

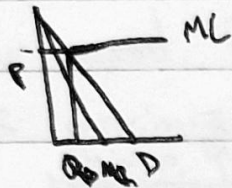
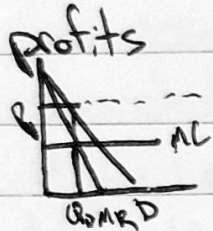
17/9/2018. Broadcasting

- Buu Says are vertically integrated.
- Broadcasting intervenes in ~~ticket sales~~. gate revenue.
- Blockout games for games that didn't sell out.
- ~~Licensing~~ Licensing.

Vertical Integration - some means of production increasingly efficient.
 - Combo of different stages of production

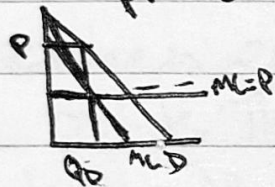
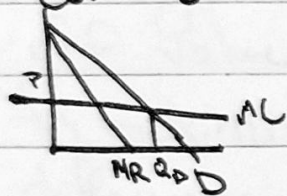
20/09/2018

• Sport teams ^{become} ~~become~~ increasingly interested in broadcasting to gain more profits



• Less profit ⁱⁿ league & teams

• Cost of production is marginal cost of production



• Owner of both firms don't care which higher profit.

• Leagues ~~provide~~ provide organization & financial aspects of teams

• Idea that the teams ~~don't~~ have the same goal of profit maximizing
 • Success of team A depends on the success of team B.

• Standardized sporting rules.

• Rules can change to ~~effect~~ affect outcomes. (For higher scoring games & what not).
 • A team starting their own league would have more elastic demand curve (more responsive to price).
 • Multi plant Monopoly.

Team Goals & Behaviour.

- Should Teams maximize profit or behaviour? Typically we assume teams maximize for profit which is what the shareholders want. Teams like the ~~the~~ millennial Toronto Maple Leafs maximize profits. On the other hand teams like the ~~the~~ ^{Chicago Blackhawks} ~~Washington Capitals~~ are maximizing wins.

Although they are extremes, the two have stroke off value between each other. If a team wanted to maximize profits they would wish to increase the difference between the revenues & costs ($\pi = R(w) - C(w)$, $w = \text{wins}$)

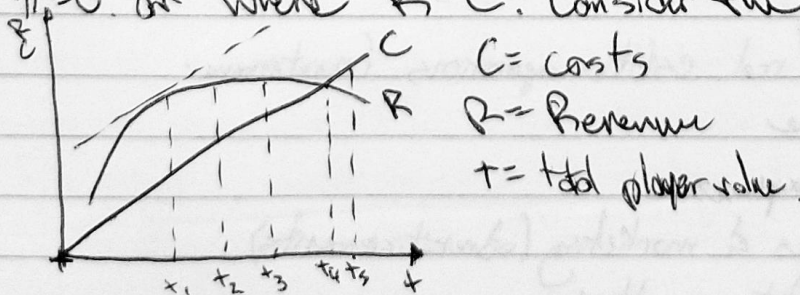
Revenue increases with wins but with a decreasing rate.

Costs also affect the win rate (better players). ~~If a~~

~~team were to maximize wins~~ It should be noted that the greatest difference is where $MR = MC$ ($R' = C'$).

If a team were to maximize wins they would wish to increase the cost where there are maximum wins while still being profitable. This is represented by $\pi = 0$.

For teams looking to break even, they would exist where $\pi = 0$ or where $R = C$. Consider the following graph:



~~Profit maximizing~~ $t_1 \rightarrow \text{profit maximizing}$

$t_2 \rightarrow \text{Revenue maximizing}$

$t_3 \rightarrow \text{Profit \& Winning Ideal}$

$t_4 \rightarrow R = C, \text{Maximizing Wins at Break-even}$

$t_5 \rightarrow \text{Maximizing Wins at a loss}$

Revenues & Operating Income.

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• 2 ways to control a team: Monopoly & Monopsony.

→ - Monopoly - Owner & broadcasting are separate

- Fees count toward marginal cost

- Inevitably higher cost for consumer

- Typically maximizes for wins.

- Monopsony - Owner & Broadcasting combined (Blue Jays)

- Lower cost because of broadcasting fee reduction

- More profitable, is either firm.

- Obviously maximizes for profits.

• ~~Monopoly~~ These two (Owner)

• Venue Revenue

- Non-ticket income - Parking, concessions, stadium agreements, club seats, etc.

- ticket sales

• Operating Income

- This goes to pay for many things

- Salaries, benefits, contractors, IT services

- Taxes

- Retail / real estate operations (maintenance)

- Insurance

- Travel Expenses

- ~~Marketing~~ Sales & marketing (advertisements)

- Copyright royalties.

Strategic Pricing & Price Discrimination

- Some customers will pay more ~~or~~ or less for the same product. Price discrimination is a pricing strategy that ~~allows~~ ~~customers~~ takes ~~a~~ advantage of this. In pure price discrimination, the seller charges the maximum amount he or she will pay. In two part pricing, identify the demand for the same product, & target the price people are willing to pay. In variable ticket demand, identify the difference in demand. If the Toronto Maple Leafs were playing rivals, the Montreal Canadiens, some fans would pay a higher price while others wouldn't. In bundling, the buyer purchase more than one product at once (increase revenue). In an event where one game is not selling particularly well, teams bundle those with one that will. Ex TML vs ML & TML vs CAR.

• Should Calgary bid for another Olympics? If the Olympics were held in Calgary ~~for~~ again it would garner a \$5.2 billion dollar percentage. Calgary would need investors and mainly subsidies from the government. These subsidies would need to be paid back of course. This of course would come from Calgary tax payer money. The tax payers would have an added \$2000 to their payments. With a median income of \$67700 ~~the~~ untaxed this is about an added 3% onto on the taxes which I refuse to believe will be welcomed. Another reason why they shouldn't is a look into the interest of the games. ~~Pyongyang (the last winter games)~~ ~~and the~~ ~~last~~ Television ratings are down heavily and the average person just doesn't have any interest in making time to watch the games. With out a whole backing in the televised/broadcasting sector the games would loose a majority of the audience. This would mean advertisers would back out, etc & the games would lose a greater area for profits. With a supply of the games and a reduced/no demand for them, the ~~event~~ event would operate at a loss. Another thing to look at is the cost. \$5.2 billion when most of the infrastructure is already there is absurd. With most of the buildings ~~at~~ ~~in~~ in place already you'd think the games would run at a discount but this is not the case, ~~the~~ ~~not~~ For those reasons, Calgary should not bid on another Olympics.

How Cities can benefit from events and facilities.

- ~~Existing~~ Existing Economic Growth

- If a city holds an event or builds new facilities the economic effect can be greater.

A cities profile can be raised because of this. For example Toronto held the Pan-Am games not too long ago. Now Toronto has b.d for the Olympics before and attempted to bid many times. Hold the Pan-Am was an example of their capability to hold a bigger event. Another benefit is the investments into the cities. The cities reap the benefits of improve sporting venues, infrastructures, & transportation. ~~The residents~~ The residents also will see an increase in job opportunity.

The venues, transportation, housing etc. will need people to meet the demands of the event. Also since the cities profile is increased the tourism industry will see a boost as well.

Labour market & how players are paid.

- Skills / Qualification - Athletes with higher skill get higher pay. This is because the supply of highly skilled athletes is highly inelastic.
 - Non-monetary Benefits - If a job is considered undesirable for (Security, time non-monetary benefits, the supply maybe of etc). greater. This also ~~the firms / government~~ to decrease pay for equivalent skills.
 - Demographic Factors - If the population is ageing there would be a higher demand for younger skilled workers. This would in turn drive their wages up.
- "Real Factors"
- ① - Monopsonies - An athletic association wishes to be a monopsony in the market so they can adjust wages freely.
 - ② - Discrimination - Some employees get lower pay due to discriminatory reasons.
 - ③ - Trade Unions - Associations like the NHL Players Associations (NHLPA) fight for the higher wages of players if they feel it is need. They also represent the players in league based topics.

Monopsony and Player Salaries

monopsony.

- Factors of the Market - The sole employer
 - wage setting, buying power over employees
 - Little to no bargaining
- Sports owners are a small group of interconnected individuals. This means that they can band together and act as monopsonists and control the salaries with more ease. The result of this is that the players are paid less than the MRP. This is evident in various areas: ① rise & fall of rival leagues ② the free agency, ③ the analysis of the correlation between pay & the MRP.