

Accounting Case Exploration

Director of Finance for a Major League Baseball team

TEACHERS GUIDE

Overview:

This lesson plan will introduce students to the world of accounting by placing them in a real-life situation as an accountant. Divide your students into groups of 3-4 and distribute the accounting case to each group. Review the prompt with the class and have them come up with a collective recommendation after reviewing all considerations.

Team review of accounting case: 20 minutes

Group presentation: 5-10 minutes per group

Accounting Case:

You are the director of finance for a Major League Baseball team. Your team had a profitable season last year, generating \$20 million net of expenses. The revenue stream has increased due to the concession business the team started with the other professional sports teams in the local area.

The team's biggest expense (just like any sports team) is the payroll. Other than adjusting the roster and a possible salary cap in the future, this expense is not adjustable. The franchise makes profit in several different ways. The price for seats to a regular season game range from \$30 to \$100 each, box seats range from \$150 to \$350 each and the average attendee spends \$30 on concessions at each game. There are 42,150 seats in the stadium.

During the past two years, you have found that revenue has declined in this year's opening season due to lower attendance. In this economy, many fans do not have the disposable income to attend games.

The General Manager has asked for your advice on how to improve attendance, which in turn would improve revenue. He has suggested expanding club seats (offering waiter/waitress service and/or complimentary snacks) and more advertising opportunities in and around the arena.

It is your responsibility to meet with your department to discuss the owner's possible solutions as well as brainstorm further ways for the team to bring in additional revenue. He would like you to present the following considerations to management next week.

Considerations:

1. List possible solutions to increase attendance.
2. What factors must be considered with each solution—pros/cons.
3. How would attendance be improved by increasing advertising opportunities?
4. What would be your recommendation?
5. How would you evaluate the success of your decision?

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Solution:

Possible Solutions (Questions 1&2)

Expand club seats:

- Pros - Fans feel as though they are getting more for the price of a ticket. Club seats could be expanded to 16 field seat prices \$350 and up. Fans may purchase stadium merchandise with savings.
- Cons - Concession expenses will increase. A deal will need to be worked out with the hospitality management company if services will be expanded. Revenue must exceed increased expense in order for this to be effective.

Advertising opportunities:

- Pros - Currently major advertisers include an international credit card company, a national bank, a local real estate company and an international sports drink distributor. Seeking additional sponsors would be a new revenue source without additional expenses to the franchise. As a partner of the ball club, corporate partners may have access to the following marketing opportunities:
 - Official designation
 - Category exclusivity
 - Rights to use the team's logo and marks
 - Rights to conduct consumer activation programs and retail promotions **
 - In-stadium signage, branding and exposure
 - Interactive exposure on the team's website
 - Reach specific targeted audiences (Men/Women, Youth, etc.) **
 - Connection to various community groups and charitable causes **
 - Participate in special events and cross-promotions **
 - Team business & hospitality opportunities

**** These are possible answers to Question #3**
- Cons - Currently major advertisers could be upset about adding additional companies. Also, it could be hard to find sponsors in this economy.

Additional Suggestions:

Increase promotional days: (i.e. 2-for-1 ticket sales specials or use ticket stub for discounts at sponsors' stores.)

- Pros – Probably increase sales during the promotion.
- Cons – These types of promotions typically don't have a long-term return.

Recommendations/Evaluation of Success (Question #4 & 5)

These answers will vary, depending on what students came up with for the previous answers.