

**The Economic Effect of a Sports Championship Team:
The Effect at the College Level**

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Introduction

The sports industry is very profitable. Whether it is a professional team, such as the Carolina Hurricanes, or a college team, such as the North Carolina Tar Heels, a championship sports team can prove to be extremely beneficial to the surrounding economy. Local merchandise stores, bars, restaurants, and even the specific organization itself benefit from the success of the team.

It is a well known fact that people enjoy winning. Winning creates a sense of pride and excitement that may not exist in areas exposed to mediocre and losing experiences. A successful team stimulates far more interest than that of a team that does not win as often. For example, 9,671 people attended the very first home Men's Basketball game at North Carolina State University; while 19,045 people attended the first home Men's Basketball game at the University of North Carolina at Chapel Hill.¹ Both NCSU's RBC Center and UNC's Dean E. Smith Center fit over 20,000 spectators. The main reason for this large difference in attendance numbers is the difference of people's perspective of the two teams. UNC has experienced two national championships since 1993 and has been a dominant force in basketball for well over 25 years. NCSU, on the other hand, has not experienced a national championship since 1983 and since then has been a mediocre basketball program. The significance of these attendance numbers is

very obvious. Anyone can tell you, the more people at the venue, the more revenue the event generates.

Not only does a championship team generate more revenue at its specific venue, but it also creates revenue increases in the surrounding economy. After the University of North Carolina won the national championship in Men's Basketball in 2005, the Collegiate Licensing Company released the Top Selling Universities for the year, in terms of merchandise. During the year that North Carolina won the national championship, the university was the top selling institution in the nation. This past year the University of Texas at Austin was the top selling university, which coincidentally enough happened to be right after they won the national championship in football.² These numbers prove that championship teams have a direct correlation to high merchandise sales. For clothing stores in the surrounding areas that sell the university's merchandise, this can prove to be very beneficial in boosting revenues. Having a championship team in the area can definitely prove to be very beneficial to the economy.

Introduction to the Rams Club

At the University of North Carolina at Chapel Hill, one of the major funding organizations for the athletic program is the Educational Foundation; also known as the Rams Club. The Rams Club consists of thousands of members that all contribute to the scholarship program for student athletes. The contributions are used for 28 varsity sports and over 450 athletes throughout the university.³ According to the Rams Club mission statement, the objective of the organization is to:

To offer financial aid to worthy young men and women seeking an education at the University of North Carolina at Chapel Hill, and to support University programs by providing services and funds for the construction of facilities or purchase of equipment.⁴

The contributions to the Rams Club vary greatly. For example, if a student wanted to be a part of the organization, he/she would only have to donate \$25.00/year. This entitles him/her to the privileges shown in the figure below. The smallest donation level for a non-student is \$100.00/year. This is a great deal different then the highest level of giving which is a scholarship donation. The minimum donation for a scholarship donor is \$100,000; which is paid off in increments of at least \$10,000/year.

	\$25	\$100	\$200	\$500	\$1,000	\$2,500	\$5,000	\$100,000	\$200,000
Minimum Annual Gift Required	\$25	\$100	\$200	\$500	\$1,000	\$2,500	\$5,000	\$10,000	\$20,000
Amount of Time to Fully Fund Commitment	Annual	Annual	Annual	Annual	Annual	Annual	Annual	5yrs	5yrs
BENEFITS	ANNUAL							ENDOWMENT	
Season Basketball Tickets *	CAROLINA STUDENT RAM	TAR HEEL	RAM	RAMESES	BIG RAM	SUPER RAM	2#	2▲	4▲
Basketball Parking Permit								☞	☞
Annual Scholarship Dinner								☞	☞
Bowles Hall Pre & Post Game Basketball Reception								☞	☞
Scholarship Recognition								☞	☞
Exclusive Coaches Circle Social Functions During Year							☞		
Coaches Circle Signature Items							☞		
Season Football Tickets		2	4	2**	4**	8**	12**	8**	8**
Football Parking Permit								☞	☞
Away Game & Post Season Football Ticket & Travel Info	☞	☞	☞	☞	☞	☞	☞	☞	☞
Individual Game Basketball Tickets #	☞	☞	☞	☞	☞	☞	☞	☞	☞
Mini-Season Basketball Ticket Application		☞	☞	☞	☞	☞	☞	☞	☞
Media Guides	☞		☞	☞	☞	☞	☞	☞	☞
Tar Heel Monthly Magazine	☞	☞	☞	☞	☞	☞	☞	☞	☞
Discounts at Finley Golf Course (with membership card)		☞	☞	☞	☞	☞	☞	☞	☞
Applications to Summer Camps		☞	☞	☞	☞	☞	☞	☞	☞
Local Functions & Super Saturday with Carolina Coaches	☞	☞	☞	☞	☞	☞	☞	☞	☞
Rams Club Golf Tournaments	☞	☞	☞	☞	☞	☞	☞	☞	☞
Rams Room Pre & Post Game Football Reception	☞	☞	☞	☞	☞	☞	☞	☞	☞
Auto License Plate/Car Decal/Membership Card	☞	☞	☞	☞	☞	☞	☞	☞	☞
Priority Points for Donations	☞	☞	☞	☞	☞	☞	☞	☞	☞

In the Carolina athletic program, the item of highest demand is tickets for basketball games. Due to this high demand, the price of obtaining season basketball tickets is very high. To even be eligible for season tickets, a Rams Club member must at

least be in the Coaches Circle giving level. To be in the Coaches Circle, a minimum of \$5,000 given annually is necessary. Basketball tickets are annually sold out for the season, so this goes to show that the money is being brought into the Ram's Club in good amounts.

The Externality

In April of 2005 the University of North Carolina at Chapel Hill Men's Basketball team captured its fifth national championship. This is the most recent team national championship that the university has experienced and the first championship in a major revenue sport since the Men's Basketball team won in 1993. According to the Major Gift Director, Russell James, donations to the Rams Club were "significantly" increased after the championship and there was more desire to be a part of the Rams Club organization. Also, being that Mr. James is involved with the Major Gifts department, he added that the amount of Major Gifts pledged to the Rams Club experienced an increase. Due to certain circumstances, Mr. James was unable to give any specific details about exactly how much donations to the Rams Club increased.⁵ This means that more and more people were committing to the half and full scholarship donations. With each of these commitments is a pledge of at least \$100,000 to the Rams Club.

Though the primary reason for these increases in pledged donations is due to the Men's Basketball team winning the national championship, the entire athletic program reaps the benefits. This presents what is called a positive externality. An externality exists when the actions of a certain group, in this case the Carolina's Men's basketball team, effects a third party group, which in this case is the rest of the athletic program, in either a positive or negative manner. Currently the Rams Club has three large projects being

focused on. Those projects include work on Boshamer Stadium (the baseball stadium), The Ernie Williams Athletic Center, and the Softball Complex. This is a prime example of the donations stimulated by the success of the basketball team being used in other areas.

Aside from the Rams Club, other benefits are experienced by the athletic program due to the most recent national championship. Nike is the official brand of Tar Heel athletics. This means that the teams of the university wear Nike uniforms and other apparel. Nike pays the university to have its teams wear its brand and in turn, at least a portion of that money goes back to the athletic program. The flagship team for Nike at Carolina is obviously the Men's Basketball team. Due to their storied history, the demand to have the Carolina basketball team wear its product is high. Because of this, Nike is willing to sponsor the entire athletic program and provide athletic gear to all of the varsity teams. Due to their great success, the Men's Basketball team at Carolina is able to create a positive externality for the rest of the athletic department.

Conclusion

In conclusion, many people question how sports can actually prove to affect the economy. A lot of people have the opinion that sports are just leisure activities and nothing much more than that. This is a complete misconception. A high caliber and competitive team can create a great interest amongst its fan base, which can in turn simulate economic returns for that area. The University of North Carolina at Chapel Hill has been fortunate enough to have a highly competitive sports team, Men's Basketball, which has an overwhelmingly large group of followers. Due to this, the university has

been fortunate enough to experience the benefits that come along with having a championship team. Whether it's the athletic department as a whole that benefits due to the success of one team, or the entire community that benefits due to such things as increased merchandise purchases, Carolina as a whole is benefiting from its championship team. In most any other case, the same can be said for other places that have championship teams. One thing is for sure, a championship team definitely has an effect on the economy.

¹ Attendance Records from www.gopack.com and www.tarheelblue.com

² The Collegiate Licensing Company Top Selling Universities and Manufacturers

³ Data from www.ramsclub.com

⁴ Rams Club Mission Statement

⁵ Personal Interview with Russell James (11/27/06)

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