# Special Features of the Product in Sport Economics

(Herbert Woratschek und Lars Griebel)[1]

Traditional approaches in sport economics correspond to a way of thinking, which we call a logic of sport product (Woratschek & Griebel, 2020). They acknowledge several special features of the sport product (Smith & Stewart, 1999, pp. 13-21) that impact how sport is managed. Figure 1 gives an overview of these features in sport economics.
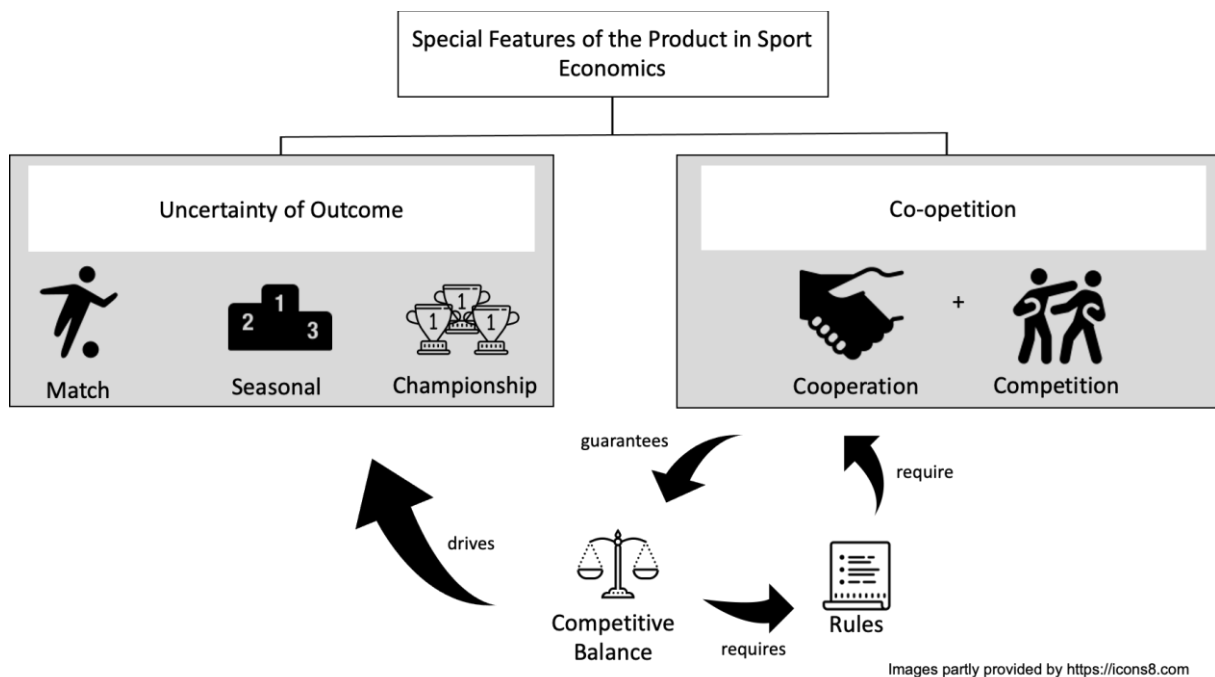


Figure 1: Special Features of the Product in Sport Economics

## Uncertainty of Outcome

The outcome of any game is uncertain and cannot be predicted in advance (Rottenberg, 1956, p. 246). This creates **tension,** which is one major motive for fans' interest in sport events (Humphreys & Watanabe, 2012, pp. 18-21). Sport fans actually purchase the **excitement generated by the unpredictability** of the event outcome (Dobson & Goddard, 2001, pp. 125-126).

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Literature distinguishes between three forms of outcome uncertainty (Szymanski, 2003, p. 1155):

1. **Match uncertainty** refers to the outcome of an individual match.

2. **"Seasonal uncertainty** means a close championship race within a include". It could also refer to the seasonal games within a football- or basketball league.

3. **Championship uncertainty** refers to a variety of championships over several years. If a league is balanced, there is no domination by one or two teams.

Consequently, the **competitive balance** is identified as a key driver for outcome uncertainty (Owen, Ryan & Weatherston, 2007, p. 290). The more balanced a competition is, the higher the uncertainty of outcome and the **tension** becomes. This leads to a higher **demand** for a sport event (Kringstad & Gerrard, 2007, p. 151) and to a greater **commercial success** (Byers, Slack & Parent, 2012, p. 11; Humphreys & Watanabe, 2012, pp. 18-19).

Competitive balance and uncertainty of outcome are measured by **indicators**, e.g. by comparing the **win percentages** or **league standings** of two clubs. Seasonal uncertainty can be approached by the **range** between the highest and the lowest win percentage of teams. The greater the range, the bigger the imbalance. One simple way to measure the championship uncertainty is to count the **number of different champions** over a number of seasons (Kesenne, 2015, pp. 11-12). To do such measures, **rules** are needed, e.g. rules about victory or defeat and league standings.

Empirical research yet, does not offer clear evidence for the impact of outcome uncertainty or competitive balance on demand (e.g. Szymanski, 2003, pp. 1157-1158). There are some approaches declaring that consumers might prefer watching **superstars** dominating a sport (Humphreys & Johnson p. 153) experiencing the excitement of upsets or just enjoying their **favourite team winning (**Cialdini, Borden, Thorne, Walker, Freeman & Sloan, 1976, p. 366). These cases show that demand may not always depend on competitive balance.

## Co-opetition

Single sport events as well as league competition require competitors agreeing on general rules and time schedules (Smith & Stewart, 1999, pp. 15-17). Hence, sport teams have to cooperate to a certain degree. This act of **simultaneous competition and cooperation** is referred to as **co-opetition** (Robert, Marqués & Le Roy, 2009, p. 24). For instance, in the German football industry, 18 competitors are organised within the cooperative structure of the German "Bundesliga".

Moreover, rules are defined by co-opetition to guarantee competitive balance, e.g. draft or relegation system. The **draft system** ensures competitive balance in a league because the prior season´s worst teams get the right to draft players first (Grier & Tollison, 1994 pp. 294, 298). **Promotion and relegation** make sure that stronger teams move into higher quality leagues and worse teams into lower quality ones (Humphreys & Watanabe, 2012, p. 32).

Sport teams know that they need each other to guarantee competitive balance. This may be why Bayern München financially supported several clubs in order to prevent their insolvency, including today´s biggest rival Borussia Dortmund (FC Bayern München AG, 2020). If they lost their strongest rival, the sport competition could be more imbalanced and consequently, less attractive for spectators and sponsors.

**To put it in a nutshell:**

1. Special features of a sport product are **uncertainty of outcome** and **co-opetition** from the perspective of sport economics.

2. **The forms** of uncertainty of outcome are **match, seasonal and championship uncertainties.**

3. These forms are **measured by indicators** such as **win percentages, league standings** or **number of different champions** over a number of seasons.

4. **Competitive balance** drives uncertainty of outcome**.**

5. Competitive balance requires **rules** to agree on, e.g. draft and relegation systems.

6. There is no **clear evidence** for the impact of outcome uncertainty or competitive balance **on demand**.

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