

## The Southeastern Soccer Economy

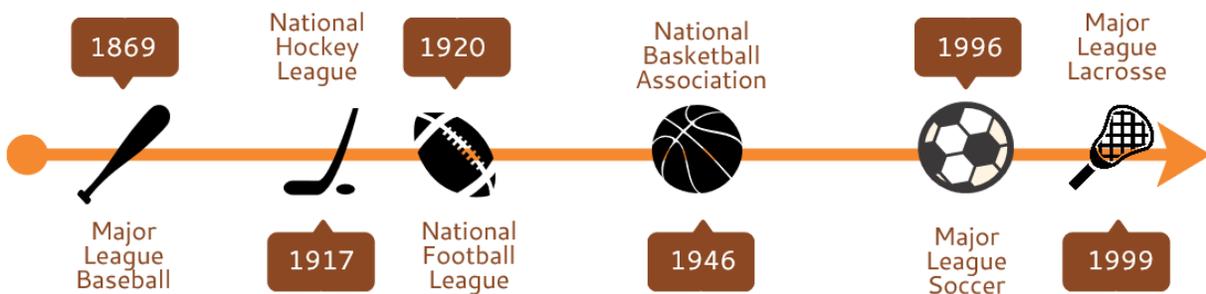


Inaugural Atlanta United home match, March 2017, photo: Sherilyn Narker

If you were to walk into Orlando's Wall St. Plaza on September 24 you would likely encounter a sea of purple. The establishment is one of several sites holding official 2017 Watch Parties for purple-clad supporters of Orlando City SC's third season of Major League Soccer (MLS). For the first time this year, Orlando City purple has a red, black, and gold rival in the Atlanta Fed's Sixth District, which comprises Alabama, Florida, and Georgia and parts of Louisiana, Mississippi, and Tennessee. Georgia's Atlanta United kicked off its inaugural season on March 6 and faced Orlando City on July 21 at Orlando City Stadium. As the beautiful game goes pro in the Southeast, where does soccer lie in the sports business landscape?

### The history

## Launch Years - U.S. Pro Sports Leagues



Compared to most of its peers, Major League Soccer is in its infancy. Schooled by the collapse of U.S. professional soccer in the 1980s, the MLS pursued an intentional slow growth strategy. Beginning with 10 teams in 1996, the league has grown to 23 playing in the 2017 season. In a 2014 interview with CNBC,

sports economist John Vrooman explained the thinking behind the expansion strategy that added four teams between 2014 and 2017, including Orlando and Atlanta.

*A sports league will expand as long as the marginal benefits of expansion are greater than the marginal costs. In a revenue sharing league like the MLS, the costs of expansion usually involve the reduction in national TV packages divided among the clubs. The MLS TV revenues just tripled, in value, from \$30 million to \$90 million in an eight-year deal with ESPN/Univision and Fox.*

—John Vrooman, sports economist at Vanderbilt University

**The market**

Growth in TV revenue is only part of the story. According to a report by Fox Business in 2016, the value of the average MLS team increased by over 50 percent from 2014 to 2016 as did viewership for MLS matches. According to the same report, over 33 percent of the MLS audience is Hispanic and 65 percent is aged 18 to 34. Such audience demographics made Orlando and Atlanta natural contenders for the expansion nod. Pew Research Center’s 2014 ranking of metropolitan statistical areas by Hispanic population placed Orlando and Atlanta 15th and 19th, respectively. Based on economic development publications released by both cities in 2015, the populations of Orlando and Atlanta have a median age below the national average of 37.9 years. Of all Sixth District states in 2016, Florida and Georgia had the largest number of people working in fields associated with sports, entertainment, and broadcasting, offering a skilled workforce for the expansion teams. Combine all that with Nielsen’s 2017 rankings placing Atlanta 10th and Orlando 18th in the country for the size of their TV markets and the ingredients for success appear to be in place.

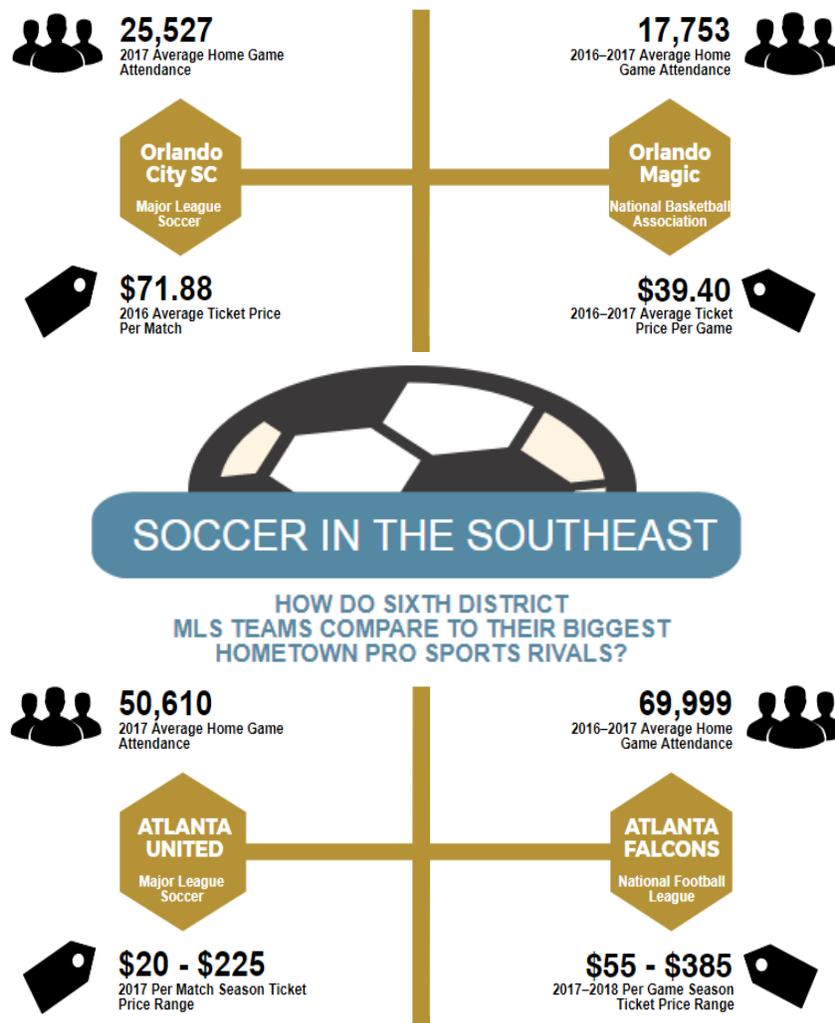
**Sixth District Arts, Design, Entertainment, Sports, and Media Workers**



Source: U.S. Bureau of Labor Statistics, Occupational Employment and Wages, May 2016

## The competition

A challenge facing the MLS expansion teams in Orlando and Atlanta is competition from the diverse pro sports landscapes of each city. Atlanta United's season overlaps the city's top three pro teams, the National Basketball Association's (NBA) Hawks, Major League Baseball's (MLB) Braves, and the National Football League's (NFL) Falcons. United seems well positioned in relation to the Falcons. United's 2017 average home match attendance stands at 67 percent of the 2016 to 2017 average game attendance of the Falcons. The per-match season ticket price range is only 36 percent to 58 percent of that of the Falcons, who will play in the same venue, the new Mercedes Benz retractable roof stadium set to open in August 2017. Orlando City's only top-tier pro rival is the NBA's Magic. While per-event tickets for Orlando City's MLS matches are 45 percent higher than the NBA's Magic, the team is averaging 7,774 more fans per match. Orlando City also operates a Division III B team simultaneously during its MLS season. Tickets to Orlando City B matches cost approximately 81 percent less than a ticket to see the Division I side play, making it an attractive substitute good for price-sensitive consumers.



Source: Statista, May 2016

Outside the stadium, Major League Soccer contends with a significant broadcast competitor from which other U.S. pro leagues are largely exempt, international soccer in the U.S. TV landscape. According to *The Demand for International Football Telecasts in the United States*, a sport economics book published

by two University of Tübingen (Germany) economists, the \$166 million annual payout to the English Premier League under its 2015 NBC Universal contract dwarfs the MLS's \$90 million annual contract with ESPN/Univision and Fox. A quick comparison of top player salaries sends a clear message that the real moneymaking occurs in the international game. According to a June 2017 article by the Minnesota-based *Gazette Review*, the average salary of first division professional soccer players from Europe, South America, and North America is \$1.07 million, while the average player salary in the MLS alone is only \$200,000. Unlike most European first division professional leagues, MLS salary rules are prescriptive, limiting each club's 2017 salary budget to \$3.845 million for the first 20 roster spots. Each team may have up to three "designated players." These players may earn more than the club's salary budget, but most of the cost must be borne by the local club. Despite this exception, the highest-paid MLS player of 2017 earns only 12 percent of the salary earned by the highest-paid player in Europe.



Sources: Forbes, May 2017 and Fox Sports, April 2017

### Beyond the pros

The business of soccer in the Southeast extends far beyond the first division professional league. As of 2014, there were over 305,000 U.S. Youth Soccer players in the six states in the Sixth District. Florida and Georgia have 47 percent of those players, while Mississippi and Louisiana have only 8 percent. Kissimmee, Florida, boasts one of the largest sports competition venues in the country with over 220 acres devoted to Disney's ESPN Wide World of Sports. The facility hosts 12 amateur soccer events each year, drawing thousands of sports tourists from across the country and internationally to play on its 17 soccer fields. In 2018, Stonecrest, Georgia, east of Atlanta, will give Kissimmee a regional competitor with the opening of the 190-acre Atlanta Sports City equipped with 22 soccer fields and a 15,000-seat professional soccer stadium. According to the *Atlanta Business Chronicle*, the facility will support 1,937 jobs in Georgia and have a \$197 million economic impact on the state. A men's Division II North American Soccer League team will call the facility home as will a new National Women's Soccer League team. The Stonecrest facility comes on the heels of a 33-acre, \$60 million training facility for Atlanta United and its youth Developmental Academy in Marietta, northwest of Atlanta. The facility will generate 80 new jobs.

### The story continues

Data support a continued shift in consumer tastes from sports that use hands to the sport that uses feet. According to a 2014 ESPN poll, 30 percent of U.S. families had a member who played organized soccer and the sport ranked number two in the U.S. among avid 12- to 24-year-old sports fans. Using data from a 2013 National Sporting Goods Association study, the *Wall Street Journal* reported U.S. participation in youth soccer was double that of tackle football and a million more than baseball for 7- to 17-year-old athletes.

Orlando and Atlanta will serve as the proving ground for professional soccer in the Southeast. Both Nashville and Tampa/St. Petersburg submitted expansion bids to Major League Soccer in January 2017. If the trends identified in recent studies are correct, we will continue to see growth in the southeastern soccer economy.

### **Related Links on Other Sites**

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