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The Growth of Major League Soccer: Commentary, Analysis & Explanations from the Literature

***By Dr Alex G. Gillett & Dr Kevin D. Tennent
Both of University Of York, United Kingdom***

This article was originally published on the website 'Soccer Mad Boffins', June 12th 2020.

Available at:

< <http://soccermadboffins.blogspot.com/2020/06/the-growth-of-major-league-soccer.html> >

Introduction

As regular readers of this website might be aware, a significant strand of our research has been concerned with the FIFA World Cup, in particular aspects of its administration and management in recent(ish) history. Our 2018 paper 'Opportunities for all the Team...' published within *The International Journal of the History of Sport* (Gillett and Tennent, 2018) (and recently re-published as a chapter within a book: Tennent and Gillett, 2020) examined the 1966 and also the 1994 editions of the FIFA World Cup, and it is the latter which is the starting point for this article, which critically examines one sporting legacy of the event: *Major League Soccer*.

It has been well documented elsewhere that part of the intended legacy from the USA's hosting of the 1994 FIFA World Cup, was to establish and sustain a top-level fully professional national soccer league. Whilst professional soccer had been tried in the USA before (see for example the numerous books detailing the history of the NASL of the 1960s-1980s, and indeed the prior history of soccer in North America), the emphasis this time was on a financially sustainable proposition. The outcome was Major League Soccer (MLS) and was originally planned to 'kick off' in 1995, to be buoyed up by the hoped-for soccer fever spilling over from the previous summer's World Cup.

Due to various organizational problems, the MLS did not begin play until 1996, with just ten teams competing, rather than the twelve that had originally been planned for. The first season began in San Jose, as the San Jose Clash hosted the Washington (D.C.) United. MLS is not the only professional soccer league in the U.S. and Canada; The United Soccer Leagues (USL) was formed in 1986 as an indoor league, but expanded into outdoor soccer three years later and was granted Division II status in the 1997 season by the United States Soccer Federation (USSF).

The success and sustainability of the MLS can be claimed by the fact that the league has operated continuously since 1996 to the present date, which is longer than the previous attempt at a 'Division 1' caliber national league, the NASL which existed 1968 – 1984.

Deeper analysis as to the financial viability of MLS is somewhat difficult due to the amount and type of data available, the complexity of the MLS business-model, and ambiguous nature of the meaning of 'sustainability' or 'viability' in the context of soccer clubs; indeed it is common for clubs to have relatively strong brand recognition globally, but to have revenues comparable to a medium-sized enterprise such as large supermarket store. Financial profitability is not always achieved nor is it the only or primary motive for clubs and their investors, and it is generally accepted that football clubs will often require subsidy (Gillett and Tennent, 2018; Kuper and Syzmanski, 2010).

We now examine what academic and non-academic (i.e. business consultancy and news media) research tells us about the growth and financial viability of the MLS.

Discussion

The MLS, as a league, seeks to be profitable. Because its model involves an ownership stake in its member clubs which are offered to investors as franchises, it has vested interest in their financial viability, or at least that these clubs are sufficiently viable to attract investors. In 2014 the MLS stated "*On a combined basis, MLS and its clubs continue to lose in excess of \$100 million per year*" (Abbott, 2014 cited by Szymanski, 2015) and this is still the case according to the most

recent figures published; In 2019 just seven clubs reported operating income, totaling \$21 million between them, whilst sixteen reported an operating loss of cumulatively £126 million (Gough, 2019) meaning that on a combined basis the clubs lost \$125million (summarized in the below table):

Table 1: Operating Income and Losses of MSL Franchises reported in 2019

| Franchise / Club | Operating Income/Loss (\$US Million) |
|------------------------|--------------------------------------|
| Atlanta United | + 7 |
| LA Galaxy | +5 |
| Portland Timbers | +4 |
| Real Salt Lake | +2 |
| Seattle Sounders | +1 |
| D.C. United | +1 |
| Sporting Kansas City | +1 |
| Orlando City SC | -1 |
| New England Revolution | -2 |
| Philadelphia Union | -5 |
| Los Angeles FC | -5 |
| Vancouver Whitecaps | -5 |
| Colorado Rapids | -5 |
| San Jose Earthquakes | -5 |
| New York Red Bulls | -6 |
| Houston Dynamo | -6 |
| FC Dallas | -7 |
| Columbus Crew | -8 |
| Minnesota United | -8 |
| Montreal Impact | -12 |
| Chicago Fire | -16 |
| New York City FC | -16 |
| Toronto FC | -19 |

Source: (Gough, 2019)

However, measured by revenues, MLS reportedly ranked as the 11th ‘richest’ league in the world in 2017 with ‘average’ revenues of \$32 million per club (in contrast, the top of the list was the

English Premier League at £331 million per club). These revenues for clubs include a share of surplus funds from the MLS. Most revenue is generated through media and sponsorship deals as well as player transfers, ticketing, and other commercial rights, and a share of ‘expansion fees’ paid to the league by new members, until all 28 of the available soccer franchises have been purchased (Abatan, 2018).

Increasing fees for new ‘expansion’ franchise investors do not currently appear to be driven by financial performance; the league and most of its teams continue to operate at a significant loss. Investors are thus speculating on the MLS as something to develop for a longer-term pay-off (Smith, 2019)

Longer term, the MLS seeks to enhance revenues via multiple media rights deals to sustain growth and to compete with other pro-sports in the US market. Although reasonably popular in local television markets in regions with an established soccer base, this growth will require growing appeal on a national scale, and MLS’ aims to increase the number of teams by making available more franchises, and by attracting more ‘star’ players to boost soccer’s profile and appeal to attract more fans to the sport (Young, 2020). There will also be opportunities to ‘boost’ soccer by leveraging the momentum of another World Cup hosted by the USA (as well as Canada and Mexico) in 2026.

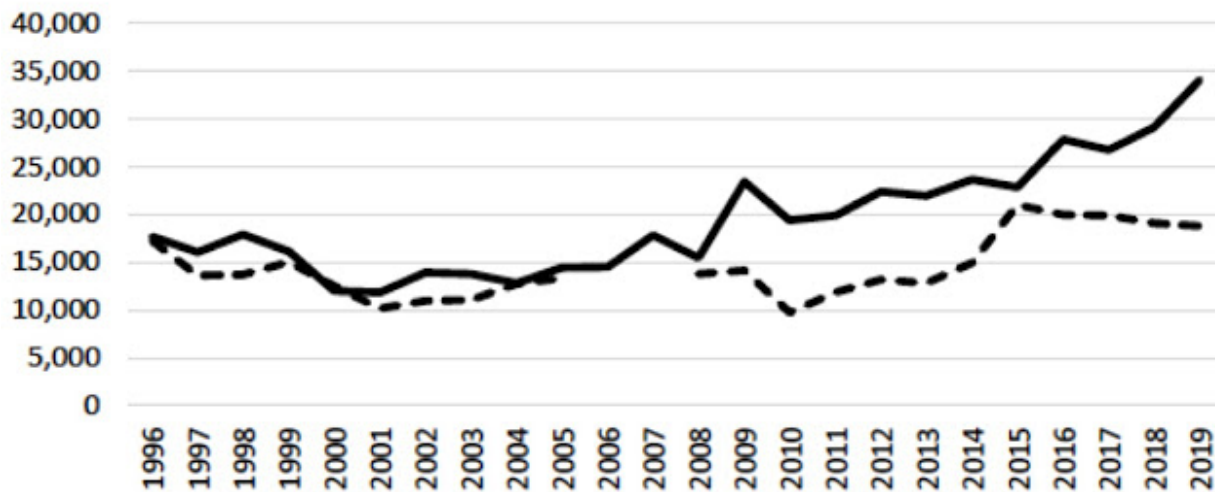
As distinct businesses, the financial viability of each franchise as a soccer club is less clear, but the model is based on a collective view that they are all participants in the MLS, a competition which is a greater ‘product’ than any team individually. However, to examine the viability of having a franchise in, let's say for example the San Francisco Bay Area (specifically, San Jose) as opposed to an alternative regional ‘market’ we can use various measures.

(Note: which we chose for illustrative purposes firstly because it was the host team for the inaugural MLS fixture in 1996, and secondly because we happened to be preparing some research on the team).

One way in which to approximate is to examine average match-day attendances of San Jose over the history of the MLS, and compare with the league average. Whilst this does not provide the ‘whole story’ it offers a window into the popularity of soccer in San Jose and the wider SFBA as a live sporting attraction.

Figure 1 shows the original franchise known as ‘San Jose Clash’ reported average attendances which tended to approximately follow those of the MLS generally, albeit slightly lower in some years, and never above. That franchise was relocated and for two years the city had no team. In 2008 a new franchise was launched with the name ‘Earthquakes’ a throw-back to the team by that name which played in the NASL. After a difficult first few years in which attendance dipped to 9,713 before increasing to a peak of 20,979 in 2015 and then staying slightly under that figure ever since, albeit gradually declining.

Figure 1: MLS compared with San Jose Total Average Attendances 1996-2019



Solid line: MLS Total Average Attendances

Broken Line: San Jose Franchise Total Average Attendances (no franchise in 2006 or 2007)

Academic studies analyze the different influences on average attendances, to indicate that some of this growth – and the growth in revenue for the MLS generally – is attributable to inclusion of ‘star players’ such as David Beckham (e.g. Jewell and Molina, 2005; Lawson *et al.* 2008). Meanwhile, DeSchrive *et al.* (2016) identify how the construction of soccer-specific facilities (rather than shared multi-sport stadiums) may also allow the franchise to retain most, if not all, of the revenue generated from concessions, parking, and non-MLS events – although some examples of teams which ground share larger stadiums with other sports, have attained higher attendances (e.g. Seattle Sounders). They also identify how the scheduling of games for weekends, and the timing of games around big public holiday of 4th July, can raise crowds.

Perhaps the clearest factor attributable to rising attendances includes the Leagues expansion in the number of participating teams. Literature summarized by DeSchrive *et al.* (2016) and also confirmed by their own study, and more recently by Love *et al.* (2013), indicates a type of honeymoon period exists in various sports but including for new MSL franchises, for at least 3 seasons, and there may be several reasons for this:

- The novelty might attract spectators who are simply curious;
- The new team’s marketing team might work harder or with more enthusiasm for a ‘start-up’ and new challenge in comparison to those of an older team;
- The accuracy with which the MLS has determined the best markets for its expansion.

DeSchrive *et al.* (2016) also found that both the proportion of the local population that was Hispanic, and median household income, were both positively related to attendance. Conversely, Jewell and Molina (2005) found a negative relationship between the size of the Hispanic population in a city and MLS attendance. Other variables that they found to be statistically significant with attendance included the degree of competition from other sports teams within a

market, population size, the year in which the season took place, and star players (mentioned above) – in fact they found that in general, performance of individual players’ tended to influence attendance, but team performance did not.

In Conclusion

There are many variables which might help to explain the apparent growth and buoyancy of the MLS. Although the numbers give some indication as to why investors continue to speculate, it is useful to interpret them critically when trying to predict the future of professional national league soccer in the USA and Canada. In particular, the recent Covid-19 pandemic has had significant effect on attendance at large-scale events, and on the jobs and income of supporters. It is therefore difficult to predict the effect on attendances at ‘live’ events or the effect on take-up of televised and streamed events played to limited crowds or even behind closed doors, as has been the case in some countries.

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