MARKETING PROFESSIONAL SOCCER IN THE UNITED STATES: LESSONS IN EXCHANGE THEORY AND CAUSE-RELATED MARKETING

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INTRODUCTION

The 1994 Men's World Cup generated near-capacity crowds at stadiums around the United States and resulted in relatively large domestic television audiences. Buoyed by this success, Major League Soccer (MLS) was founded in 1996 with several wealthy and influential owners among the league's investors (National Soccer Hall of Fame, 2005). Similarly, the unprecedented media coverage (11.4 Nielsen rating for final), record-breaking attendance figures (90,000 at the Rose Bowl for the Women's World Cup Finals), and the United States Women's national team's 1999 World Cup shootout victory over China, paved the way for the Women's United Soccer Association's (WUSA) founding in 2001 (Women's United Soccer Association, 2000a). Each league's inception was hailed - to various degrees - as proof that soccer was no longer just a fringe or *niche* American sport, but had finally arrived as a major professional U.S. sport.

For any new or existing sports league to successfully make the transition from niche to major professional sport league, it must have sufficient capitalization to sustain itself until sufficient revenue is generated to cover operating expenses. This economic fact-of-life requires not only that league or individual team owners are financially and emotionally committed to long-term incremental growth, but that sponsors, league administrators, and players are cognizant of the sport's and/or league's growth potential. It is important to remember that all sport leagues, niche or major, are supported by the same revenue sources (i.e., ticket sales, broadcast rights, sponsorship, merchandise). However, for a niche league - with its more limited fan base - to be successful, it is critical that existing revenue sources are effectively cultivated and harvested. Additionally, potential revenue sources must be identified, prospected, and obtained if the league is to experience growth in sponsorship, merchandising, attendance, and broadcast rights.

Since both MLS and the WUSA have been largely ignored by sport management scholars, this study is designed to add to the knowledge of these leagues. *Exchange theory*, *cause-related marketing* (CRM), and *strategic philanthropy* are the theoretical frameworks used to evaluate the leagues' marketing successes and failures.

THEORETICAL FRAMEWORKS

Exchange theory applies to any successful business transaction. For any transaction to succeed all parties must agree that a satisfactory value exchange has occurred (Howard & Crompton, 2004). A desired outcome is only achieved when each party is willing to act in the best interest of all stakeholders or participants (Blalock & Wilken, 1979). Exchange theory is based upon three elements: *rationality, marginal utility,* and *fairness* (McCarville & Copeland, 1994). McCarville and Copeland contended that rationality in marketing or sponsorship agreements focuses on the elucidation of all parties' goals, achievement of stated goals, and that past favorable outcomes for participants increase the likelihood of future agreements. Conversely, if a previous agreement has not fulfilled participants' expectations, the likelihood of any future agreement being finalized is diminished. In exchange theory, fairness involves equitable reward distribution (McCarville & Copeland, 1994). If specific and identifiable benefits sought by an organization can be met through other more cost-effective means, it will be unlikely to agree to an initial agreement or renew an existing one (Kuzma, Shanklin, & McCally, 1993; Stotlar, 2001).

Cause-related marketing is a strategic positioning and marketing tool that publicly associates a for-profit company with a nonprofit organization and a relevant social cause or issue. Such an association links the company and the company's product(s) directly to a social cause or organization through the implementation of a strategic marketing plan while also raising money for the nonprofit entity, thus mutually benefiting both (Polonsky & Macdonald, 2000; Pringle & Thompson, 2001). American Express'1983 involvement in the restoration of the Statue of Liberty is an example of a cause-related marketing campaign. Generally, an organization prefers to support "causes" that are of interest to its target market. While there may be a philanthropic motive to cause-related marketing, the efforts of a cause-related marketing campaign tend to produce relatively short-term, product-related outcomes (LeClair & Ferrell, 2000).

Strategic philanthropy involves a long-term investment by a company in a cause that provides societal benefits while also enhancing the company's reputation (Stotlar, 2001). Such a long-term investment may require a company to endure short-term business losses for the good of the cause and for the fulfillment of the organization's social responsibilities and long-term gain. It requires support from top management and shareholders, and coordination of corporate giving and employee volunteer programs with the overall corporate mission. This redefinition of philanthropy recognizes that while businesses should be good corporate citizens, they must not forget their fundamental obligation to their shareholders and employees, and to the company's profit-and-loss statement.

OVERVIEW OF UNITED STATES PROFESSIONAL SOCCER

The impetus to the establishment of Major League Soccer began when the U.S. Men's soccer team unexpectedly qualified for the 1990 World Cup. Despite limited prior World Cup success, many observers felt this event established the United States as a viable participant on the world soccer stage ("U.S. soccer history," 2005). In 1993, in preparation for hosting the 1994 World Cup, the U.S. men's national team embarked on an ambitious world-wide schedule. The U.S. had a successful 1994 World Cup, both on the field and in the stands. Not only did the U.S. team advance beyond round robin play (including a 1-0 loss to eventual champion Brazil), but average-game attendance was 67,000 ("U.S. soccer history"). More significantly, the tournament netted a - then record - $60 million profit (Trecker, 1998c). By 1995 MLS executives had obtained Federation Internationale de Football Association (FIFA) sanctioning as a Division I league, but lacked investors, players, or team locations. Despite these issues, preparations went ahead for the league's 1996 inaugural draft and opening season.

While the MLS' foundation as a United States' professional sports league was being laid in 1994-95, several concurrent developments reflected the growth of U.S. women's soccer. The founding of the United States Interregional Soccer League (USISL) and the 1994 establishment of the W-League, a national amateur league that provided playing time for many top female players, was an important first step. The league played a brief exhibition schedule in 1994 and launched a full-fledged schedule in 1995 with 19 teams spread nationwide (National Soccer Hall of Fame, 2005).

In 1995, the U.S. Women's National Team placed 3rd at the Women's World Cup in Sweden, falling to eventual champion Norway in the semifinals 1-0, but defeating China. In February 1995, U.S. Soccer announced its intention to host the 1999 Women's World Cup and began the formal bid process with FIFA. Reflecting the growing prowess of the women's national team, at the 1996 Atlanta Olympics the U.S. women captured the gold medal, before a crowd of 76,000. However, the National Broadcasting

Company (NBC) did not broadcast the game, an indication that women's soccer was still not part of the U.S. sport hierarchy.

The United States Soccer Federation's (USSF) ambitious plans for hosting the 1999 Women's World Cup, including utilizing large stadiums across the United States, and developing advertising and marketing campaigns to insure adequate press coverage and fan support, was contrary to the wishes and advice of FIFA, which envisioned a small regional tournament, ideally held in high school stadiums. The USSF expressed the goal of making the tournament the most successful and largest women's sporting event in history.

The tournament was a resounding success, with much larger than expected crowds and national television coverage for many matches (Southall, Nagel, & LeGrande, 2005). The final match was played before over 90,000 Rose Bowl fans and a large national television audience (11.4 Nielsen rating) (Southall, et al.). The U. S. victory over China (5-4 on penalties) resulted in unprecedented media coverage [most notably for Brandi Chastain's celebration]. Team members appeared on every top news program, visited the White House, and were profiled in *Time*, *Sports Illustrated*, *Newsweek*, and *People* (Southall, et al.). The media attention generated by the 1999 Women's World Cup appeared to signal the emergence of women's soccer as more than just a niche sport.

MAJOR LEAGUE SOCCER

Deep Pockets and Commitment: Lamar Hunt and Philip Anschuntz

From its inception, MLS owners knew it would take years or even decades for the league to become financially successful. The league initially implemented a *single-entity structure** to retain control of league expenses – particularly player salaries. With an initial salary cap of 1.3 million (Trecker, 1998b), the league's investors were confident losses would not exceed the initial business plan projections. Even with player-salary cost containment, the league lost over $100 million in its first three years of operation (Trecker, 1998b). Despite these losses, in 1998 then league commissioner Doug Logan noted:

> We have a stable of investors who believe this is a wise, prudent, long-term investment. We have a solid business plan and we're sticking with it, and that plan is reinforced by the knowl edge that our backers bring to the table (Trecker, 1998c, p. 21).

*Note: In a single-entity model there are no individual team owners. Investors may be assigned a particular team, but ultimate authority for player movement, marketing strategies, television contracts, and sponsorship acquisition and retention lies with the league office (Zimbalist, 2005). While the adoption of a single-entity model allows the league to control labor costs and insure a more competitive league - through league assignment of players - such top-down control may have the unintended consequence of alienating an individual team's fans who may feel "their" team is not doing everything it can to win (Sweet, 2001b).

Among the league's initial investors was one of the greatest American sports entrepreneurs, Lamar Hunt. With Hunt's dedication, commitment and financial resources, the MLS had an initial advantage over many start-up sport properties. Hunt had long been a sport pioneer, founding the American Football League, as well as maintaining ownership positions in the Chicago Bulls, North American Soccer League's (NASL) Dallas Tornadoes, and the World Championship Tennis Tour (Harris, 1986).

Hunt's financial resources and his willingness to use them were legendary. In 1960, when Hunt's father was asked to comment on the first-year $1 million dollar operating loss of Lamar's Dallas Texans (later renamed the Kansas City Chiefs) AFL football franchise, he responded that at that rate, "the boy only has 123 years to go" (Harris, 1986, p. 105). Hunt continued to proclaim his willingness to see MLS succeed, in spite of short-term financial losses, "I know soccer's going to get there eventually. It has done things that tell you that inevitably it is going to be big…" (Schoenfeld, 2003, p. 29).

In addition to Hunt, MLS's other primary investor is Philip Anschuntz of Anschuntz Entertainment Group (AEG). Originally a $5 million investor and operator of the Colorado Rapids, Anschuntz has since directly invested over $100 to maintain the league (Lisi, 2002; Sweet, 2001a). In 2001, MLS faced several challenges: (a) yearly losses in the millions, (b) cessation of team operations in Miami and Tampa Bay, and (c) the decisions by several investors - including Kenneth Horowitz, John Kluge and Stuart Subotnick – to leave the league (Sweet, 2001f). In spite of these negative developments, Anschuntz reemphasized his commitment to MLS (Sweet, 2001b). Anschuntz's commitment to the league is so deep that other league executives have begun calling him "Uncle Phil" (Plagenhoef, 2003, ¶ 5).

In 2002 MLS Commissioner Don Garber noted the importance of Anschuntz's and AEG's commitment to MLS' future:

> Having a small group of committed investors is better for the long-term success of the sport than a large number of (backers) who are unwilling to reach our goals… Anschuntz and his group have made a massive commitment to the sport. Soccer needed someone to tell the naysayers, "I'm right, and you're wrong. I've made bets on businesses that everyone said wouldn't work and I've proved to be right. My next bet is on soccer.' Anschuntz is that person (Lisi, 2002, ¶ 11).

Until 2004, Hunt and Anschuntz controlled nine of 10 MLS teams. The only other owner was Robert Kraft, operator of the New England Revolution (and more famously the owner of the NFL's New England Patriots) (Plagenhoef, 2003). Although so few owners could conceivably control trades, draft selections, etc. greater concern has been the effect of losses being concentrated among so few investors. However, the willingness of the three league investors/owners to assume league losses totaling $250-$300 million has actually kept the league from bankruptcy (Carney, 2001). Richard Motzkin of SportsNet LLC noted, "At one end, it (teams run by one group) sounds absurd…But it would be even more absurd to have the league go bankrupt (Sweet, 2001c, p. 24). Robert Kraft recently explained his long-term commitment to MLS, noting his organization "…does not stay with businesses that either aren't profitable or we don't feel have the potential to be profitable" (Warfield, 2005c, p. 17).

The willingness of league investors to sustain losses in anticipation of long-term rewards appeared to be nearer to reality when, at the conclusion of the 2002 season, three MLS teams posted losses totaling less than $500,000 apiece (Trecker, 2002). More notably, in 2003 after moving into the $150 million Home Depot Center, the Los Angeles Galaxy was profitable (Warfield, 2004; Warfield, 2005c). In addition, according to league sources, lack of a naming rights deal for their new stadium was the only factor preventing the *Columbus Crew* from being profitable (Warfield, 2005c).

Recent MLS Successes

League owners had long sought new soccer-only facilities to enhance revenue streams, and the Home Depot Center solidified the importance of playing-facility control. The league has since agreed to build new facilities in Dallas and Denver. Significantly, the city of Chicago has agreed to build the first publicly-financed, professional soccer-only facility in the United States (Warfield, 2005c). With plans to have six of its 12 teams in soccer-only facilities by 2007, MLS investors see their sport at a "tipping point" (Lefton, 2005; Warfield, 2005c).

Building upon its recent financial success, the MLS announced league expansion to 12 teams and new investors for the 2005 season. Dave Checketts, long-time president of the NBA's New York Knicks, purchased the rights to operate the *Real Salt Lake* franchise, located in Salt Lake City, UT. Checketts explained his interest, "…I think we are on the cusp of the tipping point for soccer and MLS in the U.S. There's real upside here…Soccer is still expanding, we have opportunity and labor peace" (Lefton, 2005, pg. 32). Real Salt Lake has already announced plans for a new 25,000 seat facility to open in 2007 or 2008 ("Politically motivated…," 2005). Signaling the growth and acceptance of the MLS in North America, legendary Mexican Soccer Club CD Guadalajara, known as *Chivas*, was the second 2005 entry to the MLS. Jorge Vergera's Chivas USA will play in the Home Depot Center and should turn a profit in its first season (Lefton, 2005).

MLS investors have consistently focused on maintaining player salaries at affordable levels. During its inaugural season, each MLS team had a salary cap of $1.25 million with an individual player cap of $175,000 ("U.S. soccer history," 2005). Initially four "marquee" league players were allowed to exceed the individual and team salary caps to pursue valuable sponsorship deals. In addition, each team was allowed a maximum of five foreign nationals per team. This restriction was designed to encourage the development and marketing of American players. In 1997, one year after the league's inception, MLS players unionized and sued the league - claiming the single-entity structure violated antitrust laws (Sweet, 2001d). The MLS' eventual legal victory (*Fraser v. MLS*, 2002) led to the 2005 *Collective Bargaining Agreement* (CBA) between the league and the players' union (Warfield, 2005c). This initial CBA does not expire until 2009 (Warfield, 2005c).

Since its inception, MLS has increasingly been willing and able to sign higher-priced star players and increase team salaries. In 2004, 46 players made more than $100,000, but by 2005, the first year of the new CBA, that number had increased to 63 (Warfield, 2005b). In addition, by 2005 the 27 players making the league minimums saw their salaries increase from $24,000 to $28,000 (Warfield, 2005b). The league has also recently signed world-class players (such as Landon Donovan [$900,000] and Eddie Johnson [$875,000]) by paying salaries comparable to those of established leagues around the globe (Warfield, 2005b). In another 2005 move that many feel is critical to the future marketing of U.S. soccer, MLS signed teenage star, Freddie Adu, to a base salary of $500,000 (Warfield, 2005b). Doug Quinn, Executive Vice President of the MLS, described 2005 as the first season where "…part of our whole approach to the business…is building stars" (Warfield, 2005a, pg. 33). By 2005 the 12 team MLS had player salaries totaling $23.1 million (Warfield, 2005b).

MLS Media Outlets

The growth of any sports enterprise requires an ability to deliver content through various media outlets. During the initial 1996 season, MLS – evidently understanding the basic tenets of exchange theory, knew it could not expect to receive large television broadcast-rights fees for its games. Instead, it paid the American Broadcast Company (ABC) $450,000 (plus production costs) to broadcast its championship game (Trecker, 1998c). However, after the league was able to sell all of the in-game advertising inventory, The Disney Company, parent company of ABC, ESPN (Entertainment and Sports Programming Network), and ESPN2, looked favorably on the league's future prospects and negotiated a partnership in which ABC, ESPN, ESPN2, and MLS would share production costs and sales revenue (Frank, 2001). Although overall 2000 broadcast ratings declined from 1999 levels (ABC: .9 - .7; ESPN .34 - .34; ESPN2: .26-.22), 2000 ratings for 18-34 year-old males increased, indicating a potential for future ratings' growth. In 2002, ABC and ESPN agreed to continue broadcasting MLS games, but MLS assumed responsibility for advertisement sales ("General overview," 2005; Warfield, 2005c).

The 2004 ESPN2 ratings for MLS games, which increased 11.1% from 2003, reflected the league's increased popularity (Warfield, 2005c). ABC's sole broadcast produced a 1.3 rating (4 share), a 30% increase from 2003 (Warfield). Although not equal to other sports broadcasts, such as MLB, NBA or NFL games, the 1.3 rating was still significant. This increased demand prompted ESPN2 to implement a split-screen commercial format, so viewers would not miss any game action (Warfield).

The MLS has seen progress in other broadcast agreements. MLS games have consistently enjoyed strong viewership on Spanish-language stations. As early as 1998, MLS games were the highest rated programming on Univision - drawing a 3.8 rating (Trecker, 1998c). Recently, the league announced additional soccer-specific, regional cable-television and local-radio deals (Brockington, 2003a; Brockington, 2003b). David Sternberg, Executive Vice President and General Manager of the Fox Soccer Channel (FSC), noted his company's interest in regional broadcasts, "We think there is a lot of upside. It is going to take time and it's not going to happen overnight, but the indicators are pointing in the right direction" (Warfield, 2005c, p. 17).

By the 2005 season, between national and regional television deals, 95% of MLS games were broadcast on live television ("General overview", 2005). In addition, MLS attempted to focus media attention on "Soccer Saturday's", by scheduling "doubleheaders" throughout the season. ("General overview"). While clearly MLS' stature on the U.S. sports' scene has increased, Commissioner Garber anticipated continued growth:

> In time, we should be able to achieve the significant importance that the other four established sports league have achieved. When you look at demographic changes, ethnic changes, and global communication changes that are taking place, we believe soccer is poised to capitalize on those…The question is: When? And our investors are committed until that happens. I see no reason why we shouldn't be able to achieve some of that significance in time (Lewis, 2000, ¶ 7).

MLS Marketing Effectiveness

The marketing effectiveness of game broadcasts is influenced by stadium aesthetics, including perceived crowd size and fan enthusiasm (Southall, et al., 2005). It is not essential that games are played in massive stadiums, but it is important that facilities appear to be near capacity and that fans are engaged. Since MLS per-game attendance (an average of 15,008 from 1996-2004) is appreciably less than the capacity of most major professional/collegiate "football" stadiums, the construction of smaller, soccer-specific stadiums is critical if MLS crowds are to overcome being overwhelmed, or lost, in such cavernous facilities (Canevari, 2005). MLS attendance has been sufficient to sustain the league and compares favorably to NBA and NHL figures (Caneveri). In fact, MLS' attendance growth outpaces that of the NBA during its early years. MLS commissioner Don Garber has noted the NBA took over 29 years before it exceeded 10,000 in average game attendance (Trecker, 2000). The league's attendance figures are more significant considering that the MLS clearly cannot market itself as the world's premier professional soccer product (Trecker, 1998b).

In addition to the construction of new, soccer-specific facilities, the acquisition and retention of star players, which in turn leads to higher quality games, appears to be critical to MLS attendance. Quality teams with star players (i.e., winning teams) including the Colorado Rapids, D.C. United, and L.A. Galaxy more often draw larger crowds. Conversely, despite initial promise, and a large Latino fanbase, a poor 2-14-3 record to start the 2005 season resulted in poor attendance figures of 17,080 per game for Chivas USA (Warfield, 2005e). Although Chivas had the fourth highest MLS attendance, it was anticipated that they would potentially lead the league.

Since MLS generates more sponsorship revenue than revenue from media contracts, such sponsorship money is a critical revenue component (Sweet, 2001e). From its inception the league has successfully attracted corporate sponsors. In 1996 alone, sponsors committed over $80 million – an average of $2 million per sponsorship ("Q&A: Doug Logan," 1998; Trecker, 1998c). According to Tom Haidinger, MLS

Vice President of Corporate Partnerships, the league's success in sponsorship acquisition and retention is due to dedicating staff resources to the task and also a personal-service approach. In a 2001 interview, Haidinger declared, "[W]e're going out and sitting down with every one of our clients" (Sweet, 2001e). MLS annually generates $20 million from sponsorships and has a 90%-100% renewal rate (Sweet, 2001e) Corporate sponsors include Honda, Kraft, Anheuser Busch, and, most recently, Adidas - which signed a $150 million deal in 2005 (Warfield, 2005c). Kevin Ross, American soccer director for Adidas, said "It's probably one of the biggest (deals) for the entire company in the last three or four years, at least in the U.S." (Warfield, 2005d, ¶ 18). Companies, such as Pepsi, that have been involved with MLS since its inception, appreciate the league's unique demographics. John Galloway, Pepsi's Youth Marketing Vice-President, remarked, "It's about reaching out to an emerging multicultural demographic in the United States. And, of all sports, soccer is a melting pot in terms of the audience that it delivers" (Warfield, 2005c, p.17).

One fan demographic group that league and individual team marketing efforts have focused on is the burgeoning U.S. Latino market. By 2000, the 35.3 million Latinos in the U.S. reflected a 58% increase from 1990 figures (Stone, 2001). In order to tap into this market, MLS has implemented "Hispanic Heritage Nights," which involve pre-match festivals, recognition of local Latino heroes, and donations of a portion of ticket revenues to specific local Latino scholarship funds (Stone).

However, not all marketing efforts toward the Latino population have been successful. While the league has successful teams in heavily-populated Latino areas (Los Angeles, Chicago, New York), it marketing strategies were unsuccessful in Miami. MLS Manager of Hispanic Partnerships, Laina de Lima, noted, "I think people are first and foremost fans of their home country, but our goal is to make them fans of the soccer that they can watch every week in this country –and that's MLS" (Stone, 2001, ¶ 15).

Since its founding, MLS has repeatedly undertaken new marketing efforts in an attempt to better control and direct product distribution. In 2002, AEG, in coordination with MLS, established Soccer United Marketing (SUM) (Warfield, 2005f). SUM was initiated to negotiate both Men's and Women's World Cup media contracts and establish marketing plans for all aspects of American soccer, particularly MLS' marketing and merchandising activities.

MLS' initial plan for licensed merchandise was to implement a "slow-growth plan" to prevent unsold inventory accumulation ("Q&A: Doug Logan," 1998). As a result, the league only made $9 million in 1997, a small sum in comparison to other American sports leagues' merchandising revenues (Trecker, 1998a). However, by 2001, MLS merchandise sales of $50 million suggested an increase in fan loyalty (Graham, 2001). Stu Crystal, MLS Vice-President of Consumer Products, highlighted the league's intention to continue fan loyalty development through increased merchandise sales, "We want soccer fans to be closer to our game, to wear a D.C. United or Columbus Crew jersey, and to play with our new ball (Graham, 2001, p. 26).

One area in which MLS has been able to generate positive publicity and fan awareness is through the development of MLS associated youth-soccer camps. The league has established over 1,300 youth camps for children 5-12 years of age (Bernstein, 2001). These camps are attended by over 68,000 children annually (Bernstein). In addition, MLS soccer camps are sponsored by Lego (manufacturer of children's building blocks and toys). This symbiotic sponsorship agreement not only is a revenue source for MLS, but also allows for MLS to build long-term relationships, designed to increase fan awareness and loyalty, with both parents and children (Bernstein).

WOMEN'S UNITED SOCCER ASSOCIATION

In their business plan, WUSA league founders highlighted several factors they felt supported the league's viability: (a) the limited, but steady, growth in men's professional soccer in the United States, (b) the continued popularity of youth soccer among young girls, (c) overall strong Women's World Cup attendance (660,000) at various U.S. cities, and (d) a core group of recognizable and marketable female soccer players, led by Mia Hamm, Brandi Chastain, and Julie Foudy ("Relive 1999," n.d.; Women's United Soccer Association, 2000b). WUSA founders developed an ambitious five-year business plan predicated on their ability to develop a fan-base sufficient for the league to become a viable television commodity attractive to advertisers and/or corporate sponsors (Women's United Soccer Association).

The WUSA's business plan reflected a belief that people who had attended World Cup contests in 1999 were fans of women's soccer and would attend WUSA games in sufficient numbers to convince corporate sponsors to invest in women's professional soccer. It made sense to many people associated with the league that limited past successes in filling stadiums around the country for U. S. national team contests would translate into a flourishing future for the league. In addition, the league felt it offered a unique and cost-effective sports platform for reaching female soccer fans – both youth soccer players and their mothers. However, while women's professional soccer was, in fact, a unique sporting experience, three years of research for one WUSA franchise uncovered evidence that the vast majority of WUSA fans were parents and young soccer-playing girls who, on average only attended one to two games per season and attended games in insufficient numbers to generate ticket revenue to either meet league expenses or justify continued sponsorship investment (Southall, LeGrande, & Nagel, 2001; Southall & LeGrande, 2002; Southall & LeGrande, 2003).

With an eight-team, single entity structure sanctioned by the USSF the WUSA was the premier women's league in the world (Women's United Soccer Association, 2000a). The initial league investor-operators were Jim Robbins-Cox Communications, Amos Hostetter-Pilot House Associates, LLC, Amy Banse-Comcast Corporation, Mel Huey-Time Warner Cable, Jerome Ramsey-Time Warner Cable, and John Hendricks-Women's Professional Soccer, LLC (Women's United Soccer Association). In addition, founding players had an equity stake in the league and a player representative on the WUSA Board of Governors (Women's United Soccer Association).

Understanding the league would not be profitable initially, WUSA's founders anticipated operational losses of nearly $15 million dollars from 2000 to 2003. However, in September 2003, when the WUSA announced cessation of operations, it was revealed by John Hendricks, CEO of Discovery Communications and one of the league's founders, that "…investors… found out after the first season that they had $20 million in expenses that were not covered by revenue and realized that gap could not be bridged by increased ticket sales and merchandise sales" (Lee, 2003a, p. 4). Lynn Morgan, WUSA President, announced the league's demise, saying, "The original business plan had some revenue assumptions built in that have proven to be unrealistic" (Lee, p. 4). League sources consistently identified the ingredient preventing the league's survival was its inability to attract corporate sponsors (Fisher, 2003).

WUSA Expense/Revenue Analysis

However an analysis of league expenses suggests another possible ingredient was the incursion of unrealistic expenses. After $3,022,537 in start-up expenses in 2000 in preparation for the league's 2001 inaugural season, the WUSA's projected expenses for 2001 were $17,648,781 (Women's United Soccer Association, 2000b). Exclusive of game-day operations, league office expenses (including $3,710,100 in "general and administrative expenses") were projected to be $7,235,100 (Women's United Soccer Association). Ordinarily, such expenses include items such as: salaries, rent, furniture, and overhead expenses associated with the league office's daily operations (Women's United Soccer Association). Revealingly, the approximately $3.7 million in general league expenses was over $785,000 more than the league had budgeted ($2,925,000) for yearly advertising, corporate sales, sponsor services, and public relations costs (Women's United Soccer Association). Projected player salaries and benefits ($7,752,000) (Table 1) barely exceeded projected league office expenses ($7,235,100) (Women's United Soccer Association).

Initially, the WUSA Board of Directors anticipated first-year (2000) league revenues of $13,222,900, for a net loss of $4,425,881 (Women's United Soccer Association, 2000b). After two years of existence, the league had anticipated a net projected losses of $7,448,418 (Women's United Soccer Association). However, in September 2003, when the WUSA announced that it was ceasing operations, it was revealed by John Hendricks, CEO of Discovery Communications and one of the league's founders, that "…investors, a group of media companies and executives, found out after the first season that they had $20 million in expenses that were not covered by revenue and realized that gap could not be bridged by increased ticket sales and merchandise sales"

In analyzing WUSA operations, it can be seen that expenses, as is often the case, exceeded projections. However, such an eventuality can be dealt with if revenues are also greater than anticipated. The league's identified projected revenue sources were ticket revenue, broadcast revenue, sponsorship revenue, licensing revenue, stadium revenue, and camp revenue (Women's United Soccer Association, 2000b). Regular-season ticket revenue for 2001 was projected to be $3,243,000 (Women's United Soccer Association). Reported 2001 league attendance figures show the league averaged 8,104 fans per contest (Lee, 2003b). If the average price of a 2001 ticket was merely $5, then 2001 ticket sales generated $3,403,680, which would have exceeded the projected season ticket revenue goal by approximately $160,000. Originally, the league claimed that it only needed to sell 6,500 seats for each game at an average price of $11 in order to "make things work" (Rovell, 2003). By 2003, the average 2003 WUSA ticket price was reportedly $12.50 (Isidore, 2003). Based on reported 2003 league per-game attendance figures of 6,667 (Lee), this equates to $7,000,350 in 2003 ticket revenue. If 2003 reported league attendance figures and average ticket prices were accurate, by its third year in existence the WUSA had exceeded its 2003 projected ticket revenue goal ($4,532,255) by $2,468,095. Such attendance figures should have translated into additional licensed merchandising and instructional camp revenue as well as supported the league's bargaining position in sponsorship and television contract negotiations.

WUSA founders anticipated broadcast revenues from a national television contract at $3,000,000 per year for the first four years of league competition (Women's United Soccer Association, 2000b). In 2000, the WUSA signed an initial four-year television broadcast contract with Turner Network Television (TNT) ("A league of their own," 2000). While the terms of the agreement were not made public, it was reported that the WUSA actually paid TNT to broadcast a total of 22 games during the inaugural 2001 season (Isidore, 2003). First year TNT ratings of WUSA games averaged .4, equaling roughly 425,000 households (Lee, 2003a).

WUSA Sponsorship Failures

Dissatisfied with an irregular TNT broadcast schedule, WUSA executives chose to negotiate an end to the TNT agreement and, prior to the 2002 season, announced a new deal with Paxson Communications Corporation (PAX TV). During the 2002 and 2003 seasons WUSA games were broadcast during the 4-6 p.m. Saturday time slot on PAX. Recognizing that PAX TV did not have the national recognition of TNT, WUSA President Lynn Morgan still expressed satisfaction with PAX TV as a broadcast partner, "Our continuation on PAX is also a very positive step. We have a season under our belt where we have had the opportunity to educate our fans on where they can find PAX in their local markets" ("Quotesheet: WUSA season preview," 2003, para 13). Contrary to league claims, during the

2002 and 2003 seasons evidently only a limited number of fans found WUSA games on PAX TV, since WUSA game broadcasts averaged a .1 rating (Lee, 2003a), equating to approximately 100,000 households nationwide.

Upon initial examination it appeared the WUSA had in place a substantial stable of sponsorship partners and an adequate sponsorship pool from which to draw. With initial $5 million investments from such companies as Cox Communications, Comcast Corporation, Time-Warner, and Discovery Communications, the league appeared to have adopted a *vertical integration* model patterned after those found in other U.S. professional sports. However, since these corporate sponsors were also league founders/investors, the initial investors' capital investments were used to determine the perceived value of anticipated league sponsorship packages.

League founders anticipated being able to secure eight $5 million sponsorship packages from the lucrative beverage, apparel, home improvement, financial services, and athletic shoe sponsorship pool characterized by deals between the National Football League and such companies as: Pepsi ($560,000,000 over 8 years); Gatorade ($384,000,000 over 7 years); and Reebok ($250,000,000 over 10 years) (Lee, 2003a; Lefton, 2004). However, while initial investors had *equity* in the league, prospective *charter* sponsors were not offered ownership benefits. The few viable large-scale sponsors – or prospective sponsors - were reticent to purchase $5 million dollar sponsorship packages, recognizing the lack of league equity, low broadcast numbers, and a limited fan base. League attendance figures for 2001 (8,104 average per-game attendance], 2002 (6,957 - 14.2% decrease) and 2003 (6,667 - 4.2% decrease) substantiated these weaknesses (Lee, 2003b). In fact, only Hyundai and Johnson & Johnson purchased $2.5 million charter sponsorships (Lee, 2003a; "WUSA folds…," 2003). Four companies capable of investing in a charter sponsorship (Coca-Cola, McDonald's, Maytag, and Gillette) chose to invest only $500,000 annually (Lee, 2003a).

CONCLUSIONS

Analyzing WUSA marketing efforts involves examining the activation and non-activation of marketing strategies involving two core market sectors: (a) the youth soccer community (soccer moms/dads and female youth soccer players) and (b) adult females. The league's ability to penetrate the youth soccer market was constrained by many young girls (players) and women (soccer moms); not being sport entertainment consumers to the same degree as young boys and men, who constitute the primary fan base of the major male professional sport leagues (Eitzen & Sage, 2003; Southall, et al., 2005). While the WUSA's marketing efforts did reach members of the youth soccer community, unfortunately, these spectators, on average, were only persuaded to attend one to two games per season, resulting in a fan base insufficient to generate ticket revenue to meet league expenses or secure and maintain league sponsors (Southall, et al.). In addition, fears of alienating a significant percentage of the youth soccer community impeded significant activation of marketing strategies aimed at the lesbian community (Hollis Kosco, personal communication, April 8, 2002; Eddie Rockwell, personal communication, March 21, 2004).

From its inception the viability of MLS is inextricably bound to the fact that it is an extremely well-capitalized and well-supported league. In other words, league owners have extremely "deep pockets." In 2000, one of the two principal league owners, Philip Anschuntz, was among the America's richest individuals (#6 – Forbes 400) with a net worth of $18 billion (Forbes.com, n.d.). In addition to also being extremely wealthy, Lamar Hunt is incredibly committed to U.S. professional soccer, having been involved, as both an owner and proponent since 1967. Prior to his MLS involvement Hunt had ownership interests in both United Soccer Association (USA) and NASL (Harris, 1986). Even though both of MLS' principal investors have deep pockets, the league has consistently maintained a much lower profile among sports-entertainment properties and has not allowed expenses to significantly outpace revenues, thus allowing the league to meet its financial obligations. MLS has implemented strategies similar to those employed by the early NBA and NFL, which built national followings over decades, not a few years. A slow-and-steady approach to MLS expansion, solid capitalization, and a decades-long commitment to professional soccer, all have contributed to MLS's success.

The long-term focus and understanding of its place in the marketplace also ensured that the MLS would accurately price sponsorships and media contracts. Since the MLS understood that it had little value to present to partners in an exchange, during its initial years, it readily accepted the opportunities that were available. Certainly, the league's owners would have preferred to have received rights fees for all televised games, but the emphasis on the future rather than the present led the owners to invest in a partnership with ABC rather than demand compensation that was unlikely to materialize. That investment in nationally televised games attracted attention and fans to the sport. Many of those early fans have multiplied and the MLS' steady approach to brand enhancement has seen recent increases in media attention and attendance. The solid 10-year foundation established by the league has resulted in two new investors and new soccer specific facilities across the U.S. With new investors and new facilities, the risks of future financial insolvency are diminished. The MLS is now in a position to offer increased value to potential partners in any potential exchange. Clearly, the future of the MLS, though not secured, is on a solid path of growth and long-term success.

Conversely, the WUSA's demise can be traced to a flawed business model, similar to the failed United States Football League (USFL), in which league expenditures far outpaced revenues and committed financial reserves. While the WUSA had secured most, if not all, of the best female soccer players in the world, the league was unable to immediately compete with other established sport/entertainment options, particularly with male sport/entertainment properties. Given the WUSA's cost structure and the marketplaces in which it was located, league investors lacked either the financial ability or willingness to sustain operations on the "big-league" level to which they aspired. The WUSA did control player salaries, but was unable or unwilling to keep a tight rein on other associated league expenses. Seemingly blinded by the sight of 90,000 fans in the Rose Bowl for the Women's World Cup finals, the league attempted to buy its way into the U.S. sport consciousness, amassing close to $100,000,000 in operating losses during its three years of existence (Isidore, 2003).

The WUSA's lack of adequate capitalization and its product's diminished perceived value led to exactly the results predicted by exchange theory. As the league attempted to obtain sponsorships at reduced rates, prospective sponsors recognized that the ease and availability of such sponsorships reflected the lower value of such sponsorships. As a result, existing and prospective corporate partners demanded new, more valued, benefits as part of any new agreement. Unfortunately, the league had no additional, valued benefits to offer sponsors. In a last ditch effort to survive, and recognizing its decreased value as a traditional professional sports property, the WUSA attempted to utilize strategic philanthropy as a stop-gap marketing strategy.

As the league continued to be unprofitable, WUSA executives seemed convinced that CRM and strategic philanthropy, which have been used by non-profits to solidify already strong and developed relationships with for-profit corporations, would also work for the league. The WUSA had initially positioned itself as a strictly for-profit professional sport league and using exchange theory principles. Recognizing that it was not a viable, for-profit entity, the WUSA futilely attempted to switch tactics and utilize strategic philanthropy (LeClair & Ferrell, 2000). What the WUSA failed to fully grasp was that most prospective sponsors or fans did not perceive it as a charitable cause, but simply a fledgling league struggling to survive. For many casual or non-soccer fans the teams organized by the United States Soccer Association (such as the World Cup Champions) were the ones supporting the non-profit goal of enhancing the development of soccer and, more importantly, the overall development of youth participants. ("Building the future," 2006). Since the league did not have strong fans or sponsors "psychic attachment," typical of established "male" sport leagues such as the NFL and MLB enjoy, it did not possess the reservoir of good-will (coupled with history of revenue generation and broadcast reach) these “established” leagues have accumulated, it could not utilize strategic philanthropy to develop cooperative ventures with sponsors.

While the surge of patriotism surrounding the United States’ women’s national team’s 1999 Women’s World Cup victory was remarkable, WUSA founders seemed to confuse (or attempt to use interchangeably) three marketing theories: exchange theory, cause marketing, and strategic philanthropy in developing their business and marketing plans. While the non-profit United States Soccer Federation was able to capture much of the fervor of the World Cup, as seen by continued increases in soccer participation, the WUSA was an entirely different entity. As can be seen by its demise, WUSA fans and sponsors consciously or subconsciously understood the basic premises of exchange theory, and the nuanced difference between philanthropy and strategic philanthropy. As a result, the WUSA was doomed to failure from its inception. The league never made the leap from a novelty item that spectators went to see once a year to a sport that had enough true fans to support it.

The MLS, in addition to having substantially greater capitalization than the WUSA, has seemingly recognized its lower perceived value among both American sports fans and prospective partners. It has operated within the confines of exchange theory and, while it has utilized CRM and strategic philanthropy, it has not resorted to these marketing strategies as the primary tool to insure the league’s survival.

Possibly in the future the WUSA will be seen as women’s professional soccer’s equivalent of the men’s NASL: a noble, but failed experiment that laid the groundwork for a future successful women’s league. Currently, it appears that MLS has matured into a sports property much better positioned to continue as a long-term viable U.S. sports league.

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