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Description
The ILR Cornell Sports Business Society magazine is a semester publication titled *Sports, Inc.* This publication serves as a space for our membership to publish and feature in-depth research and well-thought out ideas to advance the world of sport. The magazine can be found in the Office of Student Services and is distributed to alumni who come visit us on campus. Issues are reproduced here with permission of the ILR Cornell Sports Business Society.

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Social Activism of Athletes: We’re Listening
For more information on Sports, Inc. or the ILR Sports Business Society, please contact Advisor Kevin Harris at kfh4@cornell.edu.

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Moneyball on Ice?

John Chayka of the Arizona Coyotes is the youngest General Manager in NHL history.

Photo courtesy of ESPN.com.

Cal McKinney ‘20

The growth of hockey analytics has been slow and hesitant. Hockey, like most sports, has always relied on some form of statistical data to categorize and file players. These conventional measurements are not intuitively appealing, and provide scouts with a base of understanding before evaluating a player based on in-game scouting. The core of these measurements are what we usually think about when we mention a player’s stats: points (goals plus assists), plus-minus, time on ice, and hits. However, these may be to your average fan or fantasy manager, they do not reflect the entirety of a player’s performance.

The emerging advanced statistics make an attempt to portray an individual’s performance on a multitude of levels. While scouts and managers should invest in the use of advanced analytics, they should be used in conjunction with conventional scouting methods, and mostly as a point of comparison between players on the same team.

The groundbreaking metric in the world of hockey analytics, and the one most frequently referred to today in blogs and articles, is the Corsi metric. Corsi is a simple measurement of shots attempts for versus shot attempts against while a given player is on the ice. Included in this shot measurement, which is often calculated as a rate per sixty minutes or a gross sum, are shots on goal, blocked shots, and missed shots. The Corsi stat is often thought of as a possession stat for teams and individual players, since shots are highly correlated with puck possession and offensive zone time. The results of the 2015-16 NHL season show when Corsi is useful, and where it falls short.

The NHL has recently added advanced stats to the measurements available on their website. I will be referring to their information for the purposes of analyzing the effectiveness of these metrics in evaluating player and team performance. The NHL’s website measures shot attempts as a differential of shot attempts for versus shot attempts against. This is, in effect, Corsi. The league MVP last season, Patrick Kane, ranks 140th in the league in this category. Based on this it is clear that Corsi is not a significant criteria in electing the league MVP. The leader in individual Corsi was Drew Doughty, with a differential of plus 537. Rounding out the top ten in the league are six of Doughty’s LA Kings teammates. This indicates that individual Corsi rating is highly correlated to team Corsi rating. Unsurprisingly, Los Angeles also leads the league in team Corsi percentage. I do not mean to discredit Drew Doughty, or the Los Angeles Kings for that matter. Doughty was among the best, if not the best defenseman in the league this past season. He did, in the end, win the Norris Trophy for best NHL defenseman. His team, however, did end up being eliminated in the first round of the playoffs to the Stanley Cup fi-
Looking at Corsi ratings can be helpful, but it cannot be used in isolation. Teams often look at a multitude of measurements, often compiling them into their own formula for judging player performance based on advanced analytics. In the case of Corsi, it is also important to consider shooting percentage because, in the end, shots are far more indicative of performance if they are going in the goal. Shot percentage measures show a far different result than Corsi. Shot percentage measures the percent of a team’s shots going in the goal while an individual is on the ice. The highest ranked Los Angeles King in this measure is Anze Kopitar at number forty-eight, with a shot percentage 9.48%. Clearly the King’s employ a shoot-first mentality. As a result, they take more shots, with less actually going in. Due to their system, players have an inflated Corsi rating, which can be misleading when comparing them to players on other teams. The system a team employs, and their overall success over the course of the season, can either inflate or deflate an individual’s advanced statistics. For this reason, it is important to analyze these statistics relative to the team a player is on, first and foremost. Comparing a player on the Los Angeles Kings to a player on the Colorado Avalanche in 2015-16, the worst Corsi team that year, shows very little. No player on Colorado who played greater than forty games had a shot attempts differential below zero. The consideration of shot percentage to adjust Corsi is just a minor example of the far more complex data formulas being used by NHL clubs.

Despite these critiques of Corsi, it still offers managers, scouts, and coaches valuable information on top of traditional scouting. As a team statistic, Corsi is proven to be highly correlated with winning, exemplified by the fact that in 2015-16, the top nine teams in Corsi percentage all went on to make the playoffs. On the individual level, it can be used by scouts and coaches to assess a player, and determine whether or not they are succeeding with regards to possession. Often times, players are given statistical information about their games in addition to watching film as a developmental tool. For managers looking to assess talent, Corsi is useful in conjunction with other measures. Yet, Corsi alone does not point out which players are elite. This requires a fuller understanding of players and their game. For instance, Sidney Crosby is almost certainly the most dominant player currently, as he is coming off Stanley Cup MVP and World Cup of Hockey MVP performances. However, his Corsi ratings are nothing to revere. Of players who played forty games for the Penguins last year, Crosby ranks fifth on the team with a Corsi percentage of 54.5%. These numbers are good, but not elite possession numbers. So, while certain players may exceed others in their Corsi ratings, all other factors, such as team system, line-mates, and shot quality, must be taken into consideration.

Many of my critiques have touched on why hockey has been slower than baseball to embrace analytics. Chief among these reasons is the nature of the two games. Far fewer isolated events occur in hockey than in baseball. For instance, pitchers deal with relatively consistent circumstances compared to a hockey player shooting the puck. The same goes for a baseball hitter. The lack of isolated events in hockey make it far more difficult to judge talent solely based off of statistics. This is why conventional methods of scouting should be used along with advanced statistics. Furthermore, where hockey teams really save money is in their bottom six forwards. These are players who are paid roughly the same across the league, but for whom possession is a critical factor of the game. Scoring is coming predominantly from the top six forwards, so a bottom six that can control possession and keep the other team from scoring is essential to succeed.

The NHL currently stands at a crossroads. While every team has invested to some extent in analytics, some, like the Arizona Coyotes, are embracing it fully, while others remain skeptical. All in all, any advancement in the way we analyze and look at the game is positive. Analytics has the ability to enhance the fan experience, and add a whole new dimension to the business of recruiting talent. Hockey will continue to depend on traditional ways of assessing talent, with added pressure from millennials and the next generation of managers to take an analytics approach to the game.

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Social Activism of Athletes: We’re Listening

It’s Sunday night, football is on and the National Anthem is echoing throughout the stadium. Colin Kaepernick is kneeling on the sideline of the field. Kaepernick is protesting racial injustice. His actions, which were noticed at the beginning of September, have led his teammates and many other athletes to take a stand alongside him. Although some don’t agree with Kaepernick’s actions, calling them pointless or dumb, the actions of he and his counterparts have been extremely beneficial to the causes they stand for, encouraging people to take notice to what they are bringing attention to and listen.

Recently, it seems that professional athletes have become increasingly vocal regarding social causes: WNBA players wore black pregame shirts in support of Black Lives Matter, NBA players spoke out at the ESPYs regarding positive social change as a whole and, most recently, athletes from NFL players to NWSL players have been protesting racial injustice on the field. At the same time, the publicity surrounding athletes and the causes they are speaking out on behalf of has also increased. This topic has captured the attention of the media and made major headlines everywhere from NPR to the New York Times to The Washington Post. People are listening.

As an athlete, one has an intimate following of fans both personally and of his/her team. This means that an athlete’s words have a lot of potential reach and ability to make an impact on the millions of people who enjoy professional sports. So why not use this revered celebrity status to promote good and further social causes? Whether or not people agree with what athletes are saying, it is undeniable that they are bringing plenty of attention to these causes. As stated by Travis Waldron of ThinkProgress, “Unlike many ‘ordinary’ people, [athletes] stand on a platform that gives them major influence in American culture.” When athletes take stands, people notice. They are on a huge stage with millions of people watching, meaning they can make a vast impact and increase the awareness of many more people. Historically, social activist athletes have successfully made positive impacts on the causes that they have stood for, from Muhammad Ali to Kareem Abdul-Jabbar. For example, Muhammad Ali’s refusal to be drafted into the armed forces in 1967 conveyed a strong sense of opposition for the Vietnam War. Ali was a pioneer of the anti-war movement, and “in the three years he didn’t fight, [he] became a prominent” anti-war movement speaker and leader with many people looking up to him and listening. More recently, Kareem Abdul-Jabbar penned the book, *Writings on the Wall*, which is about “racism and police brutality and how best to approach these important issues.” He is using his athletic greatness to try to educate others. Ali and Abdul-Jabbar, in addition to other athlete activists, have spoken out against social issues, which have shown the public that the problems they face are noticed by everyone.
Regardless of whether people view outspoken social activist athletes as positive or negative, it is undeniable that the attention and awareness they are drawing to these topics has been beneficial. The activism of these athletes is educating people who “may not know and understand” what is going on surrounding the issues that they are bringing attention to.12 The actions of athletes such as Colin Kaepernick “got attention and got a conversation going”.13 The effect of athletes’ social activism has thus been focusing their spotlight on these social issues of concern to them and directing the publics’ eye to these issues. Social activist athletes may not be the rabble-rousers capable of getting people to act, but they certainly get people to think. And although we don’t typically see these athletes acting for these causes at public events beyond sports arenas, who knows, maybe we will soon see them on the streets alongside protestors. Athletes are taking a stand and we are listening.

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Madeleine Roglich is a junior in The Dyson School. She can be reached at mgr73@cornell.edu
Daniel Solomon '19

If it were possible to earn an extra $10 million by taking non-addictive, non-life threatening drugs, would someone do it? What if that number were $25 million? Or even $50 million? If that someone is a professional baseball player, the answer would be a resounding yes as evidenced by dozens of Major League Baseball players who have been caught cheating via the league-wide performance enhancing drug (PED) tests. The current penalty—an eighty game suspension without pay and ineligibility in the post season—is not enough in today’s high pay game, with teams averaging $1.2 billion in overall value as of March 2015.

Players have consistently proven that the aforementioned penalty is meaningless. Just look at Dee Gordon, Jhonny Peralta, Melky Cabrera, Nelson Cruz, and yes, even the beloved David Ortiz and Bartolo Colon—all of these players have had periods of decline, when they were seemingly past their primes or simply fringe Major League players. All of these players served suspensions for using PEDs, except for Ortiz, whose name appeared on the list of 2003 failed tests. Yet, combined, they have signed contracts worth a total of $551,928,877. It cannot be known how much of their resurgent abilities was from drug use or how long they were cheating prior to signing their contracts. It is possible that they could still be using PEDs. But what is clear is that major league payers have financially prospered and continue to reap the benefits of a system which incentivizes cheating.

If baseball truly wants to rid itself of drug use, it needs to eliminate the economic incentives that exist despite being caught. Thus, polarizing Barry Bonds, Alex Rodriguez, Roger Clemens and Manny Ramirez are irrelevant to this discussion, because they were likely All Star or even Hall of Fame caliber players with or without the use of PEDs. Realistically, they would have earned massive financial contracts regardless of whether or not they cheated. Thus, though significant in terms of their Hall of Fame arguments and general legacy within the game, their connection to PEDs is rather unimportant in terms of the financial impact of both the current and proposed penalty systems.

According to a UC Berkley study, the average player increase in OPS (on-base percentage plus slugging percentage) as a result of using PEDs is .104 points. In 2005, that gap in OPS would equate to approximately $2 million in extra pay. Considering that the average player salary was just over $2.6 million on opening day in 2005 as compared to the record $4.4 million on opening day in 2016—nearly seventy percent higher—that mere $2 million has likely grown considerably.

But the issue is not simply the increase in pay that comes from increased production. That, after all, occurs in every industry. The issue is what happens after the perpetrator is caught. The aforementioned Cabrera, in the midst of an All Star season when he failed his drug test, had been released by the Braves just two years prior to being suspended. According to OPS+, a statistic which measures a player’s batting performance compared to the league average of 100, he had never had an average offensive season prior to his release, topping out at five percent worse than league average. Yet, suddenly, Cabrera became an above average, if not elite, offensive player, with an OPS+ of 157 in the year he got caught. In addition to cheating, he attracted the attention of federal investigators when he “created a fictitious website and a nonexistent product designed to prove he inadvertently took the banned substance that caused a positive test under Major League Baseball’s drug program.” Despite these actions, Cabrera was still rewarded with a two year, $16 million contract immediately following his tainted season (he has also since signed another three-year, $42 million deal). Peralta was suspended as a result of the Biogenesis scandal, yet he parlayed his steroid aided success into a four year, $53 million contract.

The careers of the far more infamous and polarizing Barry Bonds, Alex Rodriguez, Roger Clemens and Manny Ramirez are irrelevant to this discussion, because they were likely All Star or even Hall of Fame caliber players with or without the use of PEDs. Realistically, they would have earned massive financial contracts regardless of whether or not they cheated. Thus, though significant in terms of their Hall of Fame arguments and general legacy within the game, their connection to PEDs is rather unimportant in terms of the financial impact of both the current and proposed penalty systems.

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The apparently ageless wonder Bartolo Colon pitched in a combined 48 games from 2006 to 2009 before being completely out of baseball for the 2010 season, then suddenly became a model of durability, starting a minimum of 25 games a season in the six years since his return. Decagon, a player who could barely maintain a batting average above .200 until 2014, not only was suspended a few short months after signing a five year, $50 million extension but is entitled to the remainder of his contract immediately following his tainted season (he has also since signed another three-year, $42 million deal). Peralta was suspended as a result of the Biogenesis scandal, yet he parlayed his steroid aided success into a four year, $53 million contract. The apparently ageless wonder Bartolo Colon pitched in a combined 48 games from 2006 to 2009 before being completely out of baseball for the 2010 season, then suddenly became a model of durability, starting a minimum of 25 games a season in the six years since his return. Decagon, a player who could barely maintain a batting average above .200 until 2014, not only was suspended a few short months after signing a five year, $50 million extension but is entitled to the remainder of his contract immediately following his tainted season (he has also since signed another three-year, $42 million deal). Peralta was suspended as a result of the Biogenesis scandal, yet he parlayed his steroid aided success into a four year, $53 million contract.

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his salary regardless of future performance. His batting average dropped from a league leading .333 in the year before his suspension to just .268 this season. According to OPS+, his offensive production has slipped from 16 percent above league average to 24 percent below it.11 And the industry praises David Ortiz as a future Hall of Famer, yet he couldn’t surpass 20 home runs until his age 27 season, which is coincidently the same year as his failed test.12 This is where the fault lies. There is no incentive not to cheat. Players will get their money anyway. And teams do not seem to shy away from hiring drug-aided players.

But what if the system contained a disincentive for getting caught rather than incentivizing cheating?

“If baseball truly wants to rid itself of drug use, it needs to eliminate the economic incentives that exist despite being caught.”

Major League Baseball should add in a clause to every contract allowing the team to terminate the deal and resign the player—who has been caught and suspended for use of performance enhancing drugs—to up to three years at the major league minimum salary, an admittedly radical proposition with little if any chance of players’ union ratification. But if baseball is truly serious about making regular use of non-guaranteed contracts causes the team to bear the financial risk of underperformance. Assuming a player is clean, the club would be in a fair position with the player when determining if and how much it is willing to pay for that player’s services. However, if a player is caught cheating, the club has no out. Installing a clause to rework or terminate a contract as a result of a drug related suspension would cause the player to bear the financial risk of cheating.13

Baseball would not be the first sport to make regular use of non-guaranteed contracts. After all, football is notorious for handing out such deals, and its players have both shorter careers and greater risk for life-altering injuries than baseball players. Additionally, despite football being the most popular and profitable of the four major American sports, football players make the least money, on average, while baseball players earn the highest average salaries (only NBA players earn more than MLB players).14 And teams would be unable to void based on injury, subpar performance, character issues or age; only a suspension for getting caught using PEDs would be a valid reason to terminate and restructure a player’s contract.

Even with such a clause, baseball will never become football, where teams seemingly sign players to massive contracts without ever intending to pay them the full amount—in 2013 Ben Roethlisberger became the first player ever to earn at least $70 million of a $100 million NFL contract, at which point four MLB players had signed guaranteed contracts worth double the full amount of the deal. Albert Pujols is a clear example of a player who has not played to the level of his pay—his OPS+ has dropped from an average of 170 in the eleven years preceding his contract, compared to just 123 since15—but, under this proposed system, he would still get the remaining money on his $240 million free agent deal.16

Players have been vocal about their desire to clean up the game. Mike Trout, commonly regarded as the best player in the league, stated: “I think you should be out of the game if you get caught.” As recently as 2013, Josh Hamilton estimated that “95 percent of the guys in the league” want stricter penalties for PED use.17 Assuming that this is even remotely true, there is no reason not to rethink the penalties for cheating.

It’s time for baseball to consider this proposal.

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Daniel Solomon is a sophomore in the ILR School
He can be reached at dis49@cornell.edu
Beyond Nike: The Peculiar Cases of Novak Djokovic and Stephen Curry

Daniel Kozek ‘20

Just Do It.

It was not long ago that the Nike brand equated to excellence in the world of professional sports. Nowhere more evident than in the NBA and on the ATP tour, to don the iconic swoosh logo out on the court signified the attainment of a degree of greatness only matched by a select few. From Kobe Bryant to Roger Federer, and LeBron James to Rafael Nadal, it seemed to many that the secret to athletic achievement could be obtained through the acquisition of the Oregon-born apparel.

However, the notion of Nike elitism has since been shattered thanks by and large to the recent emergence of two superstars. Playing under different brand names are Novak Djokovic, the ATP’s top-ranked Serbian sensation with 12 Grand Slam titles to his name, and Stephen Curry, the NBA’s “baby-faced assassin” who is also the league’s two-time reigning MVP. As a testament to the brilliance exhibited by both players, who are primarily endorsed by Uniqlo and Under Armour respectively, it has become apparent that the Nike brand is no longer the hallmark of success in the industry of athletic apparel.

DJOKOVIC

By the time Novak Djokovic won his first major title at the 2008 Australian Open, there was but one name worth mentioning on the men’s tennis circuit: Roger Federer. Having emerged the victor in 10 of the past 14 Grand Slams, as well as reaching at least the semifinals in the remaining 4,1 Federer was the universally renowned face of tennis. Later, as Djokovic rose to prominence in 2011 and began to rival the Swiss superstar at the Australian, Wimbledon, and US Opens, one major title continued to elude them both. This was because between 2005 and 2014, the clay courts of the French Open virtually belonged to one man, and one man only: Rafael Nadal. With an unprecedented record of 66-1 at the Roland Garros,2 it seemed to both fans and pundits alike that nobody, not even Federer or Djokovic, was any match for the Spaniard as the tour traveled to Paris each June.

For many years, Federer and Nadal shared the global spotlight, and rightfully so. As the top two ranked players on the ATP tour consecutively from July 2005 through August 2009, and with 31 major titles between them,3 the greatest rivalry in the history of tennis has indisputably accounted for much of the success in the sport in the early 21st Century. At the same time, however, the extensive achievements of both men have subliminally indoctrinated generations of young fans with the message of Nike superiority.

It would take the rise of Novak Djokovic to quell this notion. While he may have never been affiliated with Nike, Djokovic spent the early part of his career affiliated solely with Adidas, the only corporation in the sphere of athletic apparel that could even come close to rivaling Nike. However, Adidas soon decided to devote the majority of its funding for men’s tennis to Andy Murray instead. Although he has continued to rely on Adidas’ tennis shoes, Djokovic turned to alternatives for all of his above-ankle needs.

Even with four Grand Slams under his belt, Djokovic found himself in the perplexing situation in which he was without an apparel contract aside from the afore-mentioned tenuous one with Adidas limited to shoes. As one of the (if not the) best athletes in his field at the time, striking a deal with a company that would pay him appropriately proved to be a challenge. In addition, on account of Djokovic’s loyalty to Adidas’ brand of shoe, he was forced to seek out an endorsement with a corporation that was not one of the German firm’s major competitors (also known as Nike).4 Enter Uniqlo.

Uniqlo, one of Japan’s leading clothing manufacturer and retailers, had been virtually unrecognizable outside of its country of origin before the 21st Century despite being founded in 1949. But as a result of...
fast worldwide growth post-2005, they were determined to make a monumental impression with their entrance into the world of sports sponsorships.

The marriage between Djokovic and Uniqlo appeared to be a match made in heaven. On May 23, 2012, the top-ranked tennis superstar entered a five-year deal with Uniqlo worth $44 million, along with the distinction of being the Japanese corporation’s “global brand ambassador.” Finally, Djokovic had earned the contract he long-desired.

Yet, what most are unaware of was just how close he had been to coming to terms with Nike. In April 2012, it was widely assumed that Djokovic was going to follow in the footsteps of his perennial rivals Federer and Nadal by joining forces with Nike. But in spite of being described as being “very close to a contract” with the world’s largest apparel corporation, the Serbian deviated from the road more well-traveled. Djokovic’s deal with Uniqlo may have indicated the beginning of the end for Nike’s monopoly, but the death of its supremacy was far from over.

CURRY

Drafted seventh overall in the 2009 NBA Draft, Stephen Curry was never expected to become the face of the National Basketball Association. Today, however, he is considered to be “the greatest shooter in NBA history” by both players and analysts alike. Another title he can lay claim to: Nike’s “one that got away.”

Following the 2013 NBA season, when Curry’s rookie deal with Nike reached its expiration, the brand had the first shot at pitching an offer to the Golden State Warriors’ starting point guard. Keeping Curry under contract should have been a slam dunk. He may have only been officially partnered with Nike for a few years, but unofficially he had been endorsing the brand for much, much longer. For all intents and purposes, Stephen Curry was a Nike athlete for life. His godfather worked for Nike, so it had always been their sneakers that he would lace up whenever he stepped on the basketball court, from childhood through his college years playing for Davidson. But even though Curry had never lost his loyalty to the brand, the feeling was not mutual.

Nike’s pitch meeting was a miserable failure. Their first mistake was overlooking Curry when selecting players to lead their sponsored camps for young emerging basketball talent, opting for players such as Kyrie Irving and Anthony Davis instead. Next, a spokesperson mispronounced the now-superstar’s name. And finally, the prepared slideshow aimed to keep Curry under contract bore Kevin Durant’s name rather than his own.

Stephen Curry felt insulted, and rightfully so. Just like in the college recruitment process as well as in the NBA draft, once again he was overlooked. And so he moved on from Nike and signed with Under Armour. At the time, Nike may have not thought much of the move, but looking back on Curry’s decision, it “probably changed the flow of billions of dollars, creating a jet stream that takes fortunes out of Oregon, and flies the monies to Maryland.”

Flash forward to March 3, 2016. According to expert analysis of Under Armour’s business prospects, their deal with the NBA’s leading scorer and reigning MVP is potentially worth an estimated $14 billion. Thanks to Curry, the company’s basketball shoe sales have increased by 350%, and his signature shoe business has grown larger than any other active athlete in the game. Bigger than LeBron. Bigger than Kobe. Only the great Michael Jordan still holds the right to boast that his name is bigger than Curry’s.

The Game Has Changed

Nike’s monopoly is no more; they are no longer impervious to competition. The days when one would require their endorsement before considering the best in one’s respective sport are long gone, and a new era of healthy competition has arrived. While many may continue to regard the Nike brand as one without equal, this alone does not warrant exclusive authority over the rest of the industry. The corporation may wield the most power today, but similar to how Djokovic and Curry have eclipsed their predecessors, so too exists the possibility of Nike’s supersession, albeit in the distant future.

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Daniel Kozek is a freshman in the ILR school He can be reached at djk55@cornell.edu

Roger Federer and Rafael Nadal embracing after a match sporting Nike gear. Photo courtesy of Sportskeeda.com
The Relationship Between Player Salary and Success in Major League Baseball

Harrison Marcus '20

Major League Baseball neglects to include a salary cap, which on the surface may suggest that teams like the Yankees and Dodgers with larger financial budgets are at a significant advantage over the Indians and Royals of the league who don’t play in major markets. While this may be true, the correlation between player salary and player performance is not nearly as direct as the casual fan would expect. Often times, players on inexpensive contracts perform on par with - if not better than - those who earn baseball’s heftier salaries. Both the structure of the league and the nature of the sport contribute to this pattern. Statistical analysis suggests that MLB front offices shouldn’t always feel compelled to dish out significant cash to free agents; finding cheaper solutions - especially with position players - is possible and more financially efficient for baseball organizations.

WAR, which is an acronym for “wins above replacement,” is a sabermetric baseball statistic developed to summarize a player’s total contributions to his team. The WAR value for a player is calculated by dividing the number of additional wins his team achieves by the number of expected team wins if that player were to be substituted by a replacement-level player, a player that may be added to the team for minimal cost. Essentially, it can be used to determine how valuable a player is to his particular team on the baseball field. Of the 74 position players who earned over $10 million in salary in 2015, just 17 of them placed in the top 60 in terms of WAR. In other words, 72% of the top 60 most valuable position players in terms of WAR were signed for less than $10 million, imposing much less of a financial burden on their franchises. Whether these players were breakout candidates who virtually came out of nowhere, underrated veterans who never received the recognition they deserve, or high prospects finally emerging to the majors, this statistic proves there are so many cheaper alternatives to finding productive hitters.

Furthermore, of the 23 hitters who earned over $17 million in salary in 2015, just three, a measly three, of them were within this group of top 60 hitters in terms of WAR. 87% of position players making more than $17 million failed to crack the list of top 60 most valuable hitters for 2015. In what other industry or organization do 87% of the top paid employees, who are considered “superstars” in their respective industry, fail to be the most valuable and productive, like we see in Major League Baseball? The three players who did crack the top 60 weren’t even towards the top of the list; Miguel Cabrera ranked 23rd, Adrian Gonzalez ranked 45th, and Mark Teixeira ranked 50th.

Most of these players whose baseball value didn’t match their financial value are either washed up veterans on the back end of huge contracts, like Ryan Howard, or players whose production simply never lived up to expectations following their big contracts, like Carl Crawford. This isn’t to say that handing out contracts north of a $17 million average annual value is always bad, but teams should be smarter about the whole process. Maybe offer less years in the contract so you’re not stuck losing money to a player whose prime ended five years ago. Maybe spend the money more selectively, saving the finances for when a transcendent, sure-fire talent becomes available on the market. These statistics should raise eyebrows to the fact that players don’t translate their high salary to significant production on the baseball field as often as one may think.

It is crucial to acknowledge, however, that pitchers have a much more unique correlation between salary and WAR than position players do. In 2015, six of the top 13 pitchers in terms of WAR earned at least $17 million. At the same time, five of the top 13 earned less than $1 million. We’ve seen the value of consistent dominance from veteran pitchers on loaded contracts, like Max Scherzer and Clayton Kershaw, yet we’ve also witnessed young pitching prospects emerging and excelling early in their careers, like Noah Syndergaard and the late Jose Fernandez.

When analyzing the relationship be-
between payroll and team success there are some surprising statistics that give hope to small market franchises. One would typically assume that with higher payrolls comes more wins and ultimately more success in the glorified month of October. However, the stats prove otherwise. Of the seven teams that opened the 2015 baseball campaign with a payroll of $150 million or higher, just two of them reached the postseason. Neither of those two teams, the Dodgers nor the Yankees, went on to win a playoff series. Furthermore, the 2015 World Series was played between the Kansas City Royals and New York Mets, who placed 16th and 21st in opening day payroll, respectively. Spending more means winning more? Not so fast.

Of the players who were under baseball’s 21 largest individual contracts in 2015, none of them won a playoff series in 2015. Zero. This is not necessarily a knock to the player, but it goes to show that teams that dish out expensive contracts to players are by no means guaranteed playoff success.

Of course, there are many times in which having a higher payroll or signing a player to a hefty contract has paid dividends for a baseball organization. Think of the 2009 World Series Champion Yankees, whose $201 million payroll was $52 million higher than the next team. Think of Miguel Cabrera, who has led the Tigers to multiple postseason trips and a World Series appearance during the past few years. He was clearly worth every penny of his 8 year, $152 million contract that he signed in 2008. However, his new 8 year, $248 million contract has just kicked in this year, which makes him a Tiger earning at least $30 million per year until he turns 43. Will a 42-year old Miguel Cabrera be worth $30 million? The odds are strongly against him. Will the years of excellence in the beginning of the contract be worth the years of lackluster performance, yet high salary, towards the backend of the contract?

Ultimately, Major League Baseball franchises will probably continue to dish out significant financial assets to players, who will likely fail to match the performance value that is expected of them. At the same time, teams, especially those in smaller markets, will continue to exploit market deficiencies, finding hidden, cheap talents and allocating funds to safer, less high profile free agents. Statistics prove that the relationship between salary and performance on the field, whether it be at the individual or team level, is weaker than one would expect. The beauty of baseball is that every team has a chance to compete, even without a salary cap.

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Harrison Marcus is a freshman in the ILR school He can be reached at hm395@cornell.edu
Winonomics:
Small Market Economies and Winning Franchises

The Cavs celebrate and lift up the trophy as they end Cleveland’s 52-year long major professional championship drought.

Photo courtesy of Foxsports.com

Scott Symons ‘19

When thinking of recent championships, there is one city that comes to mind immediately but seemingly ironically: Cleveland. Preceding the events that transpired on June 19, 2016, Game 7 of the NBA Finals, Cleveland had not won a major professional sports championship since 1964. LeBron James and Kyrie Irving ended the city’s 52-year drought in heroic fashion, leading the Cavaliers to a comeback from a 3-1 series deficit against the best (record-wise) team in NBA history, Stephen Curry’s Golden State Warriors. What ensued were days of celebration in the streets of Cleveland, countless pictures of J.R. Smith without a shirt on, and innumerable stories of the sentimental value of the championship to the city. One would be hard-pressed to find a sports fan that was not at least a little bit happy for Clevelanders. More than half a century is a long time!

The New York Giants and Yankees seem to bring New York a championship every two or three years and when was the last time the Patriots were not a Super Bowl favorite for Boston and New England as a whole. Sympathetic tendencies certainly created excitement for Cleveland across the nation, but the question is: how can winning impact more than just the emotional aspects of society? What are the economic assets a star-caliber player can bring to a city through what I term “winonomics”? Winonomics is my theory that a highly successful team or All-Star level player can improve the economy of a team’s hometown and general surrounding area. People are more likely to want to watch a team that is a title-contender or has a future Hall of Famer on the roster than a team that will struggle to win half its games. Consequently when more people want to watch the team, I predict game attendance will increase, which will increase ticket sales, whose revenue can bolster an economy. What follows is an analysis of the credibility and reality of winonomics.

A safe assumption to make is that when a team signs a really talented player, the team will get better. This is not to say that the team will necessarily become a better team in reality, but most people will anticipate a high winning percentage. The perfect example is the 2012-2013 season for the Los Angeles Lakers. After acquiring All-Stars Steve Nash and Dwight Howard, the Lakers were a favorite to win the NBA Finals. Nevertheless, the underwhelming team barely made it to the playoffs and was swept in the first round. Even though the Lakers season ended up being a disappointment, fans and sports analysts expected the Lakers to win because the perception was that their lineup had improved.

For the Cleveland Cavaliers, the greatest improvement in the organization’s lineup has been LeBron James. From 2001 to
2003, Cavaliers average home game attendance never reached 16,000. In the 2002-2003 season preceding LeBron’s rookie year, Cavalier game-attendance was worst in the league, at 11,496 attendees per home game. The Cavs measly .207 winning percentage (their lowest percentage since the early 80s) meant disappointment for the season, but this changed after James was drafted in 2003. Selected first overall from St. Vincent-St. Mary High School in Akron, Ohio, LeBron James was poised to revolutionize his hometown’s basketball team.

The Cavs entered the 21st Century as a competitive basketball team in 2004, with the emergence of LeBron’s stardom. In his rookie season, LeBron pushed the Cavs winning percentage up more than 200 points to a .427 winning percentage. Then in his sophomore season, the 27.2 points and 7.4 rebounds per game he averaged led Cleveland to its first winning season since 1997-1998. From 2004 to 2010, average game attendance in the Q was consistently over 18,000, breaking the 20,000-landmark in 2007. This rise in attendance correlated directly with the Cavs’ success. The era of LeBron dominance saw Cleveland reach the playoffs five times and the finals once. Although they never won a finals championship, fans were encouraged by the continued success of the team in the regular season.

It is safe to assume that the rise in game attendance was a result of the skills of the Cavaliers in this time period. LeBron’s reign as “the King” including an abundance of accolades such as Rookie of the Year and MVP made the Cavs a contender in the Eastern conference. With title contention came success, and with success came increases in game attendance. From 2003, LeBron’s rookie season, to 2009, his final year in Cleveland, Cavs average game attendance increased from 11,496 to 20,010, a 74 percent increase. According to Statista.com, average ticket price in this era was about 50 dollars. This statistic reveals that in 2009, there were 425,700 more dollars in the Cleveland economy than in 2003. Although at first glance this number may not seem too great in terms of a hundred billion dollar economy, one must also account for the subsequent advertisements, jersey sales, popularity of sports bars, and much more. There is an intangible, but noticeable effect on an economy when a sports team is successful, and Cleveland took notice of this effect as the Cavaliers certainly contributed to the city’s GDP growth.

Thus, when LeBron James left Cleveland he took more than just his talents with him to South Beach: he took a portion of the Cleveland economy. It is similar to the idea of job outsourcing. The claim that globalization of the American economy outsources jobs to foreign economies and consequently hurts the domestic economy because jobs at home are lost is comparable to when a star player like LeBron leaves for another team. He takes his successes, winning, and subsequent increases in game attendance with him to South Beach: he took a portion of the Cavaliers in this time period. LeBron was the main reason for the Cavs success. In the following years, as “the Big Three” consisting of All-Stars LeBron James, Dwyane Wade, and Chris Bosh won two NBA championships for the Miami Heat, the Cavs floundered failing to be a .500 team for the next few years. As their winning record declined, so did their game attendance, as average home game attendance dropped below 16,000.

Game attendance remained low until the 2014-2015 season, otherwise known as “The Return.” After four seasons in Miami, LeBron decided to embark upon a homecoming journey and bring Cleveland the championship that had eluded the city for 50 years. As LeBron commenced his quest for redemption, Clevelanders responded to the return of their star player with expectations of greatness for the Cavs. A rise in home game attendance followed in which during the 2014-2015 and 2015-2016 seasons the Cavs had the second highest average home game attendance among all NBA teams, at over 20,000 people per game.

Now we are here in the 2016-2017 season with the seemingly eternal-drought ending at 52 years. As LeBron continues to play for the Cavs and possibly lead them to more championships, Cavaliers’ game attendance will continue to rise above 20,000 and have the same effects on the Cleveland economy that there was in the 2000s.

Although there is disagreement as to how much of an effect LeBron has had on the Cleveland economy, many agree that there is at least a positive effect. In fact, some proponents of the so-called “LeBron James Effect” claim that LeBron James’ return to Cleveland could have increased Northeast Ohio’s economic value by $500 million. Although that number is almost certainly over-exaggerated, Cleveland began to feel the effects of LeBron’s return almost immediately.

Average ticket price Cleveland Cavaliers games of the NBA from 2006/07 to 2015/16 (in U.S. dollars)

Cavaliers game ticket prices averaged about $50 from 2006 to 2016. Graphic courtesy of Statista.com
This trend suggests that small markets are more volatile in relation to the skill of their teams than larger markets, specifically in the NBA.

An interesting phenomenon surrounding this point concerns the locations where a star player can have the greatest impact on an economy, at least in terms of ticket sales and game attendance. Cleveland is certainly a city, but by no means is it the size of New York, Chicago, or Los Angeles. While Cleveland was on the rise and then on the decline and now on the rise again, huge markets such as Chicago, New York, and Los Angeles have remained among the top of the league in game attendance. Granted the Lakers had Kobe and the Bulls were consistently making the playoffs, but both teams have definitely had their struggles with winning as of late. Additionally, the Knicks have only made the playoffs four times since the 2001-2002 season, but attendance at Madison Square Garden has remained towards the top of the league.

Unlike the big markets, in a small market economy such as Cleveland, the success of a big name player was able to significantly affect game attendance. The same trend has occurred in other small market economies such as Detroit. While making the playoffs for eight consecutive seasons from 2001 to 2008 under the leadership of Chauncey Billups and Ben Wallace, Pistons home game attendance topped the league for many years at about 20,000. But following the 2008-2009 season, Pistons average home game attendance has continued to drop alongside their losing seasons, sitting 25th in game attendance this past year even though they did make the playoffs (losing in the first round to LeBron and the Cavs). These small markets cannot seem to sustain high game attendance in the absence of star players.

This trend suggests that small markets are more volatile in relation to the skill of their teams than larger markets, specifically in the NBA. Perhaps larger markets consist of fans with high enough salaries that allow them to attend basketball games no matter how good or bad the team is, while in smaller markets, fans with less money to spend choose to only pay for games when they’ll be watching a skilled team. Or perhaps, in larger markets, basketball teams are a more ingrained part of the community than in smaller markets so in larger markets people will pay to watch games without regard to the team’s record. These are certainly only conjectures as to explain these trends, but nevertheless winonomics seems to hold true for Clevelanders.

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The Cavs have had the upper hand over the Knicks the past few seasons, but the sheer market size of New York City keeps Cavs and Knicks average game attendance close in value.

Photo courtesy of Cleveland.com

Scott Symons is a sophomore in Arts & Sciences. He can be reached at ssas572@cornell.edu
In the 2013-14 offseason, former All-Star center fielder Jacoby Ellsbury signed with the Yankees in free agency for $153 million over 7 years.

Photo courtesy of Newsday
cubed tell that this franchise was taking a
turn for the worse? They just lost future
Hall-of-Fame closer Mariano Rivera and
long-time stud starting pitcher Andy Pettitte
to retirement, troubled third baseman Alex
Rodriguez to a season-long suspension for
performance enhancing drugs, and perennial
All-Star second baseman Robinson
Cano to free agency. Former All-Stars such
as Derek Jeter, Curtis Granderson, Kevin
Youkilis, Mark Teixeira, and CC Sabathia
performed horrendously and were rapidly
aging (the latter two were also locked into
multi-year overpaid contracts). Their farm
system was among the worst in the league,
and provided no immediate incoming help.
Worst of all, the best players on their ros­
ter returning for 2014 were Ivan Nova and
Brett Gardner, neither of whom were close
to being All-Stars.

Most other franchises would have started
the rebuilding process the year before,
foreseeing this nightmare and stopping
the bleeding before it even started. Then
again, most other franchises do not have a
$555,000,000 band-aid to patch it up. That
number is no typo. The Yankees spent over
a half a billion dollars in the 2013-2014 off­
season, re-signing Jeter and solid starting
pitcher Hiroki Kuroda while adding All-
Star caliber players such as Japanese sen­
sation Masahiro Tanaka, outfielders Carlos
Beltran and Jacoby Ellsbury, and catcher
Brian McCann. It was by far the biggest
spending spree in MLB history, and even
with it, the Yankees were far from World
Series favorites, let alone division favor­
ites. Unsurprisingly, the Yankees have still
failed to win the division since that offsea­
son, confirming the widespread notion that
franchisees cannot be fixed through free
agency.

So why did they even bother trying?
Why did they avoid the same cyclical
model that almost every other MLB team
endures at some point, many of whom en­
dured throughout the past 15 years? They
knew that their strong core they had in the
past decade were all aging rapidly or retir­
ing, and yet they refused to accept defeat
for a few years so that they could groom
a brand new core of prospects to build
around.

Simply put, the Yankees business mod­
el precedes the Yankees roster construc­
tion. At the end of the day, all organiza­
tions in professional sports are businesses,
and they are all turn large profits for their
owners, one way or another. These owners
can have different philosophies regarding
their business; some are willing to expend
all resources necessary (within reason) to
bring a championship to a city whenever
possible, while others aim to maximize
profit through various profit streams, which
also includes providing a winner for fans to
come to the ballpark to watch.

For the Yankees ownership group,
their primary objective appears to be a bit
unique and customized for their situation.
The New York Yankees organization has a
longstanding history as the greatest fran­chise in American sports, with 27 cham­
pionships on its resume. Additionally, the
Bronx Bombers are perennially among the
world’s most valuable sports franchises and
have the reputation for not only being a symbol of America, but a symbol of win­
ning and success.

In essence, the Yankees owners’ objec­tive is to maintain their brand’s elite status.
No other city in the world creates more
competition for entertainment industries
than New York City, so the Yankees want
to ensure their loyal, primarily wealthy
fan base and incoming tourists around the
world that when people pay the (enormous)
price of admission to New Yankee Stadi­
um, they should expect to see a winner
and receive their money’s worth. Any los­
ing season could create a negative stigma
that may dissuade people from committing
their time and money to this franchise.

This elite standard is the standard that the
Yankees have held themselves for decades,
and it is clear through the Yankees’ spend­ing pattern that no amount of money is not
worth risking to save this reputation.

Times have certainly changed for the
Yankees organization. Several clever
trades along with breakout performances
from multiple young players and prospects
within the Yankees organization have posi­tioned New York with one of the best farm
systems in the MLB, if not the best. Team
spending on player salaries have gone down
year by year, and this offseason represents
a major turning point for this franchise.

It’s an exciting time for the Yankees
faithful, as they could be on the cusp of a
brand-new Yankees core that could com­
bine with the ownership’s wealth to com­
pose the next era of winning baseball in the
Bronx. Despite this, the fact remain that
this team has no intention to slow down
on their spending, regardless of their roster
construction. As long as the Yankees own­
ership continue to strive to preserve their
brand image – and the MLB salary cap
remains the same – the Yankees will sus­
tain their hold as one of the most dominant
sporting franchises in America.

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Sam Schwartz is a junior in The Dyson School
He can be reached at sjs395@cornell.edu
In 2016, it is completely valid to judge the effect of a moment by its corresponding reaction on Twitter. On July 4th, 2016, a day where most of the Tweets are composed to celebrate America's independence, Kevin Durant's announcement of his decision to join the Golden State Warriors shook the Twitter (and real) world, becoming one of the most talked about moments of 2016. His declaration to join an already historic team as a free agent was historic, as evidenced by its 66,000 "retweets" and countless reactions by celebrities, fans, and players of the NBA. However, Durant's free agency move from Oklahoma City to the Bay Area is not an isolated incident of NBA players dominating the news cycle with a decision to switch teams; LeBron James to Miami in 2010, LeBron James returning back to Cleveland in 2014, and Dwight Howard fleeing Los Angeles for Houston in 2013 forced sports radio and television into a 24-hour conversation centered around the NBA for weeks at a time. With four major sports battling for eyeballs and good publicity in America, headlines and conversation are important, and few things keep leagues relevant in their respective off-seasons more than free agency. Because of the different structure of contracts, the NBA has a far more intriguing free agency period than the NFL, MLB, or NHL. Not only does this help the league remain relevant twelve months throughout the year, but the fluid free agency that the NBA offers significantly affects the local economies of cities and teams in the league.

One of the more interesting subplots of the NBA free agency splash this past summer was the reaction from other American athletes. NFL players showed envy of their fellow American athletes signing these historically large contracts in whichever city they desired. Emmanuel Sanders, wide receiver for the Denver Broncos, tweeted "Looks like I chose the wrong sport #NBA-FreeAgency." Will Compton, linebacker for Washington's NFL team, summed it up best, tweeting "How does the NBA...have such a better player contract situation than the NFL?? These deals are insane". Free agency is a miracle to employees across the country, let alone major athletes. The prospect of choosing where to work and being able to use free market forces to have several organizations bidding for your services is a dream for any worker. Due to certain contract stipulations agreed upon by leagues and their players' unions, the NBA allows for much more high-profile free agency than the NFL, MLB, or NHL.

The main reason why free agency in the NFL is so different than in the NBA is because of the short playing careers of NFL players. According to the site Statista, NFL players on average only play for about 3.3 years. Out of just the players who make a team's opening day roster in their rookie years, which fleshes out less noteworthy players who may dilute the statistic, the average career spans only 6 years. Short playing careers can be attributed to the bevy of injuries that players aggregate over their careers due to the especially physical nature of football. High-profile free agency requires organizations to make long-term bets on players in terms of years of employment and salary. After drafted players finish their rookie contracts, few players can convince teams to invest millions of dollars and a guaranteed roster spot to a "used" player. But it is not just the teams that have the leverage. Few NFL players want to enter free agency for the fear of being without a contract. Players, like organizations, know that a brutal hit can come at any time, and they want to gather as much insurance as possible, securing as much money and contractual longevity as possible. Some of today's most accomplished and seasoned veterans, like Tom Brady, Eli Manning, and Philip Rivers, to name a few, have never entered free agency. They have signed multi-million dollar extensions while still under contract to ensure that they never left themselves without a contract. In contrast, injuries are much less of a worry for NBA players, and long playing careers are often accomplished. LeBron James, Kevin Durant, and Carmelo Anthony have all gone through highly anticipated free agency, while the aforementioned faces of the NFL have not even tested free agency. LeBron James continues to sign short-term deals in order to sign a bigger contract each year or two, deeming a career-threatening injury unlikely. With players and franchises more willing to invest in the future of a player's career in the NBA than in the NFL, NBA free agency becomes much more high-profile and intriguing.

The other aspect that separates NBA free agency from the other major sports is the structure of contracts agreed upon by the Collective Bargaining Agreements in each sport. While the NBA, NHL, and MLB all have required rookie contracts that keep a player on the team that drafted him for 3-5 years, the leagues differ in
their contract requirements past the rookie deal. In baseball, the game’s most visible stars regularly sign massive contracts in terms of both money and years. Giancarlo Stanton, one of the game’s best young players, signed a contract in 2015 that will last for 13 years and pay $325 million. Albert Pujols, one of this generation’s most recognizable players, signed a 10-year contract worth $240 million in 2012, and he was already 32 years old! Similarly in the NHL, while the money is not nearly as abundant as in the MLB, the spans of contracts remain just as long. Sidney Crosby never even explored free agency, as he was able to secure a 12-year extension to his previous deal in 2012. His fellow All-Star and captain Jonathan Toews has also inked back-to-back long term deals, capping it off with an 8-year deal signed this past season which has kept him from exploring free agency as well. The NBA contract structure, however, only allows a player to sign a deal with a team for a maximum of 4-5 years. With the top players coming into the league as young as 19 years old, they have the ability to hit free agency multiple times before the end of their careers. In fact, Durant signed this past summer for 2 years, while James signed a contract for 3 years. Long deals keep players off the markets for several years, and while there are always free agents in the MLB and NHL, there is rarely a free agent frenzy like the NBA offers yearly. Before we know it, the sport’s most prolific players and personalities will be back on the free agency market dominating headlines and news cycles.

When a new player enters a new city, merchandise sales, ticket sales, vending, local restaurants, and local television ratings all improve dramatically. On July 26, 2016, a mere 3 weeks after Durant’s signing with the Golden State Warriors, Alex Kennedy of ClutchPoints reported that Durant’s new Warriors jerseys were the leading seller in 30 states, including in Oklahoma City, the place he fled. However, for the 2015-16 season before Durant entered free agency, his jersey sold just the 8th highest in the NBA. As Durant elected to switch teams, stores across the country, and most drastically in the Bay Area, saw a noticeable spike in sales related to his merchandise. Free agency also affects stadium attendance. Between 2011 and 2014, the Cleveland Cavaliers averaged about 16,000 fans per home game at Quicken Loans Arena. After LeBron reunited with the Cavs after the 2014 season, the Cavaliers averaged 20,562 fans per game for the next two seasons, which happens to be the arena’s maximum capacity. Yes, other players were brought to the city, but LeBron James deserves to be credited with a 4,000 fan increase in attendance per game, which is possible because of high-profile free agency. With the increase in game attendance comes an increase in economic activity for local areas. According to Business Insider, “Bar owners near the arena have seen a 30-200% increase in revenue on game nights. Bartenders and waitresses that would normally be laid off until the summer are being kept on the payroll.” And while in the salary cap-less MLB, it is typically the same teams signing marquee free agents, like the Red Sox, Dodgers, and Yankees, the NBA has a salary cap that allows all teams to bid for the biggest names on the market and their respective cities to get the economic hump.

The changes that these teams undergo, both in economics and popularity, stem from an improvement in performance, but it is the speed in which NBA teams can change tiers that sets the league apart. For reasons such as contract structure and career lengths, the NBA has fostered a much different free agency system than the other 3 major American sports, and its effect does not only appear on the court, but also in the local economies across the country.

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As an undergraduate student organization dedicated to educating and preparing its members, from across the entire university, for career opportunities in the sports industry, the Cornell ILR Sports Business Society is one of the premier student-run sports business organizations in the country. The club aims to reach this mission through the club’s four main platforms: speaker events, blog, magazine, and radio program. This year our club featured 14 executive board members and added a new research department. The club has a general body meeting every other week. Typically, these meetings incorporate debates on issues in the sports business world or career spotlight presentations. Many club members attended the Michigan Sports Business Conference in November and the club is planning a trip to the MIT Sloan Sports Analytics Conference. In the future, we hope to hold a networking conference of similar proportion. The club also hopes to modernize its website and social media presence.

Content production has been and continues to be one of the club’s main goals. I am happy to report that our blog is more active than ever before, featuring weekly blogger roundtable discussions on our club website. Furthermore, our Sports Inc. magazine is produced on a bi-annual basis and features a wide range of stories about current sports topics. The SBS Report is produced every week and broadcasted through Cornell Radio. Finally, the club is grateful to all alumni and other professionals who have taken the time to visit campus or Skype with us throughout the semester. This year we were lucky to have the likes of Ted Sullivan, Josh Frost, Molly West, Rich Lerner, Ron Klemper, Scott Malaga, and Tim McGhee speak with the club. We are very fortunate that our alumni have been more than happy to be involved with the Sports Business Society as there is no better way to learn about the industry. With the diverse and extensive alumni network that is willing to support our group, we hope to add value to their own career advancement by connecting them with the rest of Cornell’s community.

The Cornell ILR Sports Business Society strives to serve both our student’s and alumni’s passion for sports business. Cornell is perhaps the most respected name within the Sports industry. The club hopes to continue and grow that reputation in the years to come.
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