

By Mark E. Goebel

# More Than Just A Game

## Merchandise & Other Offerings Mean BIG Business for NFL

**F**orget about which team came out on top on the field—yes, the 49ers won the Super Bowl an unprecedented 5th time in January—it's on the sidelines where the real battle is being fought and the real money is being made. And last year, at least in that respect, the Cowboys beat the 49ers.

The Cowboys were the most popular team when it came to licensed merchandise, racking up more than \$700 million in sales, or about 25 percent of the market, while the 49ers came in a distant second. It seems that the Logo 7 cap Troy Aikman wears and the Starter poncho Emmitt Smith dons in the rain are more popular than Steve Young's Reebok jacket or Jerry Rice's Pro-Line jersey. Unfortunately for the Cowboys, the title of most popular team in merchandising doesn't carry a financial reward—all 30 NFL teams split the royalties evenly. But that's nothing to sneeze at. With sales totaling approximately \$3 billion last year, the clubs split over \$250 million in royalties. The NFL doesn't release sales figures for each team, only the top 10. Of the three New York teams, only the Giants cracked the top 10, finishing sixth.

The NFL isn't just a professional sports league anymore. It's a multi-billion dollar, multi-national conglomerate with National Football League Properties—the central licensing agent for the league—among its most vital subsidiaries.

Sure the games are important to the NFL, just like money is important to a bank. Both are the underpinnings of an extensive and varied set of products and services. Without the games, the NFL wouldn't have television rights to sell, merchandise to hawk or on-line computer services to offer. Players aren't just gifted athletes, they're walking—or running, as the case may be—advertisements for the NFL's vast array of offerings.

And is it ever vast. Everything from blankets and pillowcases to school binders and briefcases can be found emblazoned with the emblem of the NFL or one of its 30 teams. The NFL markets its logos in areas such as fashion apparel, professional clothing and equipment, foods, home furnishings and school supplies. The league even has a creative services arm to help the teams and merchandisers design products.

It just isn't caps and cups the NFL is selling. It's selling a lifestyle, the "home" or "family" lifestyle, according to Jim Connelly, vice president of worldwide retail licensing at NFL Properties, just as Ralph Lauren is selling the "country" lifestyle with Polo merchandise.

That lifestyle includes CD-Rom titles and an on-line computer service which this year gave fans the opportunity to cast their votes for the Pro Bowl. The NFL is also on the Internet, having hosted a site during the draft in April.

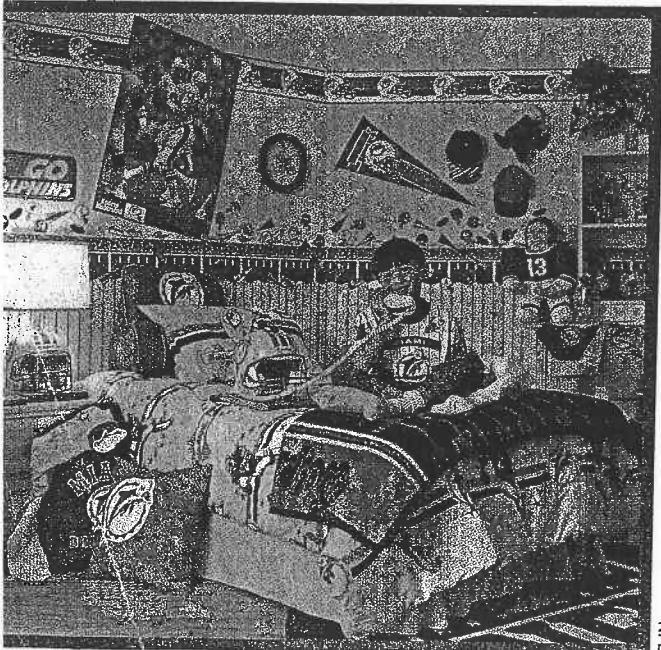
The on-line hookup offered instant recaps of all player selections as well as a bulletin-board service for fan comments. It drew more than 200,000 Internet users.

Like many large U.S. corporations, the NFL has gone global. The league has scheduled pre-season games abroad since 1986, playing before over 1 million fans during that time. The World League, which suspended operations in 1992, resumed play this year under a six-team

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NFL



NFL

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format with Amsterdam, Barcelona, Dusseldorf, Frankfurt, London and Scotland represented. Rupert Murdoch's Fox Network broadcast 10 games that culminated in the World Bowl in June. Where the game goes, merchandise sales usually follow. And they did to the tune of \$325 million in international sales last year.

**NFL Properties: Historical Perspective**

It started with a bubble-head doll—the first NFL souvenir to catch on with fans in a significant way. The seeds for the tremendous growth of merchandise sales in the 1980s were planted in the 1960s with the explosion of fan interest fueled in large part by television. Commissioner Pete Rozelle and the then-14 NFL clubs created a company called NFL Properties in 1963 to be the central licensing agent for the use of the league and team trademarks on merchandise. A very smart move in hindsight.

Until 1980, however, NFL Properties was a pretty sleepy place. The league and its teams avoided using their logos on products they thought would tarnish the NFL's image, which encompassed most everything in the minds of the conservative group running the game. As a result, royalties from merchandising didn't amount to much—only \$10 million in 1980. Times have changed.

Not only has the licensed merchandise business for all sports become huge—sales exceeded \$10 billion in 1994 and are expected to approach \$15 billion this year, according to the trade journal *Team Licensing Business*—but NFL Properties' scope has expanded considerably to include promotional licensing, publishing and the production of a variety of special events and television programs.

Promotional licensing involves developing and implementing comprehensive promotional programs with major corporations. These corporate sponsorships are developed to capitalize on the tremendous marketing power of the NFL. Companies such as Delta, Coca Cola, Kodak, GTE, Avis, Nabisco and McDonald's have paid big bucks to the NFL to use the league and its teams to help sell their products.

NFL Properties is also a publisher. It produces *Game Day Magazine*, the official in-stadium program for each NFL game, *Team NFL*, a pre-season magazine, and the official Super Bowl game program. It also has licensed a number of CD-Rom titles, including "The NFL's Greatest Plays" and the "Official Super Bowl Commemorative Edition." NFL Properties also puts together a variety of special events for the NFL, retailers and sponsors. These events include the Annual Super Bowl Youth Clinic, the NFL Experience and television programs such as "Super Bowl Saturday Night" and the "NFL Quarterback Challenge."

In the most important and lucrative area of sports licensing, merchandise sales, pro football has been a trend setter, with NFL Properties becoming much more aggressive and creative since 1980. In an ESPN/Chitton survey on the ownership of apparel with sports logos, 81 percent of the respondents said they owned a sports logo t-shirt, 78 percent a sweatshirt, 73 percent a cap, and 38 percent a jacket.

NFL Properties built its business by developing licensed apparel that is fashionable, by relentless market segmentation and by a continued emphasis on creating new concepts and products that got the items into different types of stores.

NFL-licensed merchandise, which could be purchased only at stadiums and a few sporting goods stores 20 years ago, can now be found in almost any type of store, from the local five-and-dime shop and Macy's to gas stations and jewelry stores. The merchandise can even be bought on QVC's Home Shopping Network. And in the not-too-distant future, the NFL would like for fans to be able to buy their favorite team's cap or sweatshirt through on-line computer services.

Fans can sit on, talk on, write on, tell time on and even sleep on NFL-themed merchandise. An entire bedroom can be furnished with NFL garb, including wallpaper, sheets, lamp shades and home electronics. Or children can be equipped for school with backpacks, lunch boxes and pens containing the red and blue of the New York Giants, thanks to the NFL's newest product, the Back to School line. The NFL has a whole line of bathroom accessories and computer accessories, including mouse pads and screen savers. Naturally, all these things can be purchased in 30 different motifs.

NFL Properties' product lines have included NFL Golf, Beach, Rock and Kids. According to Ann McDowell, director of retail licensing, the largest, NFL Home, involves 40 companies producing everything from domestic products and home furnishings to tailgate accessories.

Sounds like a serious case of indigestion. And the NFL agrees. NFL Properties, which has seen the number of licensees it deals with grow to over 400, has decided to cut back. Starting this year, under the leadership of NFL Properties' new president, Sarah Levinson, it will cut between 70 to 100 manufacturers from its list of licensees.

Levinson, who as president helped turn MTV into the No. 1 cable channel, took over the reins of NFL Properties last year. The hiring was considered in keeping with the NFL's aggressive effort to reach a wider audience, in this case,

Generation X. In the view of sports marketing insiders, it also reflected the convergence of modern professional sports and the entertainment industry. To continue to grow, both the league and its marketing arm, NFL Properties, need to begin to reach outside the game's hardcore fan base. And the competition is heating up as the National Basketball Association, Major League Baseball and National Hockey League have all established property and marketing arms that are looking to take on the NFL, the undisputed industry leader.

So far, the NFL has held its own. In fact, the league share of the licensed apparel market grew slightly last year from 28.2 percent to 30.7 percent. And eight of the top 10 best-selling pro teams are from the NFL. On the other hand, both the NBA and Major League Baseball saw their market shares decline; the NBA's marginally from 22.4 percent to 20.7 percent and Major League Baseball's more severely, from 20.5 percent to 16.5 percent. Collegiate sports have jumped to second place with a 21.1 percent market share, while the NHL posted a healthy gain last year, despite the player strike, going from 9.9 percent to 11.4 percent.

**NFL Team Rankings  
by Sales**  
*(Through March 1995)*

- 1) Dallas Cowboys
- 2) San Francisco 49ers
- 3) Kansas City Chiefs
- 4) Miami Dolphins
- 5) Los Angeles Raiders
- 6) New York Giants
- 7) Green Bay Packers
- 8) Carolina Panthers
- 9) Minnesota Vikings
- 10) Pittsburgh Steelers

*(Source: NFL)*