Television: The Effect it has on Small Market Sports Franchises

Stephen Cannuli
St. John Fisher College, scannuli_no@sjfc.edu

Follow this and additional works at: https://fisherpub.sjfc.edu/ur

Part of the Sports Management Commons

How has open access to Fisher Digital Publications benefited you?

Recommended Citation

This document is posted at https://fisherpub.sjfc.edu/ur/vol2/iss1/12 and is brought to you for free and open access by Fisher Digital Publications at St. John Fisher College. For more information, please contact fisherpub@sjfc.edu.
Television: The Effect it has on Small Market Sports Franchises

Abstract

"In lieu of an abstract, below is the essay's first paragraph.

Large market baseball franchises are gaining an enormous advantage over smaller market franchises and television is playing a major role in this ongoing problem. This advantage exists for a number of reasons. Most important and most talked of is the reality that large market franchises have more capital than those who make their living in the small market areas do.
Television: The Effect it has on Small Market Sports Franchises
By: Stephen Cannuli

Large market baseball franchises are gaining an enormous advantage over smaller market franchises and television is playing a major role in this ongoing problem. This advantage exists for a number of reasons. Most important and most talked of is the reality that large market franchises have more capital than those who make their living in the small market areas do.

Two theories that will be introduced are media hegemony and the social-political marketing theory. These theories will show how the continuing increase in television contracts are favoring the larger market areas and putting a tremendous strain on those in smaller markets.

First, media hegemony needs to be described and discussed. The idea of media hegemony, as stated by Gramsci, is that "the routine, taken for granted structures of everyday thinking contribute to a structure of dominance." This is easily applied to baseball when we discuss how teams who exist in large market areas have a larger and more stable money flow and can compete better, and for a longer span of time, than those in smaller areas, who lack the funding necessary to accomplish the same goal.

Media hegemony also states that mass media is seen as controlled by the dominant class in society and aids in exerting the control of that class over the rest of society. In this case, the media is television, the society is baseball and together they exert their control over the smaller market teams. This research paper will attempt to discover the reasons for this problem and how drastic it really is. There are many communities involved and many people are truly affected by this dilemma.

Television is aiding heavily in the creation of this situation. To most people what is the visual effect from this problem? It is a lower level of play by some teams, but most importantly, it is resulting in owners and investors who have staked their livelihood in these teams losing millions and millions of dollars.

The second theory mentioned is the Social-political marketing theory. This theory is similar to media hegemony, in that one dominant section of a system uses its resources to prevent any form of opposition. In major league baseball, those at the top of the mountain use their resources (capital from cable contracts) to prohibit smaller market teams from sustaining long-term success. It is true that from time to time a small market team may yield success for a year or two. The Pittsburgh Pirates are a prime example.

Barry Bonds, Bobby Bonilla, Doug Drabek, and Jim Leyland are names that were once synonymous with Pittsburgh Pirates baseball. The key word is "were." The early years of this decade were a successful time for Pittsburgh. Their manager, Jim Leyland, built a powerhouse out of minor league prospects and major leaguers that other teams had given up on. Although the Pirates were Eastern Division Champions for three consecutive years, (1990-1992), they were continually losing money.

The Pirates faced the Cincinnati Reds in the 1990 National League Championship. The worse case scenario for the Pirates would be that the team would fail to play games six and seven at the Three Rivers Stadium. This would mean that the Pirates would not have the opportunity to host at least one or possibly two more games and increase their season ticket sales. The term ticket sales encompasses more than just the sale of actual tickets. It means concession sales, merchandise sales, and most importantly revenue that the team could gain from the television network covering the series. In this case, it was CBS.
The Pirates lost the series in five games, never making it back to Pittsburgh, and unfortunately never making Pittsburgh the kind of money needed to pay the contracts of its stars like Bonds, Bonilla and Drabek.

The Pirates recorded a profit loss in 1990, but found itself right back in the spotlight again both in 1991 and 1992. This time it was with the Atlanta Braves. Again, the Pirates would lose the series, making it three straight years in a row. The Pirates recorded three seasons in which they took in a loss. At the end of their three-year run, the Pirates had what in baseball is called a "fire sale." A fire sale is when a team does not posses the capital to resign their top players. These players could not be traded. They were free agents because they were at the end of their contracts. Other teams, who possessed the capital to afford such players, could then acquire them. No compensation was ever given to the Pirates for these players because these players were acquired via free agency.

It is disturbing to see a team have a “fire sale” every three or four seasons due to lack of funding. The Pirates are victims, because they don’t have a large national television contract in order to pay their players the money that other teams are able to.

But does this practice still exist in 1998? Yes, not only does it still exist, but it also still exists in Pittsburgh. As of last season in major league baseball, the Pittsburgh Pirates ranked last in team payrolls. Despite a major league low of $12.1 million the Pirates finished second in the National League Central division. "It's impossible to stay competitive at that level. You can't keep it there," said manager Gene Lamont. Lamont says, "Every once in a while, as the kids are maturing, you can compete. I'm sure hoping we don't have to stay there because as the guys get better the only way to keep them is if the payroll goes up." 6

"When I bought this team, we had the third-worst record and the lowest attendance in baseball, and everybody thought we were leaving town," says owner Kevin McClatchy. "By developing young talent, we have given one thing back--hope." 7

So, what if the Pirates correct the problem by raising the payroll and keeping their star players? This would be practically impossible. Although the Pirates turned a $2 million profit last season, they barely dented the $59 million debt McClatchy inherited when he bought the team. Another "fire sale" is imminent.

There is however, according to McClatchy, a possible solution. McClatchy is convinced that his club's salvation depends on moving into a new, baseball-only ballpark. However, in November of 1998, Pittsburgh voters soundly rejected a .5% sales tax increase to finance a new stadium. What did this .5% mean for the taxpayers in Pittsburgh? A 1/2-cent tax to finance a new stadium that could compete with modern facilities like Jacobs' Field in Cleveland or Coors Field in Colorado.

The reality is that in a town like Pittsburgh, baseball may be the third sport in town, behind football and hockey. Therefore, in essence, it is the city in conjunction with the other small market problems that creates "fire sales." Now to most people this practice of "fire sales" would seem a bit bizarre, but to teams who reside in small markets, this practice is as common as putting on one's socks before the shoes.

Small market teams are teams who do not exist in markets such as New York, Los Angeles, Miami or Oakland. Why would this matter? A city like New York, for example, has a television station like Madison Square Garden (MSG). MSG now pays the New York Yankees to have a portion of their games shown on its station. The Yankees will receive $52.5 million from MSG; in return, MSG will broadcast 100 games in 1998.10 Cox Communications broadcasts baseball games for the San Diego Padres. To broadcast the same number of games that MSG broadcasts for the Yankees (100), Cox pays the Padres $5 million. This money is then taken by teams and put towards their payroll to pay their
most expensive players. There is no salary cap in major league baseball. What is the salary cap? The salary cap represents the amount of money a team can spend to put together its player roster. Teams are not supposed to exceed the cap figures in any given year. The NFL has a salary cap much like that of the NHL and NBA. But because there is no salary cap in major league baseball, if the Padres only receive $5 million and the Yankees are receiving $52.5 million, the Padres don't stand a chance in the open market.

The graph below shows payrolls for four teams for 1999, as well as the amount of revenue each will receive for the season.

In Pittsburgh, like San Diego, a small market television contract exists. The Pirates will only receive $3 million from Fox Sports Pittsburgh in exchange for the broadcasting of 70 Pirates games for the '98 season. Because there is no salary cap in baseball, teams are not restricted on how much money they can spend. Therefore, if the Yankees are receiving $48.5 million more than a team like Pittsburgh or San Diego, they can acquire any free agent in the baseball market. The Pirates today, just like in 1992, are unable to compete with teams like the Yankees and sign a player for today's asking prices of $8-$10 million.

The amount of money each team receives from the cable networks is not the only component in the problem. The number of games cable television is showing has increased dramatically over the past five years. In 1995, cable television was showing 1,232 total games during the season. Broadcast television was showing a total of 1,784 games. As of 1999, broadcast television had decreased to 1,646 games, while cable television increased to 2,187. For broadcast television it was a decrease of 10 games per year, per team. The increase for cable television meant that 27 more games each year for each team would be shown. For such an increase, there is an obvious price to pay. Cable television will shell out more dollars to show 900 more games compared to 1995.

Five of the top ten markets in the United States exist in New York, Los Angeles, Boston, Atlanta, and San Francisco/Oakland. Three of these five cities; Atlanta, New York and San Francisco, all made the playoffs last season in baseball. Many of the small market franchises we have spoken of in this paper exist far down the list of top market cities. San Diego ranks 26th, Pittsburgh 19th, and Cincinnati, Kansas City and Milwaukee are 30th, 31st, and 32nd respectively. Coincidentally, none of these teams made the baseball playoffs last season.

One of the obvious steps to correct this problem may be to raise ticket prices. This initiative may have a downside as many fans will object to the ticket price-hike and in turn, sell-outs will become more and more unlikely. When sell-outs occur less frequently, like seen in recent years with the Buffalo Bills, games will not be shown on local networks. This has a lasting affect on people's views toward their teams and the sport in general.
Are there solutions to this problem? No, not at this point. This problem will not be alleviated until league commissioners force the teams at the top to give a portion of their revenues to the teams at the bottom. According to many experts, this revenue sharing concept will not take place in the near future. Owners would rather continue to win and not share than run the risk of sharing and have the smaller market teams rise up.

As we continue further into the 21st century, prices that networks will pay to show a product such as sports will continue to rise. Cities will continue to see their teams forced to move to larger markets within the United States, or build more modern facilities for teams to compete in order to challenge those at the top of the mountain. Voters in Pittsburgh this past November felt a new facility was the answer. They voted in favor of the ½ cent tax that they had rejected just one year earlier. They (the voters) felt this was a necessary measure in order to keep their team alive in this sport-hungry small market city.

In conclusion, what we are really talking about is the domino effect. Cable stations will continue to shell out millions of dollars to successful teams in order to ensure their viewership. With no salary cap in place, these teams will spend more than $100 million dollars per season on payroll. They will then take this money and look for high profile stars to ensure their team’s success. Sports are no longer just games played on fields or courts; they have now expanded to the boardroom. Players are mainly concerned with their financial portfolios, and sports are quickly becoming a big business industry.
Endnotes

2. Ibid.
6. Ibid.
7. Ibid, p. 3.
10. Ibid, p. 44.
14. Ibid.
15. Ibid.
Bibliography


“Taking a Loss.” *USA Today*. July 5, 1993. 8C.


Websites


URL: © 1996 Copyright Nando.net


URL: © 1998 Copyright Nando.net


URL: © 1995 Copyright Nando.net