

## Merchandise

The process of budgeting revenue for merchandise sales at sports events must blend realistic expectations, a familiarity with your audience, and, frankly, your gut instincts. Merchandise first must be designed and purchased by the event organizer, incurring costs to develop and create inventory, and then (it is hoped) resold to consumers with sufficient profit margin to cover all other expenses that might be involved in the transaction (e.g., shipping, labor/commissions, fixtures, supplies [such as shopping bags], taxes, credit card fees, etc.). Thus, the net revenues projected for merchandise sales will be a compound number that subtracts the “cost of goods sold” from the gross revenues the event organizer expects to realize. It is also important to plan for the significant lead-time, often six to nine months or longer, and related expenses required to produce and to ship merchandise to meet your event date, particularly if it must be imported from a foreign supplier.

Most professional sports stadium and arena facilities either provide in-house retail merchandising services or have entered into an exclusive partnership with a retail merchandise concessionaire to provide this capability. The terms of what the in-house retailer will be paid to sell your merchandise must be negotiated at the same time as the facility lease. Most often, the facility retailer will expect to sell event merchandise on a “consignment” basis; that is, they will sell your items without purchasing them from you first. At the end of the event, the retailer will return the unsold inventory to you, along with payment for the items sold on a previously negotiated price schedule (e.g., 75 percent of the retail price), less agreed-upon deductions (e.g., taxes and credit card commissions). Facilities insist on this type of arrangement because it presents the least amount of risk to them. Creating event-related merchandise is risky for the same reason it is attractive to the ultimate purchaser, the fan—it is a souvenir of a specific time, place, and event, and once the event is over, its value drops precipitously. Therefore, not having to purchase event-related merchandise in advance is usually essential to third-party retailers. Make sure your estimate of revenues accounts for some amount of “spoilage,” the merchandise that will not successfully be resold. Not only will revenues not be received on whatever is left over after the event ends, the expense to have had items made in the first place will further reduce your net merchandise revenues.

If a sports event is well-established, with a proven track-record of high merchandise sales results, the organizer has more leverage in negotiating a better deal with the retailer, or one that shifts more of the risk to the merchandiser. In such cases, the organizer can designate “licensees,” or exclusive suppliers, from whom the retailer must purchase approved event merchandise, and receive royalties on sales from the licensee, the merchandiser, or to some degree, both. Organizers of proven, major events with a history of high merchandise volume may be able to negotiate a 10 to 25 percent share of sales in cases where the in-house retailer purchases event-specific merchandise directly from a licensee, usually net of taxes and credit card commissions. Event organizers prefer this arrangement because now they incur no risk of unsold inventory remaining after the audience has departed.

Local amateur grassroots sports events in community-owned facilities usually have the luxury of assigning their own volunteers and boosters to sell merchandise themselves, accepting only cash, and offering some combination of event-specific and organization-generic items. To minimize the likelihood of being stuck with excess, unsalable merchandise, volunteer organizers would be well advised to limit their acquisition of event-specific items (such as T-shirts with a date like “the 2014 Columbus Softball Association’s July 4<sup>th</sup> All-Star Game”), and weight their inventory with a greater proportion of organization-generic merchandise (e.g., Columbus Softball Association caps). To reduce or eliminate any possibility of financial risk, grassroots organizations may want to consider attempting to have their merchandise donated by a local supplier in return for name or logo recognition on the item, or sponsored in part by a local business for similar recognition.

Regardless of how items are acquired or sold, the most common method of deriving a budget number for merchandise revenue is based on a per capita estimate of sales (also known as a *per cap*). The per cap is the amount of money the event organizer expects to realize in merchandise sales, on average, from each person at the event site. In professional sports events, the number of audience members is usually used, while grassroots events may include both audience and the participating athletes who would also be likely to buy remembrances of the day. The projected per cap for the event will depend on the product mix being offered and price ranges, as well as a judgment on the part of the organizer as to how desirable the merchandise will be to the attendees. Remember, it is not generally realistic to expect that every spectator will purchase an item, so organizers are advised to think conservatively when projecting the per cap for their event. To derive a merchandise revenue number for your event budget, simply multiply the per cap by the number of spectators and/or participants expected to attend. Figure 3.4 illustrates an example of how to derive a merchandise revenue projection utilizing a per cap estimation.

The example in Figure 3.4 shows a very conservative per cap. Established sports events can enjoy merchandise per caps in the range of \$4.00 to \$10.00 and even more. Per caps are also dependent on the product mix and the price points of the various items for sale. In order to make a realistic per cap determination, you must have an understanding of your audience. Will you have an upscale audience that will pay \$50.00 to \$70.00 for a sweatshirt, or is it comprised of families who are more likely to buy a \$20.00 T-shirt, a \$15.00 cap, an \$8.00 plush ball, or a \$4.00 key chain? Alternatively, does the audience have a significant representation of kids, whose parents have sent them off to the merchandise stand by themselves with a \$10.00 bill for souvenirs? Consider who is likely to be in the stands before determining what kind of merchandise you will offer, how much you need to acquire, and how large a per cap you want to work toward. Think, too, about whether the merchandiser can accept credit cards. Will attendees have expected to purchase high-priced items and have brought enough cash?

While there are events and teams that are reducing or even eliminating them in favor of online content, programs, journals, and other publications remain a special merchandise item from which you may derive revenue from more than one source. Most printed programs include advertising, the revenues from which ideally should offset or exceed the cost of their design and printing. If the organizer can completely cover the cost of the program or journal with advertising revenues, the publication may be distributed the program free to all attendees with any further financial risk while providing attractive exposure for advertisers. Alternatively, the item may be sold to produce an additional revenue stream, presuming the quality and content are attractive enough to potential purchasers.

Here are some more tips that can help to increase your merchandise sales potential. Consider negotiating a deal with one or more local retailers who will help promote your event by selling your products on consignment (they will only pay you for what they sell and then return the balance for full credit), or on another basis in advance of game day away from the event venue. If your event will be staged in a public space where no retail merchandiser has exclusive rights, you may be able to keep costs down by recruiting a body of volunteers or using your own hourly staff to sell your merchandise. For a more professional presentation without the headaches of managing inventory and labor, you may want to consider contracting the merchandiser from a nearby arena or stadium, or a large reputable sporting goods store. These vendors may have an interest in servicing your event on a mutually agreeable fee schedule and may also be able to provide points-of-sale kiosks, stands, tables, chairs, and other fixtures if they are not being used by their home facility or store during the same time period.

#### REVENUE CALCULATION

A. "Per Cap" Estimation	\$ 0.75
B. Number of Spectators Expected	2,500
C. Projected Gross Revenue (A × B)	\$1,875.00
D. Cost of Merchandise Sold	\$950.00
E. Budgeted Net Merchandise Revenue (C-D)	\$ 925.00

**Figure 3.4** Sample Sports Event Merchandise Revenue Calculation