Case Study: Football Attendance and Revenue is Not Meeting Expectations at Jones University

Dr. Kevin Blue – Director of Athletics at the University of California, Davis

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It was Thursday afternoon during the third week of September and Janice Rogers, the athletics director at Jones University, looked out her office window at the unoccupied football stadium and thought ahead to Saturday's home game against Smith State.

Rogers was confident that Jones U. would be able to handle Smith State on the field – after all, Jones was a combined 29-3 at home in the past four seasons and had gotten off to a solid 2-0 start this year – but she was growing increasingly concerned about home game attendance and the revenue shortfalls her department was experiencing as a result.

Jones U: An emerging football powerhouse

In the past ten years, Jones U. had developed into one of the most consistent football programs in FBS, emerging from a somewhat challenging history in which the team had only recorded ten winning seasons from 1975 through 2006. Jones U. thus did not have a tradition of robust fan support or selling out home games consistently. However, attendance increased substantially from 2007 through 2017 as the team recorded ten consecutive winning seasons, won its conference championship four times, and played in the first three major bowl games in school history.

Jones U. set revenue records for home football ticket sales each year over the past five years, and overall football revenue was bolstered by the number fans buying season tickets in the priority seating sections of Jones Stadium. Only 10% of seats in the stadium required a priority seat gift – after all, the team had not performed well enough historically to feasibly warrant more priority seat gifts being attached to season tickets – and these sections were now close to selling out.

Jones University: Football Ticket Sales and Priority Seat Gift Revenue (2011-2017)

	2011	2012	2013	2014	2015	2016	2017
Season Tickets	$5,223,435	$5,787,937	$6,258,892	$6,478,378	$7,002,363	$7,498,745	$7,973,536
Group Sales	$967,321	$1,000,345	$1,093,475	$1,223,925	$1,374,429	$1,533,560	$1,790,235
Single Game Sales	$1,328,859	$1,243,509	$1,498,095	$1,345,085	$1,947,208	$2,109,739	$2,230,842
Priority Seat Gifts	$1,500,456	$1,550,349	$1,742,279	$1,893,449	$1,903,908	$2,278,256	$2,549,874
Total Revenue	**$9,020,071**	**$9,582,140**	**$10,592,741**	**$10,940,837**	**$12,227,908**	**$13,420,300**	**$14,544,487**
Sellouts	2	3	3	4	7	6	4

Attendance Challenges

It was very clear that the football program at Jones U. had taken significant steps forward in both performance and revenue. However, even with the consistent competitive success, the team still only managed to sell out all seven of its home games in a season once since 2011. The lack of sellouts was a source of frustration for everyone involved in the football program, including head coach Jeff Driscoll, who was actively being recruited away by other FBS programs because his success in turning things around at Jones. There were only four sellouts in 2017, and Coach Driscoll explained to Rogers that other schools were using this fact to negatively recruit against Jones.

In addition, several of the program's most important donors regularly voiced frustration to Rogers that the stadium wasn't full every week. They often compared Jones U. to the tradition-rich FBS programs that had similar records over the past ten years but more regularly sold out their stadiums. One of the most vocal and frustrated donors was in the process of considering making a gift to endow the head football coach position, and Rogers must maintain a great relationship with her.

The team finished 8-4 in 2017 and missed out on a top 25 ranking at season's end for the first time since 2010. Fan expectations had shifted upwards during the program's recent run of success, and many fans voiced discontent with the record.

A frequent complaint from fans and donors was regarding the start times of games, which were driven by TV. The lucrative conference media rights agreement – the revenue from which helped to fuel much of Jones' recent football facilities growth – allowed TV partners to select games as few as six days prior to kick off in some instances, which irritated loyal fans and donors, many of whom had followed Jones football since the traditional days of playing at 1pm every Saturday. These fans blamed the current attendance struggles on evening TV start times and threatened to give up their season tickets if the situation wasn't addressed.

Revenue Considerations

The recent football success for Jones U. helped its athletics department grow revenue significantly. Much of this revenue growth was converted into compensation packages for the football coaches to help maintain continuity in the coaching staff. Salaries for Coach Driscoll and his assistants were increased in response to offers from competitors. These salaries and other increased football program costs put pressure on Jones U. to continue growing football revenue.

Looking several years into the future, the changing dynamics of the media ecosystem raised questions about whether the value of the conference television rights agreement would continue to grow when it is next negotiated in 2023. Accordingly, to maintain overall revenue growth, Rogers knew that she must not rely exclusively on significant increase in the next media rights agreement. Continuing to grow ticket sales revenue and increase fundraising for football was a necessity.
Over the past several seasons football revenue had been bolstered by price increases. The average price increase in the stadium was 5% annually over the past three seasons – a fair amount when taking into consideration the prices of the most popular Jones U home games on the secondary market. These price increases were reluctantly accepted by fans, but they were also growing increasingly irritated by them – especially now, coming off an 8-4 season that did not meet expectations. Rogers knew that she and the staff must tread carefully with future price

increases. But they also knew that they must continue to grow football revenue to keep pace with the growth in costs.

The team was off to a great competitive start in 2017 and looked to bounce back from the 8-4 season last year. Jones won a neutral site game on national TV against an elite FBS opponent and then defeated an FCS team in its home opener last week. However, the stadium at the home opener was half empty, stimulating renewed criticism from the local media about weak fan support and stoking the frustration of Coach Driscoll and a handful of important donors, who reached out privately to Rogers earlier in the week. The sales outlook for the upcoming Saturday's game did not give her confidence that a sellout crowd would be in attendance, which might further amplify the issue.

Staffing model

Rogers had been tracking the attendance issue for a while, and it was seemingly coming to a head now on several fronts. She reflected on whether her staffing model was the right one to optimally drive sales and attendance.

Dwight McDonald is the Senior Associate AD overseeing external relations – at Jones this included ticket sales, ticket operations, marketing, game presentation, communications, development, and the department's relationship with its third-party rights holder XYZ Sports.

McDonald had been at Jones for fifteen years. He was a Jones alum and rose through the administrative ranks through the development staff, building excellent relationships with the Jones U. donors. Ticket sales was not a historical strength of McDonald's. He didn't have any experience overseeing a sales group and was more comfortable with operations in development.

At the start of the 2017 season, McDonald had three full time staff members working as outbound ticket sellers, reporting to the Lenny Goldberg (Director, Ticket Operations). Each sales staff member was earning a base salary of $35,000. They were eligible for bonuses at the end of each quarter as a quasi-commission, since the labor policies at Jones did not allow a traditional commission to be paid. But this issue hadn't been explored in full between McDonald and the general counsel's office.

Rogers also considered outsourcing its ticket sales operation. Jones' third-party rights holder, XYZ Sports, also operated an outsourced ticket sales service, and it would seemingly be convenient to deepen the Jones U relationship with XYZ. However, Rogers was also concerned that the 30% commission charged by XYZ Sports was too high and would cut deeply into the revenue that Jones needs to grow its top line. ABC Sales, a direct competitor of XYZ Sports, offered an outsourced sales service at a 20% commission rate, but Rogers was concerned about the potential impact of going into business with an XYZ competitor.

What Should Rogers Do?

As Janice Rogers looked out her office window onto the empty football field, she considered the options. She knew that she needed to manage this issue on a variety of fronts.

From the standpoint of her important relationships, the attendance issue was becoming a more significant point of contention with the donors and Coach Driscoll, and they are expecting some action to be taken to put butts in seats. Rogers must be careful not to overreact to these points of view and only take action that will be impactful but must also productively manage her relationships with Coach Driscoll and the major donors.

From a business standpoint, the potential inability to maintain sales and revenue growth was cause for concern when analyzing financial projections. Rogers must find a way to continue growing revenue on a year over year basis to keep up with growth in costs. An across the board price increase does not look like it would be acceptably received by the fan base. It could also potentially be counterproductive to the goal of increasing attendance on game day. She could consider a price increase to premium sections for the following year, or an increase in the priority seat gift program, but this would need further analysis and would need to take into consideration the impact of new tax laws that removed the deductibility of seat donations.

Rogers could consider making structural changes to her staff. She could replace McDonald with someone who had more experience with ticket sales, but this could come at a cost on the development front because of his relationships with Jones donors that had been built over fifteen years. She could consider investing in more sales reps but would need to understand the potential return on investment before making the decision to do so. She would also need to understand whether the current policies on commission could be changed so incentive packages could be a better fit for a sales environment.

Another option would be outsourcing the ticket sales operation to XYZ Sports or another company, but she would need to consider the costs and benefits of this from a variety of perspectives – e.g., commission rate and relationship with existing third-party rights holder.

Your Analysis of the Case

There are two main issues in play here. In the short term, Rogers needs to ensure that she is being responsive to Coach Driscoll and the frustrated donors, to the extent necessary and appropriate. What, if anything, should Rogers do about this? How should she communicate with Coach Driscoll and the donors?

There is also a structural issue to manage related to revenue. Rogers must find a way to grow revenue to keep pace with costs. What should Jones U. do to make sure football revenue continues to increase? What analyses need to be performed and who will perform them? Do staffing or structural changes need to be made? If so, what are they and how will she execute them?

Overall, what should Janice Rogers do and why?