

Investigating the Impact of Economic Uncertainties on Attendance of Premier League Soccer in the United Kingdom and Major League Soccer in the United States

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This research analyzes correlation of attendance of English Premier League and Major League Soccer to their respective nations' household disposable incomes from 2002 through 2008. By examining professional soccer attendance in countries with a vast discrepancy in soccer popularity throughout a period of economic uncertainty, fan behavior is greater understood.

INTRODUCTION

Soccer is one of the most popular sports with a great spectator base throughout the world (Sagatomo and Greenwell, 2011). In the United States, however, despite the increasing popularity of soccer as a sport to play among youth, the spectator base is still far behind that of other sports such as American football, basketball, and baseball (Carlin, 2010). As a result, Major League Soccer (MLS) is still considered as a second-tier sport league (Collins, 2006). Nevertheless, MLS has been trying to expand their spectator base through various marketing means such as sponsoring many grassroots tournaments nation-wide to spur interest to the league among soccer participants (Warfield, 2004). However, an economic condition that the US is facing may confound professional soccer attendance.

The recent phenomenon in the US and many countries has been littered with economic instability. This instability has had affects on local, regional, national, and global levels. The resultant impacts from the economy have been analyzed on many facets and in many different lights. But, the economic fluctuation's impact on professional soccer attendance has yet to be studied. This research aims to provide the previously missing insight on correlation between professional soccer attendance and economic uncertainty.

Since soccer is the world's most popular sport, it is beneficial to examine from an international perspective. This paper aims to analyze the impact of the economic uncertainties in the United States and the United Kingdom on their relative professional soccer match attendance over the years. While the professional soccer league representing the US is Major League Soccer (MLS), the professional soccer league representing the UK is the English Premier League (EPL). These two soccer leagues are distinctly different in terms of popularity and history. It is valuable to compare and contrast the impact the economy has had on soccer match attendance in a country where it is the most popular sport, the United Kingdom, with a country where it is not one of the most popular sports, the United States, in order to garner more

encompassing and complex conclusions. By analyzing the impact that the economy has on professional soccer attendance, a greater acumen of consumer behavior will be forthcoming. The implications will impact soccer team executives, venue management, and in-venue marketing sponsors. Since the current economic instability seems rather persistent, and periods of uncertainty are predictably recurrent, developing a deeper understanding of consumer behavioral patterns in times of economic inconsistency will be beneficial.

LITERATURE REVIEW

The soccer popularity in the United States (US) and soccer popularity in the United Kingdom (UK) has been apparent. As for the UK, "it's the English that modernized soccer and started the international phenomenon that it's become today" (Soccer Fans Info, 2011). Not only that, but "they were the first nation to have professional soccer clubs and it's the English that created the Laws of the Game as early as 1863, the "constitution" that is still the book of soccer rules nowadays" (Soccer Fans Info, 2011). As a result, the UK's soccer roots run deep and their ties are heartfelt. As for the US, "the US were generally regarded as a country where soccer was scarcely popular, with basketball, baseball and American football coming on top of the people's favorite team sports" (Soccer Fans Info, 2011). Even though "the past two decades sparked a major interest in soccer in the US," one can conclude that the popularity divide of soccer between the US and the UK is very sizable (Soccer Fans Info, 2011).

Researcher holds different opinions on the impact of economic troubles in the UK and in the US on soccer attendance in their respective leagues, the US's MLS and the UK's EPL. For examples, a Reuters/Zogby survey found that almost 15 percent of those polled said they are attending fewer sporting events this year, and most of those people cited the weak economy as the reason," (Klayman 2008). Nevertheless, evidences showed that most sports were still able to set attendance record (Klayman, 2008). According to Zimbalist, "the evidence from past recession is indeed that sports is one of the last things people cut back on...they need their distractions and they need their obsessions" (cited in Klayman, 2008). Klayman's article quoted a sports patron who said, "the tickets cost a lot, but that's what you have savings for, for special events" (Klayman 2008). As for MLS, Klayman (2008) found that "smaller leagues," similar to the MLS, "may do even better than the big ones" (Klayman, 2008). As for the EPL, it is one of the top-tier sports in the UK with a long history of fan hood and nostalgia, similar to the US's Major League Baseball. Klayman's article cites a professional sports executive who said, "Baseball was there during the Depression, during World War II, as an element of the country's recovery from 9/11, and will continue to be available at affordable prices," a sentiment that may be shared by the English people about their storied history and intimate bond with their beloved EPL (Klayman, 2008).

Peter (2008) asserted that in relation to Major League Baseball, "gas prices are up. Food prices are up. So, oddly enough, is attendance at Major League Baseball games..." (Peter, 2008). Zimbalist explained that "people seek the comfort of their sports addiction when there's bad economic times," and that "there's something very deeply rooted about our sports attachments. People tend to give that up last" (Peter, 2008). Dalakas believes that tickets to sporting events have real value, although not seen as functional value (cited in Peter, 2008). He stated that "a product can offer functional benefits and psychological benefits...sometimes perceived value may not be real value. But sometimes perceived value, the fact that it's about emotions, doesn't make it any less valuable" (cited in Peter, 2008).

Other evidences, however, suggest a different perspective. Wieberg (2009), for example, found that "every one of college basketball's 12 top-drawing conferences saw attendance fall during the just-completed men's regular season, a likely reflection of the nation's economic slide," (Wieberg, 2009). Basketball is one of the top-tier sports in the US. The top-tier popularity is more comparable to soccer in the UK.

Humphreys (2010) believes the financial crisis has adversely affected sport attendance in North America. Humphreys found that "attendance and franchise values declined slightly" (Humphreys, 2010). Humphreys later stated that "increasing reliance on revenues from businesses in the form of premium

seats, luxury suites, and sponsorship may lead to future problems if the downturn continues for a prolonged period,” which has been the case (Humphreys, 2010).

One can see that there are vastly contradicting perspectives on how economic conditions affect professional soccer attendance in the US and UK. That being the case, this research was conducted to better understand the relationship between the two. The goal is to better comprehend how economic condition, on a personal income level, translates into professional soccer match attendance figures.

HYPOTHESES

Despite various views in the literature on the impact of the economic downturn on sport attendance in the UK and in the US, the popularity difference in the two countries is clear. Drawn from existing literature, it can be hypothesized that the economic situation in the UK and the US over the years are likely to minimally impact soccer attendance in the EPL but slightly more impact MLS attendance because of the soccer popularity disparity between the two nations, the difference in size of the consumer base, and the difference in the availability of substitutes.

It is evident that soccer is vastly popular in the UK with a storied history and an avid fan base. In contrast, soccer is not one of the most popular sports in the US, the history is bleak, and the fan base is limited. The popularity of soccer is incomparable between the two nations. As a result of the soccer popularity disparity between the two countries, the fan behavior amidst an economic recession is likely to differ. The UK soccer fans are more likely to be more loyal and budget their soccer passion even if it necessitates other financial sacrifices. Fans in the US with lesser passion for soccer are less likely to make financial sacrifices to budget soccer match attendance. Therefore, it is proposed that sport popularity is likely to have a positive relationship with sport attendance elasticity. To expound on that theory, greater sport popularity is likely to lead to a lesser attendance figure elasticity and a lesser popularity would result in greater attendance figure elasticity.

The next issue is that of the difference in size of consumer base for soccer match attendance. In the UK, soccer is the most popular sport, the passion runs deep, the history is storied, and the fan base is colossal. Resultantly, if some fans cannot afford to attend matches because of the suffering economy, there are a plethora of replacement candidates. Contrastingly in the US, soccer is not the most popular sport, the history is lacking, the passion is spotty, and the soccer fan base is limited. Consequently, if some fans cannot afford to attend matches because of economic factors, there are less available soccer fans for replacement. That being said, the UK is greater protected to have more inelastic soccer attendance and the US is likely to have more elastic soccer attendance. Therefore, a weak economy should impact MLS attendance more so than it will impact EPL attendance.

Finally, the discrepancy between the availability of substitutes for consumers in the UK and the US is worth noting. In the US, soccer is listed as the eleventh most popular sport in the nation (Most Popular Sports, 2010). On the contrary, in the UK, soccer is distinctively recognized as the nation's most popular sport (Most Popular Sports, 2010). Excluding all other means of entertainment and focusing on sport substitutes, there is a tremendous differentiation between availability of sport substitutes for sport consumers in the two countries. So, if sports fans are buckling down on their discretionary spending due to economic instability and decide to reduce their sport attendance frequency, soccer attendance is more likely to be reduced in the US. Resultantly from the differing availability of substitutes, the EPL will have maintained more stable and inelastic attendance despite the English economic downturn, whereas MLS will have seen more attendance fluctuation because of the American economic downturn.

It is therefore hypothesized that the economic downturn in the UK and the US is likely to minimally affect EPL attendance in the UK, while moderately affect MLS attendance in the US. The US's MLS attendance is likely to have more elastic in regards to the economic state, whereas the UK's EPL attendance is likely to be more inelastic to the economic state due to the differences between soccer in the respective countries. The economic situation in the UK and in the US is likely to have minimal impacts on soccer attendance in the EPL in the UK but slightly more impacts on MLS attendance in the US

because of the soccer popularity disparity between the two nations, the difference consumer base size, and the difference in the availability of substitutes.

METHODOLOGY

The two statistical measures used for the research were attendance and economic conditions. Furthermore, attendance was represented by annual average attendance of the EPL and of MLS for seasons 2001-2002 through 2007-2008. Since there was a slight discrepancy in the season timetable for two leagues, seven seasons that end in years 2002 through 2008 were chosen. As for the economic state, the metric used was Disposable Personal Income, also known as Household Disposable Income (HDI).

The annual average attendance data for the EPL was accumulated through the official website of league, Official Site of the Premier League. This website contained the average annual attendance figures for the league by team, whereby the mean team attendance was then averaged for a league-wide average by year and was used as the attendance metric. It was best to use the official website of the EPL as the attendance data source since it is the original source of the desired data. It was best to employ the average attendance for the league as the attendance metric for a more representative and comprehensive sample. It was best to separate by year since the economic metric was annual.

The average annual attendance for MLS was compiled from the attendance statistics of the official website of the league, Full Season Stats. Team attendance means were averaged into a league-wide average for each year and were used as the attendance metric. It was best to utilize the official MLS website as the source for attendance data since it is the original data source. It was best to assign the league-wide average attendance as the attendance in order to employ a representatively comprehensive sample. It was best to separate by year since the economic metric was annual.

The economic metric used was Household Disposable Income (HDI), equating to “the maximum amount that households can afford to spend on consumption goods or services without having to reduce their financial or non-financial assets or to increase their liabilities” (OECD Factbook, 2010). HDI is the most suitable metric for economic condition and its impact on soccer attendance since it shows consumers discretionary spending budgets, which is where the money for soccer attendance would be derived. Resultantly, changes to HDI directly impact consumer ability to attend soccer matches, so once correlated with attendance, was telling of the elasticity of fan hood. The Google public data exporter and the OECD Factbook 2010 were utilized to gather HDI data. These two sources were reliable and well recognized.

With the attendance and HDI data, correlations between the two variables were calculated. By doing so, the relationship between attendance in the EPL and the UK economy in terms of HDI, as well as MLS attendance and the US economy in terms of HDI were tested. The correlations for both were expected to be low, but slightly higher for the MLS than the EPL since consumer demand was estimated to be more elastic.

DATA ANALYSIS AND CONCLUSION

The seven season (2002-2008) attendance averages with the year’s HDI of the respective countries were shown in Figure 1.

FIGURE 1
HOUSEHOLD DISPOSABLE INCOME IN THE UK AND US

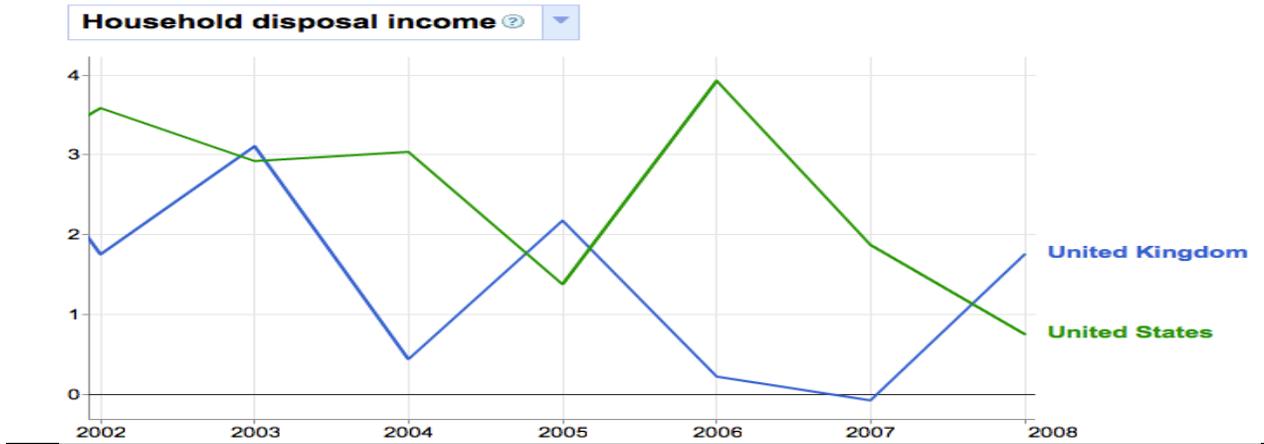


Table 1 shows the correlation results on the relationship between EPL attendance and UK's HDI for the years 2002-2008. Assigned were the variables "X" for HDI and "Y" for average attendance.

TABLE 1
THE CORRELATIONS BETWEEN THE UK'S EPL ATTENDANCE AND HDI

<i>Year</i>	<i>HDI (X)</i>	<i>Average</i>
2002	1.750	34381.400
2003	3.110	35465.950
2004	0.440	35019.800
2005	2.180	33891.900
2006	0.220	33875.350
2007	-0.080	34379.150
2008	1.750	35990.500
Sum	9.370	243004.050
Mea	1.339	34714.864
St	1.173	805.225
N	7.000	
R	0.38237	
r ²	0.14621	

Table 2 provides the correlation results on the relationship between MLS attendance and US HDI for the years 2002-2008. Assigned were the variables "X" for HDI and "Y" for average attendance.

TABLE 2
THE CORRELATION RESULTS BETWEEN THE US'S MLS ATTENDANCE AND HDI

<i>Year</i>	<i>HDI (X)</i>	<i>Average Attendance (Y)</i>
2002	3.59	15821.60
2003	2.92	14898.30
2004	3.04	15558.70
2005	1.38	15108.00
2006	3.93	15504.30
2007	1.87	16770.30
2008	0.75	13755.70
Sum	17.480	
Mean	2.497	15345.27
St	1.184	922.97
N	7.000	
R	0.43058	
r ²	0.18540	

For the UK - EPL analysis, the above correlation coefficient value of 0.382 showed that the UK'S HDI was a weak predictor of EPL attendance, but that there was a positive correlation between the variables. The above coefficient of determination revealed that 14.62% of EPL attendance variability could be explained by the changes in the UK's HDI. For the US – MLS analysis, the above correlation coefficient value of 0.431 showed that the US' HDI was a weak predictor of MLS attendance, but that the two variables were correlated. The above coefficient of determination explained that 18.54% of MLS attendance variability could be explained by the changes in the US' HDI.

One can now see that for the years 2002-2008 the correlation between the US's HDI and MLS attendance was slightly stronger than the correlation between the UK HDI and EPL attendance, but the difference was all but insignificant. This correlation discrepancy revealed a slight differentiation in attendance elasticity between the two societies. In the UK, people are slightly less apt to sacrifice soccer match attendance, even as their spending money diminishes. In the US, people were slightly more willing to scrap soccer match attendance when their disposable income dropped. In the UK, attendance was slightly less elastic, partly, due to the nation's deep soccer roots, vast fan base, and unparalleled popularity to other sports. In the UK, there was a weaker availability of substitutes and a lesser bargaining power of consumers. In the US, attendance was slightly more elastic, partly, due to the nation's weaker soccer following and lesser popularity in comparison to other sports. In the US, there was a greater availability of substitutes and a stronger bargaining power of consumers.

Overall, there was a weak correlation between HDI and professional soccer match attendance. The country-specific differences were minimal and nearly insignificant. Despite a sporadic HDI for the UK and US over the years 2002-2008, attendance for the EPL and MLS both stayed relatively constant. Therefore, it can be concluded that patrons in the US and UK did not relate the allotment of spending money with the ability to afford and attend professional soccer matches. It is possible that individuals saw their affiliation with their soccer team as a part of their social identity and as a result found it hard to depart from their attendance regardless of economic condition. Henri Tajfel's research found that "in a situation devoid of the usual trappings," people "still act in terms of their ingroup membership and of an intergroup categorization" (Tajfel, 1971). This could be the explanation of consumer behavior resulting in rather inelastic attendance figures in times of economic fluctuation.

LIMITATIONS

This research was limited to the impact each country's HDI has had on its respective professional soccer league attendance. For future research, it would be beneficial to analyze the impact of multiple factors on attendance, and to establish a hierarchy in terms of variable correlation to attendance. Other economic measures could also be utilized to measure correlation with attendance. It could also be very insightful to compare attendance of a plethora of professional sports within multiple countries to see if there was any consumer hopping amidst economic downturns or whether leagues are relatively constant. If there were consumer hopping, it would be interesting to research the root cause. It would also be beneficial to analyze the correlation figures in comparison to each other. The findings would be more helpful if the number of seasons analyzed was expanded to cover a larger time period, but this research was limited by the unavailability of data.

IMPLICATIONS

There are several implications from this research. This research showed that HDI was not strongly correlated to professional soccer match attendance in the UK or the US. In both nations, soccer team owners could rather fearlessly maintain investment in their teams, for example, by way of new player acquisition or stadium renovation, knowing that attendance will be rather constant regardless of the economic state, by way of maintained ticket revenue, in-venue sales, and in-venue advertising. In-venue soccer advertisers in both nations could comfortably maintain investments or secure long-term deals knowing that attendance will be considerably inelastic, thereby maintaining desired reach.

Due to more inelastic attendance, team management could do less short-term promotions in terms of money savings and could utilize promotions such as meeting the players or providing signature opportunity instead of ticket price discounts, since ticket sales are predictably sufficient. Marketers can also see that since rather inelastic attendance is so far borderless, they can confidently market internationally.

This research disclosed that although soccer was less popular in the US than it was in the UK, professional soccer match attendance was impacted similarly by HDI. It is interesting to observe that HDI had little impact on professional soccer attendance, regardless of the sport's national popularity. Socially, it is interesting to see that although the two nations have a vast disparity in popularity of the sport, patrons from both found a way to attend sporting events despite erratic economies.

The implications in the US could lead to continued MLS expansion into new markets amidst an economic recession. This research could help MLS executives pitch expansion to potential owners and markets despite economic uncertainty by pointing out consistent attendance figures. Contrastingly, this research could help potential owners and new markets sell MLS executives on further expansion regardless of national economic state by emphasizing the steadfast MLS attendance.

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