EC 250
Second lecture

Outline:
1. Complete team sign-up
2. Team assignment
3. Logistics of FFL
4. League constitution
## EC 250 FFL Team Allocations

<table>
<thead>
<tr>
<th>Eastern Conference</th>
<th>Western Conference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Atlanta</td>
<td>1. Cincinnati</td>
</tr>
<tr>
<td>2. Boston</td>
<td>2. Denver</td>
</tr>
<tr>
<td>5. Pittsburgh</td>
<td>5. San Francisco</td>
</tr>
</tbody>
</table>
The city's market size index

New York (10.0)
San Francisco (6.0)
Philadelphia (5.6)
Boston (4.6)
Atlanta (4.0)
Minneapolis (3.2)
Seattle (3.2)
Denver (2.8)
Pittsburgh (2.2)
San Diego (2.0)
Cincinnati (1.6)
Kansas City (1.6)
Your business plan should contain

• Team objective: maximizing winning, profit, or both?
• Possible conjecture about your revenue:
  specifies different revenue sources in details
• Possible conjecture about your cost:
  specifies different revenue sources in details
• **Preparing a Business Plan**

Introduction with statement of a franchise mission

Projected revenue sources

1. **National TV/Radio Broadcast Revenue:**

   • Either negotiated individually by a franchise or collectively by the league.
   • Depends on competitiveness and popularity of the league.
2. Merchandising Revenue:

- Divided among franchises according to the league's revenue sharing agreement.
- Depends on the competitiveness and popularity of the league.
3. Ticket Revenue:

- Divided between home and away teams for every contest according to the league's revenue sharing arrangement.
- Ticket revenue will be determined by attendance.
- Attendance will be dependent upon ticket prices, the popularity and success of the home and away teams, and the size of the local market.
- Ticket prices in four separate sections of the stadium (lower, middle, upper, and luxury) will be set by the franchise owner.
4. Concessions Revenue:

• Divided between home and away teams for every contest according to the league's revenue sharing arrangement.
• Concessions revenue will be determined by attendance.
• Concession prices for hot dogs, nachos, beer, and t-shirts will be set by the franchise owner.
5. Stadium Sponsorship Revenues:

- Not shared and are only collected for the regular season.
- For weeks 1 and 2 each franchise will receive a $1 million.
- For each week 3 through 10, the teams will receive offers for sponsorships.
- The contracts will be based on each franchise's market base and its on-the-field success to date.
Projected Costs

1. Player salaries:

- The system will split the amount over the 10-period regular and post season and enter the amount into each franchise's financial statement.
- Each owner should realize that throughout the season, as franchises trade players, a franchise's payroll may change.
2. Team Administration:

- An expense that every franchise must pay to manage a front office.
- It is a fixed expense, $500,000 per week per franchise.

3. Game-day expenses (vendors, concessions, and parking):

- A fixed expense of $500,000 for each franchise when they are a home team.
4. Travel expenses:

- A fixed expense that a franchise pays to travel for an away game.
- $300,000 for each franchise when they are a visiting team.

5. League Fines:

- The commissioner can fine any franchise any time for any reason.
Negotiating TV/Radio Broadcast Rights

1. Two options for team owners:
   - Become monopoly
   - Compete for the network’s money

2. The network will calculate the broadcast right each week based on the competitiveness and popularity of the league.
Negotiating the League Constitution

1. Revenue Sharing
   - Broadcast revenue
   - Ticket revenue
   - Concessions revenue
   - Merchandise revenue

2. Salary cap?

3. Voting Rules:
   - Majority vote, two-thirds vote, unanimous vote
Selecting Players: The Free Agent Auction

- 2 Quarterbacks - 1 starts each week
- 4 Running Backs - 2 start each week
- 4 Receivers - 2 start each week
- 2 Kickers - 1 starts each week
- 2 Teams (Special Teams and Defense) - 1 starts each week
Managing Weekly Head-to-Head "on-the-field" Competition

Each week owners will submit a starting lineup (1 Quarterback, 2 Running Backs, 2 Receivers, 1 Kicking Team, and 1 Defensive Team).

**Passing:**
Each 20 passing yards 1
Completion 1
Touchdown 6
300 Yards and over 3
2 Point Conversion 2
Interception -5
Rushing:
Each 10 rushing yards 1
Carry 1
Touchdown 6
100 Yards and over 3
2 Point Conversion 2

Receiving:
Each 10 receiving yards 1
Reception by receiver 4
Reception by back 1
Touchdown 6
100 Yards and over 3
2 Point Conversion 2
Kicking:
Field Goal (0-39 Yards) 8
Field Goal (40-49 Yards) 12
Field Goal (50 and Over) 16
PAT 4
Missed Field Goal (0-39 Yards) -5
Missed Field Goal (40-49 Yards) -3
Missed Field Goal (50 and Over) -1
Missed PAT -10
## Defense and Special Teams:

Interception/Fumble Recovery 5  
QB Sack 3  

<table>
<thead>
<tr>
<th>Total Points Allowed</th>
<th>Total Yards Allowed</th>
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<tbody>
<tr>
<td>0</td>
<td>(0 - 124) 10</td>
</tr>
<tr>
<td>2 - 7</td>
<td>(125 - 149) 8</td>
</tr>
<tr>
<td>8 - 14</td>
<td>(150 - 174) 6</td>
</tr>
<tr>
<td>15 - 24</td>
<td>(175 - 199) 4</td>
</tr>
<tr>
<td>20</td>
<td>(200 - 224) 2</td>
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</tbody>
</table>

Touchdown 6  
Safety 2
Setting Prices for Tickets and Concessions

- The home team sets prices.
- Each section in the stadium has a distinct demand function.
- Demand for seats depends on price, the popularity of players, team’s winning percentage, home team’s market index.