

Sport Event Management and Promotion

Budgeting

Budgeting Process

5 steps:

1. Collecting data relative to the needs, strengths, and resources of the organization.
2. Analyze the data collected and compare to past and present needs.
3. Identify other factors that may impact operations.
4. Prepare the document
5. Implement the approved budget
6. Review the budget frequently



Income – Expenses = profit (loss)

“The more money you have, the faster you go.”

- AJ Watson, car designer, on the importance of money in auto racing

Income: pre-event generated categories

- Sponsorships
- Donations
- Grants
- Entry Fees



Income: pre-event generated categories

- Advance ticket sales
- Signage
- Souvenir program advertising
- Public address announcements
- Vendor fees
- Parking passes
- VIP packages



Income: event generated categories

- Gate ticket sales
- Concessions
- Souvenir merchandise sales
- Parking fees



Ticket Sales

- The lifeblood of most top sports events
- Ticket sales affect the potential of many other revenue streams (e.g., concessions and sponsorship)
- Calculating gross potential provides a reasonable estimate of ticketing revenue
- Effective ticket pricing will maximize potential revenue and is determined by a number of factors

Calculating Gross Potential

Seating Area	Inventory	Ticket Price	Potential
Front Row	150	\$50	\$7,500
Lower Seating, Mid Arena	750	\$35	\$26,250
Lower Seating, End Zone	500	\$25	\$12,500
Upper Level, Mid Arena	500	\$25	\$12,500
Upper Level, End Zone	350	\$17.50	\$6,125
Standing Room	100	\$10	\$1,000
GROSS POTENTIAL	2,350		\$65,875

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Unless the event has a proven track record of selling out, a good rule of thumb is to budget for *80% of gross potential*. In the above example, this would mean selling a minimum of 1,880 tickets ($2,350 \times 0.80$) for a projected \$52,700 ($\$65,875 \times 0.80$).

Merchandise



- Profit margins on merchandise must take into account the event organizer's design and purchasing costs
- Some amount of spoilage, or unsold goods, should be anticipated
- Per capita estimates (per cap) help to accurately predict budgeting figures

Merchandise Revenue Calculation

A. "Per Cap" Estimation	\$ 0.75
B. Number of Spectators Expected	2,500
C. Projected Gross Revenue (A x B)	\$ 1,875
D. Cost of Merchandise Sold	\$ 950
E. Budgeted Net Merchandise Revenue (C – D)	\$ 925

Concessions

- Concession revenues consists of the **net income** from food and beverage sales
- Some event venues will limit an event organizer's ability to derive revenue from concessions
- Attempt to negotiate a **40-60% share of concession revenues**, after expenses
- It is important to take into account concession pricing and event audience to maximize sales



Broadcasting

- Only larger, established events can rely on broadcasting as a substantial source of revenue
- Selling broadcasting rights to networks can be highly profitable
- A **time-buy** allows an event organizer **to purchase** broadcasting time for an event, usually at high expense and high risk
- Web broadcasts provide a cheaper alternative to purchasing airtime on television

Revenues

	number	in kind amount	cash amount	cash total	
Sponsorships					
Delta	1	35000	25000	25000	
T-Mobile	1	30000	30000	30000	
Fox Sports	1	60000		0	
Wyndham Resorts	1	40000		0	
Majestic Tours	1	40000		0	
Colina Financial Group	1	40000		0	
Sunkist	1	5000	10000	10000	
Paradise Island Charters	1	15000		0	
merchandiser	1	15000		0	
Kalik	1	5000	3000	3000	
Swatch	1	8000	2000	2000	
printer	1	8000		0	
t-shirt provider	1	8000		0	
	1		8000	8000	
Total					70000
Guests					
Corporate	200		3500	700000	
Boosters	400		3000	1200000	
Parents	80		2000	160000	
Students	800		1800	1440000	
Total	1480				3500000
Team Revenue					
8 teams of 22	8		20000	160000	
Total					160000
Game Revenues					
Walk up Admissions					
Single Session	4800		20	96000	
Full Day	1800		35	63000	
Round robin package	1400		90	126000	
championship	800		20	16000	
Concessions	19500		7.5	146250	
Merchandise	6500		12	78000	
Program sales	6000		8	48000	
Total					525250
Media Revenues					
Radio	1	50000		0	
Championship TV delay	1	35000		0	
Total					0
Banquet Revenues					
Individual admissions	850		100	85000	
Silent auction	1		8000	8000	
Total					93000
Side event revenues					
Golf outing	180		250	45000	
Scuba package	300		120	36000	
Touring package	400		40	16000	
Total					97000
Total Revenues					4445250

Expenses

- Fixed
 - Costs that do not change in relation to the quantity of product or service consumes
- Variable
 - Increase or decrease based on the amount of product or service provided
- Total
 - Fixed cost + variable cost

3 most common budgeting problems

- Unseen expenses
- “clumping”
- “miscellaneous” category

Facility Costs

- Rent
- Ticket sales deductions (commissions and taxes)
- Facility labor
 - Stewards
 - Security
 - Luxury box personnel
- Equipment rentals
- Maintenance and cleaning

Player and Game Related

- Accommodations
- Appearance fees
- Performance and field equipment
- Officiating
- Event prizes
- Scoreboards
- Temporary constructions

Event Operations

- Accounting
- Communications equipment
- Accreditation
- Insurance
- Office space and supplies
- Legal fees
- Computers and software
- Staff expenses
- Vehicles

Marketing and Promotion

- Advertising agency fees
- Media accreditation
- Media center/workroom expenses
- Outdoor advertising
- Print advertising creative and space
- Press conference area
- Public relations agency expenses
- Radio advertising production and time
- Social media content production and management
- Television advertising production and time
- Website development and management

Sponsor Fulfillment

- Activation (e.g., fan activities, banners and signage)
- Advertising
- Complimentary tickets (each 1 you give is 1 you cannot sell)
- Hospitality (e.g., receptions)
- Hotel room amenities and gifts
- Post-event market research (e.g., sponsorship valuation, ROI analysis)
- Press conferences
- Sales materials (e.g., website design, printed proposals, research)
- Sales presentation expenses (e.g., travel, accommodations)

Guest Management and Hospitality

- Guest transportation
- Hospitality suites
- Hotel accommodations and fees
- Information kiosks and printed information guides
- Information guide “apps”
- Invitation design, printing, postage, and RSVP software tracking
- Parties and receptions
- Pre-event communication
- Welcome gifts and room amenity drops

Event Presentation

- Electricians and technical staff
- Lighting
- Pre-game and intermission performer(s)
- Production staff
- Public address announcer
- Set design and construction
- Sound (e.g., equipment and production)
- Special effects (e.g., pyrotechnics, fog, lasers, confetti cannons)
- Stagehands and technical staff
- Staging and risers
- Video/visual elements production
- Use of jumbotron

Summary of expense categories

Accommodations

Administrative

Ceremonies

Exhibitions/Trade Shows

Food Service

Hospitality

Insurance

Marketing

Media & Public Relations

Medical

Merchandise

Officials

Participant Services

Printing

Rights Fee

Salaries

Site Visits

Transportation

Venue

Volunteers

Contingency

Expense category tips

- Insurance - get an insurance sponsor
- Printing - print sponsor and/or cheaper printing through sponsors who have negotiated contracts based on quantity
- Salaries - don't hire people until you need them; limit full-time employees
- Venue Costs – find open dates; work with the city if they own the facility

Expenses

Sponsors

Event Package

Level 1 - 4

Flights and Housing	6	400	1400	8400
Food	24		29	696
Entertainment	6		100	600
Gifts	6	50	25	150
Transportation	6	10		0

Level 2 - 6

Flights and Housing	6	400	1400	8400
Food	24		29	696
Entertainment	6		60	360
Gifts	6	50	25	150
Transportation	6	10		0

Level 3 - 8

Flights and Housing	3	400	1400	4200
Food	12		24	288
Entertainment	3		40	120
Gifts	3	30	20	60
Transportation	3	10		0

Level 4 -10

Flights and Housing	0	400	1400	0
Food	24		24	576
Entertainment	6		30	180
Gifts	6	30	20	120
Transportation	6	10		0

Level 5 -15

Flights and Housing	0	400	1400	0
Food	0		20	0
Entertainment	8		200	1600
Gifts	8	30	20	160
Transportation	8	10		0

Total Sponsors

26756

Guests

Corporate

Flights and Housing	200	600	1900	380000
Food	800		29	23200
Transportation	200	10		0

Boosters

Flights and Housing	400	400	1400	560000
Food	1600		24	38400

Parents

Flights and Housing	80	400	1400	112000
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Students

Flights and Housing	800	100	800	640000
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Total Guests

1753600

Teams

Flights and Housing

Boston College	22	300	1200	26400
Cincinnati	22	300	1200	26400
Colorado State	22	450	1300	28600
Wyoming	22	550	1500	33000
Dayton	22	450	1300	28600
Illinois	22	450	1300	28600
Iowa State	22	450	1300	28600
Tennessee	22	450	1300	28600

Food	176		68	11968
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Entertainment	176	80	100	17600
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Practice time	24		200	4800
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Gifts	176	285		0
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Transportation		4000		0
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Travel insurance		20000		0
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Total Teams

263168

Game expenses

Gym rental	5		3000	15000
Insurance	1	55000		0
Custodial	5		400	2000
Security	1		3800	3800
Concessions				
workers	25		25	625
food	1		4000	4000
Entertainment	1		8000	8000
Announcers	2		3000	6000
Programs	1	5000		0
Program sellers	4		240	960
Merchandise				
workers	12		150	1800
actual merchandise	1	30000	20000	20000
Advertising	1	5000		0

Total Game

62185

Banquet expenses					
Food and service	850		22	18700	
Props	1		800	800	
Facility rental	1		1200	1200	
Silent auction	1		2000	2000	
Total Banquet					22700
Side Event expenses					
Golf					
green fees	180		45	8100	
golf shirt	180		7	1260	
lunch	180		8	1440	
transportation	180	15		0	
Scuba					
package	300	20	45	13500	
transportation	300		2.5	750	
Tour					
package	400	20	20	8000	
lunch	400		3.5	1400	
Total side					34450
Celebrity					
Honorarium	1		30000	30000	
Flight and housing	2	200	1600	3200	
Food	8		29	232	
Gifts	2	100	100	200	
Transportation	2	40		0	
Entertainment	2		100	200	
Golf	2		45	90	
Total Celebrity					33922

NET staff

Flight	4	200	1600	6400	
Lodging	28	120		0	
Food	28		24	672	
Transportation	4	250		0	
Total staff					7072

Set up

Copying/printing	1	20000		0	
Telephone	1	25000		0	
Team recruiting	8		2500	20000	
Sponsor recruitment	24		1000	24000	
Marketing	1		8000	8000	
Travel	1	2000	8000	8000	
Total set up					60000

Community Service

Transportation	200	18		0	
Gift in kind	1		30000	30000	
Total community					30000

Break-Even Analysis

The point where revenues and expenses are exactly equal (How many people do you need to break even?)

Break-even point = fixed costs / (unit price – variable cost per unit)

Unit contribution margin = price – variable cost

Tutorial videos for calculating break even point

- <https://youtu.be/94IrvPIG9P4>
- <https://youtu.be/S96rFsCbMG4>

He is calculating for an airline, so substitute flights with participants to calculate for a sport event.

Next week

- Turn in a budget for your event. Include income, expenses and profit (loss).
 - For income make sure that you include expected attendance at each price point.
 - For expenses, do your research and find out what things really cost
 - Include fixed and variable expense categories
- Make sure that your budget includes a Break-even analysis. Please show how you arrived at this number.