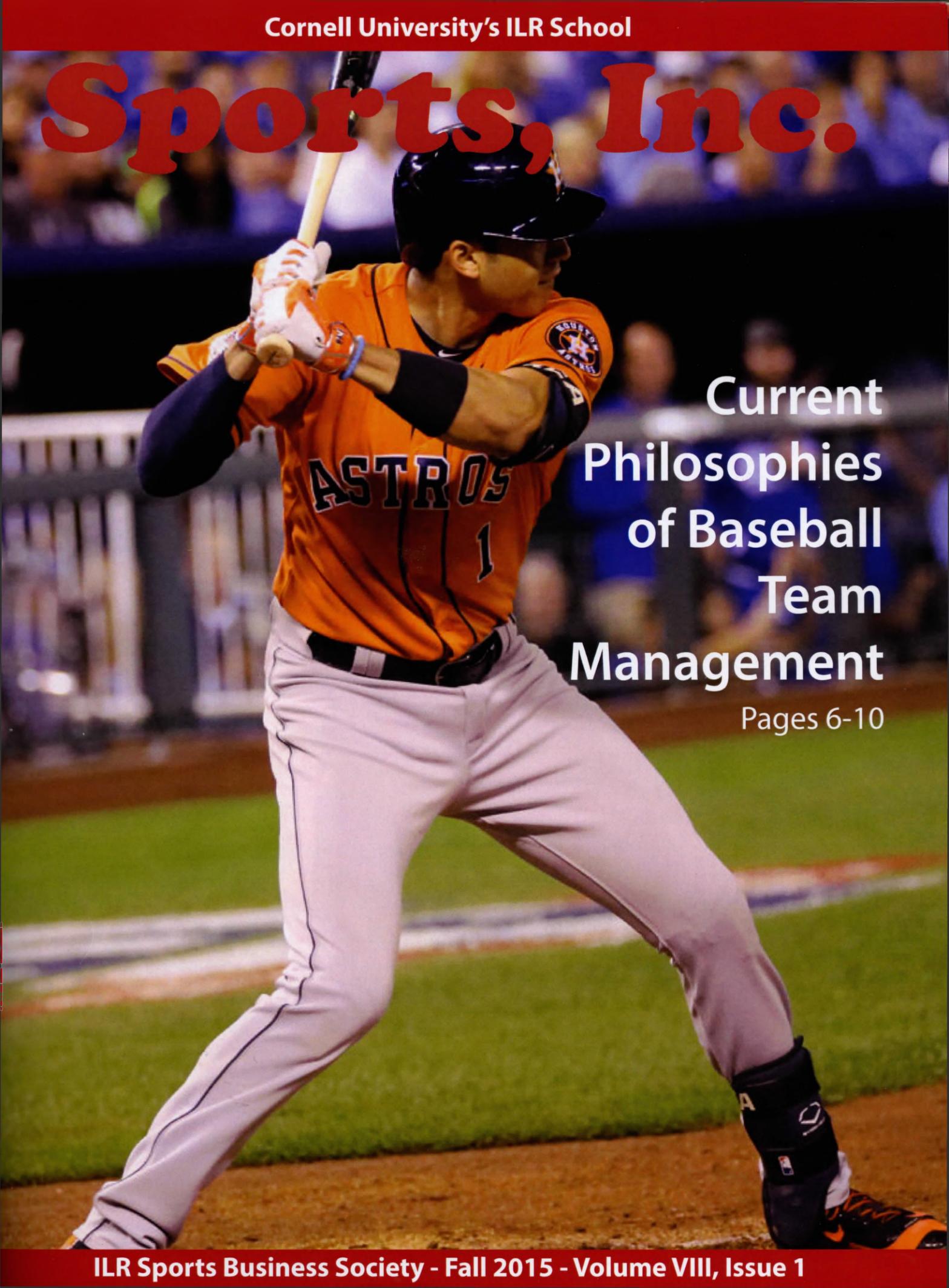


# Sports, Inc.



Current  
Philosophies  
of Baseball  
Team  
Management

Pages 6-10

# ILR Sports Business Society

## 2015-2016



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# The Inc.'s INK

Volume VIII, Issue 1: Fall 2015

## Current Philosophies of Baseball Team Management



**Out with the Old, in with the  
Youth: Why MLB General  
Managers Should Build Their  
Teams Around Young Talent**

*By Daniel Solomon*

Page 6

**Wins for Sale: A Look at  
the Price of a Win in Major  
League Baseball**

*By Sam Robiner*

Page 8

## Also Featuring:

**Will the WNBA Stay Afloat?**

*By Madeleine Roglich*

Page 4

**Final Destination: Los Angeles -  
The Possibility of Relocation in  
the NFL**

*By Stephen Driscoll*

Page 11

**The NBA's New Fashion  
Statement: Corporate Logos on  
Uniforms?**

*By Ben Gershenfeld*

Page 13

**The NHL's Fork in the Road:  
Sin City or Quebec City**

*By Natalie Allen*

Page 15

**The Story of Dude Perfect:  
Redefining What it Means to be  
a Professional Athlete**

*By Jamie Hill*

Page 17

**Legal Concerns in the Booming  
Industry of Daily Fantasy Sports**

*By Damian O'Sullivan*

Page 19

# Will the WNBA Stay Afloat?

## Madeleine Roglich '18

The Women's National Basketball Association (WNBA) was formed in 1996 and began play in June of 1997 after it was approved by the National Basketball Association (NBA) Board of Governors.<sup>1</sup> In the mind of the Board, the new league would be a great venture for the NBA: NBA executives were tapping into the previously unexplored market that was professional women's basketball in the U.S, where more and more women were playing sports such as basketball.<sup>2</sup> However, the WNBA lasted 3 seasons before it already found itself surrounded by red ink.<sup>3</sup> Yet this trend seemed poised to turn around, for keen observers of the WNBA's marketability acknowledged a burgeoning pool of prospective fans. Specifically, "the growing popularity of women's college basketball, as well as the growing number of women who have played sports, [had] helped create an audience that didn't exist in the league's early years."<sup>4</sup> Unfortunately, this reversal of fortune has not materialized, as the league's business struggles continue even today.

To begin, the WNBA has encountered stagnant attendance at its games.<sup>5</sup> This problem has now perhaps even worsened, as the 2015 season featured the lowest attendance rate in the history of the league.<sup>6</sup> I believe that this trend can be partially explained by the WNBA's struggles to keep fans engaged while they're simultaneously attracted to competing sports leagues. As stated by sports reporter Eric Freeman,



Photo courtesy of The New York Times  
Even top WNBA players like Diana Taurasi earn less money to play in the WNBA than they do to play in other countries.

"becoming interested in the WNBA is not so simple as finding value in it. Enjoying the league [on a consistent basis] requires attention that many sports fans may already be giving to the NBA, the NFL, college football, and the other more established options."<sup>7</sup> Thus, unless a WNBA fan has a vested interest in, or specific allegiance to, a certain team or a specific player, said fan may simply not attend games. The only way to attract such casual fans, then (and thus deviate their attention from other sports leagues) is to make the WNBA fan experience worthwhile and memorable. However, even a cursory observation of WNBA arenas across the country will tell you that the WNBA has not created such experiences. For instance, compared to other sports leagues with more money, the WNBA does not have as many promotions, such as giveaways and in-game entertainment, for attendees.<sup>8</sup> Without such extra engagement, fans could reason that they are better off watching the game on TV or, even worse, watching highlights afterwards. Furthermore, it is worth noting that low attendance could bring about an additional downward pull on future attendance. Specifically, low fan turnout can undermine the energy and intensity that sports fans revel when attending a sporting event, which could dissuade even more fans from coming to the games in the future.

In light of this, one may think that the WNBA could instead find popularity through the medium of television. However, TV has really not been helpful either in reaching fans, as the WNBA does not receive nearly as much coverage as other professional sports leagues. For example, according to a 2010 USC study, coverage of women's sports has actually declined, with ESPN's SportsCenter devoting less

airtime to women in 2009 (1.4 percent of all coverage) than it did a decade earlier (2.2 percent).<sup>9</sup> This lack of coverage also extends beyond sports news shows to telecasts of live games. Specifically, "[only] 30 live [WNBA] games [are] televised each season on ABC, ESPN, ESPN2, and WatchESPN."<sup>10</sup> In contrast, under the massive new TV agreement between the NBA and ESPN/Turner to take effect at the start of the 2016-2017 NBA season, the NBA will have 164 nationally televised games annually.<sup>11</sup> Although one may point out that the sheer difference in scope between these two leagues could explain this disparity, I assert that the disparity is still important to acknowledge because it illustrates the WNBA's struggle for adequate exposure to sports fans.

The WNBA also currently suffers from a "talent drain," as some of the best players in the league have recently been finding better opportunities abroad. For example, Diana Taurasi, one of the best all-around players in the league, received \$1.5 million from her Russian team to sit out of the WNBA's season this past summer. In contrast, ESPN reports that she makes only \$107,000 as a member of the WNBA's Phoenix Mercury.<sup>12</sup> Surely, no one would wisely turn down Diana's offer from the Russians. This issue of retaining top talent could actually destroy the WNBA's fan base altogether, possibly alienating even the most passionate fans who count on the league to showcase the best women's basketball in the world.

Despite all of these challenges, I would argue that the future is not necessarily pessimistic for the WNBA, for there are many things the league can do to stop the bleeding. To start, the league needs to be more proactive in creating higher levels of in-game entertainment and giveaways in order to attract fans to the league. As aforementioned, the WNBA is competing

**"... low fan turnout can undermine the energy and intensity that sports fans revel when attending a sporting event, which could dissuade even more fans from coming to the games in the future."**

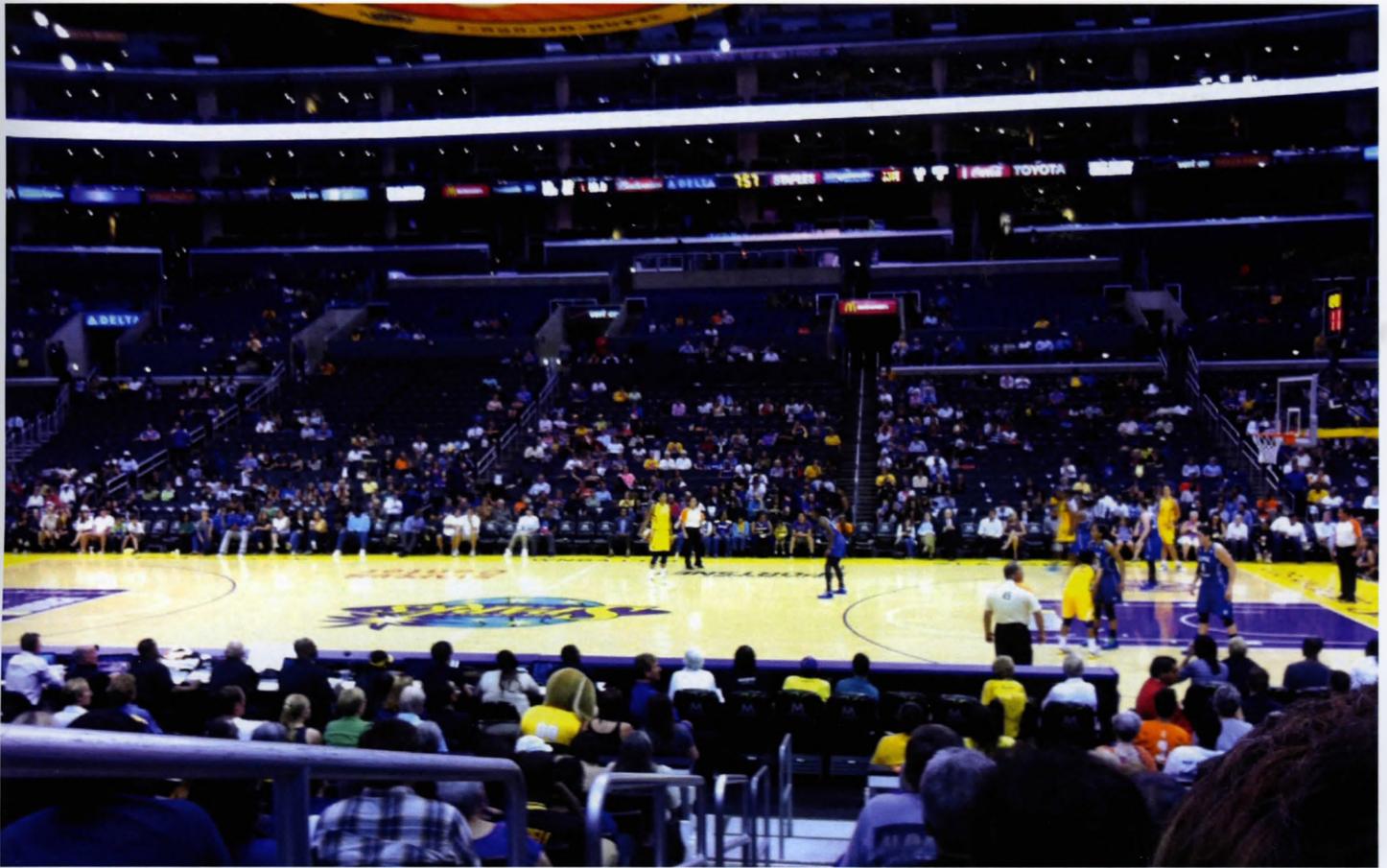


Photo courtesy of Dave Schilling/Vice.com

Such a plethora of empty seats is a common occurrence in arenas throughout the WNBA, a league struggling to attract fans to games.

with other sports leagues for the attention of sports fans and thus needs to provide as enjoyable an experience as possible for such fans. Second, in terms of media coverage, the league must discover additional ways to get their content to their audience. For instance, paying for more games to be live-streamed is a legitimate possibility in this era of “cord-cutting.” Also, the league can try and partner with particular news stations to receive more primetime news coverage that vast amounts of people will see. Furthermore, expansion of social media is always a great way of reaching out to a younger, more active generation comprised of more female athletes than the past. Finally, the WNBA needs to find ways to increase salaries so that they could outcompete other women’s professional basketball leagues for top talent. It will obviously not be easy to find the money for such drastic increases in salary, but prioritizing the issue can compel teams and the league to be innovative in uncovering new revenue streams. With such changes, I believe that the WNBA has a fighting chance to be financially successful in the long run.

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# Out with the Old, in with the Youth: Why MLB General Managers Should Build Their Teams Around Young Talent

Daniel Solomon '19

David Stearns, the recently hired General Manager of the Milwaukee Brewers, has said that a franchise “can’t build a team through free agency[...]. The trick is to develop a process and a system that allows you to consistently generate that [prospect] pipeline, even as you are competitive at the Major League level.”<sup>1</sup> It is difficult to know when to invest in a Major League Baseball player. Players typically hit the open market after their peak years, fresh off putting up gaudy statistics. But in the modern day, when exorbitant contracts are annually handed out to the top free agents, I assert that general managers should put their focus on acquiring young talent.

It is well documented that player ability declines with age. According to a study by Mitchel Lichtman of *Hardball Times*, players peak between 26 and 28 years old, and begin drastic declines at around 33 years old.<sup>2</sup> And yet such ravages of the thirties

are not limited to fringe players: even great players experience declines due to injury or production. Take, for example, Johnny Bench, who is arguably the greatest hitting catcher in baseball history – an MVP, a leader on Cincinnati’s Big Red Machine, and a force behind the plate. Yet, like most players, he had two careers, one before the age of 30 and one after. In his age-29 season, Bench played in

142 games for the ninth time in his career. However, after his age-29 season, Bench never topped even 130 games played in a single season. By his age-34 season, his OPS+ (which measures a hitter’s production compared to the league average of 100) was 98.<sup>3</sup> Similarly, on the mound, the great Roy Halladay experienced a decline. For a portion of his career, “Doc” was considered the best pitcher in baseball. He won two Cy Young Awards, started multiple All-Star games, and even threw a post-season no-hitter. He was so good that the Phillies chose to trade for him over retaining Cliff Lee, a man who nearly pitched them to a World Series title. However, although Halladay was consistently dominant through his age-34 season, topping 200 innings eight times and playing only two seasons with ERAs of over 4.00, Father Time eventually (and perhaps inevitably) caught up with him. Halladay was a below average pitcher in his final two years: his ERA+ (a statistic that measures a pitcher’s ballpark-adjusted performance compared to that of the league average of 100) dropped to 90 and 55 in his final two years respectively.<sup>4</sup>

Therefore, while teams can build success around a core of players, the key to maintaining success is knowing how long to keep them. Signing all members of a dominant team to long-term contracts does more to damage a franchise’s ability to stay competitive than it

**“It is well documented that player ability declines with age.”**



Photo courtesy of hngn.com

David Stearns joins a bloc of MLB general managers that prefer building their teams around young talent.

helps. And it’s not only because of aging players’ declining production: by investing heavily in older players, teams also limit their abilities to trade for prospects, to promote young and talented players, and to sign other players to supplement a competitive core.

Recent historical examples illustrate the flaws in investing heavily in older players. Look no further than the Philadelphia Phillies, a team that finished last in the National League East for the second straight time this year after winning the World Series as recently as 2008. In that time span, the team’s core remained largely the same, with players such as Jimmy Rollins, Chase Utley, Ryan Howard, and Carlos Ruiz all playing on the team until as recently as 2014. The oldest of these players was just 29 during the Phillies’ championship run, and the team remained dom-

inant until 2011, when these players were all 31 or 32 years old. But after that, they simply broke down. Utley dealt with numerous back injuries. Ryan Howard infamously tore his Achilles tendon, which sapped his power and precluded him from even staying on the field for much of the past four years. Before getting traded to the Los Angeles Dodgers, Rollins had become a below-average hitter, with his batting average peaking at a paltry .252 since 2011.<sup>5</sup> Ruiz has also been a below-average hitter according to OPS+ in two of the last three seasons.<sup>6</sup> However, at the same time, their salaries have risen: Utley earned \$15 million in his last year with the Phillies as opposed to the \$7.5 million he earned in 2008,<sup>7</sup> Howard earned \$15 million more this past year than he did 7 years ago,<sup>8</sup> Rollins was paid \$5 million more,<sup>9</sup> and Ruiz (who was

making the Major League minimum in 2008) earned \$8,500,000 in 2015.<sup>10</sup> Clearly, then, the Phillies have rewarded past behavior instead of paying their players based on expected future production. A dominant team rotted to the point where it is now a “cellar dweller,” desperately trying to rebuild its farm system and to develop a new core of players. Unfortunately for them, in an effort to build a contender, they’ve dealt away promising players such as Travis d’Arnaud, Carlos Carrasco, Jonathan Singleton, and Jarred Cosart.<sup>11</sup>

Instead, teams should model themselves after the St. Louis Cardinals and the Tampa Bay Rays. For the most part, these teams buy players’ 20s and let other teams buy their more expensive 30s. They are calculated in whom they keep and whom they let go. And they make savvy trades that allow them to remain competitive. Take, for example, what the Cardinals did after their 2011 championship. They let Albert Pujols, their most valuable

player and one of the best players in team history, leave via free agency. Instead of giving him \$240 million,<sup>12</sup> they paid Yadier Molina \$75 million over five years,<sup>13</sup> pitcher Adam Wainwright \$97.5 million over five years<sup>14</sup> (a bargain compared to the 7 year, \$210 million contract awarded to top

pitching free agent Max Scherzer<sup>15</sup>), and they signed Allen Craig to an affordable and tradable five-year, \$31 million contract.<sup>16</sup> When Craig’s production faltered, his contract gave the team the flexibility to trade him for John Lackey, who has proved to be a great addition to the Cardinals’ pitching staff. When they needed a shortstop, the Cardinals’ lack of massive commitments allowed them to sign Johnny Peralta to a four-year deal. And, courtesy of their hesitancy to give big contracts, they haven’t blocked players with potential to contribute in the majors. Simply look at staples of their starting rotation: Carlos Martinez, Michael Wacha, Jaime Garcia, Lance Lynn, and Adam Wainwright are all productive homegrown players. Only Wainwright is older than 30. Following this method, the Cardinals have successfully reached the playoffs in six of the last seven years, making it to the National League

**“... while teams can build success around a core of players, the key to maintaining success is knowing how long to keep them.”**

Championship Series four times. This includes three straight years after their former superstar Pujols’s departure.

The Rays, meanwhile, have made a habit of trading players one or two years before free agency in order to capitalize on trade returns. Following the 2010 season, the Rays traded Matt Garza to the Cubs. As a result of the deal, they have Chris Archer, a pitcher who was a fringe contender for this year’s Cy Young Award and someone who has emerged as a true ace. They’ve also signed him to a contract that gives the team control through his age-33 season at no more than \$8.25 million per year.<sup>17</sup> Additionally, the James Shields trade that netted them Wil Myers and the subsequent deal that brought in Steven Souza, Jr. were brilliant. The team managed to trade an expensive pitcher that would be impractical to include in their long-term budgetary plans (Shields) for a Rookie of the Year Award winner (Myers). Then, following a down

season from Myers, they successfully shipped him to San Diego in a deal that brought in an above-average defensive outfielder with power at the plate and more controllable years than Myers (Souza). By avoiding long-term deals, they haven’t had to pay a declining Carl Crawford, Matt Garza, or Melvin Upton, Jr. All of these players are now burdens to their

new teams. Furthermore, when the Rays do invest in long-term contracts, they do so at discounted rates. They bought out Evan Longoria’s 20s, and subsequently signed him to a relatively team-friendly six year, \$100 million extension,<sup>18</sup> an inexpensive rate for an elite third baseman. As a result of such strategies, the Rays have made the postseason in four of the last eight seasons, an incredible rate for a team in such a small market.

It’s not a perfect equation, but winning teams generally field players younger than 30. According to Bo Mitchell of Sporting News, of the 26 World Series winners between 1986 and 2011, the average age by position was above 30 for only third base and designated hitter, the latter of which is often reserved for aging players no longer capable of effectively playing the field.<sup>19</sup> Yes, there are exceptions, such as the 2009 Yankees, who were built largely on expen-

sive imports, and the 2013 Red Sox, who resembled more of a cluster of aging veterans who all had highly productive campaigns. But, for the most part, the evidence seems to indicate that baseball is a young man’s game. Most of the recent champions – the Giants and the Cardinals, specifically – have been founded on homegrown talent. And this year’s champion was no different: the Kansas City Royals epitomize the concept of building from the farm up. Thus, general managers should pay for a player’s rise, not his fall.

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# Wins for Sale:

## A Look at the Price of a Win in Major League Baseball

Sam Robiner '19

*"Your goal shouldn't be to buy players, your goal should be to buy wins." – Jonah Hill/Peter Brand, Moneyball*

A lot of things used to cost less. In 1996, the year I was born, you could buy a gallon of gas for \$1.23, a dozen eggs for \$1.31, and a year of tuition at an average four-year, private university for around \$12,800.<sup>1,2</sup> You could also buy a field-box ticket at Yankee Stadium for \$25 to go watch a team that paid somewhere around \$668,207 for each win.<sup>3,4</sup>

The majority of even avid baseball fans are probably not familiar with that last one, so let me back up a bit and explain what exactly that means and what exactly Jonah Hill meant by that Moneyball quote.

Since the 1962 season, the MLB schedule has included 162 regular-season games for each team. The general goal for teams is to win around 89 or 90 of these games to qualify for one of the five (since 2012) playoff spots in each league.<sup>5</sup>

Where do these 89 or 90 wins come from? They come from the performance of players, who can be acquired in a variety of ways. Most often, they're drafted and developed by the club, swapped as part of a trade, or signed to contracts in baseball's closest approximation of a free market environment: free agency.

The current era of sabermetrics and statistics has brought about a paradigm shift in how general managers go about obtaining these wins. Players are no longer seen primarily as a number of home runs, RBI, and stolen bases but as a quantitative measurement of value in terms of the player's contribution to scoring a run or earning a win. (There are thousands of articles on fangraphs.com and other sites about interesting metrics like wOBA, UZR, and wRC+, but I promise to keep it relatively basic here.) One of the most important statistics for measuring player value is Wins Above Replacement (WAR).

In order to keep my promise, I'll spare you the gory details of the dizzyingly complex algorithms that calculate WAR and in-

stead skip ahead to the important part. Essentially, WAR calculates how many wins a certain player's performance is worth compared to a minor league-level player that could be bought on the free market for the major league minimum salary (\$507,500 in 2015).<sup>6</sup>

One of the valuable things about WAR, at least in theory, is that it gives us the opportunity to compare the contributions of players regardless of their position or role. All the factors that would ordinarily make comparing a closer to a right fielder unfeasible are accounted for – again, theoretically – by WAR. Thanks to this tidy little metric, we can say confidently that closer Andrew Miller (2.0 WAR) was more valuable to the 2015 Yankees than right-fielder Carlos Beltran (1.9 WAR). Awesome, right?

Now that we've established a universal system for comparing player performance, we can liken signing free agents to paying for an expected number of wins.

The first question to consider is what player cost-per-win data actually tells us.

It's not necessarily a number that represents how much a given player deserves to be paid or how much a team should pay him. It's certainly not meant as a predictor for how much a player is going to earn in free agency. Instead, as Dave Cameron writes, the question that cost-per-win answers is "how much would you expect to have to pay to replace this performance in free agency if you knew that you were going to get this level of value exactly?"<sup>7</sup> Most importantly, it forces front offices to detach themselves from the medieval philosophy that they have to buy a particular type of player in order for them to be a good team.

Once teams embrace this idea, it opens up all sorts of possibilities in terms of roster construction, as GMs don't have to replace lost WAR with identical production from a single player who happens to play the same position or hit in the same spot in the lineup. Instead, they can replace the lost production by shopping around for the best deals, allocating money however they want to try to restock their 25-man roster. The 2012 Cardinals provide a good exam-



Photo courtesy of mlb.com

Some pundits erroneously claim that it is categorically unwise for teams to offer superstar players like Clayton Kershaw such exorbitant contracts.

ple. After the Angels and their \$254 million lured Albert Pujols, one of the greatest hitters of his generation and a perennial 8-WAR contributor, Cards GM John Mozeliak had the opportunity to reel in fellow power-hitting free agent first baseman Prince Fielder. But Mozeliak, who has guided his team to the second-highest win total in all of baseball since he took over in 2008, looked beyond this simple substitution, preferring to replace Pujols' WAR by signing Carlos Beltran to play right field and by locking up Yadier Molina behind the plate. The two combined for 9.4 WAR in 2012 without the long-term risk of Pujols or Fielder.<sup>8</sup>

Sabermetricians in all 30 MLB front offices have been searching for a philosophy that best capitalizes on the market inefficiencies of the game for some time now. One of the major debates surrounding player cost-per-win is whether or not teams get as much bang for their buck by investing heavily in pricy superstars as they do by distributing cash more evenly among free agent signings.

There is some sentiment around the game that the Miguel Cabreras, the Clayton Kershaws, and the Giancarlo Stanton of the world are overpaid for their production due to the scarcity of their caliber of player and the benefit of consolidating a massive amount of WAR

into a single roster spot. People who put stock in this will often pontificate that a six-win player costs more than three two-win players, so front offices can exploit this inefficiency by avoiding these Stanton-esque mega-deals.

Some of this makes a decent amount of logical sense, but, as Matt Swartz and Dave Cameron prove at length on FanGraphs.com, the data just doesn't support the premise.<sup>9,10</sup>

Yes, Clayton Kershaw has the richest contract ever given to a pitcher, by far. The Dodgers gave him \$30 million this year. But there he was, leading the pack again with an 8.6 WAR.<sup>11</sup> No matter how you calculate cost-per-win – and there are plenty of ways to calculate it – that production is actually a bargain at \$30 million. Check out the data from Table 1 below, compiled by Swartz, showing cost-per-win values of players in different contract tiers across multiple seasons.<sup>12</sup> The data supports the idea that superstars, in general, cash checks that are relatively reasonable, proportional to their production. Evidence for this can be found in the far-right column, which shows that, between 2007 and 2011, players in the most expensive salary tier almost exactly matched the average cost-efficiency for all players. In fact, the worst deals seem to be for the mid-level,

\$10-15 million players that are good but won't get top-tier money or give top-tier production. Bottom line: if you're the Dodgers or the Yankees and you can swing long-term contracts worth somewhere close to a quarter of a billion dollars, it can be worth the investment.

Remember that statement when Mike Trout hits free agency in five years.

None of this is to say that teams should start loading up on \$200+ million contracts, as that's not always the right move for a team (Mozeliak did just fine without Pujols or Fielder). However, no GM with a decent amount of cash should categorically shun A-list free agents as bad investments.

I feel obligated to make a quick side note here about the accuracy of specific cost-per-win (CPW) values: for a variety of reasons, the actual numbers should be taken with a grain of salt. Different methods of calculating CPW vary so drastically that the numbers themselves should only be used to make comparisons, such as the chart displayed below, within one method of calculation.

Another important note to make is the distinction between individual player cost-per-win and entire teams' cost-per-win. The reason I've focused more on player CPW until now is that it's much more useful for front offices to try to build a team by piecing together individual players' production. When a GM looks at a prospective free agent signing, his job is to evaluate whether that indi-

vidual player is a cost-efficient addition to his existing roster. On the other hand, cost-per-win on an entire team basis comes into play more for FanGraphs and ESPN writers to comment on a GM's performance or on general salary trends around the league.

With that said, as far as teams go, there are no real surprises about which teams have

**“... as far as teams go, there are no real surprises about which teams have the lowest cost-per-win numbers.”**

the lowest cost-per-win numbers. For example, the 2015 Astros were the second-thriftest team in the league, spending \$71,951,200 on their 86-win, playoff-bound team.<sup>13,14</sup> Also, this was not a team that won

because of its richest players: the top 52% of that payroll accounted for only 14% of the team's WAR.<sup>15</sup> Instead, players like George Springer (\$512,900/3.7 WAR), Carlos Correa (\$507,500/3.3 WAR), and Dallas Keuchel (\$524,500/6.1 WAR) provided Houston tons of astoundingly cheap production.<sup>16</sup>

This is possible because the MLB compensation system is designed for young players to be grossly underpaid. The Collective Bargaining Agreement between the owners and players stipulates that most players aren't afforded the opportunity to freely negotiate with all teams on the open market until they have spent six years in the big leagues. Therefore, it's ideal to be able to stock up on pre-free agency talent, like the Astros and Royals, to maximize the amount of highly cost-efficient production on your roster. Surely, the more Carlos Correas you have, the more easily you can afford to make mistakes like the Astros, who paid Scott

Groups of FA-eligible Players	2007 \$/WAR	2008 \$/WAR	2009 \$/WAR	2010 \$/WAR	2011 \$/WAR	2007-11 \$/WAR
All	\$4.9	\$5.4	\$5.6	\$5.1	\$6.1	\$5.4
>\$15MM	\$4.1	\$5.2	\$5.9	\$6.1	\$6.3	\$5.6
\$10-15MM	\$4.7	\$5.7	\$6.9	\$8.2	\$11.4	\$6.5
\$5-10MM	\$5.9	\$6.5	\$5.3	\$3.9	\$4.8	\$5.2
\$0-5MM	\$4.5	\$4.1	\$3.6	\$2.6	\$3.4	\$3.6

Table 1

Feldman \$10 million for a single win above replacement.

As I briefly mentioned earlier, another application for team CPW data is to analyze general salary trends over the past several decades. Remember those 1996 Yankees I mentioned? That team sported a \$61,511,870 payroll.<sup>17</sup> They had the highest cost-per-win and the highest total payroll in the MLB in 1996 (by more than 10%), despite 3.3 WAR in dirt-cheap production from a rookie shortstop named Derek Jeter.<sup>18,19</sup>

Two decades later, these total payroll and team CPW numbers would rank far below the lowest in the league. Only the seven poorest teams fall short of nine-figure payrolls.<sup>20</sup> Even if New York's 1996 value is adjusted for inflation, it's still only a third of the 2015 Dodgers' staggering \$314,168,414 payroll.<sup>21</sup>

Graph 1 below, with player CPW data for free agent signings dating back to 1996, shows the trend.<sup>22</sup>

Forbes pins this massive spike in free agent money on a variety of factors, including "baseball's unmatched inventory of live, DVR-proof content, real estate development around stadiums, higher profitability (which reduces the need for capital calls), and the incredible success of Major League Baseball Advanced Media, the sports' digital arm that is equally owned by the league's 30 teams."<sup>23</sup> I would add that it's also a result of baseball's somewhat unique system of a relatively lenient lux-

ury tax on the most cash-flushed teams, as opposed to the more prevalent salary cap system, which sets a more strictly enforced limit on annual payrolls in other American sports.

In fact, some fans may be tempted to question, in a league that places no severe constraints on spending, whether it even matters if their team is good at finding wins below market value. After all, how many Yankee fans complained in 1996 when their exceedingly pricey team won the World Series? Probably none.

But even the GMs in large markets like L.A., New York, and Boston don't actually get blank checks from their owners. All owners are businessmen, and, if I can generalize for a moment, all businessmen share a certain partiality for money. While it's true that teams like Tampa Bay and Oakland may have to be a little craftier to extract their 89 wins from bargain-bin free agents and homegrown, dirt-cheap talent, the reality is that baseball operations staffs from coast to coast are ballooning in size, with the hopes of stretching each dollar all the way to a championship. Dollars may not be as stretchy as they were a couple of decades ago, but at least now we're all asking the right questions about what it takes to buy a win.

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Graph 1

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# Final Destination: Los Angeles - The Possibility of Relocation in the NFL

## Stephen Driscoll '18

Since 1995, Los Angeles has been without a National Football League (NFL) franchise. However, the future prospects of football in LA have suddenly changed, as the San Diego Chargers, St. Louis Rams, and Oakland Raiders are all considering relocation there. This begs the obvious question: why are all of these teams so eager to move to LA seemingly out of nowhere?

For all three of these teams, the desire for relocation stems from concerns over their current stadiums. What complicates the situation is that, in all three of these cities, the owner of the arena is not a company but rather the city government.<sup>1,2,3</sup> This phenomenon could theoretically complicate stadium negotiations, for cities have a lot of reasons to be skeptical about stadium construction and renovation.

First, the sheer cost of the enterprise is surely daunting for cities. As an illustrative example, the City of San Diego has for the last twenty years been unwilling to significantly renovate its current stadium, the 48-year-old Qualcomm Stadium, or build a new one for the simple reason that desired renovations would cost between \$250 million and \$353 million,

and a new stadium would cost upwards of \$1 billion.<sup>4</sup>

Second, legislators may be unwilling to fund stadiums due to the debt the city (and its respective county) usually incurs to fund the projects. For instance, in March of 1996, the citizens of Hamilton County (Cincinnati) approved a half a percent increase on their sales tax to fund the building of a new football and baseball stadium for their teams, the Bengals and Reds respectively.<sup>5</sup> Since then, the burden of these stadiums, financed primarily through public funds, has sunk the city under the proverbial mountain of debt. In 2015, for example, Hamilton County spent around \$53 million on servicing the stadium debt and operating costs.<sup>6</sup> These costs represented around 6% of expenditures for the county, a significant proportion for something that numerous economists agree produces no real economic benefit (i.e. most stadiums sit empty for large portions of the year, generate less return on investment than other projects, and, unlike other developments, saddle the city with debt for extended periods of time).<sup>7,8,9</sup> For Hamilton County, the combination of this debt and a sluggish economy forced the county to, among other things, increase property taxes, sell off a hospital, and



Photo courtesy of sportstechie.net

Although Qualcomm Stadium needs some major renovations, the City of San Diego has been hesitant to provide the necessary funds.

reduce a planned tax rebate to close the budget gap.

Finally, the reluctance to build a new stadium is only compounded when the city/county government has not yet relinquished its debt from a prior stadium investment, as is the case in Alameda County (Oakland), which still holds debt from a stadium renovation in 1997.<sup>10</sup>

However, these doubts are still usually resolved, for, after weighing all such costs, many cities do end up providing significant public funding for sports stadiums.<sup>11</sup> The reason cities pay for these stadiums is largely twofold. First, there is surely a set of incentives for state and city governments to try to bring a team to their area and keep it there. Americans love sports, and their politicians enjoy the prestige that a sports franchise brings.<sup>12</sup> Most importantly, politicians fear the potential backlash against them if the team were to relocate because of a government refusal to provide funds for an arena.

Second, a city may be inter-

ested in building a stadium in order to revitalize a struggling neighborhood of the city/county. Many cities, such as Cincinnati, Baltimore, and Los Angeles, have used sports complexes as centerpieces of redevelopment plans targeted at specific neighborhoods.<sup>5,13,14</sup>

Therefore, it seems that the Chargers, Raiders, and Rams would have a lot of leverage in negotiations with their respective cities over publicly funded stadiums. Each of these teams is on a year-to-year basis with their respective leases, allowing them, as the current tenants, the opportunity to negotiate for concessions such as stadium renovations and replacements in their current cities. At the same time, with the inherent flexibility of the current year-to-year contracts, the teams may also consider

moving to a different city altogether.<sup>15,16,17</sup> As articulated in the last paragraph, the threat to relocate could in turn hold a lot of weight in negotiations with cities intent on appeasing their sports-loving inhabitants.

In fact, such predictable acquiescence from host cities has occurred in the case of the Rams, as the city

**“For all three of these teams, the desire for relocation stems from concerns over their current stadiums.”**

of St. Louis has offered over \$388 million of public funding for the Rams' stadium.<sup>18</sup> However, the Rams apparently view the advantages of moving to LA as more financially lucrative than the lure of public money. First and foremost, the Rams have made a proposal calling for the construction of multi-use developments in Inglewood, CA, which may signal a new era of stadium construction.<sup>14,19,20,21</sup> The Rams owner, Stan Kroenke, has partnered with Stockbridge Capital Group, the primary developer of the adjacent 238-acre Hollywood Park, to propose a massive complex with the stadium as the draw.<sup>22</sup> This development will feature the construction of homes, office buildings, malls, and other facilities to complement the stadium.<sup>20</sup> Building in this way would allow for the team, in the words of Stanford economist Roger Noll, to "...be embedded in larger commercial and residential projects, with the sports team being like an anchor tenant at a shopping center."<sup>21</sup> In addition to this bold sports complex, the Rams are surely also intrigued by various advantages of the LA market in general, such as greater national media coverage, a larger market for sponsorships and naming rights, and greater stadium revenue from events other than football games.<sup>23,24</sup>

Meanwhile, the Chargers and Raiders have surprisingly dealt with the unwillingness of San Diego and Oakland respectively to provide enough public funding (or, in Oakland's case, any public funding) to build new stadiums. Apparently, these cities are cognizant of the various disadvantages of funding stadiums that were discussed earlier in this article. But, regardless of the reasons, it is clear that this is a problem for the two franchises, for it is city funding that makes their current sta-

diums profitable in otherwise unprofitable markets.<sup>24</sup> Specifically, when the city funds stadium construction and assumes ownership of that stadium, it ends up completely subsidizing the costs of running the stadium while conceding 100% of the revenue generated during the football games, the most profitable events, to the team.<sup>25</sup> Thus, LA is an especially intriguing alternative: it offers the potential for a profitable new stadium even without subsidization from the Los Angeles government. Again, as aforementioned, the LA market is lucrative in and of itself.

In conclusion, these possible moves to LA are all still theoretical until they receive NFL approval. Thus, there is still time for the situations in all of these cities to resolve themselves.<sup>25</sup> However, with talks in all three cities seemingly stalled, I would argue that it is becoming increasingly likely that football will return to LA in the very near future.

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Photo courtesy of latimes.com

A virtual depiction of the Rams' proposed sports complex in Inglewood, CA.

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# The NBA's New Fashion Statement: Corporate Logos on Uniforms?

**Ben Gershenfeld '19**

The four major sports leagues in America – Major League Baseball (MLB), the National Basketball Association (NBA), the National Football League (NFL), and the National Hockey League (NHL) – have proven to be the top leagues in the world in their respective sports. And yet, all four of these leagues are still looking for new ways to maximize profits. For instance, America's sports have looked to expand their brands globally. The MLB frequently kicks off its season with a two-game series in Tokyo, Japan or Sydney, Australia. The NFL has plans in place to play games each year in England until at least 2020. The NBA held its first NBA Africa Game this past summer in an effort to showcase the game's talent in other areas of the world. The NHL has a strong hold on the international

market, with 77.6% of its players coming from countries other than America.<sup>1</sup>

However, despite American sports' global influence, international sports have not adhered to the American sports tradition in one blatant regard—namely, corporate sponsors on uniforms. Interestingly, it seems that America has been the one to conform within this context. Specifically, smaller American leagues like the NBA Development League (D-League), the Women's National Basketball Association (WNBA), and Major League Soccer (MLS) have already incorporated ads onto their uniforms.

And now, the NBA has become the first major American sports league to put plans in place to join the rest of the world in this surprisingly lucrative revenue stream. In the new NBA television deal that will go into effect in 2017 – a deal that pays the NBA \$24 billion

over nine years from both Turner Sports and ESPN – there are plans for how to split the money generated from sponsor ads on uniforms, a step that Commissioner Adam Silver calls “inevitable.”<sup>2</sup>

However, the move has met staunch criticism from scores of people who are afraid that the game will become too corporate and lose its traditional feel. As the National Basketball Association has worked itself into the fabric of American history and culture, the images often associated with the game involve the jerseys of the league's great players and organizations. Michael Jordan's red and white #23 Bulls

jersey, Magic Johnson's purple and gold #32 Lakers jersey, and Larry Bird donning his Celtic green and white #33 jersey are iconic examples of such images. Many people, even those close to the business operations of the league, are against the decision to “take away from the authenticity of the uniform.”<sup>3</sup>

Larry Miller, who currently serves as president for the Jordan brand and is the former president of the Portland Trail Blazers, is not only worried about losing

the authentic feeling of the jersey and the game overall but is also afraid of hurting teams in smaller markets.<sup>4</sup> According to Sports Illustrated, teams in small markets like the Memphis

**“... the move has met staunch criticism from scores of people who are afraid that the game will become too corporate and lose its traditional feel.”**



Photo courtesy of Getty Images

NBA jerseys could soon resemble this brand-clad FC Barcelona uniform worn by soccer legend Lionel Messi.

Grizzlies and Milwaukee Bucks would only bring in about \$800,000, but teams in large media markets like the Los Angeles Lakers and New York Knicks could add up to \$10 million to their bottom lines.<sup>5</sup> This would further the financial gap between franchises and would thus perhaps exacerbate the well-documented relative lack

**“Baseball outfield fences and hockey walls are tattooed with slogans and logos. It is thus not far-fetched to believe that uniforms will be the next destination for these logos.”**

of parity in the NBA (in the last 15 years, there have been 7 different teams to win an NBA championship, compared to 9 in the NFL, 10 in the MLB, and 10 in the NHL).

In response to such concerns, NBA Deputy Commissioner (and Cornell grad) Mark Tatum assures fans of the game that the NBA will not rush into this big decision and that it will work because it is “widely accepted around the world.”<sup>6</sup> In an effort to avoid penalizing small-market teams, the NBA will try to nationalize all of the advertisements instead of localizing them and creating variability between markets.<sup>7</sup> And with just the sheer amount of revenue that the NBA could potentially gain, it is hard to turn down. Forbes reports that the NBA could make around \$100 million in revenue per year from corporate ads on uniforms.<sup>8</sup> With an estimated 450 players in the league, each player on average would generate \$222,222 for the NBA,<sup>9</sup> an amount certainly worth the small company name on a jersey.

However, how can the NBA convince critics that the uniforms won’t lose their authenticity? According to Adam Silver, fans of the game won’t even notice the ads. To prove this, he points to instances in the past where players wore ads on their jerseys with little to no flak from such critics. For example, he stated: “During the slam dunk competition on Saturday night of All-Star Weekend, all the contestants were wearing a Sprite logo on their jersey. It was fascinating to me it got almost no attention.”<sup>10</sup>

I am inclined to agree with the Commissioner’s arguments, for these ads will surely not be comparable to NASCAR uniforms, which are covered in logos. Instead, there will likely just be a patch near the shoulder of the jersey, a small price for a

big reward.

Corporate advertisements have progressively become a part of sports. It is impossible to go ten minutes through a televised sporting event without a slew of commercials. Baseball outfield fences and hockey walls are tattooed with slogans and logos. It is thus not far-fetched to believe that uniforms will be the next destination for these logos. And when the NBA executes its plans, I don’t think

it’s crazy to presume that other sports will follow shortly thereafter. Calgary Flames president Brian Burke concurs that this development is imminent in the NHL, and he does not like that prospect: “It’s sickening. I hate it. I hate it.”<sup>11</sup>

Well, in contrast, I personally don’t think it looks too bad at all. Imagine...“Qatar Airways” and “Fly Emirates” on the chests of Lionel Messi and Cristiano Ronaldo respectively,...“Coca-Cola” on LeBron James’ shoulder,...“Ford” on Alexander Ovechkin’s chest,...a golden arch next to Tom Brady’s Patriot logo...“Visa” next to the globally recognized Yankee logo...

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# The NHL's Fork in the Road: Sin City or Quebec City



Photo courtesy of globalnews.ca

The recent completion of the Videotron Centre, a state-of-the-art facility, is one reason why Quebec City could be a very feasible destination for NHL expansion.

## Natalie Allen '19

The day the NHL hockey season ends in mid-June is a sad one for hockey fans around the globe. The long 4-month break before a new season begins seems like an eternity as the hockey world slows down and the NHL-promoted hashtag #IsItOctoberYet? becomes ever more palpable. To some hockey fans' delight, the NHL had a busy summer as it took big steps in the expansion process to possibly create a new team by the 2017-2018 season.

This expansion process features three distinct phases. The first phase swiftly passed as Las Vegas and Quebec City were the only two cities, out of a pool of 16, to have their applications for expansion approved by the NHL. Prospective Las Vegas team owner Bill Foley and the Quebecor, the force responsible for the bid in Quebec City, were the only two able and willing to put up the required \$10 million down payment (\$2 million of which is non-

refundable).<sup>1</sup>

Phase two consisted of the two bidders providing the league with information regarding their projected markets and arena plans. A major factor that influenced whether or not cities made a bid for creating a team was if they could build an arena before a decision on expansion would be made.<sup>1</sup> The publicly funded, recently built, 18,259-seat arena, Videotron Centre,

**“... Quebec City must acknowledge the issue of the rising Canadian dollar.”**

would be the hockey home for Quebec City's team. The Montreal Canadiens and Pittsburgh Penguins recently wore in the arena during an exhibition match as a preview of what the arena would look like in full force.<sup>2</sup> Meanwhile, the Las Vegas Arena is currently under construction, and its projected completion date is April of 2016.<sup>3</sup>

The third phase is currently underway

as representatives from both cities make their pitches for expansion to the NHL's executive committee.<sup>4</sup> These pitches are of critical importance as they detail each city's specific business proposal, “from how they will pay the expected \$500 million expansion fee to the ways they'll manage and exploit possible revenue streams.”<sup>5</sup>

As we wait for the third phase to unfold, let's play the role of the NHL and weigh the pros and cons of these two possible destinations.

On the one hand, Quebec City's brand new, high-tech rink, already worn in by a sellout crowd, suggests that Quebec City is ready and prepared for a team and will have no difficulty filling seats. Fans, long estranged from the Quebec Nordiques, their past hometown hockey team that was relocated to Denver in 1995, filled the stands during the exhibition match between the Penguins and Canadiens in desperate hope that hockey will soon return.<sup>2</sup>

“Nice atmosphere, beautiful arena, that

was a lot of fun,” Canadiens center David Desharnais (who grew up around Quebec City and is one of many natives who hope to see hockey return to their hometown) said.<sup>2</sup> Proponents of expansion, such as Habs coach Michel Therrien, believe Quebec City itself will drive the team to success as it is “a city that has a lot of passion for hockey.”<sup>2</sup>

However, despite such optimism, Quebec City must acknowledge the issue of the rising Canadian dollar. The Canadian loonie “is on a downward trajectory against the American dollar,” which has raised questions regarding the drastic financial impact of a new Canadian team.<sup>5</sup> Not only would the \$500 million expansion fee equate to more than \$671 million in Canadian dollars, but the exchange rate may also “have a crippling effect on [a Canadian team’s] ability to pay salaries, which are due to players in American Funds.”<sup>5</sup> In spite of such concerns, former Canadian Prime Minister and Quebecor VP Brian Mulroney has no doubt in his mind that Quebec City “can handle the team.”<sup>4</sup> It is now up to the NHL to decide if they believe Mulroney that a new Quebec City team would be a

successful addition to the league.

On the other hand, Las Vegas seems to be lagging behind, as its arena is still under construction. However, this may not be a concern, for the city held a season-ticket drive where 13,500 season-ticket commitments were secured.<sup>4</sup> Surely, prospective owner Bill Foley has not been discouraged, claiming that there are passionate hockey fans in Las Vegas that have “clearly demonstrated that ‘Vegas Wants Hockey!’”<sup>4</sup>

Nevertheless, although the season-ticket drive showed great promise for a hockey market, the NHL executive committee must decide whether or not Las Vegas can sustain a fan base for a hockey team. Questions have been raised by NHL executives and fans around the league regarding the “established hockey culture in the area.”<sup>5</sup> There is also concern as to whether or not hockey can compete for a market with the city’s already established entertainment industry. Specifically, Las Vegas is a massive tourist city, which has resulted in the city facing rejection “by major league sports in the past because of the pervasive presence of gambling in the city and concerns about the local economy.”<sup>5</sup>

Faced with weighing the advantages and disadvantages of both cities, the NHL is not likely to make a decision until the next owners’ meeting, which is set to take place in December.<sup>2</sup> With many questions still left unanswered, it is possible that a decision could be pushed back even further until after the 2015-2016 season. If so, hockey lovers would have another exciting and eventful summer to look forward to.

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Photo courtesy of digitaltrends.com

The Las Vegas Strip, an epicenter of gambling, epitomizes why some people question whether Las Vegas could ever be a legitimate home for a major sports franchise.

# The Story of Dude Perfect: Redefining What it Means to be a Professional Athlete



Photo courtesy of Yahoo News

The members of Dude Perfect (from left to right): Coby Cotton, Garrett Hilbert, Cody Jones, Tyler Toney, and Cory Cotton.

## Jamie Hill '18

They don't play organized professional sports. They don't have uniforms. They don't play games on national television. And yet, they make millions of dollars for playing sports and have athletic endorsements just like Peyton Manning, Tiger Woods, and LeBron James. Who on earth could I possibly be referring to? The answer: Dude Perfect, a group that is redefining what it means to be a star in the sports industry.

If you have heard of Dude Perfect, then you understand the magnitude of its brand. For those of you who are unfamiliar, I'll give you a rundown. Dude Perfect is a group of five buddies who started making trick-shot videos in college when

**"... they've turned their home videos and a bet on a sandwich into an Internet sensation."**

they bet a sandwich to see who could one-up the other guys. They realized what they were doing was pretty cool and started uploading the videos to YouTube. Starting with simple backyard hoops, the guys have augmented their act, which now features incredible basketball shots from the third deck of a football stadium, the catwalk in an arena, and even from an airplane. They've thrown baseballs through the windows of a moving car, kicked a field goal through the uprights and into a basketball hoop, maneuvered ping-pong balls through an incredible obstacle course, and so much more. They seem to have

done it all. Fast-forward 6 ½ years from their college days, 154 uploads, 1 billion views, and 7 million subscribers later,<sup>1</sup> and they've turned their home videos and a bet on a sandwich into an Internet sensation.

The guys have been featured on Jimmy Kimmel, Good Morning America, Regis and Kelly, CBS Evening News, Fox and Friends, and the ESPY's and were nominated for a Teen Choice Award. They've expanded their brand past just videos to include iPhone apps, clothes, phone cases, mugs, and a book to reach a net worth north of \$5 million.<sup>2</sup> They've even collaborated with people in the sports world, from individuals such as Tyler Seguin, Johnny Manziel, Ryan Tannehill, and Dale Earnhardt Jr. to entire teams like the Seattle Seahawks.

So how exactly did a bunch of college guys turn a home-

made video into a multi-million dollar company?

To start, partnerships with various companies, a major part of the group's business strategy, has been crucial for Dude Perfect's success. For example, one of Dude Perfect's major partnerships is with Whistle Sports, which is a media company that connects sports to all social media platforms. The Whistle aids in production of Dude Perfect's videos and promotes such videos across multiple platforms. Following the union, Dude Perfect's base of subscribers increased from 2.2 million to 7 million and continues to grow.<sup>3</sup> Other fruitful corporate partners include Fiat, which closed down an airport to create a video combining its car's stunts and Dude Perfect's trick shots.

Furthermore, Dude Perfect has been able to capitalize on the entertainment aspect

**“Dude Perfect is able to position itself as a group of “normal” people who are more relatable to sports fans than superstar athletes are.”**

of the sports industry. The guys produce high-quality and fun content that appeals to a broad demographic and allows them to dominate this niche of sports. Dude Perfect targets sports fans and provides a unique alternative to traditional games and sporting events. They’ve also transitioned into comedy with their series of “Stereotypes” videos, expanding their influence on entertainment and furthering their appeal.

Dude Perfect is able to position itself as a group of “normal” people who are more relatable to sports fans than superstar athletes are. As Whistle Sports executive vice president Brian Selander said: “They serve as an inspiration to athletes all over the world. They say, ‘You don’t have to be

in the middle of the stadium to have tens of thousands of cheering fans.’ With your own camera, and your own backyard, you can become somebody who attracts fans all over the globe.”<sup>4</sup>

Dude Perfect is surely more than just YouTube videos, t-shirts, and interviews: they’ve become an important addition to the sports landscape. Not every young athlete or sports fan can be as good as LeBron James, but these guys have become a new type of inspiration. They’re regular guys that have managed to make it big doing what they love. In addition, they have not only brought themselves success but have also managed to carve out a whole new niche in the sports industry. An impressive legacy for five buddies with a camera!

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Photo courtesy of [bordombash.com](http://bordombash.com)  
Dude Perfect filming its iconic bowling trick shot video.

# Legal Concerns in the Booming Industry of Daily Fantasy Sports

**Damian O’Sullivan ‘17**

Advertisements for daily fantasy sports (DFS) gambling are becoming increasingly hard to miss when watching televised sporting events. The industry has become incredibly profitable in recent years, raking in over \$1 billion in entry fees from over 1.5 million Americans in 2014.<sup>1</sup> FanDuel and DraftKings are now massive in scope, receiving investments from, or forming sponsorship deals with, the NBA, MLB, and 28 of the 32 NFL teams.<sup>2</sup> However, in the wake of such financial success, the industry has come under legal investigation for their practices. This devel-

**“... critics point out that DFS features all of the fundamental elements of traditional gambling: a consideration, a prize, and chance.”**

opment illuminates important legal questions about the increasingly widespread and profitable industry and contributes to the discussion over the legality and morality of sports betting in general.

To begin, sports betting in general has been a hot topic of debate since the passage of the Professional and Amateur Sports Protection Act of 1992 (PASPA), which prohibited such betting in all but four states. In response to this piece of legislation, two opposing schools of thought on sports betting have materialized. On the one hand, proponents of the law point out the social costs of gambling in

general (e.g. increased crime rates, unemployment rates, suicide rates, and other social issues associated with gambling addiction). In addition, even when considering the tax revenues that would ostensibly be raised through legalized sports betting, PASPA advocates estimate that, for every dollar brought in by gambling revenues, states would spend three dollars addressing the aforementioned social costs of gambling.<sup>3</sup> The NFL, MLB, NHL, and NCAA also sympathize with this position, citing the need to maintain the integrity of sports and even supporting a motion to expand the ban to remove the Nevada loophole.<sup>4</sup> On the other hand, opponents to PASPA contend that, in spite of these claims reflecting the ills of sports gambling, an \$80-380 billion illegal sports gambling enterprise exists (although reliable figures are admittedly difficult to estimate because it is an illegal industry)<sup>5</sup>



*FanDuel*



Photo courtesy of CBS Sports

NBA Commissioner Adam Silver advocates for the legalization of sports gambling to ensure the regulation of a currently illegal multibillion-dollar operation.



Photo courtesy of Getty Images

**New York Attorney General Eric Schneiderman's cease and desist order to DFS companies illuminates doubts about the legality of daily fantasy sports.**

and operates primarily through offshore websites and underground bookmaking operations. In other words, the efforts to prevent sports gambling have not only failed to do so but have also forced these dealings into an unregulated market in which criminal enterprises profit much like Prohibition did with alcohol in the 1920s. Instead, NBA Commissioner Adam Silver suggests that legalizing the industry and allowing it to be effectively monitored would not only protect gamblers from theft and other harm but would bolster the integrity of the game through measures such as monitoring unusual line movements, licensing gamblers to ensure standards, verifying age, excluding gambling addicts, and educating consumers on responsible gambling.<sup>6</sup>

DFS had for a while managed to evade this debate, for the Unlawful Internet Gambling Enforcement Act, which prohibits forms of online gambling including poker and sports betting, makes a special exemption for fantasy sports. The law characterizes fantasy sports as a realm in which "winning outcomes reflect the relative knowledge and

**"Such allegations illuminate the notion that DFS sites must be regulated if they remain legalized."**

skill of the participants and are determined predominantly by accumulated statistical results of the performance of individuals in multiple real world sporting or other events."<sup>7</sup> Thus, according to the law, DFS cannot be considered gambling because it requires a greater degree of skill and reliance on statistics than betting purely on the outcomes of games. However, critiques of this exemption have recently brought DFS under legal scrutiny. For example, critics point out that DFS features all of the fundamental elements of traditional gambling: a consideration, a prize, and chance.<sup>8</sup> In addition, poker offers a persuasive counterexample to DFS as a game that is considered gambling even though, like DFS, it involves skills that could provide a competitive advantage. With such logic, the Nevada Gaming Board determined that DFS is in fact gambling and needs to be regulated as such. New York Attorney General Eric Schneiderman recently agreed and issued a cease and desist order to DFS companies for engaging in illegal gambling. This decision issued a massive blow to the DFS industry by removing their revenues from New Yorkers, and it remains to be seen if other state courts will see likewise in the future.

DFS has not only been questioned for its characterization as a form of legal betting but also for the nature of its daily operations. Specifically, the Department

of Justice and FBI are currently investigating allegations that a DraftKings employee used insider information regarding the rates at which players were getting drafted in order to turn a \$25 entry fee on rival site FanDuel into a whopping \$350,000 payout. Such allegations illuminate the notion that DFS sites must be regulated if they remain legalized. Otherwise, how would websites like DraftKings ensure that their employees behave honestly and maintain the integrity of DFS?

As we can see, the recent media attention directed at DFS compels us to reflect and ask ourselves a lot of questions about sports betting and DFS in particular. Impending legal proceedings will provide revealing insight into what our legal system feels about such questions.

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