

Economics of sport
M2 SLEM 2025

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Planning

Dates	Format	Session	Content
16/10	3hours	1	<ul style="list-style-type: none">• The political economy of sports mega events and Olympics
23/10	3hours	2	<ul style="list-style-type: none">• Economic manipulations in sport
21/11	3hours	3	<p>Depending on which subject you prefer:</p> <ul style="list-style-type: none">• The economic attractiveness of professional sports• Strategic Management of sports media rights• Game theory applications in sport• Feedback on your assessment• Labor market in professional sport
2/12	3hours	4	<ul style="list-style-type: none">• Oral presentation with ppt

Chapter 1

The political economy of sports mega events and Olympics

This session introduce the political economy of sports mega events using case study, applications and the concept of soft power to explain the complex interrelation between sports, economy and politics.

References:

- Guégan, J. B. (2017). *Géopolitique du sport: une autre explication du monde*.
- Grix, J. (2015). *Sport politics: An introduction*. Macmillan International Higher Education.

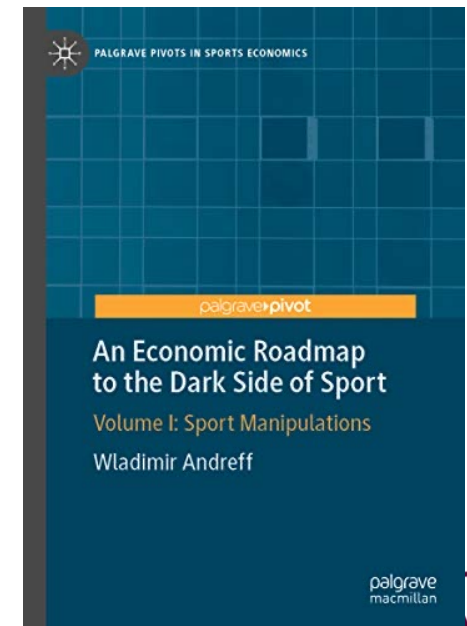
Chapter 2

The dark side of sport

This lecture will focus an economic overview of criminality in sport such as financial doping, discrimination, corruption, manipulations. We will propose a typology of the sports manipulations.

References:

- **Andreff (2021) An economic Roadmap to the Dark Side of Sport**



Chapter 3

The economic attractiveness of professional sports

This session will try to explain the reason behind such investments:

- external factor (structure, conduct, performance of the firm)
- Internal factor (resource based-view)
- Speculative bubble

References:

Bain, J. S. (1956). *Barriers to new competition: their character and consequences in manufacturing industries*. Harvard University Press.

Barney, J., Wright, M., & Ketchen Jr, D. J. (2001). The resource-based view of the firm: Ten years after 1991. *Journal of management*, 27(6), 625-641.

Chapter 4

Labor market in sports

The lecture explains the specificities of the labor market in sports relying on some economic concepts such as superstars theory, winners-take-all theory, inequality.

References:

Rosen, S. (1981). The economics of superstars. *The American economic review*, 71(5), 845-858.

Frank, R. H., & Cook, P. J. (2010). *The winner-take-all society: Why the few at the top get so much more than the rest of us*. Random House.

Chapter 5

Strategic Management of sports media rights

This lecture will focus on major concepts in economy and management associated with sports media industry such as auction theory. This theory will be illustrated with practical examples.

References:

- Andreff, Wladimir. 2014. "The Winner's Curse in Sports Economics." *Contemporary Research in Sports Economics* 14: 177–205.
- Feuillet, A., Scelles, N., & Durand, C. (2019). A winner's curse in the bidding process for broadcasting rights in football? The cases of the French and UK markets. *Sport in Society*, 22(7), 1198-1224.
- Thaler, R. H. (1988). Anomalies: The winner's curse. *Journal of Economic Perspectives*, 2(1), 191-202.

Concluding Application

Game theory application in sport

This lecture will be interactive with case study of 3 theoretical examples where game theory can be used

Reference:

Palacios-Huerta, I. (2016). *Beautiful game theory: How soccer can help economics*. Princeton University Press.

Evaluation

Oral Exam (90%)

December 2th

Debate participation (10%): question(s)/argument(s)

Bonus points for application

Bonus points to winners of quizz

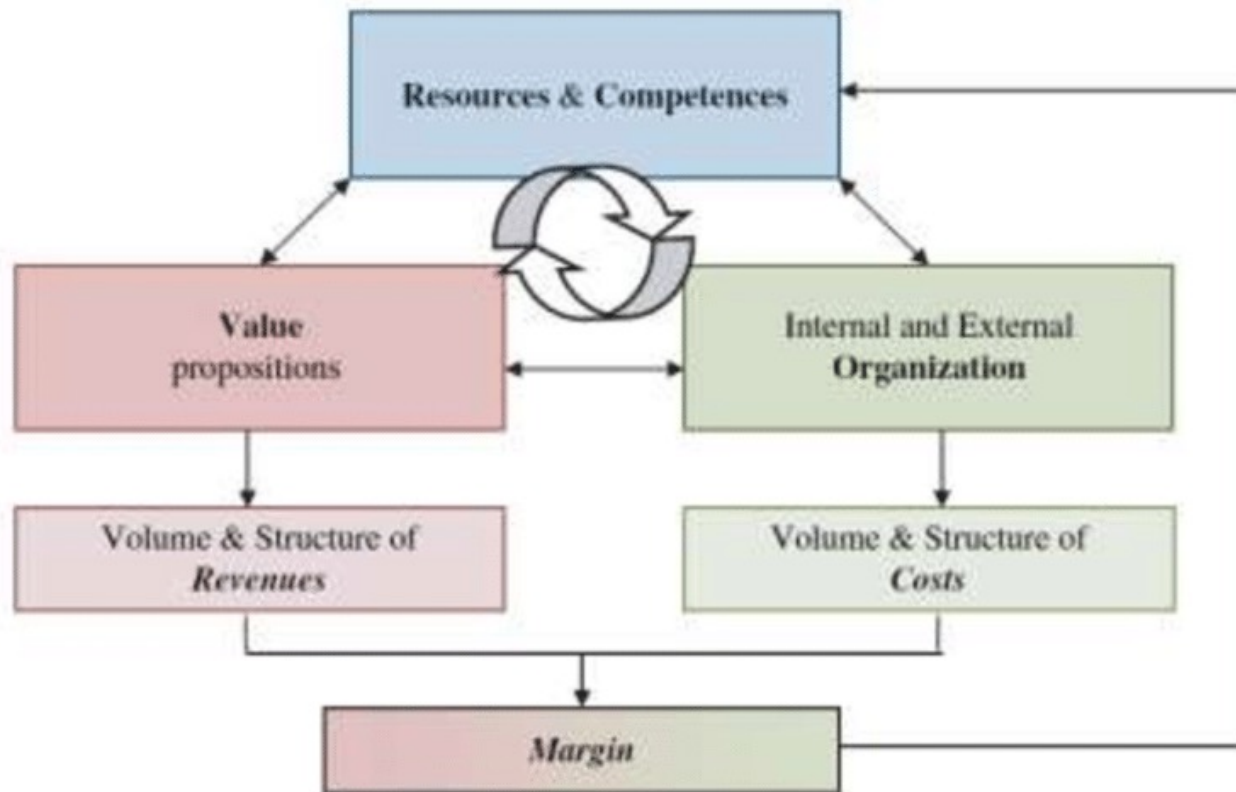
Evaluation of the December 2th

- **Instructions:**

1. **Select a sport business** (e.g., a sportswear company, football club) or a sporting event (e.g., the Olympic Games, FIFA World Cup, Super Bowl).
2. **Analyze its business model** using the RCOV framework (Resources and Competences, Organization, Value Proposition, Costs and Revenues).
3. Additionally, **offer a critical analysis** of the business model, considering its strengths, weaknesses, and areas for potential improvement.

RCOV model

- A descriptive and dynamic model of a business model (Demil & Lecocq, 2010)



Total points: 100

- **Part 1: Resources and Competences (RC) – 20 points**
- **Description:** Identify the key **resources and competences** that the selected sport business or mega event relies on to operate and succeed.
 - **Tangible Resources:** Physical assets (e.g., stadiums, equipment, financial resources).
 - **Intangible Resources:** Brand reputation, intellectual property (e.g., broadcasting rights), partnerships.
 - **Competences:** Skills, know-how, expertise of key stakeholders (e.g., athletes, organizers).

Total points: 100

- **Part 2: Organization (O) – 20 points**
- **Description:** Analyze the **organizational structure** and key **processes** of the business or event. Focus on how the organization coordinates its operations and manages partnerships.
 - **Organizational Structure:** Key players (e.g., event organizers, governing bodies, sponsors).
 - **Partnerships:** Collaborations with sponsors, media, suppliers.
 - **Logistical Organization:** Management of operations (e.g., transportation, security, event schedules).

Total points: 100

- **Part 3: Value Proposition (V) – 20 points**
- **Description:** Define the **value proposition** of the selected sport business or event. Explain what makes it attractive to its target audience (e.g., fans, sponsors, athletes) and how it differentiates from competitors.
 - **For Fans:** What unique experience does it offer?
 - **For Sponsors/Partners:** How does it provide value to sponsors?
 - **For Athletes:** How does it benefit the athletes or teams involved?

Total points: 100

- **Part 4: Costs and Revenues – 20 points**
- **Description:** Analyze the **financial structure** of the sport business or mega event, focusing on its revenue generation and cost management.
 - **Revenue Streams:** Ticket sales, broadcasting rights, sponsorships, merchandise.
 - **Cost Structure:** Venue rental, staffing, marketing, logistics, security.
 - **Profitability:** How the business/event balances revenues and costs for financial sustainability.

Total points: 100

- **Part 5: Critical Analysis of the Business Model – 20 points**
- **Description:** Provide a critical assessment of the business model for the selected sport business or mega event. This analysis should highlight the strengths, weaknesses, opportunities, and threats (SWOT analysis) within the business model. Consider internal and external factors that impact its success and areas for improvement.

Learning objective:

- ⇒ be able to identify the main components of a business model using reliable sources
- ⇒ develop the ability to critically analyse an existing business model
- ⇒ gain perspective on the subject under study
- ⇒ develop a strategic analysis to go beyond the operational aspect of an event/business
- ⇒ develop your expertise about an event/business you like/want to know more about/want you work or make your internship in.

Evaluation format

- Oral presentation of 15min+10min remarks/questions with Powerpoint document (25 slides max excluding sources)

Plan

The political economy of sports mega events (SME)

- Activity 1 (bidding process)
- Introduction to the sport and politics regarding SME
- Activity 2 (impact of SME)
- Activity 3 (Group debate)
- Case studies about objective and issues of SME
- Kahoot

Introduction

- Let's make some experiments...

Activity 1

Bidding for the 2036 Olympics...

- Group of two students: You represent a city for the 2036 Olympic Games bid.
- You must submit bids for the right to convince the IOC members to host the event based on estimates of potential costs and benefits.
- The winner of the bid is the group with the highest offer (which is often the case)
- The uncertainty is about the real costs of hosting the event (the real costs is known by me...)
- Your maximum budget is 10B\$ to bid.

The winner's curse

- Leeds and von Allmen (2002):

“Economists call this paradox – in which the „winning“ city is actually worse off than it would have been had it lost the bid – the winner“s curse.”

Explanation

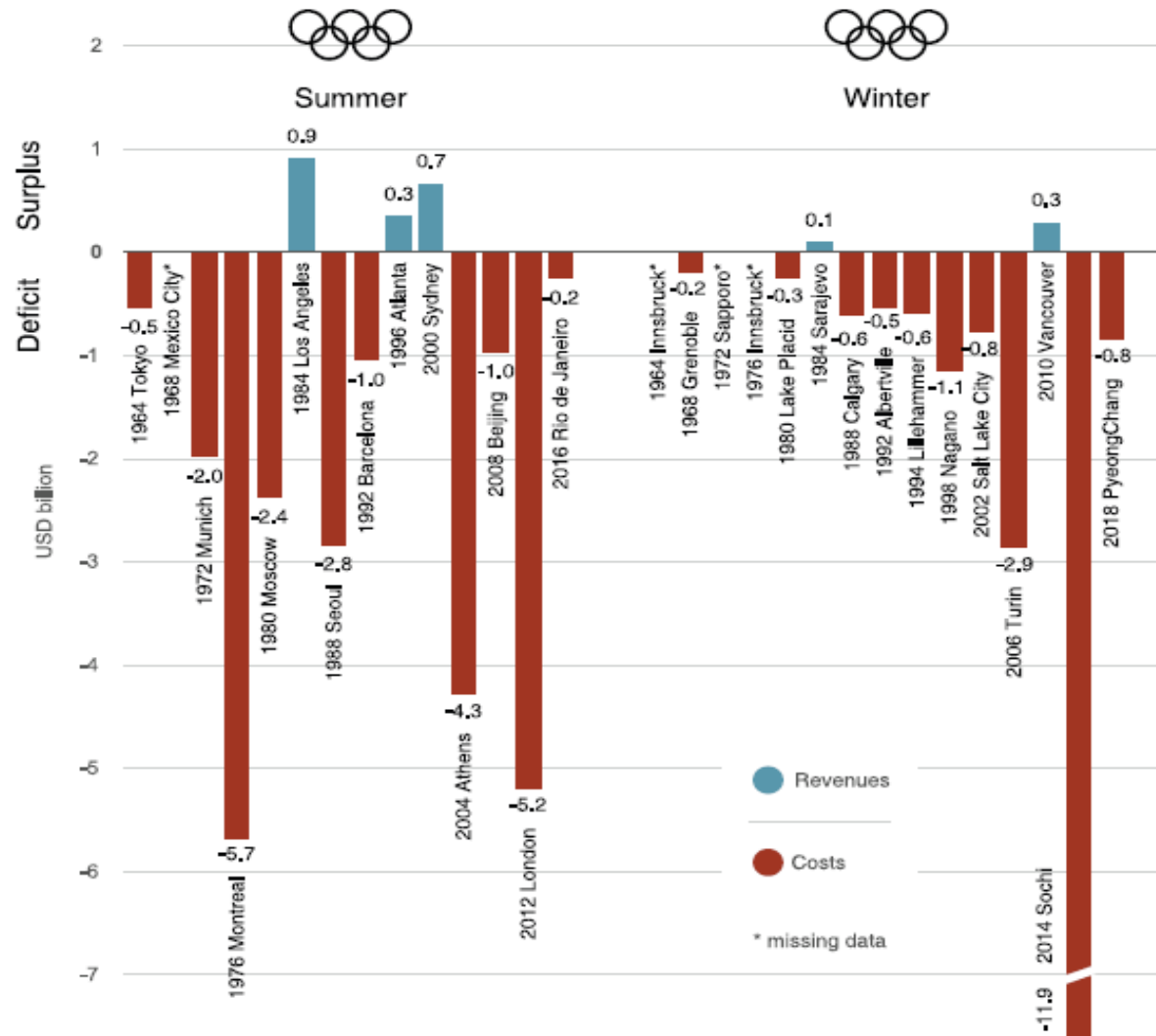
- The winner's curse is often seen in bids for the Olympic Games.
- Cities outbid each other to win the prestige of hosting this global event, but often end up paying much more than expected, creating an economic burden for taxpayers.
- Historical examples:
 - Athens 2004: The Games cost around €15 billion, well above expectations, and left a heavy legacy of debt for the country.
 - Tokyo 2020: Initially forecast at 7.3 billion dollars, the total cost exceeded 15.4 billion, mainly due to the COVID-19 pandemic.

Soft Power and Sport

Most Sport Mega Events are considered to be success

Are Sports Mega Events also economic success?

Soft Power and Sport



Well.... For some exceptions!

Soft Power and Sport

Projected costs in 2013



7,3M\$

Final costs in 2021



28M\$



Projected costs in 2017



6,8M\$

Projected costs in 2022



8,3M\$



Activity two

- Form group of 4/5 students
- Each group of students will form a team responsible for managing a budget allocated for the Olympics
- Starting budget: Each team will receive an identical initial budget (12 billion euros) to invest in different categories:
 - **Sports facilities**
 - **Accommodation and transportation**
 - **Marketing and advertising**
 - **Ecology and sustainability**
- For each category, you need to decide how much to invest based on the budget available and the expected economic returns.
- You can invest more than your initial budget if its relevant.
- You will have a total score base on economic score (ROI), budget score, social impact score (basically an excel formula of mine...)
- If you invest too little or too much in one category, it will affect your results.

Your task per group:

Propose me an investment for each categories
The best total score will get 0.5 bonus points per students

Session 1

The political economy of sports mega events



Political economy of sports

Sports offer to governments: « **an extremely malleable resource to achieve... a wide variety of domestic and international goals** »
(Houlihan & Green, 2008)

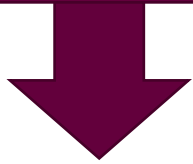
Investments in sport have increase at all levels whether at the elite level or for Sports Mega Events (SME) especially for emerging states

ex: **BRICS** - **B**rasil, **R**ussia, **I**ndia, **C**hina, **S**outh Africa



Political economy of sports

These investments are made to **boost image** and **international prestige**. (signal of growing state's strength)



It also appears that investments are made after poor performances

France: 0 gold medal in 1960 Rome Olympics (De Gaulle created a politic of democratization of sport after that)

Germany: new politics in football after poor performance in 1998 France World Cup resulting in hosting 2006 World Cup



Political economy of sports

➔ Investments in sports as in Sport Mega Events has not always been attractive...

Until the 1980's it was not as easy as in the last 30 years to find candidates (probably because of the costs: only one profitable city in the history of the Olympics).

It starts to be more and more difficult to find candidates to host SME

It can be explained by the cost of the Olympics in relation to the economic 'crisis' and the reluctance of citizens to pay taxes to host SME (most of the results in referendum leads to the win of **'NO'**)



Political economy of sports

British government invested massively in elite sport before 2012 London Olympics resulting in their best results.

On the other end studies showed **no Impact** (or negative) on sport participation questioning the purpose to these investments.

Legacy ?

Long term social objectives ?

- Most of the studies in sport politics are focused:
- on **opportunity cost** of hosting Sport Mega Events (what if we have spend resources elsewhere?)
 - **Key actors** (politicians, sponsors, constructions firms, etc.)
 - **Environnemental damages** of hosting SME