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S-commerce: Facing the Future of Sport Business

Rejoice, we conquer!

Pheidippides, Greek courier, 490BC

(after running from Marathon to Athens)

When did it all begin? When did sport become a business? For some commentators that moment came in the 1990s along with Michael Jordan, or even with the 1984 ‘McDonald’s’ Olympic Games in Los Angeles. For others it began as early as 1975, when International Management Group (IMG) founder Mark McCormack bragged, somewhat presciently that: ‘We’re by far the most powerful influence on sport in the world. We could turn any individual sport – golf, tennis, skiing – on its ear tomorrow. The position we hold in some of these sports is the ability to reconstruct the whole edifice.’ That was two years after Mark Spitz, the US Olympic gold-medal winning swimmer claimed to be a ‘commodity’, and five years after Ali went toe to toe with ‘Smoking’ Joe Frazier for US\$2.5 million each. It was twelve years after golf professional Doug Sanders mischievously suggested to Arnold Palmer that he ‘ought to take a week off, just to count his money’.

Perhaps some of us could trace the beginnings of the sport business back even further. Phillip Wrigley, the legendary baseball club owner, lamented in 1956 that: ‘Baseball is too much of a sport to be a business and too much of a business to be a sport.’ Dutch football manager, Rinus Michels, was even less ambiguous: ‘Football is a business now, and business is business.’ In 1950, Sugar Ray Robinson’s manager, George Gainsford, summed up the sentiment associated with professional boxing when he announced that, ‘We are only interested in money. With us it is strictly a question of finance, not glory or anything silly like that.’ Was this the beginning of business and sport’s famous collision?

King Henry IV, from Shakespeare’s hand, pronounced that: ‘If all the year were playing holidays, to sport would be as tedious as work.’ Was he

right? Is there such a thing as too much sport? The light heavyweight, Harry Greb, asked (as only a boxer can), 'Shakespeare? What weight is he?' The truth is, despite the rampant and vigorous commercialisation of sport common in the new millennium, sport has never been entirely free from the vagaries of business. Even as early as 78BC, Gaius Maecenas warned of the dangers of 'misusing' vast sums of money to provide sporting infrastructure. He counselled: 'Cities should not waste their resources on expenditure for a large number and variety of games, lest they exhaust themselves in futile exertion and quarrel over unreasonable desire for glory.' The pseudo-professionalisation of athletes, the leveraging of association benefits, the spectacle with 'bums on seats', and the exploitation for money, has been part of sport forever. When did sport become a business? Sport has always been a business and always will be.

Some say that the greatest human inventions were spoken and written language. For others it was the wheel, the printing press, gunpowder, the internal combustion engine, the computer chip or the lift.¹ It is impossible to deny the importance of these inventions. However, the most influential element in the evolution of human civilisation was not an invention, but a discovery: fire. Fire enabled us to discover and define our humanity, it provided us with a warm and safe 'home', it accelerated our progression in the external environment but it also allowed us to discover the fire that is within us. Unlike any other animal on the planet, humans are driven by the need to explore, progress and assess their place in the universe. Humans, to a certain extent, have taken matters into their own hands and have defined the world they live in according to their needs. Some of these needs, for example, are expressed in terms of religion, companionship or identity. At the very basis, however, lies our inclination to explore the world and satisfy a range of deep human needs through play, recreation and, ultimately, sport. Sport's importance, as structured and sometimes scripted play in human life, is therefore not adequately captured by the assumption that sport is merely a social invention. As Plato observed: 'What then is the right way of living? Life must be lived as a play, playing certain games, making sacrifices, singing and dancing, and then a man will be able to propitiate the gods, and defend himself against his enemies, and win the contest.' This book is therefore not about sport as an invention,² but sport as a discovery that can be used in a variety of ways, to the benefit or detriment of humans all around the world.

If sport's inherent significance is unquestioned, then its economic importance is, at the very least, noteworthy. The magnitude of the present global sports industry has scarcely ever been estimated, but in economic terms must run into the trillions. The truth is, no one knows. Sport,

defined broadly to include physical leisure and recreational activities, plays a role in the lives of most of the world's population. There are few barriers to sport's consumption, either personally or vicariously; the need for organised physical activity is human. But where is sport going? Will the forces that are pressuring sport to change transcend its human needs, or will sport simply transform to meet different needs? What will sport bring us in the future? The aim of this book is to explore this future of sport business in the world.

Speculating about the future of sport might seem easy. Dream of the most fanciful technological contraption for bridging the gap between the sporting participant and observer, or increasing the excitement factor, and you are moving in the right direction. After all, is not sport spectating all about vicarious experience and excitement? Can we imagine the technology that allows us to create our own sport teams and play them off against each other? Can we conceive of a technology that allows us to sit in on the holographic sidelines of a World Cup qualifier or next to the starter in the final of the Olympic 100 metres? The truth is, most of us can envisage this level of technology and, for some of us, the leap is anticipated sooner rather than later. The issue is not whether the technology will be available (it undoubtedly will), or whether it will be implemented, but what ramifications it will have on the world of sport as we know it, since that world is already in the grip of a radical transformation from its traditions as independent, compartmentalised, parochial, religious, a folk or a military activity, to the blurred entertainment conglomeration it is today.

For some, the evolution of sport to its present incarnation has not been a happy journey. Sport in its purest sense was never conceived as a revenue raiser, and neither was it ever expected that the movement of an inflated animal skin would command the loyalty and the emotional and financial commitment of millions of otherwise conservative and rational individuals. The location professional sport finds itself in is not the end of the journey either. The question remains then, where will sport ultimately find itself?

Our argument is that sport and entertainment will continue to blur together into indistinguishable commodities where actors and athletes, directors and coaches, will blend in both their activities and their perception, driven by the inexorable progress of technology, and held together by the glue of a changing emotion-based economy. However, we go beyond this trend analysis to present a range of alternative scenarios.

We have encapsulated our approach to this book in Figure 1.1. We begin, later in this chapter, by examining the potential impact of globalisation over the next few decades, and its likely impact upon sport.

In Chapter 2, we explore how it all began by taking a brief look at the history of sport and the factors that have cemented its place in contemporary life, including the motivations and behaviour of that elusive breed, the sports fan. Having considered how sport came to be what we know it as today, we examine the architecture of sport in Chapter 3, and provide the platform for an exploration of the commercial side of sport in Chapter 4. In some cases, we are not presenting anything new or radical in our picture of the future of sport. We believe that trend projections are, all other things being equal, the best methods of foreshadowing the future. At the same time, however, we acknowledge that all things are not always equal, and it is therefore prudent in any futuristic analysis to consider those factors which are both unpredictable and pivotal in shaping world events. We have noted that there are several of these shaping factors at the nexus of alternative futures. The first to be considered is the role of the global economy, particularly the evolution of the service sector. We

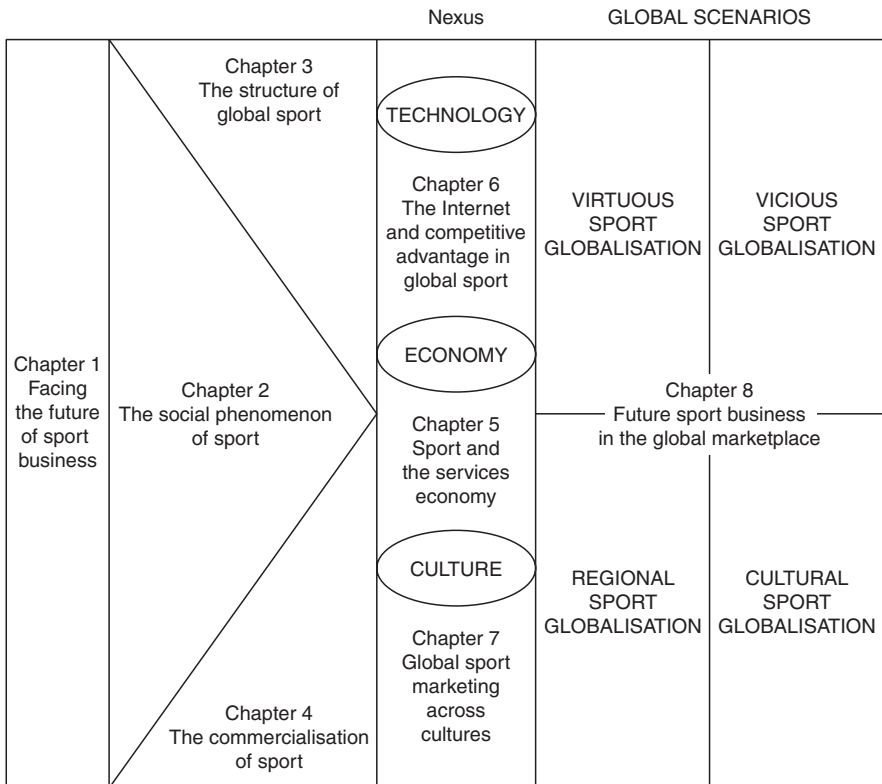


Figure 1.1 Sport business in the global marketplace

consider this in Chapter 5. Technology, especially the Internet, is explored as the second nexus in Chapter 6, followed by an examination of the possible impact of culture in Chapter 7.

We therefore explore the history, current situation and trends that define the sport world today, and present three nexus factors that will determine how these trends ultimately manifest themselves through sport in the future. Thus, after we look at the expansion of globalisation, the raging development of commercialism, the place of technology, the crossover with entertainment, the nature of the economy, the importance of the Internet and the impact of culture, this book concludes with a range of alternative future sport scenarios: virtuous sport globalisation, vicious sport globalisation, regional sport globalisation and cultural sport globalisation. Along with a set of key uncertainties that may help explain the characteristics of 'future sport', the implications of sport-commerce (s-commerce) as a vast industrial sector, economic powerhouse, and arena of political power plays are established.

Given that this book considers the likely future of sport business, it tends towards an analysis of professional (or at least commercialised) sport. That is not to suggest that participation-based sport is any less important. However, we will consistently argue that the humble sport participant is not (yet) deciding the fate of the business side of sport. This book is not just about the rampant spread of Westernised consumer capitalism that always seems to be blamed on McDonald's or Coca-Cola. Naomi Klein wrote a book, which she called *No Logo*, about the ubiquity of consumer capitalism and the series of difficulties and exploitations it brings with it. In some ways this book is all about logos as well, because the future of sport will be full of them and their accoutrements.

Globalisation Trends

It has been said that we are each defined by that which we fear and by that which we desire. In few places only is this more applicable than in the 'new economy'. Judging by the number of mass demonstrations that have taken place in various cities throughout the world over the past few years, we might be forgiven for believing that humankind is divided by both the fear of, and the desire for, the transition from a national to a global economy. Regardless, however, of personal feelings, it appears that (barring some major catastrophe) we are destined to be a part of the seemingly inexorable move to globalisation.

According to the International Monetary Fund (IMF), 'globalisation' refers to the increasing integration of economies around the world, particularly through trade and financial interaction, and includes also the movement of people or labour, and knowledge or technology, across borders. It has occurred as a result of human innovation and technological progress, particularly in the field of communications. In the minds of individuals, though, there are further cultural, political and environmental dimensions that are thrown in with the term.

Globalisation as a concept is neither new nor challenging, and refers only to the increasing degree of cross-border interaction that first began when borders were originally defined. While the word itself is limited in its usefulness, it has become synonymous in the minds of protesters with a new world order. This new order has been greeted with an extraordinary mixture of reactions ranging from exhilaration to terror. These reactions are often embedded in myth, foreshadowing and speculation rather than in fact, trend and probability.

Globalisation has affected more than just economies. Among other things it has affected culture. For example, music, art, literature and language have all crossed borders and have increasingly done so since long before globalisation became a fashionable word. They have not been alone. Sport, too, has crossed borders. Its journey probably began millennia ago as war and conflict spread from village to village, city to city, and nation to nation. Over the past decades sport has probably been the element of culture that has progressed further, fastest. Spurred on by ego, individual and national, sport has crossed virtually every border. Disseminated through radio and television, sport has become universal. As it has become universal, men and women have taken a far keener interest in its progress and viability for they have been quick to notice that the growth of sport held great possibilities for making money. It is to help understand this concept of sport as a business that this book has been written.

To understand sport as a business where should we begin? Since we began this section by suggesting the premise that globalisation was a major forerunner of the growth of sport business this seems a useful starting point.

The Drivers of Globalisation

In December 2000 the United States National Intelligence Council published a report examining global scenarios for the forthcoming

decades (*Global Trends 2015*).³ The report was the result of a study, which commissioned prominent academics and intelligence personnel to provide a detailed review of potential world trends and their implications. The results of the report portray a stark picture of the world and suggest that Western nations may be the principal beneficiaries as the wealth gap between developed and developing nations stretches.

In producing their report the Intelligence Council considered a wide range of factors affecting the global scenario. As many of these factors equally affect the business of sport we would like to pick up on several of them and to add additional factors of our own. These factors are, we believe, the truly important drivers of change. While not the cause of globalisation these drivers of change contain within them many of the elements that have allowed globalisation to spread almost unfettered. Because the topic of globalisation enhances the best of desires yet brings out the worst of fears, we need to ensure that our discussion retains objectivity and cannot be presented as either supporting or rejecting globalisation. To this end, we have chosen to use existing data and the trend that this data suggests as the basis for discussion. The drivers that we have selected to examine are:

- economy
- technology
- social conscience, resources and natural environment
- demography
- governance
- conflict and war
- religion and cultural identity

Underlying all of these drivers is the single concept that humans initiate change, in whatever forms it may take. In many ways, this concept accounts for why we experience our desire or fear. It is the belief that changes have been imposed upon us by the decisions of others that fuels our discomfort. Yet it is important to recognise that few change drivers are uncontrollable. In essence, this means that collectively, we have within us the ability to change the direction in which we proceed. Thus, while the trend data may clearly signify the direction in which we are moving, there is always the opportunity for an additional unknown factor to intervene and to change our direction. This may be a new technological breakthrough, conflict or war, or simply a desire on enough people's part to move off the designated pathway.

While individual drivers each play a role, none is anticipated to have an exclusive impact on the future. In the context of sport business, some are

more influential than others. These more influential factors we have termed 'nexus' factors, and we will discuss these in greater detail later in the book. Our chosen method of discussing change drivers is first to consider them in the general context of globalisation, both now and in the future, and then to discuss them more specifically in relation to the way in which they are likely to affect sport and sport business. This will be done for each of the drivers individually.

Economy

Despite the twin drags of the US recession and the September 11 attacks on New York and Washington, the world economy remains in vibrant condition. The 1990s and the early years of this century brought perhaps the longest period of economic growth since the Second World War. Agreed, that growth is not uniform throughout the world. Japan, for example, still suffers from deflation and it is unlikely that the economy there will grow for several more years. In addition, a number of countries in Europe, particularly Germany and France, have only recently begun to record significant growth figures again, while parts of South America, especially Argentina, are still poised on the precipice of disaster. Nonetheless, the Organisation for Economic Co-operation and Development (OECD) considers that the downturn in world growth will bottom out during the latter part of the year 2002, and from there will slowly, but consistently, move back towards stronger growth.

Despite being patchy, the growth in the overall world economy has been a significant benefit to almost everyone. One of the remarkable reasons for this has to do with a vast increase in the number of free trade agreements between nations. The World Trade Organisation has recently admitted China as a member and in the next few years is likely to admit Russia. The European economic union is on the verge of major expansion, the North American Free Trade Agreement is set to expand, and there is every likelihood of further free trade agreements between Southeast Asian nations. The growth in free trade agreements will not proceed smoothly, but it will proceed. And as it does so, globalisation will become ever more prevalent and visible.

As the globalised economy takes hold, the transmission of ideas, values, products and people will become more evident. The electronic transmission of information will make even the least industrialised countries aware of everything that is going on around them. No country will remain an island. That this may cause some leaders to be fearful and to take every opportunity of rejecting the spread of information. The likelihood is that

in general it will increase political stability throughout the world. However, as we shall highlight later, the news is not all good for political certainty and global goodwill. Dependent upon how it is handled, the widespread breakdown in trade barriers may cause some countries or regions to initially respond by seeking illegal or non-acceptable means of protecting their industries. America has done this with its steel industry, and Europe has done it with agriculture. These illegal barriers to free trade will end up being judged by the World Trade Organisation. Unfortunately, many small countries have little sway with the WTO and for some years to come these smaller nations are likely to suffer most from this aspect of globalisation.

Several factors will combine to provide an attractive foundation for the winners of globalisation. On the whole, they will deliver economic dynamism and growth. First, the trend with macroeconomic policy is towards improvement. For example, as a generalisation, inflation rates are currently lower than at any time over the past 40 years. In addition, exchange rates now have more flexibility to move than at almost any time in the past. Increasingly, the euro, and perhaps to lesser extent the yen, are providing opportunities for trade to be undertaken, and paid for, in currencies other than the United States dollar.

Second, trade and investment will continue to increase. For most countries this will mean an improved Gross Domestic Product (GDP) and opportunities to diversify trade partners. For emerging market nations in particular, this should provide an opportunity to expand their export revenues. Venture capital should become more available.

Third, the dissemination of information technology is likely to produce significant advances in economic production for a handful of well-established nations such as the United States, Japan and some countries in Western Europe. Although gains will occur, in some cases at relatively faster rates than in developed nations, integration of cutting-edge technology will improve production, distribution and trade opportunities in leading countries. The prerequisites of effective information technology integration will not be as prevalent in many developing regions. Essential infrastructure and educational opportunities, together with research and development investment, will be limiting factors. In developed nations, the sustained levels of technology utilisation will continue to rise.

Finally, the development of private sectors in emerging market economies points to some opportunities in the globalised economy. Further deregulation and privatisation in Japan and Europe will also add to the growth of the global private sector, and should, through increased competitive pressure, stimulate economic progress and growth.

Regrettably, as we have indicated, not everyone will be a winner. The nations that remain most vulnerable to falling behind from a growth standpoint are those with limited economic diversification. Predominantly, this means that some nations in sub-Saharan Africa, the Middle East, Central Asia and parts of South America may struggle to progress their economies.

As the world economy – the global economy – becomes more integrated, its collective resilience will be bolstered against disruption and collapse. This is not to suggest that the road will be a smooth one for globalisation. Economic crises will occur nevertheless, irrespective of whether they are politically, currency or commodity related, and the more integrated global systems of commerce will cope better than in the past. While there will be an integrated framework, there is little evidence that individual nations will stop using economic growth as the principal determinant of progress and prosperity. Although cosmetically the measure would seem to value the health of an economy by assessing its performance output, the concept makes the invalid assumption that this increased affluence will be equally distributed amongst the citizens of a country. Thus, economic growth, or GDP, does not take into account the gap between the wealthy and the wealth-less, and neither does it distinguish between activities that add value to a national community and those that sacrifice future standards of living. Depleting natural resources, for example, in order to enhance short-term economic progress, no more adds to genuine wealth than does a property owner selling his or her home and living in the street with pockets full of cash.

Sport and the economy

What, then, do these trends suggest in terms of the future and the business of sport? First, and perhaps most important, the breakdown in the economic frontiers between nations will allow sport to become more widespread, to gather more fans, and to present the opportunity for greater business development. Second, more effective and stable macro-economic policy should contribute positively to the sustainability of sports enterprises by allowing businesses to calculate income and expenditure more readily. This is particularly important in Asian and South American countries where currency fluctuations have challenged domestic professional competitions to attract overseas players or to expand geographically.

Globalisation will also bring with it the availability of larger amounts of venture capital. This is likely to allow more frequent forays into Asian, and to a lesser extent South American sport. Not only will these emerging

market nations benefit from greater interest from venture capitalists, businesses and entrepreneurs, but the opportunity should be provided to expand domestic leagues, clubs and events as well as exporting local sporting products.

The spread of information technology will increase not only recognition of new and existing sports but, more importantly, should allow for the widespread use of training programmes and training techniques. No longer will individual sportsmen and women have to travel overseas in order to access the most modern training approaches. They will be available initially through video and shortly thereafter through interactive computer simulation.

Where government-driven sport organisations have been unresponsive and inflexible in the past to consumer needs, opportunities will exist for private enterprise to establish lucrative businesses based on existing models. The Asian market, for example, is capable from a demographic viewpoint of supporting several local equivalents of Manchester United or the Dallas Cowboys.

As economic growth increases GDP, discretionary leisure time and income is likely to increase. In the richer countries improved infrastructure and greater diversity of sports will provide business opportunities. In less wealthy countries the opportunity will exist to develop sporting prowess either in inexpensive, high participation sports such as soccer, or in niche sports such as football (beach/indoor soccer) or hockey. Inevitably, some countries will fall further behind in the provision of physical infrastructure and this may limit opportunities to host hallmark events or to sustain professional competitions. The gaps in the standard of sporting performance and levels of professionalism will continue to widen the division between developed nations' leagues, clubs and events, and those in developing countries. To some extent, however, the development of interactive computer simulations will overcome these problems.

Some exciting sporting opportunities may be found in what has become known as 'emerging Asia'. China and India together already contribute one-sixth of the world's GDP and one-third of the world's individual consumers. Naturally, the sporting development necessitated by China's acquisition of the Olympic Games will provide a stimulus for sport in that region. More and more Western firms, including entrepreneurial sporting leagues, clubs, marketers and event managers, will attempt to capitalise upon access to China's extraordinary population. Pepsi, for example, pay around US\$6 million to be naming rights sponsors of the China Football Association National Football League. With the stars of the league receiving around US\$100,000 for a season, the league will have to be

cautious about losing their best players to European or South American leagues.

Similarly, India's democracy and English-language friendly market make it an attractive proposition for Western sport enterprises. Despite horrendous numbers of impoverished citizens, the country is well-placed to capitalise upon its own size and sporting passion. For example, approximately 300 million Indians tune in their radios or watch on television their cricket champion, Sachin Tendulkar, each time he strides to the crease. The several million dollars he receives for the unassuming advertising sticker on his bat is relatively modest given the exposure it receives all around the world.

While the economic performance gap between Western Europe and the United States will diminish, the effect of globalisation will be variable on sporting enterprises. The entrenched, well-distributed, technologically-supported sporting clubs and leagues will flourish, expanding their tentacles to parts of the world that have hitherto never experienced fully-professional marketing and merchandising. Strategic alliances between powerful clubs are likely to drive the shape of sporting leagues, such as those that established an alternative super-league for European basketball (which was perhaps premature and has since returned to uneasy cooperation with the existing competition) and those which are pushing for various forms of European Soccer 'Super' Leagues.

Other, more creative alliances are likely to be established which leverage the participants' entry into otherwise distant markets. The collaboration between the New York Yankees and Manchester United is a good example of this likely trend, although globalisation offers the opportunity for these forms of strategic partnerships to be established with much smaller organisations, which desperately need to expand away from their densely competitive geographical bases.

As Western Europe continues to offer sporting opportunities, especially for well-established organisations, Eastern Europe will clamour to cooperate and integrate. Driven by the promise of European Union membership, Eastern economies will hasten their affiliations with the West at all levels, including facilitating the removal of entry barriers for sport into the West. Genuine European leagues will form and the money that the participating clubs will receive as a consequence of their involvement will provide the opportunity for additional infrastructure development. The prospects for Russia, however, will remain unattractive for quite some time to come since their lack of sporting infrastructure, regulated competitions and security will encourage their best athletes to move West.

Japan, the economic powerhouse of the 1980s and early 1990s has decreased in global importance. The possibilities for Japanese sporting clubs, leagues and events are more promising though, but may peak temporarily after the 2002 soccer World Cup. However, despite its developed economy, Japan will remain as vulnerable as Australia, South America and the rest of Asia to merely providing feeder structures for professional athletes to be headhunted into North American and European professional competitions.

Uneven growth and development can also be expected in the Latin American region. For the more successful countries, such as Mexico, a new generation of entrepreneurial sport activities will be encouraged. Gradually, these countries will become more appealing as locations for international hallmark sporting events and for the provision of more differentiated sport programming by content-starved media giants tired of paying over the odds for established sports and increasingly willing to champion 'new' sport products.

Similarly, the Middle East and North Africa will surge inconsistently towards greater integration of their economies within the globalised context. While sporting infrastructure is likely to improve in many of these nations, they will remain a less-attractive location for the hosting of major events. It will be political stability rather than economic prowess that will determine the sporting fate of this region. From both an economic and a sporting viewpoint, the possibilities for sub-Saharan Africa are significantly limited. Conflicts, famine, lack of educational infrastructure, disease and autocracy will quash economic progress and sporting opportunity. Survival will remain the cornerstone activity.

The economic communities that currently dominate are likely to continue into the globalised future. The axiom that the rich get richer and the poor poorer will hold at both an intra-national and international level. This axiom will also hold true for sport. Nowhere can this trend be seen more clearly than in the exorbitant salaries of players in the most lucrative and popular of sports, including the big four professional leagues in the United States, national soccer leagues in Europe and South America, motor racing, boxing, tennis, basketball and golf.

For example, in 2000, the world's highest-paid athlete was Michael Schumacher, who received US\$59 million for driving his Ferrari to a world Formula One Championship. In some ways, the more amazing figure is golf's number one player, Tiger Woods, who had a remarkable season in 2000, winning three out of four majors. The staggering issue was that his Professional Golf Association (PGA) tour prize money accounted for only US\$9 million of his US\$53 million total salary, which was

substantially bolstered by endorsement income. The controversial boxer, Mike Tyson brought in US\$48 million ahead of the now reborn, but then still retired, Michael Jordan who received US\$37 million for just being 'Michael'.

Some other major earners included: Grant Hill, US\$26 million; Dale Earnhardt, US\$24.5 million; Shaquille O'Neal, US\$24 million; Lennox Lewis and Oscar De La Hoya, US\$23 million; Martina Hingis, US\$11 million; Anna Kournikova and Venus Williams, US\$10 million; Serena Williams, US\$7.5 million; and Lindsay Davenport, US\$6 million.

In 2001, the average National Football League (NFL) player's salary amounted to US\$1.17 million, US\$1.48 million in the National Hockey League (NHL), US\$2.27 million in Major League Baseball (MLB), and as can already be observed in the list above, the National Basketball Association (NBA) pays the highest average salary with US\$4.20 million. In 2002, the heavyweight boxing champion, Lennox Lewis, defended against Mike Tyson for a reported US\$25 million each.

Some commentators have even gone so far as to rate the value of athletes on the basis of their performance to salary ratio. *Forbes*, for example, created a list of the top ten highest-paid soccer players in 2000 and evaluated their relative value by calculating the impact they have on the team as measured by action statistics such as passes and shots. While it may be overkill to suggest that statistical weightings are the most effective measures of a player's calibre, the results are at least illuminating. *Forbes* determined that Recoba, whose US\$7.2 million salary was the highest in soccer, offered the worst value on the list. Zidane, on the other hand, with a salary of US\$4.8 million, represented the most productive player and the one offering the best value. *Forbes* divided each player's productivity score by his salary to determine his value, as reproduced in Table 1.1.

The *Forbes* value list might have proved itself prescient in determining the fate of these players. More recent figures published in *Sport Business International* magazine in July 2001 provided the information shown in Table 1.2.

Perhaps the most illuminating fact about the list in Table 1.2 is that, by the time this book is published, it will be out of date. While the reader might forgive the authors for this, it is illustrative of the economic imperatives of professional football in all its codes around the world. In European football, for example, players are traded like commodities; the revenues generated prop up cash-strapped clubs. Like a new computer, any list concerning salaries and players becomes obsolete shortly after its creation.

Table 1.1 *Forbes* value list

Player (club in April 2001)	Annual salary (\$million)	Forbes value rating
1 Zinedine Zidane (Juventus)	4.8	323
2 Alessandro Del Piero (Juventus)	4.8	309
3 Luis Figo (Real Madrid)	4.8	272
4 Hernan Crespo (Lazio Roma)	4.8	264
5 Rivaldo (Barcelona)	5.71	234
6 Steve McManaman (Real Madrid)	4.5	198
7 Gabriel Batistuta (Roma)	5.52	186
8 Alen Boksic (Middlesborough)	4.8	174
9 Raul Gonzalez (Real Madrid)	5.76	150
10 Alvaro Recoba (Inter Milan)	7.2	135

Source: Adapted from David Dikceovich (2001), 'Most Soccer Star For The Buck', www.forbes.com, 4 October 2001.

Table 1.2 Soccer's top earners

Player	Club	Annual salary (\$ millions)
Zhinedine Zidane	Real Madrid	11.6
Garbiel Batistuta	Roma	8.6
Ronaldo	Inter Milan	7.4
Raul	Real Madrid	7.3
Alessandro Del Piero	Juventus	7.23
Rivaldo	Barcelona	7.12
Christian Vieri	Inter Milan	7.11
Hidetoshi Nakata	Roma	6.72
Luis Figo	Real Madrid	6.44
David Beckham	Manchester United	6.01
Francesco Totti	Roma	4.18

Source: *Sport Business International*, July 2001.

One interesting study conducted by Matthew Weeks attempted to ascertain the most significant determinants of NBA players' salaries, using a statistical technique known as regression analysis. Basically Weeks was trying to see if players' game statistics were a reflection of economic value. He used statistics such as minutes, points, rebounds and assists per game with a view to getting a feel for whether the salaries were more a measure of popularity or actual talent. Without getting into the limitations of this approach, it is interesting to hypothesise that a player's

statistics could have a positive effect on his salary. Certainly, it would be reasonable to expect that such a positive relationship does exist.

More interesting is the fact that the results demonstrated that 'points per game' is the primary statistic that determines a player's salary. However, it only accounted for around 50 per cent of the variance. In other words, a player's popularity, his agent's impact, the additional income he brings to the team through endorsements, defensive capability and other qualitative factors obviously play a significant role in the athlete's salary.

The trend towards greater athlete salaries, and the ongoing divide between the sport 'haves' and 'have nots', is almost certain to continue to widen, although there are examples of well-established leagues (such as Serie A soccer in Italy) where salary differentiation continues despite the ill-health of the overall competition. In fact, European football continues to struggle with the challenges presented by player salaries as a percentage of overall club revenues. According to the United European Football Association (UEFA), the total cost of players as a percentage of turnover is getting dangerously high. In Italy, for example, the costs have risen as high as 125 per cent, while in Scotland, Spain and France the costs are approaching 100 per cent. It is little wonder that clubs are asking for higher player-transfer fees. A study by Deloitte Touche Sport revealed that there is a direct relationship between the average league finishing position and the wages and salaries bill of clubs participating in the English Premier League. The 'richest' club in the world (as measured by total revenue), Manchester United, tops the list in both salaries and position. Nevertheless, in general within countries, already well-established professional sports will flourish and expand, acquiring a greater and greater share of funding sources such as sponsorship. Money will also flow more naturally to elite sports rather than those encouraging participation and health. On an international level, the few national sporting leagues and competitions that have earned genuine international exposure, such as the Olympic Games, the American national basketball, football, ice-hockey and baseball leagues, the European Champions League football, the world cups of soccer, cricket and rugby union, the Grand Slams of tennis and golf, Formula One motor racing and a handful of world championships, will enjoy greater penetration in international markets, and draw the majority of sponsorship revenue. Moreover, the super-clubs and athletes associated with these sports will find themselves with passionate supporters and, more importantly, will bring consumers of merchandise and pay-television viewing from the most distant geographical positions. Where the potential support for the Los Angeles

Lakers NBA club is limited in the United States to the residents of California and expatriate residents now in other states, there is no such geographic limitation in countries such as New Zealand, Japan and the Netherlands. It is not unusual to see Shaquille O'Neal's jersey in the streets of Auckland, Tokyo or Amsterdam. Of the million or so hits received each year by the Lakers' website, the majority have their origins off-shore.

Although globalisation is usually perceived from an economic perspective, few drivers of change have had more impact than the power of information vehicles such as the Internet. These drivers are considered in the following section.

Technology

As the industrial age got under way in the early 1800s, there was only minimal brand-naming of items or advertising. Certainly they existed, but were limited by lack of exposure and the lack of national advertising opportunities. By the mid-1800s, the largest selling national newspaper in Britain, if not the world, was *The Times*, and even that had a daily circulation run of only around 55,000 copies. Most daily newspapers had a circulation of only 2–3,000. The expansion of railway networks throughout the world in the second half of the nineteenth century, together with the growth of the telegraphic system, revolutionised transportation and information systems, just as the motor vehicle, aeroplane and computer did in the twentieth century. The new millennium promises much in terms of technological advancement. The purpose of this section is not to join the list of crystal-ball gazers, but to determine the future of science and technology by extrapolating the known trends and anticipated developments. Naturally, the commentary is skewed to consider those issues that might have the most significant impact on the prosperity of sport business throughout the world.

Several trends must be considered certain to continue into the next few decades, each of which will have a monumental impact on the global community: first, the ongoing integration of scientific developments; second, the continued spread of information technology; third the rapid, vertical development of a range of specialty technologies; and finally, the strong lateral spread of existing technologies.

Integration is a theme that runs through globalisation and the future. The integration of the economy, as we have argued, will not necessarily lead to the social integration of humankind or, indeed, to economic parity

between individuals or countries. Similarly, technological integration is unlikely to provide opportunities to bridge the technological gap between individuals and countries. However, the trend for ongoing integration does suggest that increasingly technology will be designed with multi-purpose applications in mind. For example, an entire household might be integrated through an Internet-like computer network that controls access to everything from leisure content to toasters and ovens. This vision of the future has been anticipated for a long time. The question has become less about how and why, and more about when, particularly for Western nations. For the most part, the technological sophistication required for this vision to materialise is available, but has neither been strongly demanded by consumers, nor has yet been adequately supported by the essential infrastructure, such as broadband and cable technologies.

Existing technology tends to be overlooked when addressing the future. It seems we are quick to render working and useful technology obsolete, and seek to move into the newer, sexier products. To assume a radical changeover of technology ignores the firmly established trend data. Rather than radical transformations of technology (although the relative speed of uptake is increasing and, compared with earlier last century is extraordinarily rapid) it is more likely that developments in technology will also be strongly lateral as well as vertical. In other words, established technologies will probably move into new markets and be used in new applications.

Slowly information technology will, of course, penetrate parts of nations and regions that have hitherto been inaccessible or cost ineffective. But, as with the economic prospects associated with globalisation, technology distribution and access will not be an equitable process. Some regions and nations will fail to benefit from the information revolution. Among developing countries, India will pioneer information technology distribution.

Like India, China will lead the developing world in the utilisation of existing, if not cutting-edge, information technology. However the political control of information technology usage and content is inevitably an impossible task given the prodigious numbers of potential users. Other major growth markets will include some countries in South America. Specifically, the countries with strong existing telecommunications infrastructures will profit the most from information technology diffusion. Argentina, Brazil and Mexico are likely to be the greatest beneficiaries. In the developed world, the United States, Japan and Western Europe will continue to lead the invention and introduction of new information technologies.

Perhaps the most daunting impacts of technological innovation are found in those sciences that ‘tamper’ with nature. Biotechnological advances have placed genetic profiling and engineering firmly into the public domain. It is no longer a subject to be explored in prophetic science fiction films such as *Gattaca*, but an indisputable reality, which is so new that it has caught us all unaware, without moral positions and without legislative protection.

Genomic profiling, the science of decoding genetic structures in order to identify the basis of pathology, is leading the medical establishment to ascertain the genetic antecedents of disease. Without doubt, this science will have a profound effect on the treatment of formerly unconquerable diseases. It has also, of course, led to cloning of animals and the potential for cloning human beings.

Sport and technology

The integration of technology will not necessarily lead to equal opportunities for sporting organisations in different parts of the world, but will provide some, albeit uneven opportunities. For example, the use of the Internet to broadcast live sport is becoming more frequent as cable and broadband technology becomes more commonplace and inexpensive. Small sport organisations have the opportunity to capitalise on these types of technologies which are not exclusive to mega-sport clubs and organisations. We can expect integration to deliver new types of communication channels for sports to distribute their wares. In addition, as existing hardware becomes assimilated into new technologies, the opportunities for sports viewers in some parts of the world will advance.

For example, old, ‘mundane’ television will continue to spread through Asia and Africa, opening up some areas for the first time to international sporting events and games, some of which will be entirely unfamiliar. In addition, software for analysing sport performance, for instance, will gradually catch up with innovations in computer hardware. Put bluntly, there is still plenty of the world that can be introduced to new sporting experiences without the need for the latest technologies. Whether some countries can afford to acquire the rights to some of sport’s biggest events and leagues is another matter.

For example, the NFL has secured the largest television deal in sport. It is an eight-year agreement totalling US\$17.6 billion. In fact, it is so large that it can only be realised as a result of four separate contracts with four television networks: Fox, CBS, ESPN and ABC, ESPN’s parent company (ESPN stands for Entertainment and Sports Programming Network). For

some networks, the financial commitment has proved too much, but the danger for networks is losing out on the phenomenal ratings that the sport seems to produce. As a series, it is the highest rating television aired in the United States. For example, the network holding the coveted rights to the Superbowl receives around US\$2.2 million for a 30-second advertisement which is approximately \$75,000 for each second of advertising time.

It seems unlikely that any independent network in an emerging country would be able to raise the sort of money required to access mainstream American sport. The most likely scenario (and the present trend) is for one of the multinational media companies such as News Corporation or AOL (America Online) Time Warner, to enter the market and provide access to the programming they already own at no cost.

It also seems unlikely that clubs competing in leagues based in emerging countries will be able to compete with American and European clubs in terms of marketing and promotions. Teams in the NFL, to continue the example, receive an equal split of 95 per cent of the broadcasting revenues, or around US\$71 million each per annum. Add to that a share of gate receipts which is divided 66–34 per cent in favour of the home team, sponsorships, revenues from corporate hospitality suites and merchandising, and it can be seen that NFL teams have a substantial operating base from which to conduct business. For most teams, however, up to 75 per cent of that revenue is paid out in salaries to players. In fact, the NFL Players Union industrial agreement ensures that a minimum of 63.5 per cent of a team's gross revenues has to be returned as player salaries.

There is a similar attempt at equitable distribution of broadcasting monies in the English Premier League. Half of the total revenue is divided evenly between all teams in the league, 25 per cent is allocated as a facility fee in payment for the number of matches televised, and the remainder is allocated on merit, reflecting the final positions of the clubs in the league at the conclusion of the season.

Rapid diffusion of information technology through the sporting world will occur largely because hardware costs have dropped radically. National sport federations can link up with their international colleagues via email and Internet. Soon, wireless connectivity to the Internet via handheld devices will become less prohibitive in cost, and more attractive in functionality. It goes without saying that the capacity to watch sport or receive an update on a sport score from anywhere in the world is an appealing prospect to many sport fans. Large numbers of low cost, low altitude satellites are expected to be launched in the next decade, which will improve access and performance, while further diminishing current expensive mobile (cellular) and international telephone charges. The

serious beginning of wireless sport applications has arrived. Telecommunications companies are now racing to establish first-mover advantages in the delivery of real time sport scores and delayed replays of important sporting moments, in the form of compressed digital data that can play short bursts of LCD video on the new generation of mobile phones.

In addition to Western nations, a handful of developing countries are well placed to capitalise upon technological opportunities. Their vast numbers of high-tech workers, combined with an increasing penchant for entrepreneurial activity, bodes favourably for the professionalism of Indian sport organisations, for instance. However, they still have a considerable gap to overcome. Despite eclipsing England and Australia in the numbers of cricket participants and spectators, the Indian Cricket Board remains an essentially volunteer organisation. In contrast, the English and Australian cricket authorities employ between 20 and 60 professional administrators each within their national governing bodies.

In addition to India, China and South America offer outstanding, if uncertain, markets for sporting organisations to introduce strategically crafted penetration strategies. In many cases, these strategies are so well supported by technology that they may require little more than a customised, language-specific website. Certainly, technological diffusion offers opportunities for expansion that have never before been contemplated. The question remains, however, whether sport organisations that fail even to generate a following in domestic markets have the potential to interest other markets.

Among the greatest challenges for sport in the future is the overcoming of the bottleneck of distribution that has been created by new forms of communication such as the Internet, as well as the availability of sport content via free-to-air and pay-television. Historically, innovations in distribution, production and communication have brought additional, cheaper products to the market and retail distribution systems have become increasingly jammed, forcing new ways of managing the flow of products. The log-jam of traditional production and distribution has largely been overcome, but the introduction of the Internet has created the next generation of this familiar problem. The impact of the Internet is so significant that Chapter 6 has been devoted to investigating its role in sport fully. In particular, the chapter tackles the subject with a strong consideration of the strategic usage of the technology in sporting organisations.

The possibility of engineering super-human athletes for sporting contests – another commonly imagined possibility – is almost certainly upon us. As the consequences of a group of super-humans in sport are perhaps

more of a sociological question than a technological trend, we shall leave this discussion for more qualified commentators. However, the developments in genomic profiling and biomedical engineering have some other practical impacts upon sport. The treatment of sport-related injuries is a pivotal element in sport clubs' activities. At the most interventionist, biotechnology in medicine is likely to lead to the 'growth' of replacement human limbs and organs, the engineering of cells designed to replace dysfunctional constituents in the body such as in blindness or hearing loss, and will ultimately provide mechanisms for overcoming spinal injury and paralysis. While perhaps not of direct consequence to the twisted ankle or wrenched knee common in sport, the flow of knowledge from these cutting-edge sciences will have a profound effect on injury management in elite and participation sport. We are not far away from surgery one day and playing the next. Who knows, perhaps it will be easier to amputate a leg with a ruptured anterior cruciate knee ligament and replace it with a new limb, grown in a bio-chamber from the athlete's own DNA.

Developments in what is known as nanotechnology (what we may understand in lay terms as the science of the building blocks of matter), are also set to provide some interesting opportunities for sports, and professional sports in particular. Nanotechnology can provide quantum-sized computer chips that can diagnose ailments, identify specific athletes amongst groups, determine their nutritional and training requirements, specify their genetic structures and even confirm their drug-free status.

In addition to genetic manipulation, bioengineering and the range of barely imaginable developments probable in the next few decades, the existing dilemma of drugs in sport will probably only worsen. While it is reasonable to anticipate that drugs will be employed for genuine therapeutic reasons, it is also likely they will continue to be utilised in order to gain performance advantages. It is also reasonable to suspect that more resources – through some of the largest and most powerful companies in the world, those in the pharmaceutical industry – will be devoted to designing drugs than to detecting them. We can be assured that drugs in sport will continue to remain a significant issue until genetic manipulation can produce athletes who do not need such advantages. Genetic engineering of food products may provide superior nutritional supplements for athletes as well, although the precise effects of these modified foods on the human body is still a source of contention. Interestingly, the degree to which these technologies might be employed in society in general, and sport in particular, may well be subject more to the social conscience of communities rather than their availability.

Social conscience, resources and natural environment

The social perception of the environment will have a significant impact upon the way sport is delivered, as well as the resources it can manage to acquire in an increasingly competitive marketplace. Before we discuss the impact that a growing international social conscience is manifesting, it may be worth spending some time exploring exactly where we stand now in terms of world resources and the environment. First, however, we need to be certain that we do not examine this driver of change in an emotional way. The following commentary is therefore designed to set the boundaries in which a debate upon the role of sport may be considered rationally.

Despite popular concerns, food production and food stocks are quite sufficient to satisfy world demand well into the early part of this century. The unfortunate fact, however, is that distribution problems and economic inequalities will ensure that much food is wasted while famine stalks millions of people throughout the developing world. In fact, the severity of this problem is increasing. In sub-Saharan Africa, for example, the number of people suffering from chronic malnourishment is predicted to expand by a further 20 per cent over the next two decades.⁴ Political instability will also act as a deterrent for the North Atlantic Treaty Organisation (NATO), United Nations and other aid interventions. Ironically, the social outcry from concerned Western Europeans and Americans about the appropriateness of genetically modified crops has stalled the introduction of one of the few potential solutions for meeting the needs of the poor in developing countries.

Within two decades, nearly half of the world's population will live in water-stressed regions.⁵ A combination of factors exacerbates the shortages, such as salination, overpumping of groundwater into agricultural areas and declining water tables. Water shortages will undoubtedly be a cause of international conflict in the future. The possibility of conflict is sharpened when considering the fact that approximately 30 nations receive more than one-third of their water from outside their borders.

The global economy will become more energy-efficient during the forthcoming decades. This is partly a consequence of genuine improvements in traditionally energy-demanding sectors such as manufacturing, and partly because the manufacturing industry in the global economy is gradually being supplanted by service and knowledge industries. Nevertheless, despite a relative efficiency increase, economic growth will precipitate a 50 per cent increase in oil consumption over the next two decades. The demand for natural gas will increase by 100 per cent.⁶

However, despite these alarming statistics, the increase in energy demand is neither a supply challenge nor, at least theoretically, the stimulus for major price hikes. Somewhere around 80 per cent of the world's available oil and 95 per cent of natural gas is still in the ground. In addition, many nations possess vast supplies. At current rates of usage, the United States has enough reserves to last a decade, while Iraq, in comparison, has enough for around 260 years. While it appears that there is no desperate shortage of oil, at least in the world generally, the popularity of fossil fuels is certainly not improving. The damage to the environment that their use has caused is undeniable from a scientific viewpoint.

As we have noted, global economic prospects are relatively buoyant, particularly for developed nations and a handful of emerging regions. The downside of these promising economic projections is continued stresses on the environment including the ongoing erosion of arable land and forests, amplified greenhouse gas emissions and pollution, and rampant desertification. These demands are unlikely to constrain present living and health standards in developed nations, but will prove challenging for developing nations, especially those with massive cities. Although evidence is scanty, there is some speculation that the post-communist era will not address the chronically mismanaged nuclear facilities in Eastern Europe, either. Some of these countries may slowly begin to address their pollution and other environmental problems as they strive for membership of the European Union and the World Trade Organisation (WTO).

Perhaps the greatest issue concerning the environment is that there is little evidence upon which to hope that serious change will come about. Although there are some existing agreements such as the Montreal Protocol, which is designed to address damage to the ozone layer, the damage is done and cannot be reversed other than through natural regeneration.

Over the next two decades, the pressures on the environment will continue, ironically as a result of achieving most countries' main objectives; economic growth. Global warming will present some major environmental hurdles, along with some international political tensions. Even if the Kyoto Protocol on Climate Change is ever universally implemented, the improvements will only be incremental.

A cosmetic look at these natural resource and environmental issues does not necessarily lead to direct implications for sport organisations. However, when these issues are placed within the context of a burgeoning social conscience and the perceived negative impact of globalisation, the links become clearer. The availability of food, water and energy, along with the status of the environment and the negative impact of

globalisation, plays a role in establishing the social conscience that can either support sport as an essential cultural element, or reject it as a waste of public monies that would be better spent on some kind of community support or international aid.

We have noted the obvious trends associated with the depletion and disintegration of the earth's natural resources. The most noteworthy change has been in perception, for while the environmental lobby has consolidated its numbers and political status, the Western world has embraced a new form of resources that can be mined and exploited in much the same way as fossil fuels and minerals: the 'brand'.

The birth, development and maturity of brands in the Western world are as much a focus of effort and economic activity as any natural resource on the planet. In fact, the most dominant existing brands in the world must be responsible for billions of dollars of economic activity. In some ways, places such as the 'Coca-Cola' United States and 'BP' Britain are right to covet, bolster and protect the brands that have been born in their lands and exported so successfully. The truth is, there are few nations that can claim to possess more than a handful of brands which may be rightfully considered serious resources perfect for economic exploitation.

Sport, the social conscience, resources and natural environment

Damage to the environment is likely to have a direct effect on sport. For example, global warming in concert with water shortages may discourage sport participation and infrastructure in arid, desertified regions, particularly for sports requiring grass for training and competition. Countries such as Saudi Arabia will continue to divert increasingly large resources into sustaining and developing massive de-salination plants. However, not all desertified nations are fortunate enough to have other natural resources, such as oil, to subsidise these activities. In addition, the degradation of the earth's ozone layer will place the inhabitants of countries such as Australia and Argentina at an even greater risk of skin cancer, a possibility that does not bode well for outdoor sport participation. Moreover, the impact of environmental pollutants may restrict outdoor sport participation in large, urbanised cities.

The social conscience, as we have named the political movement encouraging greater environmental management, has not yet significantly harmed professional sports, but it is likely that confrontations will occur in the next decade. The removal of corporate sport sponsorship sectors, such as the tobacco industry, demonstrates the growing social conscience

that is being heard by legislators in some regions. Other corporate entities, intrinsically linked to sport, have been the targets of hostility and protest. Nike has been plagued, for example, with negative press concerning its manufacturing operations in south-east Asia. Nike's critics argue that the company exploits its Asian employees by severely underpaying them and coercing them to work in poor conditions. In response, the company has repeatedly pointed out that their remuneration policies are consistent with the labour markets of the countries they operate within, and are generous in contrast to comparable work. The company further notes that the only real censure of its employment practices has come from Western nations where the labour market is vastly different. In some ways the labour issues that Nike has faced, particularly during the late 1990s, are indicative of the company's controversial status in the community. Nike is unlikely, even now, to make superannuation companies' lists of 'sustainable' investments, which have become so popular in the last few years. While Nike has gone from strength to strength in terms of sales and profits, it has not been without its critics. In addition to the debate surrounding its labour policies, the company has received negative press from sources such as the International Olympic Committee (IOC) for its use of ambush marketing. Nike has recently returned to the IOC's good books as official Olympic sponsors in 2000.

Increasingly, the brand name is being mined and exploited in a way similar to that of natural resources. The value of brands is not lost on sporting enterprises. The IOC commissioned research that ultimately reported that their rings were the most recognised non-written symbol in the world. Other highly recognised brand logos included those of Shell, McDonald's, Mercedes and the Red Cross.

FutureBrand, the brand consultancy division of global advertising group Interpublic, recently released a report specifying the most valuable sports brands.⁷ They examined the financial performance of each contending sport enterprise, undertook surveys with fans and supporters, and considered loyalty, stability and retention. The results are reproduced in Table 1.3.

According to the report, exploitation of each club's brand through effective marketing is pivotal. It is the ability to leverage the associations made with the brand that sets apart the teams on the list in terms of revenues. Deloitte & Touche's *Sport/FourFourTwo* magazine survey identified the 20 richest football clubs in the world. England's Premier League held eight of the top 20 places, with Manchester United heading the list. The remaining places were filled with six Serie A (Italy), two Bundesliga (Germany), two Primera Liga (Spain) and two Scottish

Table 1.3 FutureBrand's top 10 most valuable team brands

Placing	Brand
1	Dallas Cowboys (American Football)
2	Manchester United (Soccer)
3	Washington Redskins (American Football)
4	New York Yankees (Baseball)
5	New York Knicks (Basketball)
6	Real Madrid (Soccer)
7	Bayern Munich (Soccer)
8	San Francisco 49ers (American Football)
9	Los Angeles Lakers (Basketball)
10	New York Rangers (Ice Hockey)

Table 1.4 Comparing the top five (US\$ million turnover) soccer and American football clubs

Soccer team	Turnover (\$million)	American football team	Turnover (\$million)
Manchester United	177	Washington Redskins	149
Real Madrid	157	Dallas Cowboys	142
Bayern Munich	139	Cleveland Browns	132
AC Milan	136	Tennessee Titans	125
Juventus	134	Tampa Bay Buccaneers	122
Total	743		670
Average	148.6		134

Source: *Football Business International*, December 2001, pp. 3–11.

Premier League clubs. To complete the comparative picture, Table 1.4 lists the top five soccer teams (US\$ million turnover) and the top five American football teams.

Demography

Given the limited threat of a global nuclear conflict, population growth is arguably the gravest issue facing humanity, with the possible exception of the HIV–AIDS epidemic that is wiping out an entire generation of Africans. Although this problem is far removed from the citizens of many Western nations, it is ultimately one that affects all people. Naturally the most direct consequences of overpopulation are localised. However, the

indirect effects are causing some severe environmental strains such as salination, overgrazing, desertification, the overpumping of scarce waterways for irrigation, topsoil erosion, and the burning of fossil fuels.

We can be quite unambiguous about demographic changes in the world over the next few decades. There are going to be more people around; lots more. Approximately 6.1 billion people currently inhabit the earth. Alarmingly, this will grow to 7.2 billion by 2015.⁸ The good news is that the number of children per female is dropping. The bad news is that while this net reproduction rate is declining, there are significantly more women on the planet than ever before, many of whom are part of a massive population bulge in Asia and the Middle East. Nevertheless, the population growth rate is diminishing: 1.7 per cent in 1985, 1.3 per cent today and 1 per cent predicted in 2015.

The essential issue is that the majority of the increase in world population – some 95 per cent – will occur in the expanding urban areas of emerging nations. Developed nations will not grow much. For example, Japan's current population of 130 million is likely to fall to around 100 million by 2030. Instead the developed world's population will become older on average, which will in turn place significant pressure on its social services, welfare, pension and health systems. The decreasing ratio of working population to retirees will force governments to delay pension opportunities, enforce higher superannuation contributions and encourage increases in migrant workers. In contrast, rapidly expanding youth populations will persist in regions such as sub-Saharan Africa and the Middle East, where unemployment and political tension may prove destabilising.

Urbanisation will prove the most significant population challenge for most nations. According to the United States Bureau of Census, by 2015 more than half of the world's population will be urban. The more frightening prediction is that the number of people living in 'mega-cities' of more than 10 million inhabitants, will double to around 400 million. These cities will probably include Mumbai, Karachi, Calcutta, Jakarta, Shanghai, Beijing, Tokyo, Cairo, Lagos, São Paulo, Buenos Aires, New York, Mexico City and Los Angeles.

This urbanisation is the key to understanding the impact of the population challenges facing the world over the next few decades. The real issue that arises out of drastic urbanisation is not population density but resource sustainability. For example, Hong Kong supports 320,000 people per square mile, which is around 20 times more than New York City.⁹ The problem is not the proximity, but the limited self-sufficiency of such extraordinary populations. The requirements of such cities for

external resources are prodigious and shortly will be too great for the rest of the world to provide. Unfortunately, the answer to this diabolical problem will not be found in one sweeping political or technological solution.

Sport and demography

With people living longer and the average age increasing markedly, the ramifications for sport are substantial. Fewer people are likely to engage in the most popular traditional and, incidentally, most athletic sports, such as soccer, other forms of football and basketball. These sports will need to market their products differently in order to satisfy the requirements of the older spectator or supporter. This may mean far more comfortable sport areas with greater and better access to car parks, bars and restaurants. It may mean showing top sports during the day or much earlier in the evening, with far less television coverage on Fridays and Saturdays when older viewers prefer to visit friends, go to restaurants or have a beer at the local pub or club. The 'ageing viewer' syndrome, for such it may well be, will probably herald a realisation that new sponsors will be required for sport. Colas and sport shoes may be fine for the under-35s, but the older generation may prefer a good red wine and comfortable slippers. It will be the sporting organisations and sponsors who can create the idea of youth combined with the comfort of older age which will be most successful in the next half century.

As the age structure changes, the emphasis on particular sports may change. As suggested, participation and possibly spectatorship of athletic sports may decline. Tennis, golf, lawn bowls and swimming – and, indeed, any sporting activity that may be continued into senior years – will be undertaken, and with participation comes following. We doubt that the Manchester United Lawn Bowls team will ever be more ardently supported than its namesake's soccer team, but expect it to be highly visible, nevertheless. Thus, there will be a gamut of opportunities to provide sport, leisure and related entertainment products and services to this wealthy, retired group, which will be looking for recreational experiences to spend their money on.

The impact of urbanisation will be mixed for sport. Urbanisation will offer the opportunity for larger markets within confined geographical regions to be tapped. A sports club participating in a regional or international competition representing cities such as Tokyo or Mumbai, which will shortly contain more than 20 million inhabitants, would need only a fraction of local support in order to be viable. The difficulties are

already prominent in cities like Mumbai, however, for popular sports such as cricket. Such cities have little hope of providing sufficient infrastructure to allow popular sport, leisure and recreation activities to be accessed by all willing participants. The explosive growth of cities, particularly in developing countries, will challenge governments to generate the investment levels required in order to sustain sport employment and develop infrastructure at the local level as well as for major events.

Urbanisation is also likely to facilitate the adoption of information technology and other technological advances. Where inhabitants have little chance of actually attending a sporting event, they will have greater opportunities of enjoying the event via television, the Internet, pay-television or alternate broadcasting platforms. The theme of increasing gaps between the wealthy and the poor holds true here as well though: more will be available to fewer.

Shifting demographic trends, immigration and urbanisation will add to the diversity of sporting experiences on offer. While the majority of new (or at least underexposed) sports will struggle to gain prominence and funding, the size of the market and the alternative broadcasting possibilities will open doors for innovative and opportunistic sport organisations.

Governance

Instituting change to combat problems such as overpopulation necessitates altering the shape of global society. To a large extent, the effectiveness of our individual actions upon population growth is determined by how we influence public institutions and policy. Thus, traditionally, motivating and facilitating government intervention have effected change. This will continue to be the natural approach throughout the next few decades, but the by-products of globalisation will compromise both the capacity and willingness of governments to intervene.

Globalisation, as we have already highlighted, has brought with it a greater flow of information, products and people, along with a diffusion of power and authority. Power has steadily moved from governments to non-state, private-sector organisations which have accumulated influence by virtue of their size, wealth and politically entrenched representatives. The first major challenge for governments globally will be to maintain legislative authority and control over the mega-conglomerates that wield extraordinary wealth and make significant contributions to national economies.

Globalisation has also encouraged a trend towards greater democratisation. Although the precise constituents of a democracy may still be debatable, approximately half of the world's nation states loosely fit into that category. As this trend continues, the popular demands for participation in politics and transparency of decision-making will also increase.

The opportunities for multinational companies have improved as a result of the growth of globalisation. Indeed, the numbers of multinationals are growing with incredible rapidity as well, particularly as the Internet has allowed resource-limited companies to expand into geographically diverse markets that ordinarily present formidable entry barriers. Large, commercial companies will enjoy involvement in products and services that have traditionally been discharged by governments. The deregulation of economies, privatisation of state-owned enterprises and the liberalisation of financial markets and trade opportunities will ensure that the commercial sector has more influence than ever before. It is likely, however, that state and national sport associations will be undersupported by governments.

The news is better for smaller, locally-based enterprises. Shifts away from government regulation and the broadening of financial and banking services will encourage the linkage of small firms to create broader, global networks that can compete with multinationals in flexibility and responsiveness to market trends. Similarly, the opportunities afforded by globalisation for regional sport organisations to network and leverage their activities and market power is significant, particularly as they are forced by governments to seek self-sufficiency.

Sport and governance

As we demonstrate in some detail later in this book, sport organisations have acquired influence that is not commensurate with their size and economic contribution. While the economic impact of hosting the Olympic Games is indisputable, it is hard to believe that a city would throw a public party to celebrate a pharmaceutical company's decision to relocate its manufacturing operations in the same way that winning an Olympics bid is hailed. Despite the social and tourist benefits of hosting a hallmark event like the Olympics, the presence of a major manufacturing operation may have just as much economic impact for a prolonged and sustained period, without the massive local capital expenditure.

Professional sports clubs are undoubtedly getting larger and larger, but even the largest, publicly-listed clubs (worth several billion dollars) do not come close in market capitalisation to the super-corporations in industries

such as oil, mining, pharmaceuticals, software and telecommunications, which are valued in the hundreds of billions. However, as we highlight later, an increasing number of publicly-listed and franchised sports clubs are being purchased by media companies seeking lucrative content. In the future, sports clubs will increasingly move from private ownership to corporate structures where shares are freely available for any individual or institution to purchase.

However, some sports clubs are so deeply entrenched in their local and national contexts that they will never be treated with the same imperatives that govern the behaviour of commercial enterprises. There are a handful of professional soccer clubs in Europe, for example, that are so heavily in debt as a result of borrowing money in order to finance the acquisition of star players that they would be immediately sent into receivership were they commercial organisations.

It is likely that governments will be forced to work closely with the private sector in both commercial and altruistic endeavours, such as attracting hallmark sport events to their shores. Organisations such as the Victorian Major Events Company in Melbourne, Australia, and Rotterdam TopSport in the Netherlands exemplify this approach. These government bodies work to attract major sports and tourist events and integrate them into their respective cities. This cooperation between the private sector and government will prove critical to successful sport tourism in the future.

The fierce economic and industrial independence some sports leagues have demonstrated is indicative of the growing power some sport enterprises are exercising in their governance. For example, the NFL has evolved radically since its inception in 1920 when the franchise fees were set at US\$100. The most recent movements in ownership of franchises within the four major US professional leagues are staggering. Some in the NFL have changed hands at more than half a billion US dollars, such as US\$530 million for the Cleveland Browns (1998) and US\$800 million for the Washington Redskins (1999). The value of high-profile sports clubs in developed economies will increase even further in the near future.

The importance of the ownership models propagated in the United States is tremendously significant for the global world of sport business. One of the themes in this book is the growth in centralised ownership of the world's resources, including sporting organisations. A United States Development Report,¹⁰ in 1996 noted that a total of 358 people own as much wealth as the poorest 2.5 billion people on the planet own collectively. Similarly, the wealthiest 20 per cent of nations receive

84.7 per cent of the world's combined GDP.¹¹ This trend has not bypassed the professional sports industry where, as we have variously observed, the ownership of teams is a privilege reserved for a handful of immensely wealthy individuals and organisations, notwithstanding the public shares that the average fan can purchase to own a modest stake in those clubs with corporate structures. It is worth a brief review of changes in ownership across the 'big' four professional leagues in the United States over the past year or so to substantiate this point.

Let us begin with major league baseball: Larry Dolan purchased the Cleveland Indians at the end of 1999 for US\$323 million. Dolan is most noteworthy because he is the brother of Cablevision chairman Charles Dolan, and apparently earned his wealth through ownership of Cablevision stock. The former Chief Executive Officer (CEO) of Wal-Mart, David Glass, purchased the Kansas City Royals for US\$96 million; an art dealer paid US\$50 million for a 35 per cent controlling stake of the Montreal Expos; and Canada's largest cable company, Roger's Communications, secured an 80 per cent controlling interest in the Toronto Blue Jays. In January 2002, the Boston Red Sox were sold for US\$660 million to a group led by Florida Marlins owner, John Henry.

In early 2000, Robert Wood Johnson, heir to the pharmaceutical giant Johnson & Johnson, grabbed the New York Jets for US\$635 million, outbidding the aforementioned Cablevision founder, Charles Dolan. The deal was at the time the highest price ever paid for an NFL team that excluded a stadium. In February 2002, the Home Depot business magnate, Arthur Blank, bought the Atlanta Falcons for US\$545 million.

Internet benefactor Mark Cuban, founder of Broadcast.com (which he sold to Yahoo Inc. in 1999), purchased a majority share of the Dallas Mavericks from Ross Perot Junior for US\$280 million. Unlike the Jets deal in NFL, Cuban's arrangement ensures him a stake in the American Airlines Centre. Another recent NBA ownership change was Wal-Mart heir Stan Kroenke's escalation from minority owner of the Denver Nuggets to majority owner for US\$450 million. The deal also included the NHL's Colorado Avalanche. Michael Heisley, the CEO of Heico Companies, bought the Vancouver Grizzlies for US\$160 million.

In the NHL, the New Jersey Devils were partially sold to Puck Holdings LLC, an affiliate of YankeeNets, for US\$175 million. YankeeNet now effectively controls 50 per cent of the franchise in addition to their ownership of the MLB team, the New York Yankees, and the NBA team, the New Jersey Nets. Computer Associates executives Charles Wang and Sanjay Kumar purchased the New York Islanders for around

US\$190 million, and the Phoenix Coyotes were sold to Los Arcos Sports for an estimated US\$87 million.

As the largest and wealthiest sports enterprises have developed greater independence in their governance, they have also shown increased willingness to expand their spread of influence in the global marketplace, just as their media overlords have. When media giants Time Warner and Internet powerbrokers America Online merged, it also provided an insight into the direction that sport will take in the near future. Not only did they create the fourth largest company in the United States with a stock market valuation of around US\$342 billion, but they also signalled their vision of moulding the company into an integrated entertainment empire. However, the longevity of this corporate giant might be limited to their ability to wield their newfound size effectively.

In a sense, the future of sport business might be better understood by looking at the history of human cooperation. It might be argued that clubs are like countries. History demonstrates that villages joined or were incorporated by stronger villages to become towns, then city-states. In turn these joined to become small countries, and the stronger countries forced the smaller countries into unions. For example, England subsumed Wales, then Scotland and Northern Ireland, America joined its states to become a single entity and Australia federated separate states to become a nation. In time, nations have united, economically and politically, such as in the European Union and NAFTA. Businesses have done the same. However, increasingly, while this continues, people are physically demonstrating a desire to de-amalgamate and to break into smaller entities, such as the Basques and Catalonians in Spain, the break-up of Yugoslavia and the Soviet Union, Scotland and Wales seeking devolved government and the potential division of Canada. In addition, more large companies are decentralising as they become too large to be responsive to fickle consumers. The question is whether 'mega' sport companies will become similarly bloated, expensive and inflexible, and will eventually follow suit. There is a strong likelihood that in the next few decades sport organisations will become too large to operate as single entities. However, the evidence suggests that they are still entrenched in the expansion, amalgamation and alliance stage in order to acquire greater market leverage.

For example, the New York Yankees recently announced a marketing alliance with English Premier League glamour club, Manchester United. As we will observe on several occasions in this book, in the near future, the ownership and governance of large and influential sport enterprises will increasingly fall under the control of fewer and fewer. In other words, those few companies will seek to acquire the sporting clubs that can be

profitably leveraged within their range of media and entertainment products. Just as with the Manchester United–New York Yankees marketing alliance, it also appears likely that more clubs will cooperate across leagues and nations to maximise penetration into new markets in order to allow themselves to exist in the ‘global’ arena, particularly when they are effectively governed by the same puppet-masters. Thus the Manchester/New York alliance will continue for a while until a formal partnership is achieved and will last only until it gets too big for one board to handle, or until the sport business world acknowledges, as have their larger corporate counterparts, that the sum value of the parts is sometimes worth more than value of the whole. This may subsequently lead to the break-up of the major entity into self-supporting divisions. Before this happens, we will see the ‘mega-merged’ companies operating in the media/entertainment segment of the sport industry, such as AOL Time Warner and News Corporation, begin to fragment in order to preserve their competitive advantages. Alliances will remain, but the trend towards physical mergers and acquisitions will eventually cease as the process comes full-circle.

The United–Yankees deal is not limited to copromotion in theory, although at present it seems more like a mechanism for distributing information and merchandise over the Internet, as well as to facilitate the sale of broadcasts to overseas media outlets. However, the revenue-generating capacity of this cross-promotional strategy may be restricted as both teams are limited in their rights to sell broadcasts to their games. One of the most interesting sticking points for the future of professional leagues will be the interaction between the broadcast rights owners – in some cases, also the owners of the teams participating in the league – and the league itself. However, the alliance is likely to allow the teams to construct sports programming that will be suitable for re-packaging, particularly for the Internet or other underexplored ‘new’ media. Of course, the Yankees also hope that they can expand their brand recognition beyond the United States, just as Manchester United has acquired a strong awareness in Australasia.

The ownership and governance model exercised by Manchester United and the New York Yankees stands in vibrant contrast to the arrangements held by NFL club, the Green Bay Packers. Although a rarity in the company of extraordinarily valuable NFL franchises, the Packers are a non-profit organisation that is also one of the most successful teams in the league. There are few other examples of such ownership in high-profile and powerful sports clubs with international brands. Barcelona Football Club’s fan ownership structure and the membership-based clubs in the

Australian Football League provide interesting counterpoints to the massive private franchises and PLCs in American professional leagues and European soccer.

Increasingly, the future of sport is in the hands of the private sector, where economic opportunity will prove the driving focus of investors and broadcasters, and government involvement, intervention and funding will move further to the periphery. Thus, the original owners of sports and clubs – the fans – will become further marginalised, left to watch powerlessly as media empires seek and gain control and ownership of sport institutions. Decisions will be made according to the special interests of these owners. Accountability and transparency will not be hallmarks of their business operations. The fans will rarely have an insight behind the veil of decision-making in their own clubs and, in some sports, will become further out-priced when it comes to acquiring a ticket to their club's matches. Although some of the clubs in the English Premier League have embarked upon customer retention pricing strategies, effectively acknowledging the importance of grassroots support for their club, one thing remains certain: great sporting experiences will be available to anyone providing they are prepared to pay for the privilege.

The biggest obstacles in the path of sport businesses' evolution will not only be tackled by sport owners and mega-corporations fighting over lucrative media content, but will be faced by governments in the way they handle changing communal identities and networks. By leveraging the opportunities provided by globalisation and decreased government authority, communal groups, both religious and ethnic, will be better placed to act on perceived discrimination and political dissatisfaction. The internal tensions will largely remain political in most Western nations, but in some regions the dissonance between ethnic or religious groups will be sufficient to incite physical conflict, war and terrorism.

Conflict and war

It is not difficult to appreciate the negative impact conflict and war has on all things. One of the frightening realities that accompanies globalisation is that with increased accessibility to information comes the likelihood that dangerous materials may fall into the hands of groups that wish to use it for destructive purposes. This problem may be exacerbated with the deterioration of national border control, export regulation and sanctions. Simply put, arms and weapons technology transfer will become even more difficult to control. The possibility that weapons of mass destruction will

be used against developed nations, especially the United States, will increase, but principally from rogue states or terrorist factions. Many commentators have soberly noted that the nature of life in the Western world was irrevocably changed as a result of the terrorist attacks on the United States in September 2001. Strategic weapons of mass destruction ‘threats’ will potentially exist from Russia, China, North Korea, Iran, Iraq and several other nations. However, the chance of conflict between developed nations will remain low.

Scuffles and conflicts between developing nations will remain frequent, but generally not on a large scale. The greatest danger zones include Asia, where India and Pakistan, China and Taiwan, and North and South Korea may extend their existing rivalries, the Middle East, where the Israeli–Palestinian tensions are likely to continue until a Palestinian state is negotiated, and sub-Saharan Africa, where internal skirmishes between power-seeking groups have caused millions of deaths over the last few decades. More and more, the United Nations and other independent organisations will be required to intervene, pressured by the major stakeholders – developed nations – to restore stability to the fighting regions and ensure that the fallout does not reach their shores or impose upon their access to resources. The greatest concern for most developed nations will remain the cultural, religious and ethnic affiliations that are manifest in the Middle East.

Sport, conflict and war

Naturally, global conflict would have a devastating effect on sport. Even the threat of terrorism in the United States following 11 September, culminating in the Salt Lake City Winter Olympics, was sufficient to cause substantial security chaos and, for a short time, the cancellation of sport events. The threat of terrorism in Western nations, and localised conflict in other regions of the world, such as the Middle East and Africa, will be enough to curtail the globalising forces of sport in the near future, which have traditionally been amongst the most ‘borderless’ activities in the world. However, not all conflict that will forge the future of sport business will be physical, or fought outside the boundaries of Western nations. The conflicts that will decide the future of the sport business will be contested in the boardrooms of some of the world’s most powerful media companies.

Some of the more interesting conflicts in the world of the ‘new economy’ will occur between the media multinationals who are fighting for control over the ownership of the most recognised brands. Mike

Marqusee noted that contemporary sport is being used to 'brand' larger and larger amounts of public space, be it material, televisual or cyber. He believes, as do many sport commentators, that the single most powerful individual within what he calls the corporate-media-sport nexus must be Rupert Murdoch. Murdoch's empire is alarmingly widespread and all-consuming. There are few areas of professional sport that remain untouched by his hand, and even fewer that have escaped his attention. He has also shown a particular preparedness to enter new markets and capture a first mover's advantage that only a handful of others would have the resources and infrastructure to contemplate.

Murdoch's empire is founded upon three levels of sport entertainment. First, his Fox, Sky and Star television networks broadcast major sporting events across North America, Europe, Australasia and South America. This base level of his sport entertainment empire is solidly built upon event coverage and exclusive ownership of broadcasting rights. The second level leverages this coverage magnificently by using the events to provide inexpensive and almost inexhaustive content for Murdoch's newspapers in Britain, the United States, Australia and Asia. Quite clearly the opportunities for repeatedly selling the same overlapping content have not gone unnoticed or unexploited.

The final tier of Murdoch's sport entertainment empire comprises a number of prime sport enterprises that are either directly owned or controlled by his companies. They include British and German football clubs, major league baseball teams in the United States and rugby league clubs in Australia's National Rugby League (NRL) competition. It is worth conducting a further stock-take of a few other pivotal stakeholders in the global sport entertainment battlefield, since these are the largest and most powerful factions fighting for control of the future of sport.

We have already mentioned Rupert Murdoch. Murdoch has recently started to direct some of his cash into the Internet, although his son Lachlan has been benched after a disappointing run with One-Tel in the telecommunications industry in Australia, which collapsed in 2001 and took with it a billion of Rupert Murdoch and Kerry Packer's money. Murdoch has agreements with Yahoo, and Star is collaborating with the powerful sport broadcaster ESPN and their 20 television networks that cover almost 200 countries. Importantly, ESPN also operate the most 'hit' sport website in the United States. They are proving an essential portal to sport information and viewing. ESPN is only a flank of the army, however, which is anchored by ESPN's owners, the Disney Corporation. On the other flank, Disney's network (ABC) holds the rights to a range of US sports. Like Murdoch's News Corporation, Disney has also ventured

into purchasing sport content by owning the factors of production, including MLB and NHL teams. Despite the magnitude of News Corporation and Disney, the newly formed AOL Time Warner, under Chairman Steve Case, may be the best placed company to determine the future of the sport business in North America. With 34 million Internet subscribers, television stations, film studios, cable television and sport franchises, the company has the opportunity to become the first to make the distribution of sport through the Internet a practical reality. The successful accomplishment of this will be the first decisive battle of the new millennium on the sport business field. However, a cautionary note is required. Big may ultimately prove too big. AOL Time Warner reported a massive loss in the year 2001, either a sign of the need for investment patience or, indeed, a sign of faltering progress. Profit margins on narrowband are great but these margins will dramatically decrease when consumers switch to broadband technology, given the fact that large investments are required to upgrade the distribution infrastructure. Massive adoption of broadband technology will also lead to an increase in downloading (pirating) music and film products that are still too big for narrowband, reducing the advantage of having a wide range of content products. Placing an early bet on the future, the colossal vertically-integrated companies of today may fracture into myriad relatively independent entertainment cluster specialists in a decade or so.

Like capricious warlords, a number of the companies competing for the future of sport have formed alliances to manage some products, while fighting fiercely over others. For example, Murdoch and Packer are notorious enemies, having nearly destroyed Australia's national rugby competition between them, but have collaborated on a number of projects to their mutual benefit. The future of sport business promises similar levels of bitter competition, uncertainty and uneasy collaboration.

Other major factions include the Italian President and television magnate, Silvio Berlusconi, who is the principal owner of AC Milan and a significant stakeholder in the recently collapsed Internet company Sportal. Although struggling under the burden of an estimated £5 billion debt, the German media group Kirch have been, up until recently at least, significant players in international sport broadcasting. One of the problems has been Premiere, Kirch's pay-television platform, which has been losing around £1 million a day. Worse, News Corporation is one of Kirch's largest creditors and is expecting a £1 billion refund of the capital it invested in the platform. However, in an attempt to avert bankruptcy, Kirch have placed their 58 per cent of SLEC, the company that controls the broadcasting and media rights to Formula One on the market.

Ironically, the former master of Formula One, Bernie Ecclestone, might be one of the potential buyers. It was Ecclestone who transformed Formula One into a global sport phenomenon that entices 350 million viewers in 150 countries to tune in to watch the world's most over-engineered cars race and crash. In fact, Formula One has grown to such an extraordinary size that only the Olympic Games deliver higher global television sports ratings. Ecclestone is also the promoter of his own tracks in Belgium (Spa), Germany (Hockenheim) and France (Magny-Cours). These revenues have been variously estimated to generate Ecclestone an additional US\$200 million in a total revenue approaching US\$500 million per year. However, Ecclestone's grip on Formula One had loosened with the Kirch Group's control of Formula One holding company SLEC, which had in turn stimulated car manufacturers to get itchy feet and threaten to start their own series when the existing agreement expires in 2008. Other noteworthy factions include Canal Plus, the French pay-television station that also owns Paris St-Germain football club, while Fiat owns the Juventus football club and the Ferrari Formula One motor-racing team. Few other cultural icons with nationalistic origins have incited a more fanatic following than Ferrari and its Italian tifosi.

Religion and cultural identity

For the moment, we are concerned with the impact of globalisation on the future of the world and upon the nature of future sport business. To that end, we shall confine our commentary in this section to a macro overview of the issues as they arise from globalisation. Nevertheless, like the Internet, we believe that cultural issues will play such a significant role in shaping the future of sport that we have dedicated a chapter to detailing it from a micro perspective later in this book.

From a macro viewpoint, the impact of religion promises to have a significant impact on the way in which the world unfolds this century. Presently, the two major world religions are Christianity and Islam, which command approximately 1.9 billion and 1.1 billion adherents respectively. Around 900 million people reserve judgment, while Hindus, Chinese folk religionists and Buddhists comprise 760, 380 and 350 million advocates worldwide.¹²

Christianity and Islam are widely dispersed over several continents and already capitalise on the opportunities for propagation afforded by technology, such as television and the Internet. Most of the world's states

are ethnically and religiously heterogeneous. In other words, most countries in the world house people adhering to more than one religion and ethnic background. Globalisation would suggest that religious heterogeneity amidst nations would grow. However, this view tends to assume that the power of globalisation is superior to that driving religious affiliation. While this may hold true for some parts of the developed world and, in particular, Western nations, this may not hold true for regions such as the Middle East.

Samuel Huntington's book, *The Clash of Civilizations and the Remaking of World Order*, may turn out to be prescient in its consideration of the role of religion in the future. Huntington argues that a number of factors increased the conflict between Islam and the West in the late twentieth century, and this conflict marks the growing religious congregation of Islamic communities across the globe. To extrapolate, instead of developing affiliations on the basis of geography (EU, NAFTA, ASEAN) or even mutual need, the civilisations of the future may be characterised by religious homogeneity.

First, Huntington notes that the Muslim population has grown significantly. In fact, he predicts that in somewhere between 25 and 50 years from now, Islam will become the most followed religion in the world, and the numbers following Christianity will fall considerably. Population growth, especially what we noted as the youth bulge, has created growing numbers of unemployed and disaffected young people who have migrated to Islamic causes. Second, the Islamic resurgence has provided a renewed sense of worth and importance in the world order, also helped along by oil resources. Third, the West's continued distribution of values and unwelcome intervention in Middle Eastern conflicts has fostered significant resentment. Fourth, the degeneration of communism removed a common enemy of the West and Islamic states. Finally, globalisation has increased interaction between Westerners and Muslims and has had the effect of reinforcing the differences between the two.

The essential issue that Huntington raises is whether future civilisations will be constructed on the basis of diversity and multiculturalism or on the foundation of cultural commonality. Certainly, the forces of globalisation, as we have noted, are pushing the world towards greater universalism and integration. It remains unclear whether the power of globalisation will be adequate to dilute religious affiliation in the Middle East, or whether religious grouping has the strength to overcome pressures to globalise. This constitutes one of the key uncertainties for the future that we shall tackle at the conclusion of this book.

Sport, religion and cultural identity

The possibility of homogeneous groupings rather than geographic or national boundaries may be a revealing concept for the sport business. Part of the difficulty facing professional sport organisations is their assumptions concerning the rest of the world. In essence, professional sport has been propagated in the West, and other professional sport enterprises around the world have followed this model. It has been argued, for example, that the international trends emerging in sport are examples of 'Americanisation' rather than genuine globalisation. This trend might be interpreted as an outcome of the explosion of sports on television, particularly on pay and cable platforms such as Fox in the United States, Star TV in Asia, BSkyB in Britain and Foxtel in Australia. From these vast warehouses of sport entertainment comes the not so subtle reinforcement of the consumption experiences that have become commonplace in the United States.

The problem is cultural compatibility. The professional Western sport model is not the only method of delivering sport. The Western world seems to want to reinvent sport in the rest of the world in its own image, but this universal approach does not necessarily stand up in areas that hold fundamentally different value systems to the West. For the moment, it is incomprehensible to imagine professional sport prospering in the Middle East, for example, simply because the values of professional sport are incompatible with the wider culture. Sport will never make significant inroads into the Middle East and other Islamic nations until sport managers abandon the need to inculcate it in Western values. Is the prosperity that globalisation promises worth a dilution of a nation's distinctive national, ethnic and religious cultures?

Negative Impacts of Globalisation for Sport

While on balance the news for professional sport in the future is good, there are a number of negative impacts of globalisation that should be considered. Peter Ellyard¹³ in his book, *Ideas for the New Millennium*, highlights eight factors that have already disadvantaged many nations and interest groups. We have picked up on some of Ellyard's prognostications and discuss them within the sport context below. Given the picture we have just painted concerning the globalised future, it is likely that these factors will become even more damaging, and will severely curtail the success of some sport organisations.

First, as we have already highlighted, the economic futures of some developing nations are likely to develop under the shadow of a new generation of economic imperialists enforced by the globalisation winners. As the economic opportunities diminish in developing nations, so too will their sporting possibilities. The potential for genuine, balanced international sporting competition will continue to be an elusive target, although there will always be a handful of nations that perform well above our expectations in certain sports, despite a lack of resources. We might, for example, anticipate that countries such as Kenya and Cameroon will continue to produce world-beating distance athletes and football sides, respectively. Developed countries may remain reluctant to accept imported sports and will react by erecting rigid barriers to entry in order to protect their own domestic sports' popularity. Similarly, at a micro level, even within developed nations, the gap between the wealthy and the deprived will expand. This economic divide will create an entire class of people relegated to extremely limited sporting spectatorship and participation options. For a tiny minority of these people, sporting prowess will be their liberation from poverty but, for the majority, an unhealthy lack of involvement in sport participation may restrict their opportunities for financial independence through education and training.

Second, globalisation has exacerbated the negative aspects of corporate restructuring which has included the relocation of manufacturing industry from developed to developing countries. While these domestic job losses do not largely influence the sport industry in developed nations, save for the manufacturing side of sport products, the subsequent unemployment increases have an unfavourable effect on sport spectatorship. In addition, with higher unemployment comes a more restricted flow of discretionary leisure income, as other workers fear the possibility of retrenchment.

Third, globalisation is encouraging the migration of people from rural communities to urban regions all around the world. While this is great news for large, city-based sporting competitions – professional sport – it disadvantages rural districts in personnel, participants, infrastructure and opportunity. The very locations that have the greatest geographical and environmental prospects for sport are also the most marginalised.

Fourth, with globalisation comes the opportunity for taking advantage of the increasingly networked global financial system. Powerful currency traders who almost single-handedly destroy the value of some countries' trade circumstances are examples of these 'cowboys' of capitalism. Increasingly we shall see sport cowboys who will be quite prepared to exploit players, spectators and governments in their desire to acquire wealth. There are plentiful examples of sport agents and entrepreneurs

who have devalued sport by offering shoddy products, and of respected sporting officials accepting bribes to sway their political affiliations. There are also numerous opportunities for politicians to use sport and hallmark sport events to manipulate their own popularity irrespective of the price that their public has to pay. The celebrated debt left from the Montreal Olympics did not dissuade Nagano from jumping into the same deep waters.

Allied to this is the alarming growth of global, organised crime. As crime syndicates have globalised more effectively than law enforcement agencies, we shall see more examples of sporting franchises that are owned by criminal groups as money-laundering vehicles. The use of sport events as venues for terrorism and other extreme political activity will also increase.

Fifth, as we noted, the divisions between dominant and subjugated cultures within both developed and developing nations are likely to continue, probably with an increased gap. The benefits of globalisation enjoyed by the majority groups are not necessarily being passed on to minority populations. The outcome will be that the dominant cultural activities, especially sporting ones, are subsidised and popularised, while the activities associated with minority cultures are comparatively ignored and marginalised. An example might include lacrosse in North America.

Finally, the separation between educated and less educated parts of the world is being stretched by globalisation. Ironically, educational opportunities are growing constantly and have risen to an all-time high. The problem is accessibility. Selected countries have more opportunity than ever before, while opportunities for others still remain sparse. Technological advancements, instead of bridging this gap by providing inexpensive distance education, are more likely to provide ever-greater options for those countries already heavily educated. This lack of education again underscores the potential that the next few decades may have on sport for many emerging nations. Lack of infrastructure, resources and trained personnel will not facilitate the development of any local sporting success.

George Wright also noted some tendencies of globalisation as they directly affect the conduct of sport.¹⁴ The interesting element of globalisation is that while it can obviously be observed as a global trend, it is manifested at the local level. Thus, for example, we have seen a proliferation of involvement in professional sport by what Wright considers global telecommunication oligopolies, including News Corporation, Disney and Time Warner. Their involvement is rarely limited to silent ownership. They demand significant control of the timing, production, marketing, merchandising, licensing and viewing of sport. Wright points to Disney as an example, which owns the following sports-related

subsidiaries: ABC Sports, ABC Sports International, ABC Sports Video, ESPN, Eurosport (along with TF 1 and Canal Plus), the Anaheim Angels (MLB), and the Mighty Ducks (NHL). Indeed, Disney, AOL Time Warner and News Corporation are embroiled in a war to own some of the most valuable global sporting assets. News Corporation's infamous attempt to purchase Manchester United after securing the Los Angeles Dodgers has become the archetypal example.

The impact of global corporations on sport is probably best evidenced by Rupert Murdoch's News Corporation activities, which cranked up a notch some years ago on the back of the existing NFL rights. He later purchased the LA Dodgers for 25 times its earnings. It has been widely speculated that the team's multinational line-up, including players from Mexico, Korea and Japan, were a strong element in the club's attractiveness. The subsequent signing of pitcher Kevin Brown on a seven-year US\$105 million contract (roughly US\$400,000 per game) has been seen by some commentators as a further step blurring the distinction between sport and show-business. Smaller clubs complained about the deal and its implication (that they would no longer be competitive whilst media-owned companies could sell their own clubs as the only worthy attractions).

Murdoch also ventured unconditionally into the world of rugby. Perhaps most memorable was his Super League adventure in Australia. Interestingly, Super League was based not on the traditional, member-based model of club ownership traditional in Australian sports, but instead upon privately-owned, profit-seeking franchises with few teams, each of which had been granted exclusive catchment zones. The league also established pooled merchandising and advertisement revenues through joint marketing deals. However, the attraction of the new Super League was only enough to splinter the fans between the existing Australian Rugby League competition and the breakaway group. The two merged to form the National Rugby League. Not long afterwards, a new governing body for rugby union was established across South Africa, New Zealand and Australia, known as SANZAR. Six weeks later Murdoch agreed to pay US\$50 million over 10 years for exclusive world rights to all rugby in those countries.

The impact of the media, in particular television, cannot be underestimated in the escalation of the value of professional sport leagues. We mentioned earlier the television rights deal in the NFL is indicative of the financial magnitude that the largest professional sports can command. Table 1.5 summarises the sport broadcasting television deals that have been struck by American networks up to 2000.

Table 1.5 United States sport broadcasting rights deals

League	Network	Years (Ends)	Amount (US\$)
NFL	ESPN	8 (2006)	4.8 billion
	Fox	8 (2006)	4.4 billion
	ABC	8 (2006)	4.4 billion
	CBS	8 (2006)	4.0 billion
NBA	NBC	4 (2002)	1.75 billion
	Turner	4 (2002)	890 million
MLB	FOX	5 (2000)	575 million
	NBC	5 (2000)	400 million
	ESPN	6 (2005)	850 million
NHL	ESPN/ABC	5 (2004)	600 million
NCAA Hoops Tournament	CBS	11 (2003–2013)	6.0 billion
NCAA Football BCS	ABC	8 (2006)	930 million
NASCAR	NBC/Turner	6 (2006)	1.2 billion
	Fox	8 (2008)	1.6 billion
Olympics	NBC	13 (2008)	3.5 billion
PGA Tour	ABC/CBS/NBC/ESPN/USA and the Golf Channel	4 (2006)	850 million

Wright also observes the use, and perhaps abuse, of manufacturing sporting goods in developing countries. For some companies, he claims, the outsourcing of manufacturing has created a sort of third class of personnel. Without leaping to any moral conclusions, the trend is clear: in a global economy labour is not confined to national boundaries.

Third, Wright believes that international sport federations are assuming new responsibilities. While international sports federations (ISFs) such as the IOC, the Federation of International Football Associations (FIFA) and the International Amateur Athletics Federation (IAAF) have enjoyed tremendous revenues as a result of selling television rights and sponsorships, they have paved the way for smaller ISFs to acquire the financial support they need to expand globally. This trend dovetails with Wright's fourth trend, that of substantial, long-term sponsorships of leagues and clubs by multinational corporations. This can be evidenced all over the

world from the big four leagues in the United States – football (NFL), basketball (NBA), baseball (MLB), ice hockey (NHL) – to European soccer, world rugby league and union, cricket, tennis, golf, motor sport and sailing, to name a few. All offer fundamentally the same sponsorship association opportunity to sell an extraordinarily diverse range of products and services, only some of which are directly relevant to sport itself.

Fifth, the control of events and influential athletes has migrated from sport associations to independent and entrepreneurial international sports management firms, such as IMG, Octagon and SFX. These companies control athletes, the events that their athletes compete in, the associated television rights, sponsorships, endorsements and publicity.

Globalisation has also, according to Wright, magnified the numbers of foreign athletes on professional teams. While this remains the exception rather than the rule in the United States, it has become an intricate part of professional sport in Europe, Asia and, to a lesser extent, South America. Although in the English Premier League Chelsea has become famous recently for fielding a side without a single Englishman, the trend seems to have gained virtually universal, if reluctant, acceptance.

Professionalisation of formerly amateur sports, such as athletics, is Wright's final global sport trend. This professionalisation has emerged out of the immense sums of money associated with the Olympics and the disintegration of the amateur Olympic ideal. The linkage between sport's professionalisation and globalisation is simultaneously obvious and complex.

Summarising Globalisation Trends in Sport Business

We have employed trend analysis to present a great deal of information in this chapter, both about the general trends we anticipate throughout the world and the trends that will emerge in sport business. We have also made clear that the sport industry is significant in magnitude from economic and social perspectives. In fact, the sport, leisure, recreation and entertainment industry is economically the third largest legal industry in the world behind oil and automobiles (drugs and guns are the largest).

Despite the many popular opinions, we concur with the definition provided by Theodore Cohn in his expansive book, *Global Political Economy*,¹⁵ which explains globalisation as the broadening and deepening of interdependence amongst (sport) organisations and (sport) activities across the world. Broadening refers to the geographical extension of linkages, while deepening refers to an increase in frequency and intensity.

A leading scholar on sport globalisation, Bob Stewart, provides us with a useful, practical set of trends associated with the concept:

- growth of the global economy
- dominance of the transnational corporation and transnational brands
- explosion of international trade in cultural goods
- growth of international finance markets
- expansion of international telecommunication and media
- increasing international travel
- acceleration of global migration
- growth of international tourism
- expansion of global governance and regulation

Building on Stewart's points, we can summarise the trends associated with sport globalisation as shown below:

1. Proliferation of sports on television and other media/entertainment mechanisms (radio, print, Internet, pay-television).
2. Ongoing increase in value of genuinely global sport properties, including athletes.
3. Blurring of what is sport and what is entertainment.
4. Vertical and horizontal integration of sport enterprises by entertainment and media companies.
5. Integration and consolidation of sport, leisure, recreation, television, film and tourism industries into elements of the entertainment industry.
6. Growth in the economic effects and impacts of sport.
7. Increase in venture capital and investment in transnational sports and sport properties.
8. De-fragmentation of sport governance.
9. Simultaneous professionalisation and marginalisation of smaller sports and leagues. (They will professionalise their management and marketing, but the gap between the sport enterprises that are globally successful and those which remain only domestically viable, will grow.)
10. Convergence of economic power in sport ownership. Fewer and fewer will own more and more of sport.
11. Development and utilisation of technologies which enhance the entertainment value and radically improve the diffusion and distribution of sport to new markets.

12. Increase in world acceptance of capitalism as the pre-eminent economic philosophy and of sport as an effective vehicle for achieving wealth.
13. Increase in 'Americanisation' and 'Westernisation' of sport.

Final Comments

This chapter was about the drivers of world change, the trends they are presently manifesting, the likely circumstances if they persist and the ultimate implications upon the business of sport. Thus, we have painted a portrait of the world of sport business if today's trends continue into the future. In summarising, we must immediately acknowledge that the impact of these trends varies considerably depending upon the site in which sport is played. It is useful, therefore, to divide the world on the basis of this geography. Four categories of sport business development in nations can be identified: Hyperdeveloped, Developed, Developing and Underdeveloped.

The United States stands in a league of its own in terms of the evolution of its sport business industry. It is therefore the only nation that might be considered to possess a Hyperdeveloped sport business system. Developed sport business systems include countries such as Canada, those in Western Europe, Australia and Japan. Developing sport business systems include a number of South American countries, as well as China, India, South Africa and some in Eastern Europe. Underdeveloped sport business systems encompass the remainder (and majority) of the world, including most of Africa and many countries in Asia. This segregation is not designed to serve as a formal typology of sport business development, but rather is used here as a reminder that only small parts of the world have embraced the sport business in significant ways. To that end, when we talk about sport globalisation and commercialisation, we are usually talking about developed nations and the United States. We will return to this division of sport business systems in Chapter 3.

We do not know whether the trends we have identified in this chapter will continue. There are factors, which we have named 'nexus factors' (the economy, technology and culture), which we believe can potentially play a 'switching' role in the development of sport business's future. We will explore these variables in Chapters 5, 6 and 7, respectively. Nevertheless, the future of sport is still unwritten, and this book culminates in a set of future scenarios that encapsulate the alternatives, taking into account the

directions in which the nexus factors might take sport business. We also acknowledge that, whatever the future holds, it is likely to lack parity.

As a final note in this chapter, we would add a caution about getting too carried away about the position of sport business as a major global entity. There are really only a handful of genuinely global sporting properties: Nike, Manchester United, the Olympics, the World Cup, Formula One, the Dallas Cowboys, the New York Yankees, and Ferrari are examples. Most of the rest are not genuinely global. Even those that we may consider to have a genuine claim as a global sport brand are relatively small players in the larger pond of media/entertainment companies such as AOL Time Warner.

We must therefore add a tone of reservation to offset the hyperbole and hubris presented by some sport commentators who tend towards hyper-globalisation scenarios. Although we note the magnitude of the sport industry, we must also recognise the fact that its size is not necessarily evidence of a blistering global economy so much as a reflection of sport's importance in many individual societies. It therefore remains of importance for us to define the range and classification of the industry, and to further clarify its role in the 'new' world order. We shall shortly therefore determine the constituents of the global sports industry in Chapter 3.

As highlighted earlier, the industry consists of multiple constituents that have overlapping, sometimes ambiguous relationships with increasing centralisation tendencies, at least in the near future. In Chapter 4, we will consider conglomerate oligopolies that own a range of subsidiaries, including sport enterprises, as well as other companies that feed from the sport industry: sports teams and clubs, some participatory in nature, others mass entertainment in orientation, still others focused upon manufacturing; national sports leagues that promote their teams and athletes and have developed sponsorship and merchandising relations with global companies; international sports organisations and federations and national sports governing bodies; businesses that fit into the sport value chain, including suppliers of food and beverages, raw material suppliers for sports apparel and footwear, advertising groups, lawyers, and doctors; and gambling, a perennial associate of sport.

However, before we venture into the current form of professional, commercial sport, we will cast our investigation back to the beginnings of it all, and attempt to determine how sport came to be what it is today, and why it is that people might be motivated to become sports watchers and consumers.

Notes and references

- 1 The lift may be the critical factor in the development of cities since it enabled people to build up as well as out.
- 2 In no way do we imply that sport equates to 'play', which is why we have attempted to summarise extensive academic research into defining sport. In the context of this book we argue sport to be structured and sometimes scripted play. This definition does not do justice to the elaborate academic discussion that has taken place in regard to the proper definition of the collection of activities that are understood to be sport. However, this book is not the place to enter into such discussions. Rather, we aim to set the scene for sport as an increasingly ubiquitous development in modern society with significant influence on how society further develops. In order for us to develop our arguments, we have chosen to position sport as something that is a core element of human nature (and hence had to be discovered) which, through societal transformation, has increasingly been commodified. Excellent insights into the definition of sport are provided by: A. Guttmann (1988) *Games and Empires: Modern Sports and Cultural Imperialism*, Columbia University Press, Chapel Hill; J. Bale (1989), *Sportgeography*, E. & F.N. Spon, London; M. Bottenburg (1994), *Verborgen competitie, over de uiteenlopende populariteit van sporten*. Uitgeverij Bert Bakker, Amsterdam; C. Gratton and P. Taylor (2000), *Economics of Sport and Recreation*, E. & F.N. Spon, London; T. Dejonghe (2001), *Sport in de wereld: Ontstaan, evolutie en verspreiding*. Academia Press, Gent.
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