

The Growth of Women's Sports

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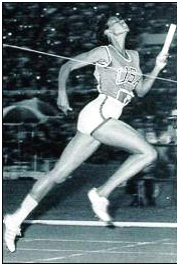
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Overview

Prior to the passage of Title IX in 1972, there were few opportunities for women to participate in athletics, and even fewer opportunities for women who were interested to take part in sports on a professional basis. To cite one example of just how far women's participation in sports has come, 19 female athletes competed in only three events at the Paris Olympics in 1900. A century later, at the 2000 Olympic Games in Sydney, more than 4,000 female athletes competed in roughly 300 events. In addition to this increase in raw participation rates, the growth of women's sports has manifested itself in the form of 'big' dollars being spent on/earned in women's individual sports, such as tennis, and a raised profile for women's professional sports leagues, such as the WNBA and the WUSA.

History

In an environment that presented few opportunities for women in sports, a few pioneers helped pave the way for future generations of female athletes. Babe Didrikson was one of the earliest and most notable female athletes to test the boundaries imposed on women in sports. In 1932, she qualified in five events for the Los Angeles Olympics (though at the time women were only allowed to compete in three). Didrikson was also an



impressive golfer, winning an unprecedented 13 consecutive tournaments during 1946, and posting 55 tournament victories in her career. In 1949, she was one



of the founders of the Ladies Professional Golf Association. Wilma Rudolph was another groundbreaking female athlete. Rudolph, like Didrikson, was also a track star, and, at the 1960 Olympics, she became the first woman to win three gold medals. Her celebrity caused gender barriers to be broken in previously all-male track and field events.

Recently, both Didrikson and Rudolph were recognized for their contributions to women's sports, and to sports in general, as they ranked 10th and 41st, respectively, among ESPN's Sports Century Greatest Athletes.

Historically, there have been few sports leagues for women, and fewer still that were considered even mildly successful. One league in particular, created before Title IX, paved the way for future women's professional sports leagues. The All-American Girls Professional Baseball League was created in 1943 in order to cover the costs of maintaining ballparks when minor league teams discontinued play due to World War II. Philip K. Wrigley devised the league's original plan, which was to maximize the use of major league parks that, by definition, were used only 50% of the season. However, the league eventually would begin play in vacant minor league parks in Kenosha (Wisconsin), Racine (Wisconsin), Rockford (Illinois), and South Bend (Indiana). The idea of a women's



sports league was initially not well received and did not get off the ground until Wrigley agreed to fund half the cost of operating each team and all cost overruns. The host cities agreed to pay the other half of projected operating costs.

The league's initial success led to a round of expansion before its second season. At that point, the league was so popular among fans that civic groups in each of four expansion cities chose to finance their own franchises rather than have Wrigley pay half of the expenses as he did with the original teams. In addition, Wrigley, along with Paul Harper and Branch Rickey, helped finance two teams that would play in major league parks, in accordance with Wrigley's initial plan. However, the larger size of the parks and the lack of local support resulted in these teams being not nearly as successful as the teams that played in the minor league parks.

As a reflection of the times, the league emphasized femininity and beauty, making charm school and cosmetics lessons mandatory for all players. Initially, the league's creators believed that it was necessary for the players to be physically attractive in order to attract fans. However, fans quickly recognized the talent of the players, and the beauty factor became less relevant to the success of the league.

Interest in the AAGPBL peaked in 1948, though the end of World War II and the return of the men who played major and minor league baseball foreshadowed the end of the first professional women's sports league. The All-American Girls Professional Baseball League folded in 1954. During its relatively brief period of existence, however, the All American Girls Professional Baseball League proved to be ahead of its time in affording women an opportunity to participate in professional team sports.

Title IX

The topic of women's rights was brought to the public's attention in conjunction with the Civil Rights Movement of the 1950s and 1960s. During this period, sex bias in education became one of the dominant issues in America, and discussions on this issue culminated in the passage of Title IX, a bill barring sex discrimination, in 1972. Title IX reads as follows:

"No person in the United States shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any education program or activity receiving Federal financial assistance."

Title IX was interpreted to include sports as falling under activities where sexual discrimination was prohibited. This law has had a substantial impact on girls' participation in sports, particularly at the high school level. Before its passage in 1972, only one girl in 27, or a total of 294,015, participated in high school athletics. By 1973 the number of girls involved in sports at the high school level jumped to 817,073, and by 1978, the number had increased to 2,083,040. Currently, one in three girls participates in high school sports (which is still less than the one of every two boys who participates in high school athletics).

Title IX not only had a profound effect on high school (and college) athletics, it brought change to the face of professional sports as well. In 1973, a year after Title IX was passed, Billie Jean King started the Women's Tennis Association (WTA). King was the first woman to earn more than \$100,000 as a professional athlete, a feat she accomplished in 1971. The following year, she won the U.S. Open, but received about \$15,000 less than the men's winner did that year. Angered by this disparity, she said she would refuse to participate in future tournaments if the men's and women's prize money was not equal. As a result, in 1973, the U.S. Open became the first major tennis tournament to award equal prize money to male and female players. Shortly thereafter, in perhaps the most critical match of her career, King defeated Bobby Riggs in the 'Battle of the Sexes' in September of 1973.

Women's Individual Sports

King's major contributions to the sport of tennis helped the WTA become one of the very few women's professional sports 'leagues' that equaled its male counterpart. Today,



tennis remains one of the only professional sports in which women can earn more than men. To that end, in 2002, Serena Williams has earned more than any other athlete in the sport, accumulating \$3,275,826 in tournament winnings. Australian Lleyton Hewitt is the men's money leader, having earned \$2,352,719, and Andre Agassi tops all American men with \$2,116,006 in earnings. Agassi's earnings narrowly eclipse those of Venus Williams, who ranks second on the women's money list, having earned \$2,058,661. In terms of sponsorship dollars, women and men generally receive comparable compensation. In some instances, women are paid more by their sponsors than are men. For

example, Venus Williams signed a five-year contract with Reebok worth \$40 million; Pete Sampras, whose contract with Nike was recently terminated, received an estimated \$40 million over 8 years.

Today, the popularity of the Williams sisters is helping to draw the attention of mainstream sports fans to women's tennis, while the comparative lack of such superstars in the men's game further moves women's tennis into the spotlight. This year, television ratings for the women's French Open and Wimbledon Finals were higher than the ratings for the men's Finals, and only the all-American, Sampras-Agassi pairing in the men's Final prevented the women from repeating the feat at the U.S. Open.

Women's Team Sports

In contrast to women's individual sports, and women's tennis in particular, women's professional team sports endeavors have been largely unspectacular at best, and failures at worst. To date, women's professional team sports have not captured the attention of the mainstream sports fan – neither at the box office nor on television. Recently, however, there are indications that the tide may be turning. Bolstered by growing interest at the grassroots/amateur levels – for instance, women's college basketball, women's

World Cup soccer, women's Olympic ice hockey – leagues such as the Women's National Basketball Association and the Women's United Soccer Association have begun to establish a foothold on the professional team sports landscape.

Basketball and the Women's National Basketball Association (WNBA)

Encouraged by the success of professional women's tennis in the 1970s, professional women's basketball made its initial foray into the sports universe. The Women's Basketball League (WBL), which operated from 1978 to 1981, was the pioneer basketball league for women. The league initially featured 8 teams, and expanded to 14 teams before its second season, a move that proved in retrospect to be too aggressive. The WBL barely finished its third and final season before collapsing under the weight of this premature expansion.

It would not be until fifteen years later that women's professional basketball would reemerge in the form of the American Basketball League (ABL), which played from 1996-1999. Alas, the ABL folded after four seasons due in large part to escalating player salaries that the league could not support.

The WNBA also originated in 1996, and was more cautious than the ABL with regard to player salaries and other expenses. The WNBA is collectively owned by the 29 NBA owners, and each team (with the exception of the Charlotte Sting due to the recent move of the NBA Hornets to New Orleans), is operated by the NBA owner in the city in which the WNBA team plays. The WNBA currently fields sixteen teams, double the number of teams that competed in the league's first season.



The WNBA differs from its male counterpart, the NBA, in many ways, beginning with its appeal to typical sports sponsors. The NBA is a well-established league that generates significant income from sponsors, while the WNBA is thus far largely without its own sponsors and primarily dependent upon NBA sponsors such as Coca-Cola, Anheuser-Busch, American Express and McDonalds for its national income. An additional, positive differentiating factor for the WNBA is its fan base. The gender breakdown of attendees of WNBA games is approximately 70-30 female-male, and the television audience is about 50-50 female-male, with a large number of non-adult viewers. The WNBA fan base allows advertisers to focus on a different, more female-oriented audience, and attracts such sponsors as Sears, Lady Foot Locker and Mattel. Contributing to the differentiation between the leagues' respective fan bases are ticket prices. The average ticket price for a WNBA game (about \$15), is designed to keep fans interested and willing to pay to see games. The relatively inexpensive ticket price also encourages entire families to come to games, whereas families are much less likely to go to NBA games, for which the average ticket price is more than \$50.

Television rights fees, however, are perhaps the most significant difference between the leagues. The NBA has recently signed a \$4.6 billion deal with ABC and ESPN, whereas the WNBA has recently signed a revenue-sharing deal with ABC, ESPN, ESPN2 and Oxygen. Whereas television rights fees account for a considerable portion of the NBA's

revenues, the lack of a lucrative deal leaves the WNBA with much less financial flexibility. WNBA Commissioner Val Ackerman has indicated that the WNBA pays the broadcasting and production costs for its games, and has explained that sponsorship sales are the main source of revenue for the league.

The WNBA has estimated collective annual revenues of \$85 million. Each team’s revenue comes primarily from concessions, local sponsorships and ticket sales. The teams must pay the salaries of coaches and staff, traveling expenses, promotion and advertising. Each franchise must also contribute to the league to cover league expenses, such as players’ salaries.

The WNBA has reportedly lost money in its first six seasons, and is continually referred to as an “investment” by Ackerman and David Stern, the commissioner of the NBA. The NBA assists the WNBA financially by giving a reported \$8 million annually to subsidize the league, and will continue to do so according to Stern, who was quoted in the Washington Post saying “[the NBA’s commitment] is indefinite, unending. It’s why we gave it our name.” Ackerman claims that “some teams have made a small profit over the years,” and she has expressed confidence that, in the future, the league will be a successful, moneymaking entity. Maloof Sports and Entertainment, the owner of the Sacramento Monarchs, has reportedly experienced six figure losses every year of the team’s existence, but “remains firmly committed to the franchise” according to the Monarchs’ director of business operations, Danette Leighton.

In 2002, the WNBA’s average attendance was 9,228 per game, an increase of roughly 150 fans per game, or 1.7%, as compared to last year’s average. That said, the WNBA’s average attendance per game has declined by 15%, from a high of 10,869, since 1998, though the league’s total attendance has increased every year. The following table illustrates the WNBA’s total and average attendance in each of its six seasons.

Season	Teams	Games	Total Attendance	Average Attendance
2002	16	256	2,362,430	9,228
2001	16	256	2,323,164	9,075
2000	16	256	2,322,822	9,074
1999	12	192	1,959,733	10,207
1998	10	150	1,630,315	10,869
1997	8	112	1,082,963	9,669

For comparative purposes, in the first six seasons for which its attendance records are available (the 1946-48, 1950-51 and 1952-55 seasons), the NBA’s average attendance per game never exceeded 5,000, and total league attendance dropped from 1,040,068 in the NBA’s first season (1946-47) to 773,273 in the 1947-48 season. NBA attendance bounced back in the 1950-51 season to 1,247,949, but then fell below 1,000,000 in each of the following two seasons. In 1955, the NBA’s tenth season, attendance once again exceeded 1,000,000 — NBA attendance would surpass this figure in every subsequent season. The average attendance per game for the first years of the WNBA and the NBA followed a similar pattern of rising and falling. Not until the 1958-59 season did NBA

per game attendance surpass 5,000, and not until the 1974-75 season, the NBA's 29th year in existence, did the league attract an average of more than 9,000 fans. In comparing the figures from the first years of the NBA and the WNBA, the similarities in the trends are significant. The NBA's slow, 'stop and go' start provides hope to the WNBA and demonstrates that a league cannot necessarily be termed a success or failure so soon after its creation.

UPDATE: The NBA Board of Governors has recently elected to reorganize the ownership structure of the WNBA. Specifically, the Board of Governors approved the transition of WNBA teams away from centralized ownership and local operating agreements to local ownership. Following the reorganization, the NBA owner who has previously operated each WNBA team will also own that team. Two NBA team owners, however, have declined the right to own the WNBA team in their markets. A third WNBA team, the Utah Starzz, will be relocated to San Antonio for the 2003 season.

The reorganization also calls for WNBA teams to be located in non-NBA markets. In conjunction with this decision, non-NBA team owners will be permitted to pursue ownership of WNBA teams in both NBA and non-NBA markets. Non-NBA cities that have been rumored to be front runners for WNBA franchises include hotbeds of women's college basketball, such as Hartford (proximate to the University of Connecticut) and Knoxville (University of Tennessee).

The Women's United Soccer Association (WUSA)

Inspired by the U.S. National Team's successful runs at the 1996 Olympics and the 1999 Women's World Cup, which was played in the U.S. and drew more than 90,000 to the championship game at the Rose Bowl, John Hendricks, Chairman and CEO of Discovery Communications, founded the WUSA in early 2000. The WUSA consists of eight teams – the rights to each were acquired by an individual or a media company for \$5,000,000 in February 2000. Investors include such companies as Cox Enterprises (Atlanta) and Cox Communications (San Diego), Time Warner (New York and North Carolina) and Comcast (Philadelphia). P.H. Soccer, Inc. owns the Boston team and half of the San Jose team. John Hendricks owns the Washington, D.C. team and half of the San Jose team.



Market	Investor	%	Amount
Atlanta	Cox Enterprises	100%	\$5M
Boston	P.H. Soccer, Inc.	100%	\$5M
New York	Time Warner	100%	\$5M
North Carolina	Time Warner	100%	\$5M
Philadelphia	Comcast Corporation	100%	\$5M
San Diego	Cox Communications	100%	\$5M
San Jose	P.H. Soccer, Inc.	50%	\$2,5M
	John Hendricks	50%	\$2,5M
Washington, DC	John Hendricks	100%	\$5M
	TOTAL		\$40M

The \$40 million invested was intended to sustain the league through its first five seasons, though the WUSA — only two years old — has already lost more than the initial \$40

million. It should be noted that Major League Soccer (MLS), the WUSA's male counterpart, has not fared much better, losing \$250 million between 1996 and 2001. Despite the losses, the WUSA has no plans to suspend play, according to WUSA officials. Lee Burke, the WUSA's former president and CEO, maintains that the WUSA is "an investment and will not be profitable in the first few years. As we build momentum, it eventually will be profitable on the long-term basis."



In the league's first season (2001), fans flocked to games to see such soccer stars as Mia Hamm, Tiffeny Milbrett, Sun Wen and Brandi Chastain. That year, WUSA games drew an average of 8,104 fans, 25% more than the league's original projections. WUSA average attendance in 2002 declined about 14%, to [6,957] per game. Despite this drop off, WUSA president Lynn Morgan continues to stand behind the league and search for ways to increase its popularity in the U.S.

The WUSA's revenue comes from ticket sales, television rights and sponsors. Initially, the WUSA signed a four-year television contract with TNT and CNN/SI, though the contract was terminated after the 2001 season. The WUSA subsequently signed a two-year contract with PAX TV (financial terms were not disclosed). Despite relatively low ratings, the WUSA has indicated that it is not particularly concerned due to the financial support it receives from its well-known investors and sponsors. The WUSA's list of sponsors includes such companies as McDonalds, Coca Cola, AFLAC, Gatorade and Gillette.

Valuing a Women's Sports League Franchise

Neither the WNBA nor the WUSA has generated enough revenue to earn a profit in its short history, though both leagues remain confident that they will be financially successful in the future. Absent a better measure, perhaps the most telling factor in determining the leagues' values is their revenue. Whereas the WUSA has declined to reveal league revenue, the WNBA's revenue is reported to be \$85 million; if that number is divided by the sixteen teams in the league, then revenue per team is approximately \$5.3 million. For illustrative purposes, using a revenue multiple range of 2.0x to 2.5x, the implied valuation range of a WNBA team is approximately \$10.6 million to \$13.3 million.

Conclusion

Given the similarities between the attendance and revenues of teams in the WNBA and the WUSA and those in leagues such as the Arena Football League and minor league baseball, it is not unreasonable to think that WNBA and WUSA franchise transactions could occur within the valuation ranges implied by those men's leagues.

That said, the valuation analysis herein is based on 2.0x to 2.5x revenue multiples – multiples that are not based on an examination of comparable transactions as such comparables do not yet exist. To the extent that a 2.0x to 2.5x revenue multiple is not appropriate, or that a revenue multiple in general is not the most accurate measure of WNBA (or WUSA) franchise values, our valuation and conclusions may be premature.