to explore these three areas: players, cities, and performers. Chapter 2 of this book will begin with a brief history of the NFL and its mergers with rival leagues over the years. The most important merger for the NFL was that with the American Football League (AFL) in 1966. This agreement for a merger led to an interleague championship game, the NFL—AFL World Championship Game. That game was renamed the Super Bowl and is marked by using Roman numerals rather than the year when the games are played.

The remaining chapters will then examine the benefits for each of these groups who participate in the Super Bowl: the cities who host the game, the players, and the performers. Building upon previous research in the labor economics and player valuation in football, the benefits to the players for participating in the game will be explored.

Chapter 3 will explore the economic impact for cities that host the Super Bowl. A historical background of cities who have hosted the game will be presented. The cities selected to host the Super Bowl, host the game expecting to receive an economic benefit. There are *ex ante* estimates that have been made about just how much a city will benefit from hosting all those fans arriving for the game. Problems occur within these *ex ante* economic impact studies that tend to overstate the benefits the city will receive. The sources of the problems and the reasons for the overstatement of benefits will be explored. An examination of the costs of hosting the game will also be presented. *Ex post* economic impact studies will be used to compare the differences between what cities hoped to have happened as a result of hosting the game with what actually happened as a result. There are also non-monetary benefits for the host city which are explored.

Chapter 4 explores the team and players in the game. This chapter begins with a discussion of how winning the Super Bowl impacts team revenues. It will then move on to a discussion of the most important player on the field. The quarterback—or the “face of the franchise”—is often given credit when his team wins. We will also see, there is some evidence that the winning quarterback sees his future pay increase from winning this game. What may be surprising is the winning quarterback isn’t often the “best” quarterback.

Chapter 5 will explore the benefits to the other performers (i.e., not the teams!) at the Super Bowl. We will begin with a discussion of halftime performers. That discussion will begin with the history of the halftime show and the mostly forgotten reason this spectacle expanded in the early 1990s. The benefits for halftime artists will be examined and estimates will be made for the value of the song consumption of their music prior to and following the game. The estimates point to a very large bump for the artists in the consumption of their music through the means of downloads, audio streaming, and video streaming. Musical artists also generate substantial revenues from concerts. The impact that being the halftime performer at the Super Bowl has on future concert revenues will be examined. By measuring the average gross concert revenues for artists the year prior to and the year following their Super Bowl appearance, an analysis is made concerning whether a benefit is present from being the featured artist at the game. This area of study is unique to the sports economics literature.