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Comparing Two Organizational Structures in Professional Ultimate

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COMPARING TWO ORGANIZATIONAL STRUCTURES IN PROFESSIONAL ULTIMATE

By

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Table Of Contents

Thesis Summary 2

I. Introduction 3

II. Comparison of Structure 7
- (i) Format 7
- (ii) Hierarchy 8
- (iii) Multiplicity 8
- (iv) Membership 9
- (v) Governance 11

III. Effects of Organizational Differences 15
- (i.) League Branding and Marketing 15
- (ii.) Production and Distribution of Filmed Matches 16
- (iii.) Expansion 18
- (iv.) Attracting Top Players 20
- (v.) Attendance 23

III. Conclusion 24

Bibliography 26

Thesis Summary

Whenever a product rises in popularity, investors may seek to use this popularity to make a profit. This is no different when the product is a sport, and as the sport of ultimate has exploded in popularity in recent years, people have sought to turn ultimate into a profitable sport product. Two professional leagues were formed attempting to do this - the AUDL in 2012 and the MLU in 2013. While both leagues shared the same goal, they employed quite different organizational structures. The AUDL utilized a franchising structure, traditionally the model with which American sport leagues operate. In this structure, investors buy individual teams and assume all financial responsibility for their team. The MLU formed a single-entity structure, where investors bought shares of the league as a whole and shared financial responsibility among the entire league. The purpose of this research was to examine these differences and their effects on each league's ability to become profitable. The goal was to determine which of the two approaches is more efficient in creating a sport league for a young sport. This is accomplished by broadly analyzing the differences between the AUDL and MLU using the widely accepted considerations for sports leagues: format, hierarchy, multiplicity, membership, and governance.

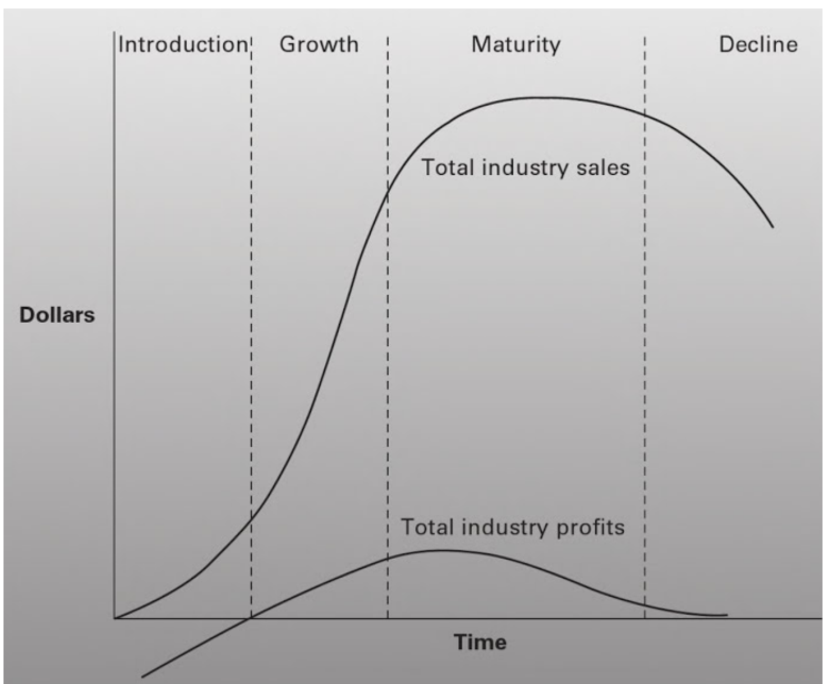
I. Introduction

Leaders of business organizations have always strived to find the most efficient method of organizing and conducting their business. New strategies are constantly being developed and adapted to new situations. The business of Sport is no different. Over the past century, the sport industry in America has experienced an explosive level of growth, with the largest major sport leagues (NFL, MLB, NBA, NHL) earning multi-billion dollar revenues in recent years.[1-4] In addition to these "Big Four," there are numerous minor-league and semi-professional sport leagues. Each of these leagues must operate in a way to consider geographic, economic, and other important factors, and have developed business models based on the unique considerations of their respective sports. In 2012, then in 2013, organizers of a relatively new sport, ultimate, decided to organize professional leagues and had to consider these factors. The purpose of this paper is to compare the two leagues, and determine which operates a more efficient organizational structure.

When new sport leagues develop, there are a host of decisions that organizers must make to most efficiently operate. One critical decision is how the league and team ownership will be governed. In 2012, and then again in 2013, two new professional ultimate leagues, the American Ultimate Disc League (AUDL), and then Major League Ultimate (MLU), employed different strategies for organizing their business structure. As these two leagues develop simultaneously, it gives a unique opportunity to examine a real-time experiment of different organizational strategies for a young sport league. The results of this comparison may give future potential sport organizers a reference to better form their own decisions when structuring the business model of their leagues.

As a sport develops throughout its time in the market, it undergoes a process known as the "Product Life Cycle." This is a concept that was first developed by Theodore Levitt in his 1965 article "Exploit the Product Life Cycle" in the *Harvard Business Journal.* There are four distinct stages to a product life cycle: introduction, growth, maturity, and decline. The four stages are illustrated in figure 1 below, with time on the X axis and dollars on the Y axis. The two curves shown represent the total sales of the product, shown in the top curve, and the total industry profits, shown in the bottom curve.

Figure 1: The Product Life Cycle



Source: Shank, Matthew D., and Mark R. Lyberger. *Sports Marketing: A Strategic Perspective, 5th Edition*. Florence: Taylor and Francis, 2014. Accessed online, April 27 2017

In the introduction phase, organizers introduce the product into the market. When the product is able to monetized, the product enters the growth phase, and sales rapidly increase. Ultimate can be considered to be in the introduction stage of its life cycle, due to its newness in the professional sport market and lack of positive profit margins. Many of the decisions made by the AUDL and MLU, then, have been made to better monetize the sport and enter the growth phase. In the introduction phase, profits are negative. This is an important feature to point out to investors, who can justify losses early on in the product's life cycle, with the promise that, once the product hits the growth phase, positive profits will be realized.

Despite ultimate's newness, it does have high levels of participation. According to the Sports and Fitness Industry Association's 2013 Sports and Fitness Participation Report,[6], there were 5.1 million people that played ultimate in the USA in 2013, with 1.48 million of those playing at least 13 times, with players inhabiting a wide geographic range. This playerbase, however, has not yet been successfully monetized on a large scale. In America, most of the large scale organization of ultimate is performed by USA Ultimate (USAU), which operates on a pay-to-play model,[7] where leagues and tournaments are funded by charging the athletes dues to play in the games. The AUDL and MLU differ in this regard, as they flip this model to a pay-to-view structure, where teams and athletes are funded by charging fans money for the right to view to game. Another difference between the professional leagues and USAU is the lack of referees in USAU play, where games are self-officiated. Organizers of the AUDL and MLU both determined that self-officiated games would not be as marketable to sport fans, and decided to use referees in games.

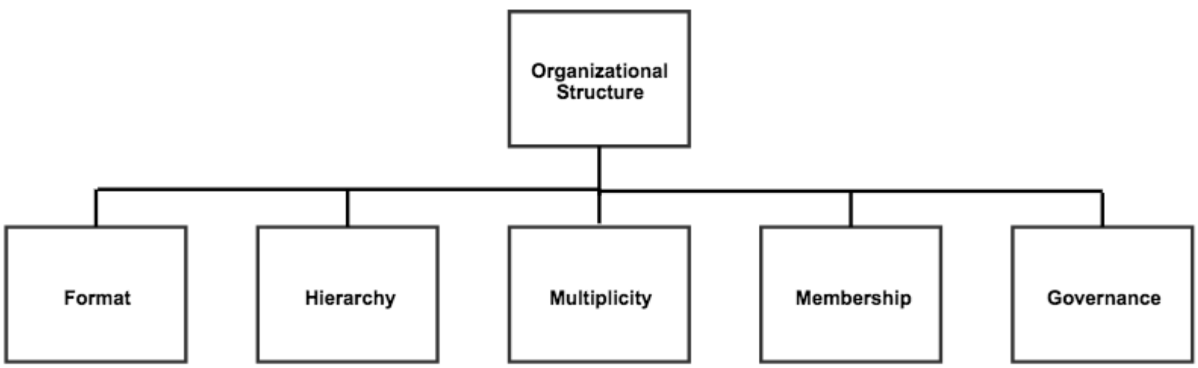
In 2012, the AUDL formed as the first semi-professional league for ultimate. This was the first attempt to break ultimate into the growth phase of its product life cycle. The league was founded on a franchising model, with the league selling the rights to teams to owners, who were then responsible for the financing and managing of the team. After the season, the owner of the Philadelphia Spinners, Jeff Snader, withdrew his team from the AUDL due to disagreements with league management and formed a new semi-professional league, the MLU. The MLU was organized on a centralized model, also called a single entity model, with the league retaining ownership of and funding all 8 of its teams and assigning managers to each.

In the AUDL's first season, 8 teams competed in the Northeast and Midwest. Since then, the league has expanded to include 24 teams throughout the USA and Canada. However, during the intermediate time there have been 9 teams that have left the league. Beginning in 2013, the MLU consisted of 8 teams; 4 in the Northeast and 4 on the West coast. These same 8 teams remained in the league until it suspended operations in December 2016. The fact that the MLU folded alone, however, is not conclusive proof that the AUDL's franchising model is more efficient; there were many factors that led to the MLU's folding, all of which will be examined in this paper. Primarily, this paper will be examining how the differences between the franchising and single-entity models affected business decisions for the two leagues, and will attempt to determine which organizational structure is more efficient for ultimate.

II. Comparison of Structures

When analyzing the structure of a sport that is early in its life cycle, there are important definitions that must be understood. A recent study, authored by Roger G. Noll and published by the *Oxford Review of Economic Policy* defines many of the important structural details. According to Noll, sport leagues must consider format, hierarchy, multiplicity, membership and governance.[8] The next section will examine how the AUDL and MLU made decisions on these details. The context of, and differences between, these decisions will ground the discussion.

Figure 2: Noll's Five Sport League Considerations



(i.) Format

Both the AUDL and MLU chose to employ a traditional American format of a modified round-robin play for a regular season, followed by a bracketed playoff to determine the league champion. A single-elimination playoff format used by both leagues increases demand for each individual game, leading to higher attendance.[11,12] For leagues looking to maximize revenue from each game, the end of season playoff is a logical decision and, indeed, one that both leagues employ.

(ii.) Hierarchy

A hierarchy of leagues is common in the largest major team sports. In America, for example, there are hundreds of minor league baseball teams that operate beneath Major League Baseball. European soccer is extensively hierarchal; England, for example, has 140 soccer leagues that operate within the English football pyramid. However, for newer, smaller sports, this approach is simply not feasible. The AUDL currently has a total of 24 teams; the MLU had 8. Stratifying these teams into separate tiers would result in fewer potential opponents for each team and a less interesting product for fans to watch. Unsurprisingly, neither league has announced plans or desires to develop minor leagues. Though not a professional league, the leagues do face some competition in attracting the best athletes from USAU's pay-to-play club series competition, which has been the traditional outlet for high-level play, with a structured national championship and qualifiers. The schedule of USAU's club series often conflicts with AUDL and MLU games.

(iii.) Multiplicity

In this context, multiplicity refers to grouping the league into two or more divisions. In both leagues, teams are placed into divisions based on geographic location. In the MLU, teams were divided into two divisions, East and West. The same 8 teams made up the MLU from the first season to the last. The AUDL has four divisions: East, Midwest, West, and South. In both leagues, teams usually only compete against other divisional teams in the regular season, and do not have a chance to face out-of-division competition until the playoffs. The AUDL schedules a few cross-divisional games, but only if the teams are geographically close. This makes financial sense, as limiting the teams to only travelling to their closet league neighbors reduces the team funds spent on travel, which, in relatively low budget sport leagues like the AUDL and MLU, is a sizeable percentage of team expenses.

The AUDL was not always its current size. In its first two seasons, the league consisted only of the East and West (now Midwest) divisions. There was substantial change in the two divisions after the first season after 4 of the 8 teams left the league. The West division was renamed the Midwest, and 3 new teams were added, while the East division saw the addition of 5 new teams. A new West division was added in 2014, with 5 teams competing. In 2015, a 5 team South division was added, the West grew to 6 teams, and the East and Midwest grew to 7 teams. The following the season, the South would grow to 7 teams as well. After the contraction or folding of 3 teams in the 2016-17 offseason, each division currently consists of 6 teams.

(iv.) Membership

The AUDL and MLU have significantly different approaches in granting new teams membership into their leagues. The AUDL has expanded greatly since its inception, growing from 8 to 24 teams over 5 years, and is still openly pursuing further expansion into new markets.[10] The MLU, conversely, remained with the same 8 teams throughout its existence, although it had originally planned to include 10 teams.

In order to enter a new team into the AUDL, a potential owner must contact and obtain approval from the league, then pay a franchising fee.[11] After completing this, the new owner has the exclusive rights to operate a new team within the agreed upon market. Acquiring the rights to a new team does not necessarily mean that a team will begin play the following season, as some teams require additional time to complete all the steps to ensure the team will be successful, such as securing a stadium facility, local sponsorships, etc. The fact that owners are not required to field teams immediately upon acquiring the rights has had negative repercussions for the AUDL. During the 2012 AUDL season, Nathan Schorsch acquired the rights to a new AUDL franchise in Portland, OR. However, when the MLU formed after the season ended, Schorsch decided to join MLU management and operate a Portland team in the new league. By holding the exclusive rights to an AUDL franchise while only operating a MLU team, the AUDL was denied entry into the Portland market.[12] Due to a lack of stipulations in the AUDL contract requiring Schorsch to actually operate a team, he was able to hold on to these rights indefinitely until the MLU folded, and the AUDL negotiated to reclaim and resell the rights to a Portland franchise.

In addition to this, the AUDL, particularly in its first two seasons, had issues with owners being either unable or unwilling to financially contribute enough to their team, resulting in numerous teams folding. This risk has been somewhat mitigated through improved vetting of potential owners and league assistance to teams, but a team's continued existence is still chiefly tied to its owner's financing. Therefore, there is still a greater risk of an individual team folding in the AUDL than in the MLU, where all teams were financed by the league.

The MLU's stance on expansion was much less aggressive than the AUDL's. Though the MLU has stated their goal for eventual expansion,[13] there were no current plans to expand at the time of its closure. According to league Vice President Nic Darling, the league wanted to ensure that there is the proper internal infrastructure to support more teams before expansion occurred. This approach led to a much higher degree of stability than the AUDL, but at the cost of limiting the MLU market to a much narrower geographic range. Attitudes towards expansion for both leagues will be explored further in this paper.

(v.) Governance

The most impactful difference in the structure of the AUDL and MLU is the organization of league governance. Many operational differences between the two leagues stem from fundamental structural differences between the AUDL's franchising model and the MLU's single-entity model. Therefore, determining which model is more efficient for a professional ultimate league requires examining nearly all aspects of league operations. However, it is first necessary to understand the structural differences between the two leagues, and how these differences came into place.

The AUDL's franchising model consists of a central league office that sells the rights to team ownership to individuals, who then assume financial responsibility and risk for the team. This is a typical model for sport leagues and a much more common organizational approach than the MLU's. Owners have a strong financial incentive to make their team earn as much profit as possible, or to incur as little losses as possible. Owners buy into the AUDL with the understanding that they will experience short-term losses, but some have expressed a desire to eventually make their team profitable in order to be sustainable.[17]

Originally, league operations were run by founder and league president Josh Moore. One criticism that many AUDL owners had of Moore's management was that it was not supportive enough of the teams in the league. This is a logical drawback of the franchising model when financial incentives are considered; if the league office is attempting to maximize profits, most of its efforts will be on selling franchises to investors and profiting the franchising fees, while leaving the effort of branding and selling the team to fans and local communities. After the first season of competition, these criticisms led to a restructuring of the league which placed the majority of business decisions under control of an elected board of owners, and changing Moore's position from president to commissioner.[19] This restructuring altered the incentives of the league. Team owners, in addition to their original incentive to make decisions to benefit their own team, now have some incentive to work together and grow the whole league.

The MLU's single-entity model placed financial ownership of all teams with the league. Rather than purchasing and operating a team, investors instead bought shares of the league, tied to their market, with the league assigning a team manager and maintaining control of all aspects of the team and covering the costs. This structure created a different incentive system than the AUDL. Because revenues were shared equally among the investors, each investor has a shared incentive to help the other franchises, as an increase in value for any one team increases the value of the league, thereby increasing the value of the shares for the investor.[18]

One of the main reasons that Jeff Snader originally left the AUDL to found the MLU was that he felt the AUDL's league office did not do enough to help its franchises.

According to Snader, “Once [the league] got the money from the franchise, there was no help from the league.”[14] The MLU, by contrast, was set up by Snader with a focus on the league itself helping to brand all of its teams. By maintaining a level of control over each team, Snader hoped that the league would be able to market itself more consistently, and that the league could provide a relatively homogenous experience for players and fans throughout the league. Snader’s AUDL team, the Philadelphia Spinners, was the most successful team in the league inaugural year, winning the league championship while also leading the league in attendance, with an average home crowd of over 1000 fans per game at historic Franklin Field. Snader wanted to replicate the Spinners’ model across the MLU, and a centralized league structure allowed him to attempt to do just that.

This single-entity is not a common model for large professional sport leagues. Indeed, the only major example of this model in America is Major League Soccer (MLS), in which investors may pay into the league to become “investor-operators,” but are not “owners” in a traditional sense. The MLS still maintains a level of control on all team matters, particularly in negotiating the buying and selling players internationally.[15] Founded in 1993, the MLS went through many years of financial struggles, in large part due to the league being unable to find investors willing to buy into the league without receiving full ownership of a team. This lack of investors led to 9 out of the 10 teams being operated by only 2 investor-operators in 2003. Since then, however, the league has become increasingly more successful, currently fields 22 teams, and, in 2015, negotiated TV contracts totalling around $90 million per year.[16] By many measures, the MLS is a thriving young sport league, built upon a single-entity model similar to what the MLU hoped to build.

There are some key differences to note about the context in which the MLS and MLU have structured their leagues. The first, obviously, is the grand difference in popularity between soccer, by far the most popular sport in the world, and ultimate. Soccer, after all, is not in its introduction phase of its product life cycle. Worldwide, consumption of soccer has certainly reached maturity, although it may still be experiencing growth in America. Therefore, the MLS clearly operates on a much larger financial scale than the MLU did.

Another difference is that competition for players between teams did not occur in the MLU in a similar way to the MLS. Athletes in ultimate rarely relocate cities solely for ultimate, and nearly all must have jobs outside ultimate to support themselves financially. Therefore, the fact that the MLU had control of all player contracts is not an issue for team managers, as it was the players who select which teams to play for, in contrast to the MLS, where teams select their players.

Although not a team sport like ultimate or soccer, another example of a successful single-entity sports league in America is the National Association for Stock Car Auto Racing (NASCAR). NASCAR was founded in 1947 by William France, Sr., and has been owned by the France family since. Today, NASCAR is a thriving sports league, with US TV viewership second only to the NFL. Unlike the MLS or MLU, the league does not manage its teams. It does however, have the right to terminate a team’s charter, or its ability to compete in the league’s races.

The decisions to organize under a franchise or single-entity model have had wide-ranging implications for many other aspects of the AUDL and MLU. The next section will examine how the different organizational structures of the leagues resulted in differences in other areas.

III. Effects of Organizational Differences

(i.) League Branding and Marketing

One of the main efforts of the MLU, when it was first envisioned by Snader, was to focus effort on shaping the brand of the entire league. The MLU wanted to be seen by potential fans as professional, above all else. One reason for this was to provide a contrast for fans within the ultimate community, who had just seen the shaky first season of the AUDL and subsequent lawsuits, foldings, and departures from the league. According to Snader, an even more important reason was to increase appeal to fans from outside the ultimate community. In the non-ultimate playing public, there is still a large association of ultimate with counter-culture, “hippie” movements of the 1960s and 1970s. Snader wanted to deliver a family-friendly, professional looking product to keep potential fans from being dissuaded by any negative connotations they may have had with ultimate.

The AUDL, especially early in its existence, did not emphasize league branding to the same degree that the MLU did. All gameday operations and community outreach programs were the responsibility of the individual owners to perform. This resulted in some franchises, such as Toronto and Madison, having a much more developed fan experience than other teams in the league. After Rob Lloyd bought the league and the majority of central operations was shifted to a board of team owners, the league increased its online marketing, but most marketing was still performed by the teams themselves. Possibly as a result of what could be considered a more polished and professional image, the MLU was generally able to attract larger, more profitable sponsors than the AUDL.

(ii.) Production and Distribution of Filmed Matches

By utilizing a single-entity structure, Snader and the MLU were able to centrally manage the branding of the league and all of the individual teams. This allowed for the branding efforts to be more consistent and intensive than the AUDL's. One major focus of this effort was video production. One of the first main goals of the MLU was to have professional quality broadcasts of every game - and to have these broadcasts free and easy to access online or on regional TV channels. By the second season of competition, each broadcast had standard equipment, formats, and production, with the goal of broadcasting a consistent product across the entire league.

The MLU was successful in terms of producing filmed games - by 2016, every regular season game was live-streamed for free on the MLU's streaming website, MLULive.com.[21] In addition, every game was archived for free on both YouTube and the MLU's website. From 2013-2016, the MLU also partnered with Comcast SportsNet to broadcast certain games in the Philadelphia/Mid-Atlantic market. Though the league declined to share its full TV ratings, Snader said in an interview in 2013 that in seven TV broadcasts, there were 6 games that earned a 0.1 Nielsen rating or better and 1 game that earned a 0.5 rating, equal to about 17,000 households in the Philadelphia market.[20] The league continued to earn enough viewers for the network to continue its partnership with the league through the 2016 season. For comparison, some of the typical ratings earned by the "Big Four" sports in the same market in 2013 were: 38 in football, 17 in hockey, 3 in hockey, and 1.5 in basketball.

Because broadcast production is managed individually by each franchise, the AUDL's video content is not nearly as concentrated. Teams broadcast their games to varying degrees, with some teams live-streaming all games online, and others filming none at all. In 2013, the league produced a live-streamed broadcast of 8 games at a cost of $3.99 each (except for the first, which was showcased for free).[23] The league, however, did not continue this practice in following seasons.

It is not, however, impossible to sustain a practice of charging for video coverage of ultimate. Ultiworld, a website devoted to covering ultimate news, sells yearly video packages for viewers to watch tape-delayed film of college and club teams within the USAU circuit. Recently, Ultiworld introduced a subscription package, where subscribers enjoy access to live-streamed and archived games.[22] This model has been successful for Ultiworld so far, and they plan to continue to expand their filming on a subscription-based model.

Clearly, there exists a demand for filmed matches of ultimate for which people are willing to pay. Why, then, do neither the AUDL nor the MLU implement a broadcasting model similar to Ultiworld? The answer lies in the fact that the professional leagues are trying to grow their reach, develop new fans of ultimate, and enter ultimate into the growth phase of its product life cycle, while Ultiworld is only looking to service existing fans of ultimate. Charging people to watch games online would not attract many, if any, new fans to the sport. This is a conclusion that both the AUDL and MLU reached. The MLU never charged for its online video production, and the AUDL announced its intention to provide free access to watch games online for the 2017 season.[24]

(iii.) Expansion

As discussed previously, the AUDL's strategy for expansion has been much more aggressive than the MLU's, with the AUDL expanding from 8 original teams to 24 and the MLU remaining constant with 8. Many of the reasons for the different approaches can be traced back to the nature of a franchise model versus a single entity model. Because the AUDL is still actively seeking new owners, expansion is likely to continue to happen.

By contrast, the MLU operated with much tighter constraints on expansion. While investors may have bought shares of the league to become team managers, the league owned and had financial responsibility for all of its teams. The league had stated its goal for eventual expansion,[13] but there were no current plans to expand at the time of its closing. Instead, the league placed an emphasis on "internal growth," attempting to increase demand by focusing on improving the quality of each of its teams individually and the league overall.

There have been both benefits and drawbacks to both of the league's stances on expansion. The AUDL has enjoyed a lack of competition in the Midwest and Southeastern markets for both players and fans. While obviously a help to the teams in those markets, having a wider national coverage also helps the other franchises in the league, as fans of teams in the Midwest and Southeastern markets would be much more likely to keep up with league-wide AUDL news (rather than MLU news), because they follow a local AUDL team.

One obvious downside to the AUDL's expansion is the instability it has produced. Unlike the MLU, in the AUDL, when an investor decides to pull out of the league, their team does not remain in the league unless the league can find a new buyer. This has led to 9 teams leaving the AUDL over the course of its existence. The MLU, by contrast, could absorb the loss of an investor to the league and continue managing the team while it looked for a new potential team manager. This came, however, with the risk of a total league failure if too many investors leave without replacements, which caused the ultimate downfall of the league. Although this is a risk in the AUDL as well, having more numerous investors lessens this risk.

(iv.) Attracting Top Players

Particularly in markets with both leagues present (like the Northeast), the AUDL and MLU were competing to attract elite players. Being alone in the Midwest, the AUDL had a monopoly on elite players in the region, while the MLU enjoyed the same on the west coast initially. When the AUDL expanded to include Southern and Western divisions in 2014, the league both gained a new monopoly on player talent in the South, and opened up competition for players in the entirety of the MLU's geographic footprint. When this occurred, many elite players were given the choice between the two leagues. Because the pay is generally very low, quality of opposing teams is often a large factor in choosing between teams, as players have generally expressed a desire to play against the best competition available.[26]

One notable example of an elite player choosing between leagues is Beau Kittredge, widely considered one of the best players in ultimate. Living in San Francisco, Kittredge signed with the MLU's San Francisco Dogfish in 2013.[25] However, when the AUDL expanded to the west coast in 2014, Kittredge signed with the AUDL's San Jose Spiders. According to Kittredge, this decision was sparked by numerous disagreements with the way the MLU was governed and that the league was not willing to do as much for him personally as was Andrew Zill, the owner of the AUDL's Spiders.[27] The MLU was unwilling to pay Kittredge more than the league standard $25 per game, while Zill, independent of league control, was allowed to be creative in constructing his player's contracts, including varying pay between players and paying for local league fees.

Another reason Kittredge cited for leaving the MLU was disagreements with league founder and commissioner Jeff Snader. Snader wanted to convince Kittredge and other elite players like him that it would be more valuable for them to stick with the MLU in order to grow their personal brand, as the league would be able to help with this more than the AUDL. Extra cash, rather than being paid directly to the player, would go to fund the promotion of that player, eventually making him - and the league - worth more.[25]

Over time, the AUDL amassed what is generally considered a more talented pool of players. A big reason for this is the independence given to team owners in constructing contracts, such as in the example of Beau Kittredge and the San Jose

Spiders. Most elite players, it seems, have not bought into Snader's long term vision of increasing player recognition before player salaries.

A more recent example of the measures AUDL owners have taken to sign elite players is the case of the Dallas Roughnecks, owned by Jim Gerencser. After beginning the team in 2016, Gerencser poured an unprecedented amount of money into his franchise, luring Kittredge from the Spiders by arranging a house for Kittredge to live in with a few teammates as roommates, as well as hiring Kittredge at his company and paying him a $50,000 salary from the Roughnecks.[28-29] Gerencser paid several other players salaries of unprecedented sums as well, though none as high as Kittredge's. Although several top players, including Kittredge, have left the Roughnecks for the 2017 season, they remain one of the top teams in the league, and Gerencser still invests more money than any other single owner.

The MLU, paying $25 a game to players, would not have been able to keep up with the AUDL if this continues. Typically, examples like the Roughnecks are inherently unstable, as the franchise currently loses much more money than it earns each year. However, Gerencser is currently content with losing money, as he feels that the best way to grow the sport is to pressure other owners to invest heavily into their teams. The Roughnecks did boast some of the highest attendance numbers in the league, and were often the most attended games for other teams when they played on the road.[30]

If the team can survive, the Roughnecks will provide an interesting experiment into the amount of investment that must be made before ultimate can achieve financial sustainability. According to the product life cycle model, profits are negative during the introduction phase. With his massive investment into his team, Gerencser hopes to push ultimate into its growth phase, where positive profits can be realized. If successful, his team may pave the way for a new wave of owners to invest similarly. If the team fails, Gerencser can simply fold his franchise, and the league will likely survive. The ability to be flexible in this manner and perform different ownership experiments simultaneously seems to be an advantage of the AUDL's franchising structure.

(v.) Attendance

Full data on attendance is not publically available for both leagues. However, there is still information accessible from which some limited conclusions can be drawn. For the 2013 AUDL season, only the Madison Radicals posted attendance numbers for all of their home games. The average attendance was 704 fans per game (with a high of 924, and 750 attending the opener).[31] The Radicals also announced that this was the second highest level of attendance in the league. Using data gathered the MLU's facebook page, the league had an average of attendance of 739 across the entire league in 2013, averaging 880 in home openers, with 1,300 attending the San Francisco Dogfish opener.[33] Because the MLU average attendance was higher than the AUDL's second-highest attendance, it appears that the MLU had better attendance in 2013. Neither league, however, was able to attract anything near a profitable level of fans.

In 2014, the Radicals increased their average attendance to 828 per game (with a high of 947, and 889 attending the home opener).[32] This was a 17.6% increase in attendance. If league-wide attendance continues to increase at a rate similar to the

Radicals', then the AUDL may be able to enter into the growth phase of ultimate's product life cycle. The MLU, unfortunately, did not continue its practice of posting its attendance numbers to Facebook.

Both leagues announced attendance numbers at their respective championships in 2016.[34] The MLU, whose championship consisted of a single game, reported an attendance of 3,050 fans. The AUDL, whose championship weekend consisted of two semi-final games on the first day and a final the following day, reported attendances of 2,932 and 1,600 in the semi-finals, and 1,449 in the final. An important note is that all 3 AUDL games were hosted by the Madison Radicals, who lost the more highly attended semi-final. The MLU championship was hosted by the Philadelphia Spinners. Clearly, having a home team competing is still an important factor in selling tickets to post-season events for both leagues.

According to Jeff Snader, a large reason the MLU was cancelled was because the attendance levels never rose high enough from their levels in the initial 2013 season. Although they were able to attract over 3000 fans to the 2016 final, the Philadelphia Spinners, league leaders in attendance every season, remained below the goals that Snader had originally laid out for the league investors. Several investors decided that this progress of leaving the introduction phase and into the growth phase was too slow and costly a process, and backed out of the league. The main reason their returns were not met, Snader says, is due to a lack of attendance.

IV. Conclusion

There are many aspects of operating a league to consider when examining the efficiency of a franchising structure versus a single-entity structure. When considered in the unique context of ultimate, the evidence appears to favor a franchising structure as being the more efficient model. Although this is not the sole factor in making this determination, a convincing argument in favor of the AUDL's model over the MLU's is the closing of the MLU in December 2016. For many reasons, the MLU was ultimately unable to satisfy its investors, while the AUDL, for the time being, has appropriately satisfied enough investors to continue its existence, although it is still not a financially sustainable or profitable business yet.

The MLU did have a more well-developed and consistent marketing and broadcast production of matches, but the costs of developing these areas did not come close to paying off. The AUDL may eventually seek to borrow some strategies from the MLU in this area - especially video - as it made good impressions on fans and potential sponsors. For the MLU, however, the investment into video did not translate into attracting new fans into the seats at games.

The AUDL's franchise model allows for much easier and robust expansion. Although this comes with the risk of having great instability within the league, this is ultimately a positive, as it allowed the league to reach wider markets more quickly than the MLU could. Finally, the model gives more freedom to owners, which, coupled with the wider geographic range, resulted in the AUDL attracting a higher proportion of elite ultimate players than the MLU, giving it a competitive advantage over its competitor.

Now that owners do not have to compete with MLU franchises, they may begin to compete with each other over the top players. If more owners follow the Roughnecks example and pay players at high enough rates for the players to justify moving to new cities, the league should see an increase in the quality of its on-field product, which should increase fan enjoyment and fan base size. Overall, the AUDL's decision to use a franchising organization league structure has proved to be more efficient than the MLU's single-entity one.

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