The Internationalization of Sports Organizations

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Abstract:

The objective of this paper is to identify and analyze the key factors that are helping sports organizations thrive abroad. In order to determine what those factors are, research was conducted to understand the forces impacting all businesses internationalization overall and to determine what sports organizations are doing in order to be successful in their international ventures. The realization was that three of the key drivers prompting sport organizations to enter new geographical markets are technology, sponsorship opportunities, and foreign economic development. Analysis of several sports organizations, including the NBA, NHL, MLB and more, shows that the coexistence and development of all three simultaneously was pivotal in explaining why these sports organizations are pushing now more than ever into new regions. The model suggests that these factors influence this internationalization both individually and in conjunction with one another. It contributes a deeper understanding of the reasoning behind the unique influences of sports organization expansion by providing examples of what has and has not worked for these leagues and teams in the past and indicating how this trend is going to continue moving forward.
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INTRODUCTION:

For the first time ever, the Friday night game of the 2015 NBA’s All-Star Weekend was not rookies versus sophomores. Instead, this match-up had a new format: the World team versus the USA team. Although these teams were still comprised of players who are all in their first few seasons with the NBA, it demonstrates the globally focused shift that is taking place in the Association. A growing international fan base and the addition of talented players from all over the world is encouraging the NBA to extend their emphasis past the United States and aggressively pursue business opportunities in new markets. The NBA is not the only sports organization body to be making that shift; the NFL, MLB, the major soccer clubs of Europe, and others continue to expand their activities to new regions.

While most large companies have long participated in the global market, it has now become a virtual necessity for corporations to cross national boundaries. This is due to a number of push and pull factors, including the need for new revenue opportunities and more cost-effective supply channels, the rapid adoption of new technologies, demand in a market with little to no supply, increased communication capabilities, and a the explosion of global competition, to name a few. Undoubtedly, internationalizing can lead to significant financial benefits or, conversely, be disastrous for a company.

Sports organizations in the United States and other parts of the world, having succeeded domestically, are expanding their reach and in the last 20 years have drastically increased their attention to foreign markets and opportunities. These organizations, including the MLB, NFL, NBA, NHL, Manchester United, FB Barcelona and many more, have felt pressure to expand their fan base. Now that people all over the
world can access and view these sporting events due to newly available communications technologies, the battle for market share is taking place in the international arena.

While companies of all types have had their recent expansion strategies and practices researched and studied, sports organizations face different challenges and thus have had to adopt different approaches. First, sports don’t fill a need; they fill a want. Because of this, sports organizations have needed be optimistic that there is a blossoming fan base wherever they expand, just as the seller of a product would need interested potential buyers. Secondly, corporate sponsorship is critical as a major revenue-generating element to their business plans. If companies are going to invest for sponsorship with these organizations, they want to know that their investment will have a positive return. Another challenge is making sure that the consumers can be reached with both the intangible (viewing the games, following players on social media, being a part of the sport community, etc.) and tangible (stadiums, apparel, etc.) experiences. Sports are a significant part of culture in most parts of the world. If a sport organization is going to succeed in a foreign country, it needs to integrate the sport into the culture; building a high level of popular acceptance and interest can take a long time. Lastly, professional sport is a big-money industry. According to a PriceWaterHouseCooper, LLC study, the global sports market revenue is estimated to be at $145 billion for 2015. ("Changing the Game: Outlook for the Global Sports Market to 2015.") These companies know there is a huge profit potential, but naturally want to make sure the demand is sufficient before significant dollars are invested. While sports organizations may not be as concerned with manufacturing or production as many other businesses, the social and cultural barriers to success may be even more difficult to overcome than in other industries.
RESEARCH OBJECTIVES:

The goal of this paper is to determine which are the major strategies and tactics that contribute to the successful international expansion by sports organizations into new markets. More specifically, this paper seeks to answer what is happening now that is allowing these organizations to spread so successfully? Having read and reviewed other scholarly papers and research on the topic, the objective was to find out how the sports organization expansion differentiates from other international business expansion models. Additionally, it was to develop a new model that emphasizes the three key factors to the internationalization. This paper seeks to show how the combination of the three factors and developments of each individually are making it better now more than ever for sports organizations to bring business to new markets.

THEORETICAL FOUNDATION:

The foundation for this model suggests that the three factors that explain the recent expansion and marketing efforts of sports organizations into foreign countries are sponsorship and branding opportunities, technological advancements, and foreign economic development and stability. Each one of these factors has made it easier for these sports organizations to connect with and engage consumers, allowing for more revenue, exposure, fans and public relations opportunities. Furthermore, these three factors are interconnected. This means that all three are extremely important to making these expansion opportunities possible, and should one of them not exist then the internationalization would not be as prosperous. The co-existence and development of these three factors has allowed sports organizations to have tremendous levels of success.
abroad. The first step is to must examine how each of the three factors individually is playing a role in shaping expansion, in the sports industry especially but also for all other types of industries.

*Sponsorship:*

Sponsorship is payment by an organization or individual for the right to advertise through another organization or event. For this paper, it will be viewed as any time a company pays to have their name associated with or promoted by a sports organization or athlete. Sports organizations have benefitted significantly from the use of branding and sponsorship. Not only do these opportunities allow for companies to get exposure for their products or company, but also it generates tons of revenue for the sports leagues and associations. Major League Baseball (MLB), boasted sponsorship revenue of $695 million from the 2014 season alone. This was also an almost five percent increase from the previous year. (“MLB Sponsorship Revenue Totals $695 Million in 2014”) The MLB isn’t alone in their successes from sponsorship revenue. The National Basketball Association (NBA) totaled $679 million from their 2013-2014 season, which showed an almost 6 percent increase from the 2012-2013 season. ("NBA Sponsorship Revenue Totals $679 Million In 2013-2014 Season.") This makes sense, considering PriceWaterhouseCooper projects $45.3 billion in revenues form sports sponsorship for the 2015 year along with a 5.3% compounded annual growth from 2011 to 2015. ("Changing the Game: Outlook for the Global Sports Market to 2015.")

In James Santomier’s article *New Media, Branding, and Global Sports* *Sponsorship*, the author explores how sponsorship is changing, due to new mediums for
communication that enable brands to more effectively to build their identity. Personal electronic devices and access to social media in many parts of the world provide effective ways for companies to reach to new consumers and markets through sponsorship, without necessarily planting an office in a new location. (Santomier, 16) In these circumstances, all parties win- the team or league gets money for promoting sponsorship, the sponsors get exposure to many consumers, and the consumers get exposed to more companies while enjoying the sport. Traditional marketing efforts, Santomier argues, are being changed by advanced marketing communication technologies. (Santomier, 18) The key now is to engage the consumer and provide an experience, not just bombard them with advertisements. These types of marketing activity work with events, social media, websites- all being settings in which professional sports organizations already have a great presence. 80 percent of all global sponsorships were sports related in 2006. (Santomier, 20) But product awareness isn’t the only benefit, as brands are looking to increase their value and form their identity. In conjunction with sports, which often embody hard work, dedication, passion and excitement, brands can effectively suggest positive messages to their consumers. Many companies are also beginning to find significant effectiveness by connecting their brand with certain professional athletes rather than teams or leagues. (Santomier, 22) Due to cultural differences or preferences, international players can often serve as representatives of their leagues from foreign countries. Furthermore, these individual players can be great for endorsements because consumers abroad can relate directly to them. (Santomier, 22) Players like Yao Ming, for example, can completely change the way a culture views and supports a sport, which opens the door for effective sponsorship with those leagues or individual players in other
parts of the world. Thanks to Yao’s status in China, he’s been endorsed by Reebok, China Unicom, McDonald’s and other brands. (Xu) This helped spur the influx of Chinese companies eager to do business with the NBA and led China to be one of the most fruitful markets for the NBA. Ultimately, the goal of endorsements is to build relationships between consumers, brands, and sports organizations. (Santomier, 26)

Globalisation and Sports Branding: The Case of Manchester United by John Hill and John Vincent paints a picture of how successful teams and leagues can leverage sponsorship. One key to gaining global interest is the utilization of foreign-born stars. Yao Ming was previously mentioned, but also consider Brazilian soccer sensation Neymar in Barcelona, or home-run hitting Sammy Sosa previously of the Chicago Cubs. When these top tier foreign players are signed, the interest in the home country of these teams increases. As team value rises, so does sponsorship competition and payment. (Hill and Vincent, 217) Broadcasting rights also become much more profitable. If companies want the rights to broadcast the games abroad, they are going to have to compete for them, which often times means offering the most money. The sports organizations see this as incentive to conduct business in other countries, because not only do they make money off the broadcasting deals, but payment for sponsorship at these games also goes up due to the increased viewership. (Hill and Vincent, 217) The league or club then gets greater exposure and more money in this win-win scenario for both parties. In Hill and Vincent’s paper, they note that consumers are relating to brands based on brand values, symbols, ads and endorsements and not just the products. People often relate to sports and sports teams, thus linking up with a team with a positive image can help a brand’s identity, while boosting revenue for the sports organization. This ties into one of the last
points, which discusses how forming alliances with other global entities can benefit both parties mutually due to shared burdens, assistance in entering new markets, and opportunities for increased profitability on both sides. (Hill and Vincent, 222-224) With the competition for consumer goods and services and brand recognition now being an international competition, companies are noticing how helpful deals with major sports organizations can be. With increased revenue opportunities, these organizations have the funding and support from businesses to help them transition into new markets successfully.

**Technology:**

Technology is one of the strongest forces driving change in the world and is certainly pivotal in the internationalization of any company. Technological developments have made the expansion of businesses more manageable than ever before. The ability to talk instantly across the world through phone, email, and even face-to-face video messaging makes communication at any hour easy, regardless of location. More airlines, faster trains and speedier ships expedite the transporting of people, goods, and services. The internet, smart phone capabilities, and social media has allowed people connect with others all over the globe and share knowledge and ideas with anybody who can access the web. This has undoubtedly helped sports organizations expand their reach transnationally. Through social media they can connect with fans and develop relationships with their consumers. Websites allow for the sharing of information, updates, and opportunities for online purchases. Broadcasting games via online or through television happens faster than ever, allowing more consumers to get a real-time
experience that puts you in the action even if the viewer is half way around the world from the event.

Thanks to technology, businesses, especially in sports, have a new means of reaching their consumers through online marketing initiatives. According to Marilou Ioakimidis’ article *Online Marketing of Professional Sports Clubs: Engaging Fans on a New Playing Field*, the utilization of the internet is allowing organizations to market to their fans more efficiently than ever- and the fans are enjoying the results. As previously mentioned, consumers now seek engagement from the brands and companies they spend on and not just advertisements thrown at them. When it comes to fan engagement, online activity has become extremely important. With consistent growth in the sophistication of the technologies, deeper consumer involvement becomes more frequent. (Ioakimidis, 271-272) Sports organizations recognize that in almost all industries online marketing has been proven to be more effective than traditional, and typically more expensive, means of advertising. (Ioakimidis, 272) Progress and innovation with regards to the internet and the concept of “Web 2.0”, which suggests a collaborative nature and shared experience for users, has led fans to have a more enjoyable experience. Instead of simply viewing scores or statistics, fan can make purchases, vote it polls, comment on blogs from anywhere in the world. Ioakimidis also warns about the fan empowerment with regards to bad press and active criticism, but acknowledges that this engagement of fans keeps them interested and makes them feel involved. (Ioakimidis, 274) This interaction allows for leagues to track and analyze what people are saying, and thus more effectively market to their consumers. Furthermore, the online presence of everybody from team owners to fans to players to other leagues creates a virtual community. (Ioakimidis, 275) That sense of
community makes consumers feel like they are truly a part of a given team or league, rather than an outside observer. In turn, this ideally leads to more purchases and free promotion from fans, all of which benefit the team or league identity and growth. With younger generations becoming more tech savvy and more people having more internet access, the online impact allows for instant communication from a league or team stationed in one part of the world to people all over.

Social media is also changing how sports organizations connect with their consumers. Alexander Zauner, Monika Koller and Matthias Fink’s piece titled Sponsoring, Brand Value, and Social Media reveals how utilization of social media allows for a reciprocal relationship between these organizations and their target markets. It is used to understand both side’s values and opinions about changes and events. In a demand driven economy, especially when it comes to non-essentials such as sports, organizations can leverage these relationships to make sure they are giving consumers what they want leading to customer retention. (Zauner, Koller and Fink, 682) The studies find that companies who make the most of their social media capabilities have a higher value perception in the eyes of the consumers. (Zauner, Koller and Fink, 688) By identifying and targeting key consumers in their group, positive user-generated content can serve as marketing in a cost-effective manner and also boost brand value. The article notes that as perceived value directly affects purchase behavior, loyalty and word of mouth promotion to increase revenues and reach more customers. (Zauner, Koller and Fink, 689)

The internet and social media aren’t the only relatively new technologies that are helping sports organizations please new and current consumers. In his article titled The
*Chips are in: Enhancing Sports through RFID Technology,* David Wyld elaborates on how Radio Frequency Identification (RFID) microchips, viewed as the successor to bar codes, are allowing for greater control for the organizations. (Wyld, 136) For example, RFID in tickets can prevent counterfeiting, slow the effect of black market transactions, and speed up event entry. Furthermore, it can serve as a form of payment that expedites concession activities at an event, also helping the regulation and control. The sports organizations aren’t the only winners here, as consumers have demonstrated that they like the simplicity, quickness and coolness of making transactions with their phones when they have a direct connection to the RFID chips. (Wyld, 143) These chips can also be utilized to benefit people not at a given event. When used in games, the tracking of activity and other metrics help make the game more accurate and efficient, while providing interesting information and statistics to both fans and league or team owners. (Wyld, 137-138) Fans near or far have the ability to get an in-depth look at the athletes and games they enjoy.

**Economic Development:**

Major sports organizations have already begun expansion into consistently strong markets, and with good reason- economically stable countries have the infrastructure already in place to support these organizations, the people with purchasing power to buy the goods, and the assistance of established companies. Emerging and developing countries play a major role in this expansion too, as they provide a new, untapped market for these organizations. As these countries blossom with GDP and purchasing power growth, they will spend more money on leisure and interests like sports, rather than just
necessities. Companies in these regions can also benefit from the superstar status and wide reach of many of these organizations, teams, and players. These sports organizations are helping the countries by driving attention to the area, setting up facilities that promote infrastructure development, creating greater exposure for local companies and giving back to communities through philanthropic activities. One example of charitable action is the NBA’s Basketball Without Borders, a social initiative that encourages community, education, and healthy lifestyle through the teaching and playing of basketball.

Growing economies serve as a fantastic host for sports organizations. As the search for new consumers continues, many of the economically and socially advancing nations are ideal places for business expansion. Not only are they in a position to profit from a new market, but also they can benefit a blossoming country tremendously. A study titled Multiple Regression Research on Sports and Economical Structure Relationship by Chao Wan backs this theory up. The conclusion of the studies finds, “that increase per capita GDP and tertiary industry employees can impel sports industry development to the greatest extent.” (Wan, 271) As the GDP climbs, sports industry can thrive. Establishing a sports organization in a foreign nation requires a considerable initial investment in that country, while the events of the sports bodies generate incremental economic activity that benefits the country’s economy on an ongoing basis. The key finding from this study is that GDP and sports industry success can and do rise in conjunction with one another, making both the country and the sports organizations happy. (Wan, 271)
As discussed earlier, brand perception is important to a company’s success. In order to give a brand or company a better image, community service or other charitable work can both help people in need while also creating a positive image of a company. David Tannenwald’s article *The Power to Change the World? The Role of Sport in Development* demonstrates how sports can help improve lives in less advanced parts of the world. Tannenwald argues that major sports clubs and organizations have the wealth and power to make significant differences in the lives of the citizens in emerging and developing nations. (Tannenwald) Besides showing the rules and techniques of the game, these international initiatives can provide learning opportunities about education, well-being, hard work, leadership, and much more. Positive ideas and values embedded in sports can often be translated directly to life, which is essential for the youth in places where the future doesn’t necessarily seem bright. Again, these outreach programs are a two way street. While the sports organizations get to increase exposure in new areas, build relationships and increase fandom, and potentially develop future prospects, these communities get to better themselves with the financial and social help from these organizations. (Tannenwald) Ideally, the goal is to have these initiatives be long term, ultimately helping these communities and the programs become self-supporting. (Tannenwald) If a sports organization helps improve a community, the community will undoubtedly be grateful and more emotionally invested in that sport or sports organization. In the eyes of league ownership, this will lead to higher revenues for the shareholders and owners of the league or sport governing body.

*Place Branding Sports: Strategies for Differentiating Emerging, Transnational, Negatively Viewed and Newly Industrialized Nations* by Irving Rein and Ben Shields
gives insight into the benefits of sport organization expansion into emerging and developing regions of the world. The authors argue that these nations can utilize sport as a platform for media, social change and economic stimulation. Furthermore, sports help growth through economic stimulation and by encouraging engagement and spending. (Rein and Shields) The sports organizations then see benefits in the form of increased sales, market share and investments in the form of sponsorship. After all, growing economies offer a huge untapped market place for sports organizations, with new opportunities for sponsorship, consumers and brand recognition. These branding platforms- events, teams, stadiums, and geographical locations- can prove beneficial to both sides. (Rein and Shields) The argument has often been made that during major events like the FIFA World Cup or the Olympics can be detrimental to the host city or nation, as it depletes resources, hastily utilizes taxpayer money, and distracts the country from its real problems. While in instances this is true, Rein and Shields suggests that these events can also have an alternative effect. Host cities of these events must build infrastructure to facilitate the activity of the events, which can be utilized long after the events end. The locals have opportunities to make money working for the events, whether in building the stadiums and infrastructure, marketing the occasion or in the actual event management. (Rein and Shields) Lastly, these spectacles bring attention to the country in a manner that can often increase tourism, encourage foreign investment, and bring a new, positive image to a place in need of a perception makeover. (Rein and Shields)
MODEL:

The model presented combines 3 of the most important factors that are spurring the internationalization of sports organizations- branding & sponsorship opportunities, technology, and foreign economic development. While other theories or authors may suggest how various factors individually are leading to greater internationalization of these organizations, this model shows how these three factors, both individually and in conjunction with one another, are creating promising opportunities by more rapidly propelling sports organizations into new markets.

Other models regarding the internationalization of businesses in general have suggested the importance of these factors in bringing foreign expansion. However, it is important to note that sports organizations need to and do expand differently. Due to the fact that these sports conglomerates provide entertainment, which is considered a luxury and not a necessity, this expansion process requires proof that a fan base can exist in a new market and that the connection with those fans will be sustainable. As technology has advanced, sponsorship has become more lucrative and foreign economies have progressed, sports organizations can have confidence in their entrance into new markets. These three factors need to co-exist for the sports organizations to see a future in a new market. The recent development of the three factors have made it possible for sports leagues and teams to reach and find success in new markets like never before.

Each of the factors is directly tied to another, making the operation of the whole model possible. In order to understand the importance of their connections, one must look at how each factor depends on another:
Technology and Sponsorship:

Technology and sponsorship opportunities abroad are paving the way for increased revenue for sports organizations. The utilization of new technologies like the internet and social media create new ways of reaching the masses, and businesses are eager and willing to spend big to have their brand put in front of a global audience. State Farm, an insurance company that has invested heavily in a sponsorship with the NBA, have created an entire marketing campaign around one of the leagues top-point guards, Chris Paul. Chris Paul’s faux long lost twin, Cliff Paul the State Farm agent, assists people not on the basketball court, but in times of need (as an insurance company does). Not only is Cliff Paul featured in commercials, but also he has a massive social media
presence for a fictional commercial character. According to a Simply Measured social media analytics, Cliff Paul bears over 33,000 Twitter followers, with retweets from other NBA superstars like James Harden, and cultural icons like Kevin Hart. Even more impressive are the 78,000 Instagram followers. (Shively) The statistics show that the Chris Paul/Cliff Paul social media push has significantly boosted the interaction, reach and engagement of people all over the world, thus extending the brand image and reach of State Farm. (Shively) Individual athletes, regardless of league sponsorship deals, are using social media to promote products and companies. This ultimately benefits the leagues, as these athletes are ambassadors and the faces of the leagues. A Harvard Business School study found that the average athlete endorsements create a 4 percent boost in sales and lead to a $.25 stock price jump. (Elberse and Verleun, 163) Cristiano Ronaldo’s Instagram page has 85 times as many followers as one of his endorsers, TAG Heuer. This brings TAG Heuer to a much broader audience on social media then they would be able to reach by themselves. As Ronaldo’s brand continues to be featured in more places, it also drives attention towards the team he plays for, Real Madrid. The web pages of these sports organizations are also flooded with advertisements, some more subtle than others, and sponsors are paying lots of money to promote their brand. At the top of the MLB web page, for example, visitors to the site have the option of selecting to view the page in English, Chinese, Korean, Japanese and Spanish. Making the content available in a variety of different languages incentivizes foreigners to interact with the MLB website. As traffic to the MLB site increases, so will the price of advertising, as it does with most websites. Also, offering advertisements in multiple languages based on the version of the MLB site provides for more accurate target marketing. The main MLB
page, in English, has ads primarily focused around its app, hoping that people all over the world will download it. When you look at the Taiwan page, it has an advertisement for a Chinese company website. Different languages target different markets around the world and leveraging the ability to create more advertising opportunities bodes well for sports organizations. The NHL, in hopes of increasing revenue moving forward from 2013, created a plan for the following three years. (Botta) One major element of the plan is to increase international exposure. This will be done by playing more regular season games in Europe, having competitive events between the NHL and European clubs, and generating a bigger presence in Canada. (Botta) The NHL seeks to leverage its “core businesses”, two of which are media and sponsorship. (Botta) New technology capabilities will allow for speedier broadcasting of games and broader reach, including television and online streaming domestically and internationally. A deal is in the works with Canadian partners that would bring in $200 million per year to the NHL in return for the rights to broadcast the games. (Botta) Sponsorship sales are also strong, with deals with companies such as Coors Light in place. (Botta) The NHL recognizes its current media and sponsorship capabilities make it a logical time to push harder into foreign markets, demonstrating just how vital these two factors are in sport organization internationalization.

Smart phone and tablet apps help sports organizations market to people all over the world. New avenues for reaching consumers allow sponsorship opportunities to blossom. Most professional sports leagues and many professional sports teams have created apps that allow for users to access statistics, videos, news and even stream live games from their mobile devices. These apps are available to anyone with a device that
allows for app downloads, and globally more and more people have access to these devices. A study by Business Insider shows that from 2006 to 2013, the world population with access to smartphones has increased from 1 percent of the population to 22 percent. (Heggustuen) As a good indicator for the future, these numbers are growing by a greater margin each year. With greater percentages of the population owning smart phones and tablets each year, more markets can be reached, thus increasing exposure for the sports organizations and generating higher competition for sponsorship and advertising opportunities. Though mass marketing to a global audience is now entirely feasible, without emerging personal technologies reaching more regionalized and local foreign markets would become very difficult and prohibitively expensive. Companies all over the world are spending for sponsorship and advertising through league, team and player social media, webpages and apps because of the potential of reaching new customers. This both increases the revenue of sports organizations and indicates that there is significant growth potential for sports industries in foreign markets.

Technology and Economic Development:

Technology is pivotal in economic development. The internet, smart phones and other personal technologies are allowing for greater accessibility to information and connectivity between people. With this, business owners and other individuals can find market information and news, get new ideas for innovation, connect with potential customers, conduct transnational payments, and so much more. (Chetty) This helps spur business growth and allows people to educate themselves using the countless resources on the web that can be accessed with a variety of technology. Individuals can be more
actively innovative in spurring growth and development. Many places in Africa utilize cell phone technologies to make payments or receive them. Sixty-eight percent of cell-phone owners in Kenya claim to do financial transactions on their cell phones on a regular basis. (“Emerging Nations Embrace Internet, Mobile Technology”) The movement of money is essential in stimulating an economy and helping it gain strength-smart phones allow that to happen in many less developed markets around the globe. Credit card technology and online payments are also helping the economies of foreign nations. A report by Moody Analytics sheds light on the effects on economies from credit card usage. Economies thrive on spending and consumption, and a survey of 56 countries revealed that the use of cards boosted consumption by 0.7 percent. Perhaps more notable is how electronic payments led to a .8 percent boost in GDP in emerging markets. (Zandi, Singh, Irving) Economic cycle theory suggests that greater consumption leads to higher income per capita, as economies with money movement have more opportunities for job creation. (Zandi, Singh, Irving)

A strong infrastructure helps a country run efficiently and develop its economy. An article by the Federal Reserve Bank of Atlanta states that “developing infrastructure enhances a country’s productivity, consequently making firms more competitive and boosting a regions economy,” while also helping to “provide economic incentives to public and private sector participants.” (Graefe and Alexenko) New technological developments can expedite the building of infrastructure. Quicker communication, more advanced machinery, and more effective transportation allow for rapid development and movement of people and resources. Furthermore, this attracts a wider range of foreign investment, as stable infrastructure shows to investors and business owners that the
country can handle the new business activities such as production, manufacturing, transporting and construction.

How is this all relevant to the major sports organizations of the world and the model? Firstly, it demonstrates the co-dependent relationship between technology and infrastructure. Some infrastructure is needed, such as electricity, cable and internet connections, to make the technology available. The technology in turn can then help the development and efficiency of the infrastructural system. Without some infrastructure and growing economy, companies are less incentivized to set up shop or invest in foreign countries. As already stated, the major sports organizations rely on technology to reach their fan base and market their sport. When a country’s economy begins to thrive, companies recognize and invest in the untapped potential of the lucrative markets. Once these companies are established, sports organizations can enter the market knowing that other businesses are there to facilitate their business activities.

Mark Bode wrote an article for the Harvard Political Review titled Game On: America’s Sports Leagues In Emerging Markets that shed light on how the development of many foreign nations is creating a platform for sports organizations, such as the MLB, NFL, and NBA, to build upon. (Bode) While he notes elements like a rising middle class and purchasing power as important, he also states that technological advancement must be evident in these regions as well. (Bode) If the citizens don’t have access to social media and television, the inability of sports organizations to reach their markets effectively becomes a barrier to entry. (Bode) Without technology, they cannot reach their potential customers in a growing market. Simultaneously, if the sports organizations can reach the customers, their usefulness is limited if these customers do not have much
access to money due to a weak economy. Thus, the technology and economic growth co-existence becomes imperative. With stronger infrastructure, increased technology usage, and a growing economy, the sports organizations see an opportunity to make money and utilize what is already in place to support their expansion.

*Sponsorship and Economic Development:*

Economic development usually suggests a increase in GDP, the purchasing power of individuals, and business activity. Growing economies are important for supporting sponsorship initiatives. As a country’s economy rises, the citizens of that country have greater spending power. Once necessities are taken care of, money can be put towards fun and leisure, like vacation, accessories, toys and sports. The spending on sports can be allocated amongst a multitude of different things, from apparel to television access. If more people buy TV’s and want to view sporting events, it drives up the price of the right to broadcast those events. More financially beneficial to the sports organizations is the influx of sponsors. Companies seeking to gain a share of a rising market want to use every means possible to get new consumers. Sponsorships have been proven, as already stated in this paper, to drive sales. For a company, teaming up with a sports organization is a great way to attract new customers in a market. This could be a company utilizing a sports organization to gain a greater market share of its home market, a company from the same origins as the sports organization trying to enter a new market, or a company in the market that the sports organization is entering that wants to expand its brand internationally through the medium of the sports organization. Regardless, companies can use sponsorships with sports organizations to boost their revenues and market share in
emerging markets by attracting customers who are gaining the means to spend money more casually. A study by Brandwatch about Barclay’s sponsorship of the European Premier League examined the company’s global reach as a consequence of the soccer league’s marketing efforts outside of Europe. (Brandwatch) It found that the brand awareness of Barclay’s among people was aided by the Premier League in emerging regions of the Middle East and Africa. Barclay’s online presence was greater in countries with a bit more economic stability such as Saudi Arabia, UAE, and South Africa, which they believe was boosted significantly by their involvement with the world-famous Premier League. (Brandwatch) Southeast Asia is another region with an economy that currently grows above the world average, and more companies are sponsoring sports there in hopes of acquiring new business. Grand Royal Whiskey of Myanmar recently partnered with Chelsea, an English soccer team with world recognition and a global fan base. (Critchley) With several other Premier League teams entering the region, companies hope to utilize these well-known sports teams to enter new, profitable markets. Limited sponsorship opportunities drive up the demand and thus the price of sponsorship deals, which generates more revenue for the sports leagues.

A growing economy suggests promise to foreign investors that a country or region is on the rise and that new consumers are available, and worthwhile, to attract. According to a PriceWaterhouseCooper study of the global sports industry in the BRIC countries and the Asia-Pacific region, sponsorships are the biggest sources of revenue for the sports industry. In China, 48 percent of its sports industry revenue is derived from sponsorship. ("Changing the Game: Outlook for the Global Sports Market to 2015.") This supports the idea that sponsorships are the financial fuel for the sports industry. More importantly,
companies aren’t looking to have sponsorships for brief periods of time. The goal with the sponsorships is to create an emotional relationship and sense of community with the customers. ("Changing the Game: Outlook for the Global Sports Market to 2015.") This is essential in areas where economies are beginning to flourish. If companies can appeal to customers and have them maintain brand loyalty, then for years to come they have a strong foothold on that market. Companies leverage these sports sponsorships to get in on the ground floor of a whole new region of consumers who can afford more goods. As the desire for sponsorship deals grows, sports organizations can include more sponsors for higher rates as the financial returns to the sponsor prove this to be an effective strategy. The sports organizations are then incentivized to put sponsors in as many places as possible, whether online or in stadiums. For many years soccer clubs across the globe have used their jerseys as a sponsorship platform, with Manchester United set to make $1 billion over 10 years by wearing Adidas apparel, with another $559 million coming over a 7 year deal with General Motors to display the companies name on the front of the jerseys. (Smith) Even Adam Silver, commissioner of the NBA, acknowledges that having sponsors on jerseys in the future is “inevitable”. (Karen)

This model demonstrates that no one factor on its own guides these sports organizations to target new markets, but rather that these three factors are all making a major impact and, together, driving this current trend of internationalization. With the vast amount of finances and resources of these sports leagues and teams, new markets can be reached quickly and aggressively. However, caution must be exercised, as a failed attempt at entering a new market could be expensive and wasteful. The NFL has been
unsuccessful in its attempts to gain fans in eastern Asia. Poor scheduling and unimportant games hurt the league’s ability to increase sports market share in Japan during the 1980’s. (Lee and Fort, 20-21) More recently, in 2009, after rescheduling twice, the NFL ditched its objective of holding a game in China and ended almost all its Chinese operations. (Lee and Fort, 20-21) Still, Commissioner Roger Goodell and the NFL are working on internationalizing their league, starting with Europe. Having played multiple games in London and doubling their business internationally, the league seeks to continue that growth. (Breer) The NFL is now exercising more caution by focusing on the United Kingdom before expending resources elsewhere to use the region as a test run. One of the reasons the NFL is attracted to the English market is sponsorship- the NFL now has ten sponsorship deals with United Kingdom companies, despite only having one sponsor just five years ago. (Breer) With an already established economy and updated technologies, the United Kingdom is a great first stop for the NFL on their road gaining more international interest.

Foreign markets must be willing to accept the sports leagues, as sports leagues are a huge part of culture. Cricket, which is by far the most popular sport in India, has a minimal presence in the United States. Regardless, sports maintain the ability to transcend other cultural differences and language barriers, making its international expansion different than many other products or services. If there is interest in a sport, the likelihood is that people will want to see the sport played at the highest level, which is what professional sports organizations provide. The reciprocal relationship between foreign markets and sports organizations allows both sides to benefit. In the foreign markets case, they see an increase foreign investment, economic stimulation and new
advertising platforms. The sports organizations get to benefit from an increase in sponsorship and broadcasting payments and further growth in their fan base that will lead to more purchases that will drive revenues up. The current trend of sports organizations internationalizing is also a result of timing. Because many companies, like Nike, McDonalds, and others, have already internationalized, the exposure to Western culture has already taken place. This has blazed a trail for the sports organizations to follow suit.

CONCLUSION AND IMPLICATIONS:

Sponsorship and branding opportunities, technology, and economic development are driving the expansion of sports organizations into new foreign markets. The key is that these elements are not only operating by themselves, but that in conjunction with one another they are making international success a reality. Although some of these organizations started their expansion early, most are now allocating time and resources into international marketing and foreign development. As technology advances, lucrative sponsorship opportunities arise, and foreign economies grow, sports organizations have a remarkable opening to extend their fan base and increase revenues. Now is the perfect time as companies in every industry begin to compete in the global market. The professional sports market is reliant on other industries making a stable economy, a spending consumer foundation, and established businesses essential for the sports organizations to build upon. Also assisting in this expansion is the flow of foreign athletes into professional leagues, helping boost interest in different parts of the world: Would China be a huge and profitable market for the NBA if Yao Ming had never
played? Would Argentinians be sporting FC Barcelona jerseys if Lionel Messi hadn’t left his home country for one of the best teams in Europe?

This model demonstrates the three most important factors shaping international expansion within sports. It shows other sports organization that now is the time to invest in new markets, as the three factors intertwine and the globalization shift moves faster than ever. Furthermore, the model demonstrates how a particular element such as sponsorship differentiates the sports business from other industries with lots of internationalization taking place. The objective is to take a holistic look at the sport organization expansion trend, and analyze why the key factors are driving this trend to happen now. Moreover, there are specific connections between the factors that make the model unique.

**LIMITATIONS AND FURTHER RESEARCH:**

The main limitation is that there are so many elements at play. When a company or organization internationalizes, there are countless influences that play into the decisions and the outcome. Not all of these can be accounted for, so this model suggests the three most important as they pertain to sports organizations. While some of these leagues have slowly integrated into foreign markets over a longer period of time, most are newer, having only recently started investing extensive time and resources into their international initiatives. The result of this is some ambiguity as to the profitability of their ventures and uncertainly about the duration and success of the expansion. Due to the fact that this trend is relatively recent, there is somewhat limited research on the topic.
Further research, therefore, will be able to evaluate different factors altogether, or perhaps a substitute for one of the factors suggested here. Alternatively, research could take a more in-depth look at one of the factors and how it alone is affecting the professional sports internationalization trend. Continued observation of the organizations will provide insight into marketing strategies that have or have not been successful thus far, and what new approaches might produce results in the future.
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APPENDIX

Figure 1.1

Internationalization of sports organizations

Brandiing/Sponsorship

Technology

Economic Development