

University of Southern Indiana

High School Student Case Study Competition

Senior Vice President for a Major League Baseball team

Business Case:

You are the Senior Vice President for a Major League Baseball team – The Eagles. Your team had a profitable season last year, generating approximately \$14 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 from seat sales and concessions. See seat pricing chart image. There are 38,250 seats in the stadium. The average attendee spends \$4 on concessions at each game.

During the past two years, you have found that revenue has declined 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 Eagle's Nest seats (offering an all you can eat buffet) and more advertising opportunities in and around the arena.

The Eagles have other revenue that relates to merchandise sales and private events.

See the fiscal year end September 30, 2022 income statement for reference.

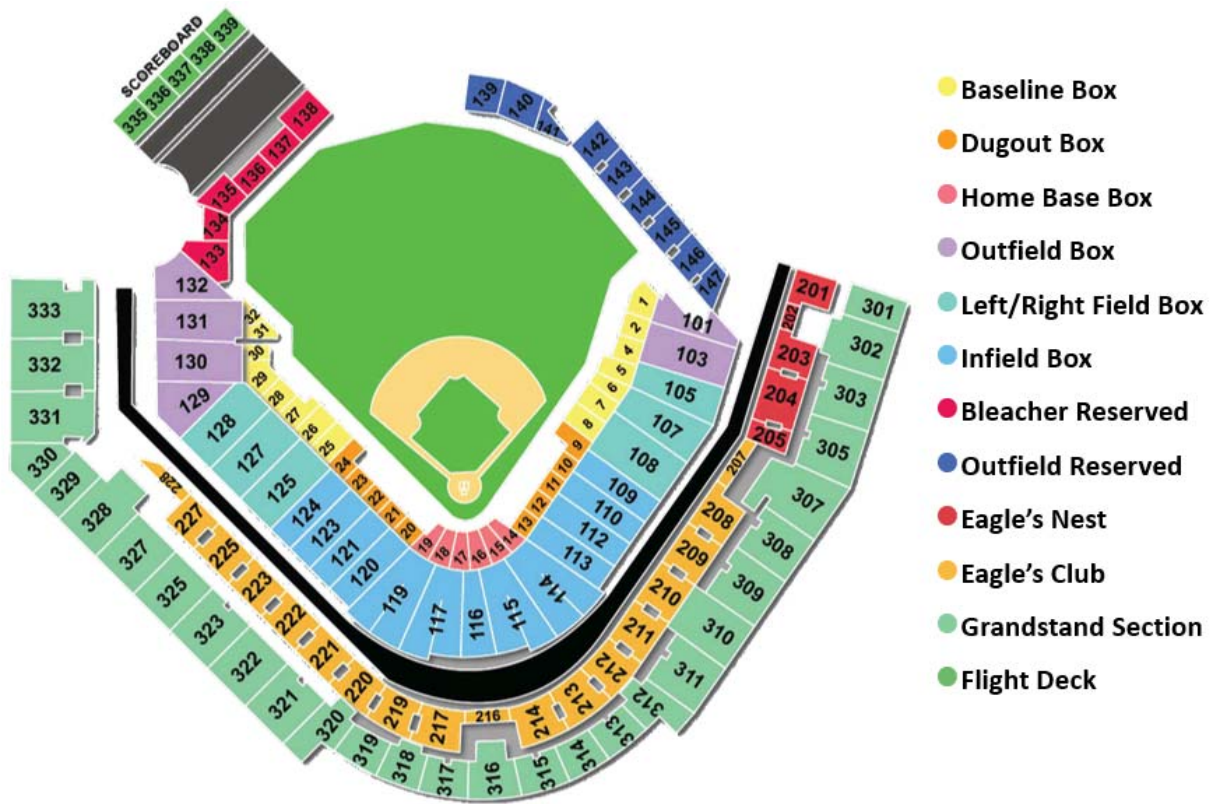
It is your responsibility to meet with your department to discuss the owner's possible solutions as well as brainstorm further ways for the team to bring in additional revenue. He would like you to present the following considerations to management next week.

Considerations:

1. List alternative solutions to increase attendance and your overall recommendation.
2. What is the team's target market?
3. What are your marketing & promotion recommendations?
4. What factors must be considered with each alternative—pros/cons?
5. Create a forecasted P&L based on your recommendations.
6. How would you evaluate the success of your decision?

Please come prepared on November 4th to make a 10-minute presentation, with PowerPoint or PDF slides that can be projected, describing your recommendations to the General Manager's questions and considerations. It is encouraged that all team members participate in the 10 minute presentation.

	Number of Seats	Avg. Ticket Price	Avg. Attendance	Home Game Receipts	Other Info.
Baseline Box (1-8, 25-32)	750	\$46.00	60%	\$1,697,400	
Dugout Box (9-13, 20-24)	500	\$76.00	51%	\$1,589,160	
Home Base Box (14-19)	400	\$180.00	65%	\$3,837,600	
Outfield Box (101-103, 129-132)	3,000	\$35.00	62%	\$5,338,200	
Left/Right Field Box (105-108, 125-128)	4,000	\$42.00	71%	\$9,780,960	
Infield Box (109-124)	8,000	\$47.00	71%	\$21,890,720	
Bleacher Reserved (133-138)	1,000	\$24.00	61%	\$1,200,480	
Outfield Reserved (139-147)	2,000	\$25.00	60%	\$2,460,000	
Eagle's Nest (201-205)	800	\$54.00	80%	\$2,833,920	All You Can Eat
Eagle's Club (207-228)	3,000	\$36.00	54%	\$4,782,240	Indoor Seating
Grandstand Section (301-333)	14,000	\$22.00	60%	\$15,153,600	
Flight Deck (335-339)	800	\$18.00	52%	\$614,016	
Total	38,250		23,811	\$71,178,296	



**Eagles Baseball Partnership Income
Statement
For Fiscal Year End Sep. 30, 2022**

Revenues

Home game receipts	\$71,178,296
Broadcasting	39,007,164
Concessions	8,283,870
Ballpark signage and naming rights	10,459,674
Other revenues	17,067,049
Total revenues	<u><u>\$145,996,053</u></u>

Operating expenses

Player salaries	\$51,040,233
Team operations	12,604,510
Player development	23,182,677
Broadcasting	3,167,977
Ballpark and game operations	17,092,460
Marketing	6,846,071
General and administrative	10,269,107
Total operating expenses	<u><u>\$124,203,035</u></u>

Operating income	\$21,793,018
Interest expense	7,550,994
Net income	<u><u>\$14,242,024</u></u>