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Why Intercollegiate Athletic Departments Should Embrace Alcohol Sales

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Why Intercollegiate Athletic Departments Should Embrace Alcohol Sales

A honors thesis submitted in partial fulfillment
of the requirements for the degree of
Bachelors of Science in
Recreation and Sport Management

by

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This thesis is approved for recommendation to the Honors College.

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Abstract

This thesis is guided by the theory of marketing myopia, the idea that an organizations should focus on single aspects like consumer needs and experiences in order to be successful. The sale of alcohol is becoming more and more common throughout collegiate athletics yet many schools are still missing out on the benefits that can come from embracing the tailgating culture of sports. This will examine the current literature surrounding the sale of alcohol at collegiate events, tailgating culture and what this all looks like in the real world. By examining schools and programs who currently offer the sale of alcohol, this will show how the sale of alcohol can have a direct benefit to the athletic departments, fans, schools, and student. These benefits are shown through revenue generation, fan experience, as well as the potential of social responsibility programs. By examining the NCAA and professional sponsorship methods and contracts, this will also show the potential lucrative financial benefits alcohol sponsorship can provide to schools.

It is hard to deny that college athletics is big business. According to Gaines (2016), $9.15 billion was generated in revenue amongst the 231 NCAA Division 1 schools in 2015 with 24 making over $100 million each, on their own. Athletic departments regularly have yearly budgets exceeding $100 million, athletic companies worth billions fight for the apparel rights for Universities, and football head coach’s salaries continue to grow larger and larger every year with enormous bonuses and buyouts. Bret Bielema received a $11.935 million buyout, paid out monthly through 2020, after his termination at Arkansas (Berkowitz, 2018). To put this into perspective, the University of Arkansas was willing to pay Bielema almost $4 million a year to
not coach the Razorback football team. This is not a unique situation either. This is common practice in college football. Collegiate athletic departments will do whatever is necessary to generate revenue and keep their fans happy just like any successful organization does for its customers, even if that means paying someone not to work. Athletic directors commonly make six figures with some making millions, head coaches often make millions, and some assistant coaches even make millions. These coaches are even rewarded with bonuses for success. Some athletic departments even have Chief Finance Officers and Chief Operating Officers listed within their hierarchy. Millions of dollars pass through these organizations, hundreds of people are employed by them, they are concerned with the public image of their programs and a main goal of these athletic departments is to generate revenue and be successful. Despite this, most college athletic departments do not actually make money. Only around a couple dozen programs actually generate revenue. Most athletic departments generate their revenue from sponsorships, tv rights, and tickets. This means that attendance is crucial to generating more money than is spent. The drive to generate more money and success is evident at many schools, but needs to be modernized with fresh ideas such as the sale of alcohol. For any organization to remain successful, they must evolve and adapt. Using the idea of marketing myopia (Ottman, Stafford & Hartman, 2006), this idea of evolution to stay successful is clearer. Instead of just selling product, an organization should focus on the customer’s wants and needs. In sports, the customers and fans needs often change, quickly. As such, it is important to stay on top of these needs and be innovative or risk being left in the dust.

This drive for success is very evident when looking at the current arms race amongst many athletic departments across the country. Schools fight to have the newest, biggest, and best facilities and amenities. Auburn University built a 190 by 57 foot video board which is now the
largest in all of college football (The Associated Press, 2018). The University of Texas spent millions on locker room renovations including custom built lockers that cost almost $9,000 each (Gaines, 2017). There are even flat screen TVs above each locker. As reported by Sports Business Daily, The University of Arkansas recently spent $160 million on a stadium expansion adding thousands of seats, many new suites, a new locker room and multiple clubs. One of the largest costs incurred by a school in this “arms race” is the $270 million Athletics Center at Northwestern. This facility is built on the coast of Lake Michigan and includes a full sized, enclosed field (Greenstein, 2018). Whether these facilities and others like it are built to attract fans, attract better recruits, or increase the public image of the University’s athletics, it is all about having a successful athletic department. Many schools use creative measures to attract fans to their games and increase their revenue. According to The Associated Press (2018), college athletic power houses Texas and LSU are rolling out some creative measures to increase attendance for the 2018 season. Texas created a fan zone called “Bevo Boulevard” filled with alcohol, food, live music, and games. LSU opened up an area in the stadium called “The Chute” where fans who are 21 and older can enjoy all sorts of food and alcohol for only $20, which also comes with two drinks. The common theme between these two school’s new fan attraction tactics is the food and drinks, but more importantly, the alcoholic drinks. It is a growing trend amongst college football to offer the fans a more enjoyable experience by selling alcohol. Like customers determining the success of a company, fans have a major influence on the success of an athletic department. Fans want to have a comfortable, fun, and overall enjoyable experience at games. A great way to increase fan happiness and experience is to just win games. Unfortunately, that is an independent variable that is really outside of the athletic department’s control. What an athletic department can control is things like stadium amenities. This is how
athletic departments like The University of Texas stay successful even during subpar years of on-field performance. It is not enough to simply just get fans to the game. Athletic departments must also find a way to keep fans engaged and happy as well as spending more money. A clear solution: selling alcohol.

Simply put, eating and drinking is a part of the culture of sports entertainment. If you look at any college on a gameday, you will fans arriving hours early just to tailgate, socialize, eat, and drink before the game. It is part of the experience. This is very evident at the professional level where Anheuser-Busch is paying the NFL around $1.5 billion for sponsorship rights and to be the official beer of the NFL. Alcohol and sports go hand in hand and football fans really enjoy their beer. More and more colleges have begun selling alcohol at games as a means of bettering fan experience and increasing revenue. The University of Texas, for example, began selling beer in its football stadium in 2015 and has seen millions in revenue from it. In the 2016 season, The University of Texas fans bought 104,106 bottles of Miller Lite, 99,865 Coors Lights, 38,174 Bud Lights and 35,629 Blue Moons in just the six home football games throughout the year (Cohen, 2017). According to Cohen, this amounted to $2.8 million in beer sales along with over $140,000 on liquor and $128,000 on wine, which equates to $5.26 in alcohol sales for every fan that attended during the season. Texas clearly found a working strategy. The fans are clearly on board as alcohol sales went up 70% from the 2015 season to the 2016 season according to Davis (2017). These fans already had to pay for their ticket, yet the University of Texas was able generate even more revenue from each fan just by offering alcohol at their six home games. Darrel K Royal – Texas Memorial stadium seats around 100,000 so it is safe to assume that many of the other similar large college football stadiums across the country would see similar results from the sale of alcohol. Texas has found a way to embrace this culture
of drinking and create a stream of revenue from it. $3 million can go a long way for a school. This money could go directly back into the athletic department for better facilities, student athlete resources, or even to help other athletic programs that do not see the enormous streams of revenue and financial success that football does, such as softball or track. This money could also be put back into campus to create scholarship funds or resources for the general student population. By embracing the tailgating culture of sports, a University not only can generate millions in revenue, but also have a positive impact on the students and community of the school. Even the NCAA sees the positives in selling alcohol. This year, the NCAA decided to allow for the sale of alcohol at NCAA championship events. Before this move the NCAA “allowed alcohol sales in general seating at the College World Series and Women’s College World Series as part of a pilot program that started two years ago” (Smith, 2018). The program was later expanded to include other sport’s championships as well as the FCS football championship game.

Like customers determining the success of a company, fans have a major influence on the success of an athletic department. Fans want to have a comfortable, fun, and overall enjoyable experience at games. A great way to increase fan happiness and experience is to just win games. Unfortunately, that is an independent variable that is really outside of the athletic department’s control. What an athletic department can control is things like stadium amenities. This is how athletic departments like The University of Texas stay successful even during subpar years of on field performance. It is not enough to simply just get fans to the game. Athletic departments must also find a way to keep fans engaged and happy as well as spending more money. A clear solution: selling alcohol.
College is a time where young adults not only receive an education, but also grow as people and learn how to be responsible adults. One of the privileges and responsibilities that comes with being an adult is drinking. By embracing the current culture of tailgating and drinking, schools have an excellent opportunity to teach their student responsible drinking habits as opposed to just completely ignoring it. Some schools may offer or require online courses for new students that discuss the dangers of drinking, but how effective really is that? The current narrative seems to just be that “drinking is bad” and that really doesn’t benefit anyone. By just scaring students with the dangers of alcohol or pretending it doesn’t happen at all, schools aren’t doing students any favors. Adults responsibilities cannot just be simply ignored, they must be addressed and alcohol is no different. By embracing the culture of drinking and sports, schools can teach responsible habits and create an atmosphere of safe drinking and bystander intervention. There is no doubt that binge drinking is a problem in college and young adults, so why not use the relationship of sports and alcohol to help solve the issue? Athletic departments and Universities have a responsibility to their fans and students to provide them with the best possible experience. By embracing tailgating culture, these institutions can not only help their students grow into responsible adults, but also see greater financial success. One thing is clear: collegiate sports attendance is down and that is bad news for athletic departments of all sizes. It is evident even at Razorback football games. Even at a prime time 6:30 game against a number #7 ranked LSU team, the stadium was not full. Tickets were not even sold out for the game. Athletic departments, like any successful organization, must evolve to remain successful. A modernized solution that could help to boost back up attendance is to simply offer alcohol at games. Alcohol is sold at NFL, NBA, MLB, and NHL events so why not at college sporting events?
Literature Review

The sale of alcohol at collegiate sporting events is a relatively new phenomenon. Because it is a relatively new topic of discussion and debate, research and data is limited in some cases but is relevant in the fact that most is from the last ten or so years. There is a lot of data compiled on alcohol sales at the professional level and the relationship of alcohol and professional sports. This offers an excellent comparison to collegiate level sports, which are very similar in nature to professional sports today. Current literature and research is based on the schools who currently sell alcohol at sporting events. The literature consists of the benefits generated from the sale of alcohol, details the manner in which alcohol is sold at stadiums and details such as how much is actually made from various brands and types of alcohol. There is also literature that suggests Athletic Departments and the NCAA act as corporations so they should follow the certain responsibilities that come with being a corporation. There is also a lot of literature and research on the connection of social responsibility and sport today. In this review, I will also look into the “tailgate culture” of sports and sport entertainment.

Benefits of Alcohol Sales/At College Stadiums

At surface level, there is an obvious and clear benefit to offering alcohol to fans at sporting events. Huang and Dixon (2013) found a significant increase in revenue for the athletic department at a State University when alcohol sales were expanded from only premium seating areas to general admission. In the first year of the expansion of alcohol sales, the athletic department was able to boost total concessions revenue from $1,573,834 to $2,149,835, a 36% increase (Huang & Dixon, 2013). These revenue amounts also take into account the cost of the University outsourcing their concessions. Without accounting for the outsourcing of concessions, the revenue actually jumped from $3.1 million to $5.1 million in total concession revenue. It is
also important to note that these figures are based on just six football games a year. Jensen, Haskell and Larson’s (2018) study concluded that concessions and the experience of concessions have an impact on the fan. “Fan intention to return to the concession venue, their overall game day experience, level of fan avidity, and favoritism towards the professional organization is positively affected by their experience at the concession stand” (Jensen et al., 2018, p. 16) among other variables. Jensen et al. (2018) study also revealed that some teams, will see high consumer demand and fan satisfaction through most variables. These teams are described as “older, established teams [that] have a strong history of high fan loyalty and avidity” (Jensen et al., 2018, p. 16). There are multiple other variables that can affect the overall experience but, the concessions experience is vital to maintaining fan satisfaction and consumer demand. Alcohol sponsorship and rights is big business and there is evidence of this in the NFL. As Daniel Roberts of Fortune notes in a 2015 article, Bud Light has been the official beer of the NFL since 2011 and in 2015 renewed its contract and sponsorship through 2022. It is reported that Anheuser-Busch paid $1.4 billion to extend its sponsorship (Roberts, 2015). Anheuser-Busch was willing to pay around $250 million a year to the NFL for the right to be the official beer. Alcohol sales and sponsorship can lead to a very prosperous relationship for both parties involved by capitalizing on the obvious relationship between alcohol and sports.

Tailgating Culture

There is a certain “tailgating” culture that exists surrounding sport entertainment of socialization, eating, and drinking. Neighbors, Oster-Aaland, Bergstrom, Lewis (2006) found that “Students overestimated the tailgating quantity norm, but they unexpectedly underestimated the percentage of tailgating students who consume alcohol while tailgating (perceived 49% vs actual 77%)” (p. 287). It is also noted in this study that “although students may not overestimate
the percentage of their peers who consume alcohol while tailgating, they clearly overestimate
typical consumption among drinking tailgaters” (Neighbors et al., 2006, p. 287). Tailgating is
common place amongst sporting events as is overconsumption in an unregulated environment
outside of stadiums as opposed to inside. Results of this survey and study suggest a certain
“norm” of tailgating at sporting events. Students tend to perceive events like 21st birthdays and
tailgates as events where it is normal to drink and in some cases drink excessively. Excessive
drinking and binge drinking is seen as something normal because students assume everyone does
it. This misconception can be dangerous considering how many sporting events students might
tailgate at every year and how many students participate in tailgating activities.

Sponsorships, TV rights and Tickets

In 2016, the NCAA extended their multimedia rights agreement with CBS Sports and
Turner. This will allow for CBS Sports to continue to have the telecast rights to the Division I
Men’s Basketball Championship. According to the NCAA, The extensions costs around $8.8
billion and will span over an eight year period where CBS and Turner will be able to broadcast
the games however they please (NCAA, 2016). That comes out to over one billion dollars a year
for the duration of the extension. This amount rivals some professional sports contracts. It is also
noted that more than 90% of the money generated from the extension will go back to the colleges
in some form or fashion. It would be given back to benefit student athletes using programs,
services or just directly giving it back to the schools or their conferences (NCAA, 2016). Not
only are the TV rights big money for the NCAA and it’s schools, but so are the sponsors of the
NCAA and it’s events. Fans of college sports tend to be very aware of the official NCAA
sponsors. According to a loyalty survey conducted by Turnkey Sports and Entertainment, All
twelve of the NCAA partners from the eleven categories that were tracked in the study saw an
increase in fan awareness of their brand over one year. Fans were aware of the brand and aware of the partnership the brand has with the NCAA. Ten of the brands tracked actually reported they had the best awareness levels ever in the history of the (Broughton, 2016). Partnering with the NCAA and being a sponsor of the NCAA or something affiliated with the NCAA is clearly and effective and powerful relationship. Companies and products like Coca-Cola, Capital One, and AT&T see great awareness amongst consumers. They also are the companies who spend the most on sponsorships. Not only is this good for the NCAA in terms of revenue generation, but it also shows that companies and products not typically associated with sports, such as capital one or AT&T can be top sponsorship performers. It would be safe to assume that products associated with sports more commonly such as alcohol and food would do very well as sponsors too. Ticket sales are arguably the most vital part of the revenue stream for an athletic department. This is because “the sales of sport event tickets remain the foremost revenue stream over which the athletic department has direct control” (Bouchet, Ballouli, Bennett, 2011, p.84). It is vital for an athletic department to be as effective as possible with their ticket sales as it is the most easily controlled by the organization. There are many other factors that can affect other revenue streams, but ticket sales can be controlled. “Ticket sales represent the greatest stream of revenue for college athletic departments” (Bouchet, et al., 2011, p.84) which also makes it extremely important. Because ticket sales are often the largest source of revenue, it is vital for athletic departments to make as much as possible from ticket sales as well as extra revenue in the stadium from those who purchased tickets and are present at the game.
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Social Responsibility in Sport

In order for an athletic department to maintain continued success, they must maintain a positive image and perception to their consumers which happen to be the fans. Fans generate the revenue by either attending games or watching on tv. Uche, 2017, concluded that it is extremely important for brands to deliver the right message of their social responsibility practices in order to maintain a positive relationship. Social responsibility is particularly important in sport. Daniel Erickson of Marquette University explored how different leagues and their teams make their social responsibility information readily available to their stakeholders in order to maintain a good image sustain the increasing popularity of sport. Corporate and social responsibility is a very broad term but is described as being influenced by internal pressures like shareholder views, activism, the organizations identity, goals, stance and morals. External pressures like stakeholders, the pressure of other organizations, and competition also influence the social responsibility. (Erickson, 2017). Erickson, 2017 also describes how social responsibility practices are often pretty similar throughout the sport industry often center around charity. A common example is how sport organizations tend to stay very active in social responsibility programs and practices and movements during tough economic times, natural disasters, or public disasters. He goes on to notes how sports teams often are important sources of not only monetary support, but also emotional support for communities during these difficult times. Often time teams will partner with certain sponsors and non-profits because the “partnerships benefit both parties, as the teams can reap the benefits of CSR participation and still be able to focus on providing a good product for their fans, and the sponsors or NPOs receive the funding necessary to participate in the CSR initiatives, provided these initiatives are related to the identities of the teams” (Erickson, 2017, p. 19). Sometimes teams partner with other businesses that are
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participating in their own social responsibility practices and piggy back off of them. This is no different at the college level. Teams often participate in various community events in charity throughout the year. CSR in sport is often centered around creating awareness of issues. For example, pink NCAA and school licensed merchandise is sold for breast cancer awareness month with proceeds going towards breast cancer research (CBS sports, 2017). With cultural awareness being a common social responsibility practice, it would make sense for organizations to be involved with responsible drinking. 41% of first year students in the 2016-17 school year at the University of Arkansas reported blacking out from drinking and only 67% reported setting a drink limit as a protective behavior (AlcoholEdu, 2018). The athletic department, as a corporation, has a certain level of responsibility to its community including it’s students. By using the relationship between sport and alcohol, an athletic department would have a great opportunity to raise awareness of safe drinking habits. By selling alcohol, an athletic department can help to teach its community these habits instead of completely shielding them from it. Using data gathered from schools who both sold alcohol on gameday and those who did not, it is determined that “there is no statistical evidence to support that on a national scale criminal offenses, alcohol related incidents, and in-stadium offenses increase on game days where alcohol is sold at on campus football stadiums” (Bane, 2016). It is a common narrative that the sale of alcohol would make game days a more dangerous environment when, overall, there is evidence that isn’t evidence to support that. An athletic department can be socially responsible by using the relationship between sports and alcohol to raise awareness without increasing danger to its community.
Discussion and conclusion

This paper is informed and guided by marketing myopia (Ottman et al., 2006), the idea and approach to marketing where an organization focuses on one aspect of marketing. For example, an athletic department will do better if they focus on the fan experience and customer needs as opposed to focusing on selling their product. When an organization focuses on their customers needs and experience, the success will follow. Any organization must adapt and evolve to the needs of the consumer and sports are no different. Fan needs and wants can change from season to season and game to game so it is important to always remain aware of these needs and wants in order to remain successful. By using modernized solutions such as the sale of alcohol, an organization can evolve with the needs of the consumers. Although alcohol in college sports is not as popular of an idea as it is in professional sports, there is still a good amount of programs that have already began to sell alcohol at their events, usually football. With the current sample size of school that sell alcohol, literature and research can start to be developed on how athletic departments have been the most successful with their alcohol sales and what has not been successful. Either way, there is currently a lack of scholarly literature on the subject of alcohol in college athletics because it is a relatively new phenomena. The schools and athletic departments who have gotten on this trend early will also be the ones who determine the next step with alcohol in college athletics. If schools or conferences hope to one day have the lucrative alcohol sponsorships like in professional leagues, it makes sense that the first step would be to introduce alcohol at events and offer the sale of it. Not only can the revenue generated from alcohol be put back into athletics to help support student athletes, revenue can also be distributed back to the school to help support programs that promote safe drinking as well as on campus resources for students. Not only would this fulfill some of the social responsibility
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that athletic departments have within their community, but would provide a good image. By
pledging a certain percentage of revenue generated from alcohol to on campus resources, an
athletic department can negate some of the unwanted poor image that often is related to alcohol.
People drink to begin with, so why not capitalize on it and be able to control it within the
stadium? The idea of tailgating culture and sports is not going away, so why not embrace it?
Alcohol and sports are commonly associated with each other so it makes sense to capitalize on it.
Embracing this tailgating culture of sports would be beneficial for everyone involved. With little
to no evidence to show the sale of alcohol makes gameday environments any less safe, what
exactly is stopping these programs from selling alcohol or expanding the sales to all of general
seating? As noted earlier, most athletic departments lose money on a yearly basis, so why not
look for new revenue solutions with alcohol? Even if the sales do not help the program generate
any significant amount of revenue, it can still be done purely for the fan experience. It is insane
for an athletic department to do the same thing year to year and expect different results.
Attendance is down throughout college sports so these organizations must do something to get
fans in seats. Ticket sales is one of the largest revenue sources for pretty much any college
athletic department. But with the sale of alcohol, a school can further capitalize on the revenue
from attendance. As noted from the University of Texas study, they were able to make over $5
more per person who attended their games for the season. The sale of alcohol not only can
increase the fan experience, but possibly entice those who normally do not come to games. Its
time that athletic departments start modernizing and adapting. The sale of alcohol is becoming
more and more common place amongst college athletics and those who don’t will be left in the
dust. Whether its for revenue, fan experience, social responsibility, or any combination of those,
the sale of alcohol should be part of the future for college athletics. Alcohol is a modernized solution to keep fans coming to the game, happy, engaged, and spending money.

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