

# MLS as a Sports Product – the Prominence of the World’s Game in the U.S.

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Working Paper 21-111



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Funding for this research was provided in part by Harvard Business School.

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April 8, 2021

## Abstract

*The purpose of this Working Paper is to analyze how soccer at the professional level in the U.S., with Major League Soccer as a focal point, has developed over the span of a quarter of a century. It is worthwhile to examine the growth of MLS from its first game in 1996 to where the league currently stands as a business as it moves past its 25th anniversary. The 1994 World Cup (held in the U.S.) and the subsequent implementation of MLS as a U.S. professional league exerted a major positive influence on soccer participation and fandom in the U.S. Consequently, more importance was placed on soccer in the country’s culture. The research reported here explores the league’s evolution and development through the cohesion existing between its sporting and business development, as well as its performance. In this way, the current paper elucidates the future of soccer in the larger context of U.S. sports, e.g., MLS in professional sports and soccer as a U.S. sport. In doing so, this Working Paper provides a perspective on soccer in the U.S. in the context of both the U.S. sports scene and international soccer (football). It goes on to describe the structure of MLS -- addressing ownership, governance, player issues, sporting infrastructure, youth participation, and talent development. Next, it treats the MLS business model in the context of soccer’s ecosystem and thus includes a treatment of MLS financial operations, encompassing commercial cornerstones such as building and retaining fandom, television and digital content, corporate support and the competitive landscape. The paper concludes with a consideration of the future of MLS.*

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# MLS as a Sports Product – the Prominence of the World’s Game in the U.S.

## Introduction

In April 2021, Major League Soccer (MLS) enters its 26<sup>th</sup> season. Established to start play in 1996, MLS began as a ten-club league seeking to impact the U.S. professional sports scene in the wake of enthusiasm for world-class soccer stemming from the global competition of the FIFA World Cup in the U.S. in 1994. The game of soccer in the U.S. (known as “football” outside of the U.S. and Canada) has developed positively since the announcement that the U.S. would be the host for the 1994 World Cup (National Sporting Goods Association, 2018). On the global stage, participation in and fan support for soccer is massive: soccer continually ranks as the most popular sport in the world (Giulianotti, 2012). This enthusiasm has transferred to American soil and has grown on the club side since MLS began play in April 1996. The opening game saw the San Jose Clash (now San Jose Earthquakes) welcome D.C. United at Spartan Stadium in a nationally televised game via ESPN. U.S. national team star Eric Wynalda’s late goal decided the outcome of the game and kickstarted MLS as a professional soccer league. Its ten teams were the Colorado Rapids, Columbus Crew, Dallas Burn, D.C. United, Kansas City Wiz, Los Angeles Galaxy, New York Metrostars, New England Revolution, San Jose Clash, and Tampa Bay Mutiny.

At its start, MLS operated as a single-entity league, where the league owns the players, and the clubs do the marketing. The players included both global and American-born talent. In the initial season, the proportion of foreign talent amounted to 33 non-U.S. players (about 10%) for the league’s ten clubs.<sup>1</sup> This amount is relative to 401 non-U.S. players out of a total of 733 players for the league’s current 27 teams<sup>2</sup> as of 2021, i.e., about 55% of the league’s players. In 1996, MLS had a modest television contract with ESPN and ABC Sports, with a limited number of games (10 games on ESPN, 25 on ESPN2, and the MLS Cup on ABC). MLS did not receive rights fees, but was paid a portion of the advertising revenue. In addition, some games were broadcast in Spanish by other networks, e.g., Univision and Galavisión. In 2003, Fox Sports World came on board to tap into the broadcasting of games in English and Spanish. However, it was not until 2006 that MLS could announce that the league had sealed an eight-year contract from 2007-2014 worth \$8 million annually with ESPN. This provided expanded reach, including ABC covering three games - the season-opener, the MLS All-Star Game and the MLS Cup (championship game). The current broadcasting deal covers an eight-year period from 2015-2022 with ESPN and Fox Sports in English and Univision in Spanish, which also includes enhanced digital focus and more nationwide primetime slots. The contract had an

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<sup>1</sup> [https://www.transfermarkt.com/major-league-soccer/gastarbeiter/wettbewerb/MLS1/saison\\_id/1995](https://www.transfermarkt.com/major-league-soccer/gastarbeiter/wettbewerb/MLS1/saison_id/1995).

<sup>2</sup> <https://www.transfermarkt.com/major-league-soccer/gastarbeiter/wettbewerb/MLS1>.

accumulated value of approximately \$90 million annually. The increases illustrate the growth in MLS popularity over the years and promising forecasts for the future. However, obviously there are more teams now to share the revenue, and further league expansion is anticipated (Greyser, Schmidt & Holzmayr, 2018).

In the quarter century since its founding, MLS has grown its club structure and geographic presence to 27<sup>3</sup> clubs across the U.S. and in Canada in 2021, and will grow to 30 clubs by 2023. Significantly, the MLS 2015 champion Portland Timbers and the 2019 champion Seattle Sounders were both widely considered very effectively managed franchises; the Sounders attracted crowds of up to 40,000 on average to its multi-purpose stadium while Portland stands out as a team with a sellout streak<sup>4</sup> of more than 150 games, attracting 25,218 fans to its purpose-built stadium<sup>5</sup>. In addition, both teams were being praised for their efforts to build community support. Many MLS clubs have moved from playing in multi-purpose stadiums in 1996 to now playing in soccer-specific stadiums. The league's TV presence had continued to grow. Ownership for some clubs was from well-known visible brands, e.g., the New York Red Bull, and/or people, e.g., David Beckham and the Miami franchise.

At the same time, however, MLS was not yet widely considered in the U.S. as a significant league in terms of its competitive caliber – particularly internationally. For example, in the 2018 World Cup, the U.S. national team was eliminated in the qualifying process while this year also marked the third consecutive Summer Olympics where the U.S. men's national soccer team failed to qualify. Also, MLS clubs had difficulties attracting marquee overseas players to “make the switch” to playing in the U.S. And MLS television ratings lagged behind the other principal professional leagues and NASCAR. The league still had not secured a broadcasting deal relative for instance to European leagues in economic strength. Moreover, the league had experienced fluctuating fan support over the course of its operations and substantially trails the other major league sports in the U.S. in terms of overall revenue generation (Greyser, Schmidt & Holzmayr, 2018). Further, owners and the MLS Players Association had engaged in contentious negotiations over a new collective bargaining agreement, especially regarding players' salaries and free agency terms. A new agreement extending through 2027 was reached in February 2021. Thus, despite its progress, MLS continued to confront issues affecting its future growth.

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<sup>3</sup> As illustrated later in this Working Paper, the league will add additional teams in the following seasons.

<sup>4</sup> <https://www.nbcsports.com/northwest/portland-timbers/portland-timbers-owner-merritt-paulson-wants-limited-crowds-providence>.

<sup>5</sup> These numbers refer to the 2019 season before MLS and the rest of sports leagues around the globe were negatively impacted by COVID-19.

To comprehend the history, development, and future perspectives of MLS, a good starting point is to hold up the sporting, entrepreneurial and commercial achievements of the league against the overall soccer history and development in the country and globally. As such, it is not an invalid and nuanced perspective to state that the league is still a “nursing home” for global soccer stars in the decline phase of their professional careers. Or, in a similar vein, that soccer has limited sustainable future commercially in terms of growing its sporting quality in the U.S. in comparison to the four other established major sports leagues. Therefore, this Working Paper offers a holistic analysis of varied sporting and commercial foundational elements and will address whether or how MLS can gain a following closer to the equivalent of soccer’s universal popularity. History is a prerequisite for understanding current times and for setting a path for the future. As such, this Working Paper will explore whether MLS can turn the experiences and wisdom about the global game into an enhanced sporting and commercial positioning of the league and thereby disrupt historic perceptions of U.S. soccer on American soil and beyond.

One could consider how MLS has developed in relation to a global soccer environment, which has evolved simultaneously since the mid-1990s. Research suggests that the sports economy is subject to a lack of data transparency and associated with interpretation challenges (Russell, Barrios, & Andrews, 2016). To accommodate these data weaknesses and to increase validity, this case study and analysis (Ellet, 2007) examine MLS from a holistic perspective by taking a pragmatic approach founded on quantitative data concerning the league’s development. This is held against, and enriched by, data about the league’s development from qualitative interviews conducted with a diverse range of stakeholders of MLS, while concurrently including references to field interviews from the 1996 HBS case (Greyser & Goldman, 1998). In doing so, the interpretations enable additional insights into the development of MLS, considering that the league cannot be isolated from the influence of time and context in the dynamic sphere of the sports industry. Moreover, this analogy acknowledges that contextual factors of the various MLS teams differ, as shown in **Appendix A**.

### **Foundations for soccer in the U.S. and in MLS**

The foundation for soccer in the U.S. and the basis for MLS may be associated with overall population size, as this factor may play a significant role along with certain others, such as the historic development of the sport, its current status and future projections, as these aspects relate to the grassroots, youth club, high school, collegiate, professional, and overall recreational levels.

Soccer in the U.S. began to grow rapidly in the 1970s, 1980s and early 1990s, when more children started to play soccer. Despite this positive development, soccer also experienced a chaotic period in the U.S. at the professional level prior to the initiation of MLS in 1996. Prior to 1996, different

leagues, e.g., the North American Soccer League (NASL) (Greyser, 1977), the Major Indoor Soccer League, the American Professional Soccer League, and the United States Soccer League, attempted to benefit from the popularity of soccer, but proved unsuccessful (Greyser & Goldman, 1998). As former U.S. Soccer President, one of the founding fathers of MLS and one of the most influential persons<sup>6</sup> in the development of soccer on U.S. soil, Alan puts it in an interview, *“I like to say that the NASL was the spark that lit the fire. There was a brief time when everybody got excited about it, so it introduced people to the sport in a pretty dramatic way. You have got to think the Cosmos more than anything because what they did. Plus, it is New York, and it is the media center [...] The sport died but the spark was there”*.

The World Cup in 1994 and the arrival of MLS in 1996 marked critical milestones in the development of soccer in the U.S. As shown in Table 1 below, soccer participation in the U.S. increased significantly from 1993 to 1994 because of the U.S.’s role as host to the World Cup. Moreover, participation also increased until 1996, when MLS began, which indicates the interactional nature of sports participation, its sociocultural grounding, and the importance of articulation and accountability (Cortsen, 2017a). Rothenberg notes that *“While the NASL died, it really started the fire that went on. As they said, the 1984 Olympics, from a commercial standpoint, started to turn it around. And then obviously what we were able accomplish in 1994 and the whole decade really between the 1994 World Cup, the formation of Major League Soccer and the 1999 Women's World Cup, we had a huge run. Probably if there's one area that's plagued, you know, we're going to get into it, is player development, it's hard to swallow that basically 30 years later, our national team arguably is no better than the team we fielded in 1994”*.

**Table 1.** Soccer participation in the U.S. from 1993 – 2002 in millions of people (National Sporting Goods Association, 2018).

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
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<sup>6</sup> Alan Rothenberg came to work for Jack Kent Cooke, a well-known business mogul and sports franchise owner. Cooke owned teams such as the Washington Redskins (NFL), the Los Angeles Lakers (NBA), the Los Angeles Kings (NHL), and Los Angeles Wolves (United Soccer Association, which was the predecessor of NASL). Based on this foundation, Rothenberg grew to become one of the most influential persons in the development of football/soccer on U.S. soil over the past 30-40 years. After working for Cooke, Rothenberg became team owner and Chairman of the LA Aztecs of the NASL, which brought famous Dutch coach and inventor of the term ‘total football’ Rinus Michels and his protégé of Dutch and world football Johan Cruyff to the NASL in 1979. Then, Rothenberg went on to become the soccer Commissioner of the 1984 Summer Olympics in LA. He was President of U.S. Soccer from 1990-1998, Chairman and CEO of the 1994 FIFA World Cup and Chairman of the 1999 FIFA Women’s World Cup. As Founder of the U.S. Soccer Foundation, financed by a \$50+ million surplus from the 1994 World Cup, he helped to fund the initiation of MLS in 1996 along with allocating personal resources.

10.3    12.5    12    13.9    13.7    13.2    13.2    12.9    13.9    14.5

**Exhibit 1**<sup>7</sup> shows the entire development of soccer participation in the U.S. from when the league started in 1996 until 2017. However, it is worth noting that the growth level from 1993 to 1996 (cf. Table 1) is closely correlated with the World Cup. The World Cup has only taken place once in the U.S, but sparked massive and instant growth in soccer participation, interest, and articulation. Although this short time period is relevant, it is not necessarily a valid indicator of current trends. It is, however, informative as a comparison with 2026, now that the U.S. has been awarded the ability to jointly host the World Cup in collaboration with Mexico and Canada, but with the majority of the matches being played in the U.S. As of 2017, soccer participation in the U.S. reached 14.3 million, which accounts for approximately 4% of the U.S. population. In contrast, Germany is a soccer powerhouse (strong performances at the highest elite level in women’s and men’s soccer), with approximately seven million participants (cf. Exhibit 2). Germany has a soccer participation percentage of approximately 8% of the German population (DFB, 2018). Additionally, Germany has been very successful in building a sustainable soccer culture, in which a high participation rate coexists with the highest average attendance number of any professional soccer league (Bundesliga/DFL, 2018). This benchmark example reveals some basic elements of successful leagues, such as meaningful fan followership and engagement, proactive broadcasting agreements, sponsorship interest and value, suitable venues, the ability to attract quality players, and the capacity to develop future quality players to sustain and augment the quality of the product. Of course, fans and viewership constitute essential drivers for the commercial success of any league. Rothenberg complements in stressing that *“I don't think it is any coincidence that in recent times, the champions until last year, 2018 (ed. World Cup), were Germany and Spain. And if you look at who the players were, Spain was basically, all of them were from either Barcelona or Real Madrid. And it started from the academies and up. So, they knew every guy's moves and everything. And the Germans, they were all Bayern Munich”*. Basically, this cements that soccer is all about strategy<sup>8</sup>. Rothenberg supplements by noting *“That, to me, is a big difference, rather than pulling together 11 great players and telling them to play together for three weeks and then go play at the top level. So, the frustration I've seen is why aren't our players better than they should be after all these years, having a whole generation of players, and there are some player development issues that have to be addressed. I think they're starting to be addressed”*.

Resources and capabilities are foundational cornerstones of any sports league (Johnson, Scholes, & Whittington, 2008). MLS is no different, as resources and capabilities, such as money (e.g., wealthy

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<sup>7</sup> Find all the Exhibits in the back of this Working Paper.

<sup>8</sup> <http://kennethcortsen.com/football-soccer-analytics-the-search-for-competitive-advantages/>.

owners), people (e.g., founders with money, networks, knowledge, or players on contract), time (e.g., the timing of establishing the league in connection with the mammoth marketing vehicle of the 1994 World Cup), and equipment (e.g., investments in soccer-specific stadiums), constitute vital signs of positioning the league's strengths, challenges, and capabilities concerning specific business and sporting areas. The time factor reflects the dynamism of the operational and growth perspective of MLS, from its start in 1996 to the league's reality in 2019, in which many changes and improvements have occurred. The strategic capability of MLS, i.e., its tangible and intangible resources and competences, determines the league's potential to grow and develop, and thus to position itself in the competitive sports arena. From a foundation angle, this becomes a matter of responsibility and accountability<sup>9</sup>. Rothenberg concludes that *"The federation, in my opinion, had ignored it. The system actually harms it. We have a pay to play system, which first of all means almost by definition, you have to be middle class"*.

## **Growth and evolution of MLS**

*"We have a goal in mind of trying to be one of the top leagues in the world in 2022. Now and then you're going to hit some bumps in the road, and you have to be smart, nimble, and focused to adjust your plan to some of the market macro-issues and micro-issues."* Don Garber, *MLS Commissioner, January 8, 2014* (Arcand, Bilodeau & Facal, 2016)

According to Don Garber, MLS has experienced inconsistent performances<sup>10</sup> since its commencement, which may be ascribed to the league's strategic capability. Despite the growth in soccer participation in the early 1990s, the cultivation of the soccer market, and thus the marketplace, for a professional soccer league in the U.S. is neither simple nor straightforward. Strategic capability is a dynamic phenomenon, which has been enhanced over the league's lifetime. However, consistency is also a critical factor. Specifically, consistency is exemplified in a sporting quality of a certain standard in comparison with other soccer products, e.g., the English Premier League or the Mexican Liga MX, to which stakeholders may be exposed or in a brand promise, in which success criteria are a function of meeting or exceeding positive expectations. For instance, demand for soccer in the U.S. at the participation level (cf. Table 1 and Exhibit 1) and at the business or attendance level of MLS has fluctuated over time.

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<sup>9</sup> <http://kennethcortsen.com/football-business-models-factors-behind-germanys-world-cup-success/>

<sup>10</sup> In terms of fan interest, revenue generation, media appeal, sponsorship, etc. Inconsistencies are also manifested in the cultural meaning of soccer in the US. Despite a positive development in that regard, soccer in the US is still characterized by infrastructural insufficiencies, e.g., lack of quality coaches, pay to play strategies that may lead to talent waste compared to for instance basketball, and soccer not being strongly rooted in the American culture to the same extent as in many other countries worldwide.

Rothenberg confirms this in saying that *“The league got off to a surprisingly good start and then it fell off. I don't know whether it was the curiosity factor that got it going at the beginning [...] There is a lot of ‘hoopla’. So, we do really well and then things settle in”*. When taking this into consideration it is also vital, with Rothenberg’s words to *“judge what our core following is about 18 months out [...] because who is coming back in a year and a half later? That also applied to MLS. So that first season, we did surprisingly well. Attendance was much better than we had planned. Then, it, sort of, faded”*. Specifically, this is critical in the business of sports and in the service and experience industries and the alignment between these industries. When the industry is focused around a core business, which does not cater to the basic needs of people but to people’s subjective experiences and the dynamics linked to this, it becomes challenging but though very important to retain the customers’ attention and fan loyalty. Nevertheless, based on the current position of MLS, much unexploited potential seems to exist despite the challenge of having to compete with much more manifested professional sports leagues, e.g., NFL, MLB, NBA, and NHL. Indeed, the league went through some difficult periods with stadium attendance levels that were far from full capacity. Additionally, the league had to build a sustainable business model that met or exceeded expectations in terms of Return on Investment, Return on Objectives, and Return on Engagement. Yet, the league experienced a positive growth phase and expanded from its original 10 teams when the league staged its first games in 1996 to 24 teams as of the 2019 season with the inclusion of FC Cincinnati as the 24<sup>th</sup> expansion team (MLS, 2019a) (cf. Exhibit 3). An additional three expansion teams, i.e., Austin FC, Inter Miami CF and Nashville SC, are committed to join the league, with one more team remaining to be added to reach the league’s former expansion goal of 28 teams (MLS, 2019b). Since then, this expansion goal changed to 30 to allow room to include Sacramento Republic and St. Louis City SC as teams no. 28 and no. 29 and Charlotte FC as no. 30 (MLS, 2019c)<sup>1112</sup>. Yet, Ron Burkle, who led the Sacramento expansion, informed in late February 2021, that due to issues related to the COVID-19 pandemic, he decided not to move forward with an MLS expansion team in the city<sup>13</sup>. So, the name of the 30<sup>th</sup> expansion team is still undecided, while Charlotte FC will become team no. 28 scheduled to start play in 2022. St. Louis City SC will become team no. 29 planned to start play in 2023. Indeed, the size of MLS has doubled over the last decade, while the popularity of soccer has grown considerably, as well, according to a Gallup Poll, which ranked soccer as number two in terms of popularity as a spectator sport among young adults (MLS, 2018b)<sup>14</sup> (cf. Exhibit 4).

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<sup>11</sup> *“The MLS Board of Governors, the gathering of the league’s ownership group that takes place three times a year, has given the green light for league officials to begin ‘exclusive, formal discussions’ with ownership groups in Sacramento and St. Louis for the chance to become clubs No. 28 and No. 29 in MLS”* (MLS, 2019c).

<sup>12</sup> <https://www.mlssoccer.com/post/2019/12/17/building-2021-charlotte-mls-expansion-team-not-worried-about-short-ramp-time>.

<sup>13</sup> <https://www.mlssoccer.com/post/2021/02/26/mls-announces-update-sacramento-expansion>.

<sup>14</sup> From a critical perspective, it should be noted that soccer’s popularity as a spectator sport does not necessarily correlate positively with soccer as a participation sport.

Rivalries and competition to create a sporting atmosphere, business development, and growth

The inclusion of Los Angeles FC establishes an interesting rivalry with the winningest team in MLS, the LA Galaxy, to further boost the positioning of MLS in that region and overall. This should also be the case for other expansion teams, as it will close some of the large gaps existing between teams in terms of geographic distance. Extant literature (Gladden, Milne, & Sutton, 1998; Foer, 2004; Gerrard, 2006; Szymanski & Zimbalist, 2006; Berrone, 2011) indicates that rivalries and competition, unlike in traditional business industries, are beneficial for a league's business development. For instance, MLS rivalries between the San Jose Earthquakes and the LA Galaxy, between the Seattle Sounders FC and the Portland Timbers, between the New York Red Bulls and the New York City FC, and between FC Dallas and Houston Dynamo prove this business advantage of competition in soccer. Moreover, the league's average attendance of 21,873 per match now compares favorably with the average attendance level of the NBA and the NHL and is approaching the average attendance level of the MLB (cf. Exhibit 5) (Statista, 2019).

It is also worth noting that the NBA and the NHL play in indoor arenas, while baseball and American football teams play dominantly in outdoor venues with much larger capacities. The law of scarcity is powerful for sporting events in this regard. If the venue is too large, then fans will know that they do not have to purchase tickets in advance, except for a few events, e.g., when top teams come to play. Scarcity considerations have also influenced MLS teams in deciding to move to smaller, but more soccer-specific, stadiums instead of playing in NFL stadiums. For instance, *"MLS keeps tabs of its key performance indicators—which Garber listed as national and local television and media coverage, the development of soccer-specific stadiums, as well as TV ratings and stadium attendance figures"* (Vaccaro, 2014). Thus, professional soccer and MLS exhibit development indications that are approaching a solution to the challenge identified by Greyser and Goldman (1998), i.e., that few people care about the brand of professional soccer in other (and earlier) U.S. professional soccer leagues. Although recognizing operational challenges for MLS during its lifespan, Alan Rothenberg mentions that other American major leagues have seen additional problems regarding clubs being on the verge of bankruptcy, which is backed by research (Brown, M., Rascher, D., Nagel, M. & McEvoy, C., 2016). However, Rothenberg thinks that *"MLS, 25 years in, is doing remarkably well. And I don't see why it won't continue to grow. Look at just the number of teams knocking on the door to be granted the right to have a team"*. Additionally, Rothenberg throws in the perspective of a supporting league, i.e. *"And also beneath that and this is to me more one of the big hopes. The explosion of the growth of USL, the division two league. I mean, it is just soaring in value [...] two or three of the last*

*new teams coming into MLS were ones that graduated from the USL*". This emphasizes the importance of investments around the brand of MLS.

However, major differences between the growth and evolution of MLS and major deficiencies of other U.S. professional soccer leagues in securing substantial growth and evolution are revealed in fan engagement and support. These constitute critical building blocks for sustainable sporting and business success (Foster, Greyser, & Walsh, 2006; Cortsen, 2016). Fan engagement and demand at venues drive television viewership and attract corporate interest in becoming sponsors of live sporting events or televised content from these events. This then establishes reinforcing commercial interaction points between fans, leagues, teams, athletes, broadcasters, and sponsors. These interaction points assist to shape the basis for new soccer articulation and content via the corporate appeal of soccer's popularity and MLS, and the augmented exposure generated by broadcast partners, which leads to greatly improved potential to reinvest in the ecosystem of the sport (cf. later section – *The MLS business model and soccer's ecosystem*). MLS soccer, as a sports product, cannot stand alone or be isolated from time and context, which provides a meaningful analogy to more developed professional soccer leagues elsewhere in the world, where a well-functioning trinity exists between the national football association, clubs (including those at the professional league level), and fan-integrating platforms (including broadcasting, soccer sponsorships, and digital and in-stadium live interest). Without this trinity, there is a risk of slowing the driving engine of soccer fans or missing opportunities to access fan potential. The attendance-driving team Atlanta United of MLS ranks as no. 19, globally measured in average attendance for soccer teams (cf. Exhibit 6), while MLS ranks as no. 7 after the top leagues in Germany, England, Spain, Mexico, Italy, and France (cf. Exhibit 7).

#### Blending business and sports the American way

North American sports business methodology (including MLS) demonstrates a different equilibrium between business and sporting elements compared to sports business models in professional soccer leagues in Europe and elsewhere. It is commonly accepted that North American professional sports teams typically optimize their business model for 'profit maximization', in contrast to soccer clubs elsewhere, which aim for 'win maximization' under varying degrees of budget constraints (Terrien, Scelles, Morrow, Maltese, & Durand, 2017). This underpins the continental differences found in the level of competition in North American leagues compared to foreign soccer leagues (Szymanski & Zimbalist, 2006). The high focus on a "competitive balance" in MLS works better to produce overall financial stability at the league level, in contrast to foreign soccer leagues with their promotion-relegation balance, which enhances the level of competitive risk which leads clubs to invest heavily

in talent. In doing so, foreign soccer clubs<sup>15</sup> often find themselves influenced by the non-cooperative Nash equilibrium (Szymanski & Késenne, 2004). Consequently, a competitive “rat race” (Andreff, 2016) ensues, in which the purpose becomes “the winner takes all”, which then leads to attempts to prevent relegation, secure participation in UEFA competitions, or win the national league championship. Mikkel Strøjer, the Vice-President of Brand and Fan Engagement for the Vancouver Whitecaps FC recognizes the differences between European soccer and MLS (ed. Mikkel is originally from Denmark), in stating that, *“In relation to soccer as a sport and to soccer as entertainment, we outdo what is seen in Europe in relation to creating an experience and in relation to the actual business part [...] In business intelligence and in terms of big data we try to make different things. We work on it. The sporting sector is something that we have started to shape more in that direction to find out how to apply the data.”*

From a business and sporting perspective, MLS has dramatically enhanced its quality over the years, as supported by Greg Lalas, who was Vice-President of Content for MLS from 2010 to 2020. *“The league has improved immensely,”* Lalas states. *“The league started in 1996 and it has had some lean years over its first quarter century. People complained about the level of play over the years. But over the last five years in particular the level has gotten a lot better.”* Former President of the Colorado Rapids, Tim Hinchey III supports this, commenting that, *“Overall, the league is growing tremendously. Just in the time that I have been here (ed. 2010), I kind of like to use it from a MLS 2.0 to a MLS 5.0 just in the last five or six years. You have fantastic clubs, Atlanta for example, coming in and investing in huge commercial success. 30.000+ ticket holders. LA FC is going to do the same next season when they come in. It is just from strength to strength.”* Consequently, MLS has transformed itself after an uneven start to achieving better sporting quality and a positive interrelationship between upgraded sporting qualities and sports business impact.<sup>16</sup> Greg Lalas adds that, *“you start to see world-class players that are coming here, like Mexico’s Carlos Vela, Venezuela’s Josef Martinez, and Uruguay’s Nicolas Lodeiro. Clubs have targeted the signing of certain players – young Central and South American attackers who bring quality and credibility. Plus, the clubs can sign a young South American star and move them on for a profit, like what Atlanta did with Miguel Almirón, now at Newcastle.”* The balance between sport and business is equitable in MLS, according to Pdraig Smith, who has worked in European soccer for the National Association in the Republic of Ireland (FAI) and UEFA and has held the position of Sporting Director and now is the Executive Vice-President and General Manager for the Colorado Rapids. He remarks that, *“No doubt that it is one of the most exciting leagues to be involved in. As somebody, who has been around*

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<sup>15</sup> The biggest global brands may be more crisis-resistant due to consecutive participation in UEFA competitions, e.g., the UEFA Champions League, which secures potent capital injections, and strong global brand equity, e.g., clubs like FC Bayern Munich, Real Madrid, FC Barcelona, and Manchester United (Cortsen, 2018).

<sup>16</sup> This leads to a ‘virtuous circle’.

*and seen how leagues are run through Europe, I am confident in the direction of the league and its progress. Not just from a commercial perspective, but also from a player development perspective.”* Smith comments that, despite the existence of work that still needs to be done, *“From a coach education standpoint at the youth level”,* MLS has *“put in place a sustainable growth model, which I think, is critically important to the future success of the league. I have seen European clubs go from boom to bust across the continent with local owners coming in, the millionaires, and now the billionaires at the top level, with the only focus of spending on the field rather than a sustainable model with strong fundamentals. I think that one of the key things that MLS did at the very beginning was to ensure that clubs have to set minimum requirements that the clubs had to invest in some of the fundamental pillars that would allow them to really thrive in the long run.”* Fellow European, Mikkel Strøjer, gives credit to MLS, but also identifies some challenges, stating that *“Soccer is the biggest sport in the world. It is not the biggest sport in the world over here, but you can also turn it around and say that then it has the biggest potential in the world over here [...] There are big potentials and big insufficiencies [...] I especially think about the line from youth level to the first teams and professional soccer. In Europe, there is a system where you play for the first team if you are good and if you are less good and maybe a little younger you play for the second team or the third team. There is a talent work focusing on that there is a level for everyone so that everyone thinks that he/she can play”*.

More well-known global soccer icons have also signed with the league, accompanied by many of the premium U.S. national team players<sup>17</sup>, e.g., Clint Dempsey (who performed well in the English Premier League), as well as many of the best players from Central America. Lalas remarks that, *“What has really raised the level of play are two things. One is a salary mechanism called Targeted Allocation Money, or TAM, which allows the clubs to spend extra money to sign particular players. These players aren’t big-name stars, but they help clubs to improve the core of their starting squads. This brings up the overall level, which then allows the big-name stars to shine [...] And the other thing is that a decade of concerted efforts to establish better academies is paying off. Young talent is finally coming through to the first team and even producing transferable world-class players like Bayern’s Alphonso Davies and Leipzig’s Tyler Adams.”* Austrian goalkeeper, Michael Gspurning, who has top international playing experience, is now a goalkeeping coach for Union Berlin in Germany. He came to MLS to replace experienced U.S. goalkeeper Kasey Keller at the Seattle

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<sup>17</sup> Soccer talent development in the U.S. is positively reinforced (Wahl, 2017) by the ability to send young talents like ‘teenage sensation’ (Grez & Snell, 2017) Christian Pulisic to the German *Bundesliga* and one of its top clubs *Borussia Dortmund*. Additionally, talent development in the US benefits positively from players like Pulisic (in contrast to Freddy Adu) standing the test of the competitive level in one of the world’s top clubs and breaking through after debuting at the age of 17 to become a determining player at the club and the US national team level. Things are elevated further via the later transfer of Christian Pulisic from Borussia Dortmund to the English top club Chelsea.

Sounders in late 2011. Gspurning acknowledges the strategic process of taking MLS to the next level, stating that *“It is the target of MLS to bring up the league. But they want to do it step by step. They want to learn from the mistakes they made with the North American Soccer League [...] Beckenbauer and Pelé was there and the league raised up very high and then crashed. So, they made a completely different strategy now and the expansion of the teams is now [...] Every season, there are more teams and cities coming. The target is to grow, but to have a healthy growth.”* This strategy was also viable in the league’s initiation. As Rothenberg puts it, *“There are two reasons we started in 1996 [...] The original commitment from the U.S. Soccer Federation to FIFA was that they would start a pro league before the 1994 World Cup. As soon as I took over and saw how much work had to be done just to get organized for the 1994 World Cup and also took a realistic view of how much interest there may or may not be in a professional league before versus after the World Cup, I went to Zurich and said ‘you’ve got to change it from a condition preceding to a condition subsequent’ because a) we aren’t having time to do it right, b) we need to generate the excitement out there in order to put it together, which they readily agreed to”*. This move sparked the attention of FIFA and according to Rothenberg, *“we devoted all of our attention up until mid to late 1993 on just getting organized and ready to go with the World Cup. In 1993 in the summer, really as a test case, we decided to create something called the US Cup and we invited Germany, Brazil, England to come over with the United States and play a little mini-series. Interestingly, that then became the format that was used until this last World Cup for the Confederations Cup. But it was basically a test case, if you will. Well, those matches came off wonderfully from an organizational standpoint. We had big crowds. We handled it fine. There were no hiccups [...] It was clear to FIFA that they didn’t have to worry about 1994”*.

It serves as evidence that FIFA certainly had the interests to protect its brand and wanted to make sure not to jeopardize this. MLS wanted to align with this position of FIFA. Rothenberg portrays that *“So at the time of the draw in December of 1993, they (ed. FIFA) really said, alright, you guys really got to start going on this [...] the reason we didn't do it in 1995 but started in 1996, was twofold. One is, we were still scrambling to put all the pieces together. We could have tried it. My concern was that with the track record of, I hate to use this different sport analogy, but of soccer, professional soccer, trying and failing so many times that if we stumble out of the starting gates, probably nobody would pick us up. So, we wanted to do everything we could to make it right. So that was part of it. The other part was, I wanted to lower expectations coming off the high of 1994 World Cup”*. This course of actions emphasize that MLS was conscious to avoid failing because failing is not good for a sports product. Rothenberg wanted to reduce expectations because coming right from the 1994 World Cup, fans had a) *“seen the best teams in the world”* and the World Cup had b) *“sell-out crowds*

*in these huge stadiums*". According to Rothenberg<sup>18</sup>, MLS was also cognitive about getting the teams together, e.g., the U.S. national team players signed up for the league, but they didn't have a bunch of great international stars. Although, MLS "*cherry picked a few*", fans would be "*sorely disappointed*" if they were expecting the same quality of play as in the World Cup. Rothenberg pointed to the fact that the league's business plan showed that "*if we did attendance in the teens that would be pretty good to start. Well, if people were coming off the Rose Bowl with 90+ thousand people and then you are going to have 12,000 people. People would uhm. So, let things settle into reality. So, the combination let us to say, ok, let's wait a year, get things lined up better financially and from a marketing standpoint and also let the passions cool a little bit [...]* So, we started in 1996". The development shows that time and context are critical building blocks for the long-term viability of a sports product and the league has not yet folded but are showing much progress compared to the NASL and other predecessors.

This strategic development has also raised the quality of play due to more players joining with international FIFA competition experience. More players from South America have also joined MLS, although these players are not the best South American players, e.g., Messi, Cavani, Suarez, Rodriguez, Neymar, Jr., etc. However, Gspurning points to the analytical aspect of MLS, commenting that, "*The negative thing, of course, is that you as a player sign a contract with the league. Then, it is not a big deal to say: 'We traded you to Houston, so here is your plane ticket and tomorrow you are flying to Houston [...]*', So, yeah, there are pros and cons".

#### Qualifying the foundation of MLS via talent development

The above-mentioned development acknowledges that the foundation for soccer in the U.S. cannot only be quantified but must also transcend quantitative data to establish the foundation for great success. In discussing the foundation for soccer in the U.S. and to build a productive bridge from the youth recreational level to the professional level of MLS, it is essential to understand talent development systems in the U.S., which ultimately determine the quality of soccer in MLS<sup>19</sup>.

#### *Soccer stars to inspire and elevate the sporting quality*

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<sup>18</sup> <https://soundcloud.com/user-736114890/alan-rothenberg-kenneth-cortsen-discuss-the-history-development-future-of-the-mls-and-football>.

<sup>19</sup> In this context, the case of Landon Donovan is relevant. Donovan has been a super star in MLS measured on his sporting footprint (MLS, 2018a) on the league as the all-time leading scorer for the L.A. Galaxy and 'the all-time US national team leader in goals (57) and assists (58).

Every “soccer nation”, e.g., in Brazil with Pelé, in Argentina with Diego Maradona and Lionel Messi, in Holland with Johan Cruyff, in France with Zinedine Zidane, in Germany with Franz Beckenbauer, and in Portugal with Eusebio and Cristiano Ronaldo, benefits from the stardom of profile players showcasing their outstanding, and thus entertaining, competencies on the biggest stages, such as in European top clubs or in the World Cup (Gladden, Milne, & Sutton, 1998; Foster, Greyser, & Walsh, 2006; Cortsen, 2016). At the same time, MLS profits from the quality of international stars, such as David Villa and Sebastian Giovinco, joining the league before passing their prime, and therefore playing with great intensity and commitment to advance their teams’ chances of winning games and titles. In addition, research (Shapiro, DeSchriver & Rascher, 2017) shows that David Beckham’s affiliation with LA Galaxy had noteworthy influence on league attendance, especially at road games.

### *The 1994 World Cup legitimized soccer as a popular pastime*

Since the 1994 World Cup, soccer supporters, whether fans consuming the “sport of soccer”, all of the associated content or corporations acting as sponsors, realized the depth and breadth of soccer as a popular pastime and as a promotional vehicle to reach additional market segments. Therefore, the 1994 World Cup constituted a crucial<sup>20</sup> breakthrough for soccer in the U.S., as these stakeholders adapted to, and began to invest in and articulate, the sport<sup>21</sup>. In *The United States of Soccer*, Phil West (2016, p. xii) writes that, “*There were fans of soccer, but there was almost a secret-society quality to them. They’d watch a PBS weekly show called ‘Soccer Made in Germany’ with highlights from Bundesliga games and Union of European Football Associations (UEFA) competitions. They’d congregate at English and Irish-themed pubs to watch top-flight English teams. They’d go to newsstands and bookstores to purchase publications on ‘football’ (for that’s how most of the countries, then as now, refer to soccer) that had wended their way across the Atlantic. Before the league launched in 1996, professional soccer was hard to find: there wasn’t an Internet to speak of, though it would soon come, albeit in the Pleistocene form of listservs and crudely designed websites and message boards.*” In 2019, of course, the situation is radically different for professional soccer in the U.S. Increased embracing of the sport that extended far beyond the short-term hype of the North American Soccer League, which brought stars, such as Pelé, Franz Beckenbauer, and George Best to the U.S., led to an emergent commercial sophistication reflected in the fact that fans internalize the momentum of rivalries and sponsors understand the great opportunity to assume ownership of the

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<sup>20</sup> It may be relevant to consider why the 1994 World Cup and the associated start of MLS took place within a short time frame? It may serve a point to consider if the people involved saw potential in a new beginning and in building something on the basis of support from the global soccer community, i.e., FIFA and the respective regional governing bodies and the attention generated?

<sup>21</sup> It may also be relevant to consider that the relationship between the permission to host the FIFA World Cup and what that meant for the US concerning investments in establishing a professional league? There is good meaning in the fact that the US had tried to build a professional league before when they brought the likes of Pelé, Franz Beckenbauer, George Best and Johan Cruyff to the US, which only generated short-term hype and no manifested or sustainable success.

growing fan culture and events, such as Heineken's sponsorship of "rivalry week" (Prahalad, 2004; Payne, Storbacka & Frow, 2008; MLS, 2017; Cortsen, 2017b). Thus, the foundation of soccer in the U.S. and MLS constitutes a sociocultural phenomenon that shows that MLS, its clubs, and its stakeholders co-create a bigger share of local and regional communities to grow the sport at a national level organically.

Soccer, around MLS, has now found its own strengthened "tribal culture" (Dionísio, Leal, & Moutinho, 2008), in which fans and other stakeholders invest time, money, and energy, which establishes a better strategic grounding for MLS. Mikkel Strøjer underlines the socio-cultural meaning of the World Cup for MLS by stating that, *"Now, I remember the World Cup in 1994 [...] I had the impression that the Americans saw it, but did not really understand it [...] It definitely goes in the right direction in relation to the understanding [...] There is still something cultural; they try to figure it out"*. To build a sustainable business model, orchestration of the soccer environment plays a central role, which is reflected in the growth in participation immediately following the 1994 World Cup. The foundation and growth of the game not only comprise increasing participation and numbers, i.e., the understanding of soccer among the population is increasing. However, it is a dynamic context, and thus MLS and its clubs are considering soccer as a cultural element to enhance the relevance and positive meanings associated with the sport. Sport brands are dependent on positive attention, image-enhancing (it is ok to play soccer) effects and associations that differentiate the sport of soccer from American football, baseball or basketball. Strøjer is cognizant of this direction in saying that, *"I know a lot, who have never been to a soccer game and don't know, don't know the rules. For instance, my mom, she knows the rules, right. Your mom knows the rules, right. Although, they may not play soccer, they know the rules and they know, they have an idea of what is going on [...] My mother in law over here. Now, my brother in law was a professional soccer player so she is maybe a little better but, in general, the average mother in law may not know the rules so well over here. [...] That is also why for instance in our marketing department we always say, 'be a part of the best sporting atmosphere in Vancouver'. So, we emphasize the atmosphere, the experience, the stuff about coming in because that's what soccer also has, that's what soccer can. And as a sport, soccer is very much at eye level and a big strength of the sport is that you can play everywhere, and it does not cost much to play as long as you have a ball<sup>22</sup> [...] The sport is really not that complicated. You can come in and get an experience whether you really understand the game in depth or not. And that is something that we really stress [...] All teams spend a lot of time on that. And spending much time on making all these different videos and all this, which tell who they are, and like, try to create some relevance, so it is not only sport."* This underlines the natural knowledge of the game that one tends to possess

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<sup>22</sup> However, it is debated among observers of the game and the media that the expenses of children playing on a traveling team influences accessibility to play the game at a club level.

if one is born in a cultural setting in which one is highly exposed to the game and its position in the societal debate. MLS highlights that soccer can unite people and form a positive in-venue atmosphere and experience. In doing so, the creation of a sustainable business benefits from MLS being a marketing-, event- and media<sup>23</sup>-driven phenomenon, which is also demonstrated in the league's new "Our Soccer" campaign launched in 2019 (MLS, 2019b).

## Structure of MLS

It is interesting to consider the time at which MLS started, in 1996, and achieved some positive response but also some lifted eyebrows concerning the league's future. A relevant question at the time must have been, "Is the U.S. really meant for soccer?" A little over 20 years later, the league is now recognized as one of the U.S. major leagues. The structure of MLS played a decisive role in determining the league's success. Consequently, the holistic analyses of the challenges, choices, assessments, and regulations that the league has faced over its lifetime are of equal importance. Greg Lalas points to the understanding of the general structure of MLS, in that *"The single entity makes it basically one big company [...] and they have a board of governors, which is made up of all the owners. And they make decisions on all of this. Now, ultimately, there is an expansion committee that will then present to the board of governors their recommendations on what should happen and the best way to go forward [...] Let's go with these guys because of X, Y, and Z. And they present it, and the board of governors will vote on something like expansion. Expansion is a big deal. Obviously because it is bringing in a new club, you are bringing in new ownership, who will now have responsibility for profits and losses. Because as a single entity, they share all of that, so you want to be careful that you are going into the right market. You know, is it a strategic market? Is it a strategic owner? Making good decisions in this area has played a key role first in MLS's stability and then in its growth. The league's primary owners are on par with all the other major North American leagues. And even though the price to buy in is still relatively low, it's rising very quickly, which, I think, says a lot about how far MLS has come."* Rothenberg speaks for the strengths of the single entity structure in MLS in the sense that this structure is unique. The promotion and relegation system is *"historically part of other places of international soccer. It is historically not part of the United States culture [...] One of these days, the people from around the world will give up and say, ok, there's nothing wrong with the American system [...] You've got to understand the size of this country and again that hierarchy of teams"*. MLS prioritized the competitive risk analysis because as highlighted by Rothenberg *"It is really easy to have promotion-relegation. If you just want to talk about the TV-world in England. You got seven teams in London. You're never going to face the possibility that your*

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<sup>23</sup> Since its establishment, MLS has had to build its media presence, and digitization has played a large role, given that good broadcasting deals from the outset were less commercially supportive than those of other major leagues. Secondly, digitization blends well with the target audiences of soccer in the U.S.

*biggest market disappears. That you don't have a team in the major league*". The competitive business risks in relation to building commercial support are too high if suddenly, with a promotion-relegation structure, MLS would lose teams from major markets. Although, there is sporting value in the competitive badge of having a promotion-relegation structure, just imagine if MLS were to propose to potential investors to spend tons of money while risking that some small-market team could send the large-market team out of the league. It would not fit well with the profit maximization standpoint of professional sports in the U.S.

#### Number of teams

For the 2021 season, MLS consists of 27 teams, of which three are based in Canada and 24 in the U.S. Austin FC, Inter Miami CF and Nashville SC were recently granted access to enter the league. However, the COVID-19 pandemic influenced the planned expansion process. Charlotte FC will become team no. 28 in 2022 and St. Louis City SC will take the expansion to 29 teams in 2023. However, this expansion goal was changed to 30 and included Sacramento Republic in 2023 but the planned inclusion of Sacramento was cancelled due to COVID-19 issues in February 2021 (MLS, 2019c)<sup>24</sup>. The 27 teams of the 2021 season are divided into two conferences according to geographical location in alignment with other U.S. major sports leagues, i.e., the Eastern and the Western Conference (cf. Exhibit 3).

#### *Strategic market interests*

Regarding strategic directions of the league, the MLS board of governors gives preference to ownership groups with league expansion plans that can strategically add value to the league's sociocultural manifestation (ESPN, 2017). This explains the inclusion of such luminaries as David Beckham<sup>25</sup> in relation to Inter Miami FC, with knowledge of how to turn a MLS franchise into a "soccer club" with a huge community impact on par with that in Europe or South America. Hence, when a soccer club becomes an integral part of the local community, with durable economic and psychological influence (Brown, Rascher, Nagel & McEvoy, 2010), and thereby manifests roots at a local and regional level for those passionate about the sport, it then becomes a part of what is termed "a virtuous circle"<sup>26</sup>. However, in the soccer context, many clubs and leagues have an interest in

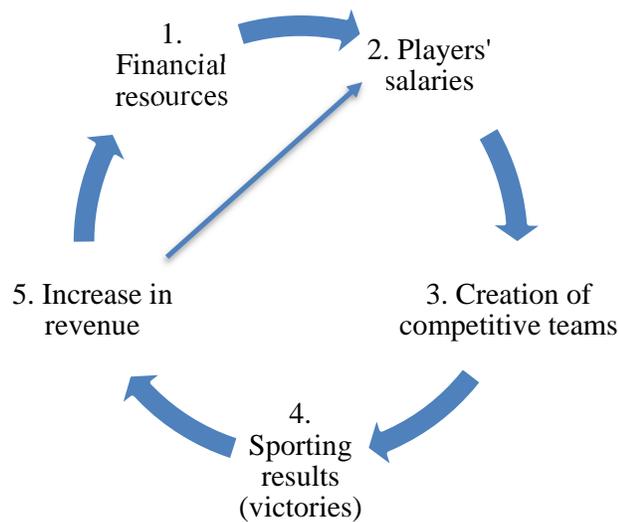
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<sup>24</sup> <https://www.cnbc.com/2020/07/17/mls-to-delay-debuts-of-3-expansion-franchises-due-to-coronavirus.html>.

<sup>25</sup> However, it may be relevant to reflect on why David Beckham is included in this equation? Consider if this decision has something to do with MLS bringing him to play for LA Galaxy and look into how the price paid for the expansion team in Miami compared to other prices in present value.

<sup>26</sup> Modern top soccer is not only a sports competition but also a business. FC Barcelona exemplifies how the utilization of a business model based on strategic marketing assisted the club in enhancing its profitability. Research (Casals, 2011, p. 112) highlights that in the case of FC Barcelona, "the virtuous circle is remarkable for several reasons: a) an appropriate change leader (Ronaldinho Gaúcho); b) its rapid success; c) sporting achievements; d) finance performance;

creating virtuous circles, which accommodate for good sporting performance and thus good business performance. Casals (2011) emphasizes FC Barcelona as a case, which is not valid for all clubs and leagues because clubs and leagues vary in resources and capabilities. Though, financial investments or resources normally stimulate virtuous circles in soccer, e.g., money to invest in players (good sporting quality) to produce more wins and commercialization on the good sporting performance and on players as central assets (brand exploitation), cf. Figure 1 below. Cortsen and Rascher (2018) re-contextualized the virtuous circle in soccer when stating that technology and data adds a meta-layer to traditional sports economic models. Thus, technology and data assist in elevating sporting performances and also hold potential for profitable co-creation, which can boost business strategic market interests and thereby business performances.



**Figure 1.** Virtuous Circle in soccer (Casals, 2011)<sup>27</sup>.

### MLS as a bona fide national pastime

Although, at first glance, European soccer shares many similarities with MLS, its distinctive governance structure endows MLS with a unique business perspective. Indeed, it may seem counterintuitive that MLS applies a socialist approach in a capitalistic marketplace. Although the antithesis of American business DNA, the MLS model does appear to be sustainable. MLS turns ownership into a productive and co-existing process, in which the business understanding is different than in many European soccer clubs where the clubs face economic deficits while thriving in brand status measurements and the hunt for winning performances rather than profitability.<sup>28</sup> The premise

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and e) global brand reputation. However, the process was not exempt of problems and divergences, which demonstrates the difficulties implementing change.”

<sup>27</sup> Increase in revenue can boost financial resources but also be allocated to re-invest in the sporting set-up, e.g., players or coaches.

<sup>28</sup> The European soccer model positively reinforces winning, in the sense that good sporting performances give access to play in international UEFA competitions, e.g., the UEFA Champions League and the UEFA Europa League, which can

in MLS is a more balanced, collective and centralized business model approach, in which all owners aim to benefit from a holistic optimization approach rather than the typical sub-optimization approach found in European soccer. The MLS structure of being a single, large business entity improves the foundation for prudent strategic decision-making and business orientation. For example, it is clear that the league hopes to continue its growth spiral via league expansion. For instance, the league is scheduled to include 27 teams for the 2021 season, and more teams will follow to take the league to 30 teams, cf. above-mentioned sections. This planned expansion is greater than that of European soccer leagues and signifies that MLS aims to turn soccer into a *bona fide* national pastime. In doing so, competition to become a soccer and MLS city is intense. For instance, certain major U.S. cities, such as Sacramento and St. Louis, were among the competitors vying to be a host city. Ultimately, this decision is made by the ownership group, and thereby the board of governors (made up by the owners), based on well-researched evaluations of the planned strategic investments.

Control and power over the structure of MLS is highly influenced by the board of governors. The board (e.g., an expansion committee related to the board) makes decisions and votes on issues, such as expansion, i.e., the inclusion of a new club and thus new ownership. From a strategic perspective, this is a high-profile decision because a new club (and thereby new ownership) adds significantly to the league structure, and shares responsibility for profits and losses as part of the single business entity with the other clubs. Consequently, MLS must be certain that it is choosing a strategically beneficial soccer market from a sporting and business perspective. There are many motivational and business factors to account for in that decision process, and no objectively correct way exists to assess the competitive situation of MLS (Ellet, 2007). For instance, how team valuations meet profitability targets and how MLS is capable of exploiting the large size of the U.S. sports market compared to more manifested major sports leagues must be taken into careful consideration.

Moreover, MLS cannot be isolated from time and context because the U.S. sports market is characterized by culture-specific sports consumption patterns. Despite the popularity of the 1994 World Cup, the relatively young league has faced challenges in order to establish the game in the U.S. One central consumption pattern difference relates to soccer not offering the U.S.-framed impact of commercially beneficial time-outs, in which television audiences and spectators are entertained by the commercial messages.

It was also evident that fans of foreign teams in the U.S. were abundant. For example, in April 2002, the U.S. Men's National Team played Mexico's Men's National Team in Denver. Remarkably, more

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greatly increase revenue. In U.S. sports, the NBA's Los Angeles Lakers is an example of a team that, over the years, has been able to chase titles through investing highly in the sporting set-up while operating a profitable business.

fans cheered for Mexico, which is even more extraordinary given the fact that the game took place in a central location of the U.S. This occurrence and similar others reveal that: 1) the sport was relatively new in U.S. terms; 2) soccer has a different positioning in the sporting landscape in the U.S. than in most other countries; and 3) a culture does not change overnight in the U.S., especially in a complex multicultural context. However, it is difficult to imagine a soccer game in Denmark against Sweden in which more audience members would cheer for Sweden. Of course, this would also be highly unlikely, or even impossible, in other countries outside of the U.S. Nevertheless, the current pattern in MLS shows that the U.S. has come a very long way since 2002, and now the fan experience is very appealing due to the packaging and leveraging of the soccer product.

As previously stated, MLS differs significantly from its counterparts around the world concerning its business model and organizational structure. For example, expansion of the league occurs via the acquisition or creation of franchises.<sup>29</sup> MLS is also differentiated regarding the promotion and relegation structure. Other soccer leagues apply typical promotion and relegation strategies. The U.S. approach, however, is to focus on fixed league structures without relegation and promotion, competitive balance via draft systems, revenue sharing and salary caps and thereby future profitability over win maximization.

#### Ownership and resources

In a video (MLS, 2015) in which the founders of the league, Philip Anschutz, the Hunt family, and the Kraft family reflect on the first 20 years of MLS soccer, they conclude that the decision to start the league was risky. Despite the optimism surrounding the idea, the owners did not have a wealth of experience with the business of soccer, and much less experience starting and operating a new nationwide soccer league. According to the founders, MLS has now matured into a very different league than when it started in 1996 (MLS, 2015). The founders supplied the league with a monetary and business basis, but were probably cognizant that they would incur substantial losses in the initial phases of the league. However, the above-mentioned owners were critical for the current position of the MLS. In general, understanding the history of sports development is important for elucidating a specific context, and current and future developments within it. Without the investments and patience of these founding owners, the league would not have achieved such an extraordinarily high demand to own a MLS team, or turned the local and regional sports market into a MLS superstore. Rothenberg points to the importance of good ownership and leadership and accentuates the original founders

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<sup>29</sup> Investors can purchase clubs in Europe, as well, but these are not franchises in the sense of a governing body that is equivalent to that of MLS. So, there seems to be a higher level of freedom in Europe that attracts foreign investors to European soccer.

mentioned above and also that the resources of these owners kept the league going despite the fluctuations in its operations. Rothenberg says that *“Thanks to them, the league was saved, and particularly Phil Anschutz more than anyone, not to diminish the importance of the Hunts and the Krafts, the league got off to a surprisingly good start, and then it fell off [...] While we had these great owners, I don't think the first commissioner was up to it. So, I think two things had happened. One is those owners that you mentioned, particularly Phil, decided to ‘double down’<sup>30</sup> and keep it going. At one point, Anschutz owned all or part of five of the 10 teams in the league and not because he wanted to. That was just the only way he could keep it alive”*. Rothenberg speaks to the balance between resources and leadership when saying that *“They also brought in Don Garber as the commissioner. And so, the combination of the dedication of those owners and the leadership of Don Garber, I think, is what has led to what you describe now, a very thriving, successful league”*. This development illustrates that a professional sports league’s vision is critically dependent on investments and sustainable long-term perspective and persistence (something also reflected in the development of women’s soccer in Europe) along with the initial investors’ willingness to guard their investment (over time, i.e., there is definitely a long horizon in regard to securing return on this investment) instead of breaking out of an unprofitable start of the league.

MLS experienced difficulties not only in finding good ownership, but ownership in general, for the 10 teams existing in 1996. Indeed, the founders held innumerable organizational meetings to locate owners who were willing to start the league. Starting a team and a league constitutes an enormous and complicated process. For example, attendance was initially good at the very beginning of the league, but then there were decreases in attendance, owners dropped out, and the number of teams contracted (i.e., the two Florida teams, Tampa Bay Mutiny and Miami Fusion), which must have been quite discouraging to the owners. According to Philip Anschutz, however, the league has achieved much and reached a model characterized by attractive soccer-specific stadiums. Moreover, Daniel Hunt, who is also the President of FC Dallas, emphasizes how international clubs from the English Premier League, the Spanish La Liga, the Italian Serie A, and certain soccer federations have come to use MLS as a platform of benchlearning and inspiration (MLS, 2015).

Two illustrative examples of this realization of potential are when Atlanta United in 2017 broke the MLS attendance record by attracting just above 70,000 fans to the Mercedes-Benz Stadium (USA Today, 2017) and how the Seattle Sounders have been an example of “best practice” in sustainably shaping a “supporter culture” among fans in the Seattle region (Copa90, 2014). Knowledge about

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<sup>30</sup> It was of significant important that the initial investors decided to strengthen their commitment to the investment strategy for MLS.

what affects league performance positively supports operations and forms the foundation of taking the league to the next level. In this regard, the league has shown a superior level of continuity and ability to work through resistance compared to the previous NASL, which folded in the aftermath of the retirement of Pele and other stars.

*How to become a member of the best soccer show in the U.S.*

In order to offer a competitive bid to become a part of the MLS ownership group and to operate a franchise in MLS, the potential bidder should meet certain standards. Of course, the board of governors is looking for bidders, and thus investments, that can help to manifest the MLS vision and enable a club to assume and sustain a strong marketable position. Simultaneously, whether or not a bidder gets a team is strongly influenced by that bidder's ability to secure approved stadium plans, secure revenue generation through sporting infrastructure, and engage a large and active fan base that will support sustainability and expansion in the future.

Additionally, bidders should understand how MLS works as a sports entity, e.g., the nature of the competitive balance stemming from tools, such as salary caps, is an inherent part of the league. In the business of sports, a salary cap constitutes a precaution taken for sustainability reasons (Beech & Chadwick, 2004)<sup>31</sup>. It sets a constrained amount of financial resources that a team can allocate for player salaries, which offers dependable information to potential investors to take into account when making decisions. Competitive balance limits the possibility of some clubs taking advantage of others by providing lucrative contracts to all of their players. For instance, European teams with a well-established global fan base, such as Manchester United or a team with foreign investors with great financial resources, such as Manchester City, can radically alter the competitive framework within a domestic soccer league; whereas, the U.S.-based tool of salary caps works to secure a competitive balance among the teams in the respective league. However, since MLS is currently in a development stage, exceptions to the salary cap rule can be made for specific players ("designated players"), which have a strategic marketing value for the league, e.g., David Beckham, Zlatan Ibrahimovic, Wayne Rooney, etc.

The single entity ownership model of MLS stresses a collective spirit, in the sense that new investing owners must follow collective rules and regulations. This stands, of course, in sharp contrast to

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<sup>31</sup> "Competitive balance refers to the equality in the playing strengths of the teams in any league or cup competition. To what extent are the most talented players concentrated amongst just a few of the teams? To what extent are they equally distributed amongst all the teams in the league? The greater the distribution across all the teams the more competitively balanced is the league" (Beech & Chadwick, 2004, p. 78).

ownership models found elsewhere in professional soccer, in which individual owners can buy a team and independently govern and control it, or in which clubs may be partly membership-owned as in the case of the German Bundesliga.<sup>32</sup> As a single business entity, the league legally owns the teams, and the players are on contract with the league and not the individual team. This constitutes a key difference, and ensures that strategic decision-making, e.g., player signings or expansion teams, is centrally governed.

### Player contracts

The legal construction of MLS as a business strongly reflects that player contracts are with the league and not the respective individual teams. Notably, this single entity model was once challenged by eight players in an antitrust lawsuit (cf. *Fraser vs. Major League Soccer*). The league won the case, however, as the court ruled for MLS to operate as a single entity incapable of monopolizing the market for soccer players, as the league is in competition with foreign soccer leagues (Athletic Arcand, Bilodeau, & Facal, 2016).

### Governance

In terms of governance, MLS works within a model that is, in some aspects, similar to that of the NFL. Instead of independently-owned teams, the league constitutes a single entity controlled by a group of investors. These investors allocate financial resources to operate the league's teams. In order to ensure that each team's needs are fulfilled, an investor-controlled governing board serves as the league's overall governing and management body. So, the respective investors, who own the league (e.g., Stan Kroenke and KSE of the Colorado Rapids, the Kraft family of the New England Revolution, etc.), govern, manage, and operate the teams as owners do in other professional sports leagues, but each team's interests are subject to being governed by the centralized body of the overarching governing board. In this way, the Americanized MLS business model is more centralized than the business model of many European soccer clubs (Rosner & Shropshire, 2011), and it serves to protect MLS clubs from other soccer leagues with lower levels of funding and sporting infrastructure. One illustrative example is the second folding of the New York Cosmos. A pertinent question is then how does the decision to structure soccer in the U.S. in a way in which MLS is at the top of the hierarchy as a "closed league" affect the operational conditions for other professional soccer

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<sup>32</sup> Professional football in Germany is characterized by the 50+1 rule, which protects fan interests, e.g., low prices. The meaning of this rule is "*that clubs – and, by extension, the fans – hold a majority of their own voting rights. Under German Football League [DFL] rules, football clubs will not be allowed to play in the Bundesliga if commercial investors have more than a 49 percent stake.*" (Bundesliga, 2019). However, there are a few exemptions to the rule, e.g., in the cases of Bayer Leverkusen and Wolfsburg where the corporations have had interests in the clubs for many years (20+ years).

leagues and teams in these leagues in the U.S.?

#### Support for player and coaching development

Opportunities also exist for talent development, in which coaches and players (e.g., the young Englishman, Jack Harrison,<sup>33</sup> who signed a three-and-a-half-year deal with Manchester City in 2018) from the biggest soccer leagues in Europe (e.g., New York City FC's collaboration with Manchester City) assist in promoting soccer in the U.S. Simultaneously, the league acts as a nurturing and development platform for fine-tuning these players' or coaches' (e.g., New York City FC head coach Patrick Vieira, who moved to Nice but was fired in 2020) talent, and thus help to prepare them for the biggest stages in the world of soccer, e.g., the UEFA Champions League.

#### Suitable venues and overall infrastructure

A critical factor in driving sporting quality forward and sports business performance is investment in sporting infrastructure. For instance, stadium investments and investments in talent academies have been crucial. The first part of investing in soccer-specific stadiums translates into the ability to engage fans and to augment fan attendance (DeSchriver, Rascher & Shapiro, 2016). However, it should be mentioned that the Seattle Sounders are an exception to this, by playing in an NFL stadium and succeeding in drawing a huge number of fans.<sup>34</sup> In 2019, MLS had 20 out of 24 soccer-specific stadiums, including LAFC's Banc of California Stadium, D.C. United's Audi Field, and Allianz Field, the home of Minnesota United (MLS, 2018b).

#### Talent development and academies

The second part of investing concerns creating better talent academies, which establishes the foundation for transferring more academy players into MLS as part of the league's project, the "Homegrown System". It also assists in sending the best players overseas to join top European leagues, which will result in important soccer narratives, strengthen the quality of the national team, and impact future business models in terms of bringing in transfer market revenues. Recent examples of this include Alphonso Davies from the Vancouver White Caps signing a contract reportedly surpassing \$22 million with FC Bayern Munich (MLS, 2018c) and Chris Richards also signed with

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<sup>33</sup> Harrison was brought up in Manchester United's youth system, but after 59 games and 14 goals for New York City FC, he signed a deal with Manchester City (New York City FC, 2018).

<sup>34</sup> It may be interesting to consider what investing in venues and overall infrastructure means for the players concerning a league's or a team's ability to recruit players. This is a part of the reasoning behind UEFA executing the benchmarking and club licensing system, as recruitment and attraction of players also concern the club's traditions and facilities, and not only money.

FC Bayern Munich and completed a transfer from FC Dallas (MLS, 2019d). These examples show that the academy system works well, despite some remaining challenges regarding the school-sponsored soccer system (cf. above-mentioned section).

Soccer and other sports constitute sociocultural phenomena, and for that reason, it takes years to grow the popularity of the game. Today, in the U.S., soccer camps and academies exist at the grassroots and youth level country-wide, which supports the growth spiral of the game in the U.S. These camps and academies are necessary because certain obstacles in terms of sports participation need to be overcome. For example, consider that soccer is a sport that is highly accessible because all one needs to play soccer is a ball. This is certainly a part of the reason why soccer has become the most popular sport globally. In this sense, soccer is similar to basketball in the U.S. However, the pay-to-play system in U.S. soccer can result in a waste of talent because it may prevent potential talent from succeeding, compared to other soccer markets globally. So, it could be reasonably argued that a major obstacle for soccer development in the U.S. is that the sport seems too embedded in business. Indeed, changing this situation would involve achieving a workable balance between the desires of advocates for equality of opportunity, with the wishes of others who aim to protect a structure that is profitable for them. In contrast, the European soccer context is characterized by well-functioning club systems providing access and participation opportunities from the lowest recreational level to the highest professional level (for those players that are good enough) governed by national soccer associations. It is important to note that the U.S. soccer structure is influenced by school-sponsored sports at the high school and university level. A revealing issue in this context would be the level of qualified coaching resources compared to the elite systems in Europe, and how this corresponds (or does not correspond) with the overall structure of soccer and its interplay with the resources of the game in the U.S.<sup>35</sup> Of course, these structures are culturally-bound and concern educational opportunities for coaches (in Europe, all activity is governed by the national FAs and UEFA in a license-based system working across borders in all UEFA membership-countries). At the same time, soccer is not a year-round sport in the American school system, and the amateur rules of the NCAA, which governs collegiate athletics in the U.S., may create challenges for the academies of MLS clubs and their talent development. Moreover, good players may be concerned about signing with a MLS club, and thereby preventing themselves from accessing scholarship opportunities in the collegiate systems.<sup>36</sup>

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<sup>35</sup> In simplistic terms, the total number of active participating soccer players in the U.S. exceeds that of many other countries around the world. With that in mind, it is clear that countries like Iceland with a population of just above 300,000, really need to optimize talent management to compete internationally and to qualify for the World Cup or the European Championship. This same situation applies to many other countries, as well. Sport must be accessible, and any sport is vulnerable if challenges exist in terms of accessibility to the sport, good coaches, good infrastructure, etc.

<sup>36</sup> Playing professional soccer prohibits players from entering the collegiate system as a student-athlete on scholarship, according to NCAA rules (NCAA, 2019).

Rothenberg stresses that the if MLS “*continues to develop players, they will have a higher quality of players, by the way, to the extent that their domestic players will elevate the ability of the national team [...] If the national team starts to show better at international competitions, that will obviously get the fans much more interested. And with that, get sponsors and TV networks that much more interested. So, they go together*”. One challenge in U.S. soccer and for MLS is that the men’s national team has not really thrived internationally, which is in contrast to the power of the United States in many other sports. So, the men’s national team is definitely vital in discussing the future development of the talent sector and its transfer on the domestic leagues and the development of the sport as a whole. In the end, this also has economic implications in relation to what Rothenberg states, cf. “*As they get the player development and the other aspect of it from a pure financial standpoint, they all have assets that if they want to and they can, they can sell and get some huge transfer fees*”.

### **The MLS business model and soccer’s ecosystem**

Considering the strategic business value that soccer represents, and that the U.S. has come closer to the level of soccer played and consumed in other parts of the world,<sup>37</sup> MLS has transformed itself into a much more influential business platform, e.g., a marketing, corporate social responsibility, management, and engagement platform (Cortsen, 2015). However, the MLS soccer product is currently situated in an era of change comprising the dynamic intersection between live stadiums, and televised and virtual soccer experiences, which places the product somewhere in between the experience economy and the next phase of economic offering, i.e., the transformation economy (Pine & Gilmore, 1999). Soccer enthusiasts should welcome this development, and this includes soccer’s highest governing bodies and its leagues, clubs, and actors in the form of players and coaches.<sup>38</sup> Research shows that the experiences of fans, sponsors, and other vital stakeholder groups, as well as identification with, and access to, players and coaches are intertwined (Foster, Greyser, & Walsh, 2006; Cortsen, 2016; Budzinski & Satzer, 2011).<sup>39</sup> The comfortable experience of watching a game from one’s couch or the flexibility enjoyed by the ability to access games, highlights, and related information and commentary via technological platforms (e.g., online) are great supplements to the marketability of the “live stadium experience” (Cortsen & Rascher, 2018). This development enables these important stakeholder groups, e.g., fans especially, to transform into much more involved consumers, which supports the total business model, and ultimately the entire commercial and sporting foundation for soccer in the U.S. Therefore, MLS plays a core role in the North American

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<sup>37</sup> This is boosted by globalization, but may also benefit from the FIFA and its President, Gianni Infantino, attempting to implement new governing reforms in the world’s game (Reuters, 2018).

<sup>38</sup> The argument here is that the world’s game will benefit from a U.S. market that becomes even more passionate about the game. Given the strength of the U.S. as a sports market, the global position of soccer will be positively reinforced by an increased interest in soccer, and thus MLS in the U.S.

<sup>39</sup> Co-creation (Prahalad, 2004; Payne, Storbacka & Frow, 2008) will establish a stronger level of business development, e.g., the virtuous circle.

soccer world in the pursuit of: 1) cultivating existing stakeholders; and 2) targeting and recruiting new stakeholders. This combination is a vital element of any business model in sports, and it emphasizes the importance of tapping into a broader fan base and enriching data opportunities, and thus the ability to capitalize on the soccer product (Foster, O'Reilly, & Dávila, 2016; Cortsen & Rascher, 2018). The latter will augment the quality of promotional efforts and allow more precise marketing initiatives.<sup>40</sup>

Consequently, it is essential to identify some common contextual factors of the soccer economy across the range of MLS teams in order to perform an accurate analysis of MLS (see Figure 2 below). The framework shown in Figure 2 is grounded in relevant business and stakeholder models from the sports or soccer economy (Callejo & Forcadell, 2006; Foster, Greyser, & Walsh, 2006; Breitbarth & Harris, 2008; Demil & Lecocq, 2010; Teece, 2010; Morrow, 2013; Otto & Aier, 2013; Rossi, Thrassou, & Vrontis, 2013; Weiller & Neely, 2013; Lombardi, Manfredi, & Nappo, 2014; Cortsen & Nørgaard, 2015; Foster, O'Reilly, & Dávila, 2016). These factors reveal an analytical foundation that can be applied to analyze how MLS has changed over the span of its lifetime and how the context of soccer in the U.S. has transformed itself in the same period. Moreover, it offers an analytical testing ground for how the development of top professional soccer in the U.S. corresponds with the development of top professional soccer elsewhere in the world. For instance, European soccer has experienced exponential business development, as shown in its first-rate international and domestic competitions, such as the UEFA Champions League and the English Premier League. At the same time, the global soccer setting has, since the 1990s, witnessed major modifications in the form of, for example, the Bosman ruling, the implementation of Financial Fair Play regulations in Europe,<sup>41</sup> and the influence of geopolitical and soft power interactions in China<sup>42</sup> and Qatar.<sup>43</sup> Overall, these alterations demonstrate that money in top soccer has become even more decisive (Deloitte, 2019). The monetization of soccer is particularly evident in global soccer brands, such as Real Madrid, FC Barcelona, Manchester United, FC Bayern Munich, and other top European clubs ranked highly in revenue generation and brand equity.<sup>44</sup>

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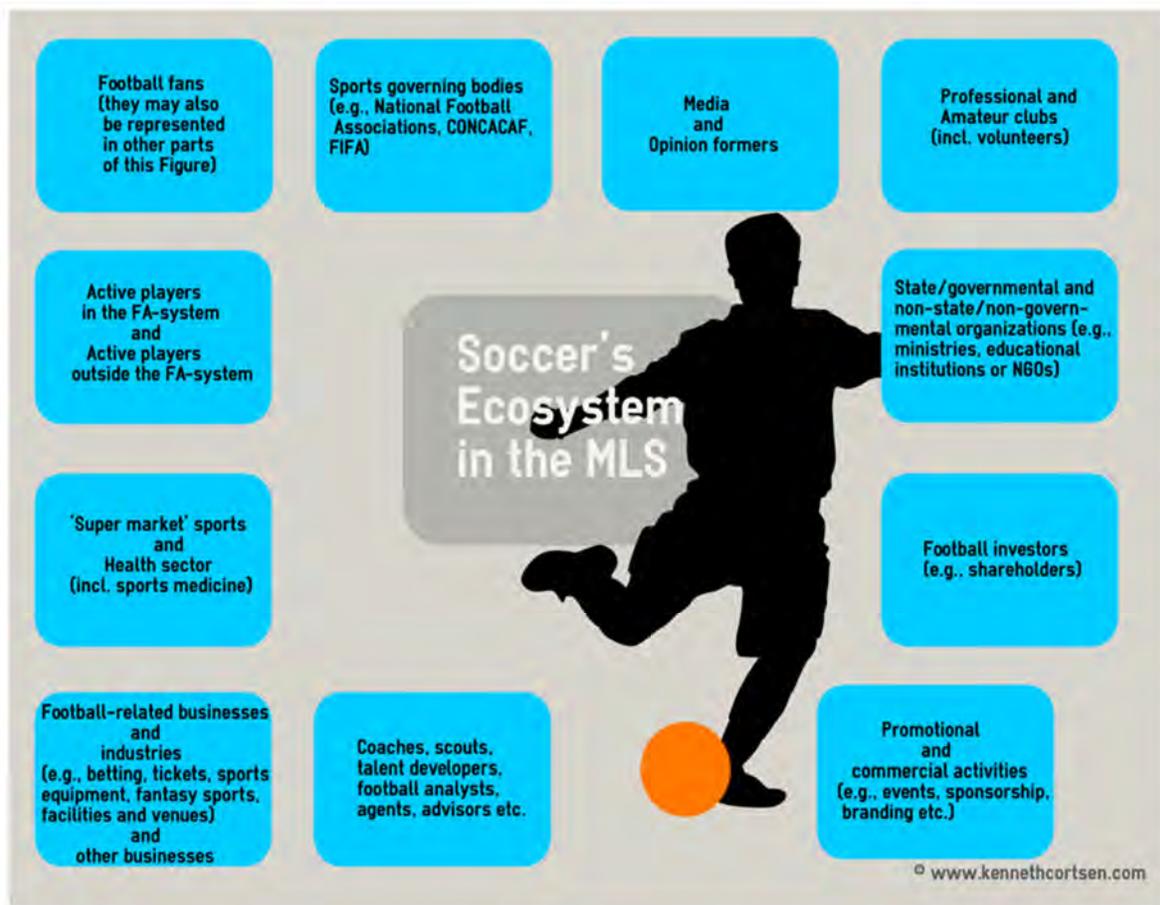
<sup>40</sup> This occurs when marketing becomes more data-driven and linked to the relevance of the sport by commercializing (sports) soccer data by converting these to content for fans, sponsors, and the media.

<sup>41</sup> The Bosman ruling and the Financial Fair Play (FFP) regulations provide an interesting perspective on the differences between the U.S. and European sports business models, in the sense that the U.S. model is more socialist while operating in a highly capitalist society. However, governmental intervention, in terms of the Bosman ruling and FFP, is very influential in the more capitalist and decentralized European football business model.

<sup>42</sup> Soccer development in China is aligned with the Chinese President's wish to host and win the FIFA World Cup.

<sup>43</sup> Qatar's investments in hosting the 2022 FIFA World Cup and in European top clubs, such as Paris Saint-Germain.

<sup>44</sup> Top European soccer serves as an interesting benchmark for the sporting and business development of soccer in the U.S. and elsewhere.



**Figure 2.** The business model/ecosystem of MLS.<sup>45</sup>

Soccer is a phenomenon that extends beyond its framework of being only a sport. Of course, the impact of soccer on masses of people has turned soccer into a huge business (Hamil, 2001; Schumann, 2005; Schilhaneck, 2008; Bock, 2011; Dobson & Goddard, 2011; Thöndl, 2011; Desbordes, 2012; Szymanski, 2015; Sieweck, 2016). Today, businesses from different industries have recognized this development, and have utilized the associated power and potential of soccer in their efforts to capture new demand and market share. This corresponds precisely with a U.S. sports marketplace, in which continued growth of market size and revenue generation in the upcoming years is expected (cf. Exhibits 8 and 9). However, the contextual factors presented in Figure 2 isolate the sporting and business quality of MLS as fundamental points of analysis for those with sporting and business interests concerning the development of MLS.

The business model of MLS is characterized by a situation in which the league's most important assets, i.e., the players, are not at the highest level compared to other soccer leagues globally. This influences its business model, in that the motivational factors to attend sporting events are partly

<sup>45</sup> Agents influence the financial shape of the league and the teams. They are in alliance with the top players (stars) and may show little interest in average players.

determined by the quality on the playing field (Foster, 2013). Rothenberg mentions that it takes a “sales job” from the governing bodies and the clubs to recruit players – also to include more players from the minority communities. He stresses that “*We have to reach out to them [...] You can't wait for them to come and sign up. You've got to go get them [...] We have this huge pocket of potential great players that sort of is being ignored for the most part*”. According to Rothenberg, one problem here is “*at the high school and collegiate level because of the rules that those institutions are governed by [...] That doesn't give kids enough time, enough games, exposure [...] They should be able to play as often as they can. So, those rules retard the growth of players*”. This produces a negative development impact regarding the lack “*to develop really great players*”, and Rothenberg believes an improvement in this regard will lead to “*the quality of the league will go up. And the other is the less dependency on foreign players [...] Greater opportunity to be in the player transfer business from an economic standpoint*”.

When measuring the growth of MLS in terms of team valuations, cf. **Appendix A**, and thus how much new investors have been willing to pay to join it, it is clear that there are signs of a positive development for the league’s business model (deMause, 2017). Yet, despite this growth development and that the league is doing well in its appeal to younger generations, is this positive development being over-emphasized to artificially boost the future outlook of the league? On the other hand, is there a reasonable basis to think that MLS can close some of the gap compared to other major sports leagues in the U.S. or some of the bigger European soccer leagues concerning transferring fandom to significantly higher attendance levels and especially more television viewership? The answer to these questions will largely determine whether it is worth it for investors to place their money into the core product of the league via better players, e.g., via talent development, to generate and sustain a higher level of revenue generation.

It may be worthwhile to our research aim to discuss current and previous valuations of MLS teams. In this regard, it seems relevant to examine the MLS expansion process. From a market-oriented perspective, it seems wise to increase the supply of MLS soccer to boost the positive attention, interest, desire, and articulation of professional soccer in the U.S., which will generate action in terms of consumption and revenue generation for the league. On the other hand, the exclusivity approach attached to the supply side, in terms of the gradual and constrained way to expand the league with a ceiling concerning the number of teams,<sup>46</sup> builds enormous hype. In addition, a competitive situation may result with the potential to drive team valuations to positions that may remind one of a Ponzi scheme, in which new investors must pay for the operating losses and necessary investments in

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<sup>46</sup> In this closed league without relegation or promotion.

infrastructure made by the league's initial investors, or valuations that are out of touch with the operational reality of the league, e.g., profitability or accumulated players' market value (cf. Exhibit 10). Because the number of teams is so tightly controlled, a sense that this particular opportunity is the only available investment in soccer may also result, perhaps putting a level of pressure on investors that is not commensurate with reality. On the other hand, it could also be argued that later arrivals, when assessing current valuations, may accurately observe that the league has maintained a strong strategic position for more sustainable long-term development when there is high demand to invest in the league.

However, it seems logical that an accurate measurement of any sports team valuation is the team's financial performance. For example, one could take into consideration that the close cohesion between sporting and business performances in the best soccer leagues in the world, e.g., the English Premier League or the UEFA Champions League, has led to attracting enormous broadcasting deals and driving monetization of live game fan interest in the venues and television, and thus advertising and sponsorship. For instance, a commonly used metric for how MLS performs concerns television ratings. One obstacle for the league is that the MLS product is not intended for overseas or international success in the same way that the NFL, the English Premier League, and the UEFA Champions League are because these leagues are the foremost products within their categories. Even the Mexican Liga MX is a fierce competitor for television viewership for MLS in the U.S. This influences the MLS business model highly, concerning the value for money when investors or cities weigh bringing MLS to local and regional areas. In a rational economic sense, these financial issues are crucial. Of course, when considering the immense wealth of certain owners, such as the Mansour empire, the Kraft family, or business moguls, the sport could also be a sort of speculative playground or take on characteristics of a Ponzi scheme, in which investors engage in a 'Hail Mary' and hope for the best. Currently, at least, the big financial upside is not present in MLS, given the high team valuations, as well as the lack of broadcasting deals, ROIs from international competitions, and transfer market fees. So, then how can one build the quality of the league? One idea is to invest in more marquee players to attract more fans because fans have a strong tendency to follow the best players (e.g., Cristiano Ronaldo, who is the athlete with most fan power on social media platforms). Some idealistic U.S. soccer enthusiasts may also assert that investing in the game in the U.S. will attract good players to come to the U.S. This contention may be, however, too simplistic. Elite players strive to compete on the best stages, which are currently in Europe. This will probably not change soon, considering the structure of MLS, i.e., a single entity structure. The growth spiral seen in European soccer, boosted by changes in regulatory conditions (e.g., the Bosman ruling), globalization, technological development (e.g., the Internet), and new investment standards from

increased foreign ownership (e.g., from Eastern Europe, the Middle East, the U.S., and Asia) will be difficult to replicate in the U.S. In Europe, these developments served to compensate for inflating player transfer fees; whereas, in the U.S., the soccer market has not experienced domestic or foreign investors coming in and spending the same amount of money as seen in, for example, Chelsea FC, Paris Saint Germain, Manchester United, or Manchester City. Investors have certainly invested in soccer in the U.S., but primarily to attract the likes of David Beckham, Andrea Pirlo, Zlatan Ibrahimovic, or other superstars that have already played the best years of their careers in Europe.

MLS also misses some of the excitement in European leagues from relegation and promotion elements that produce ongoing dramatic narratives. For example, even soccer teams with proud traditions, such as Nottingham Forest, may play in a lower league now, be in fear of relegation, and be competing intensely with several other teams for titles and access to Europe's famous UEFA competitions stage. This kind of tension drives storytelling appeal for broadcasters and investors with future ambitions to build their way up within the system. This lack of a dramatic element could affect the MLS business model negatively. Still, a decisive element in the league's business model is that MLS teams compete for talent in the same market pool, as do all of the European, South American, and Asian teams. MLS, however, is constrained by the single entity structure and salary caps, that make it more difficult to recruit talent. Indeed, young players can earn dramatically more playing in, for example, the UK, which explains why they tend to move from their home countries at an early age. Older experienced players that may have a big name, but who are past their prime as athletes, will not tend to attract enormous numbers of fans week after week. Excitement is certainly generated when a team has so much talent that it has realistic hopes of winning championship titles. Moreover, fans tend to love to follow young and gifted soccer players as they progress through their careers and build excitement and expectations of how high they can go in soccer and to what new heights they will take U.S. soccer, MLS, and serve as major recruitment tools for the best global talent.

Looking at the team valuations today and measuring them against the growth that has occurred over slightly more than 20 years in the league, the founding investors have witnessed explosive growth over the years in team valuation (Forbes, 2018). This growth, however, must be measured against the initial years of operational losses. With this in mind, the question is whether investing large sums of money to enter the league now is a promising investment. The attractiveness of this investment derives directly from the future situation of the league, e.g., profitability via talent development, increased quality, and high revenue-generation through growing fan interest and thus better media deals and more sponsorship interest, while reaping the fruits of all of the previous investments in the framework of the league (e.g., academies, soccer-specific stadiums, more expertise in the form of more highly educated and qualified coaches, specialists, etc.).

Atlanta United has set a new standard for attendance levels in MLS. The team also deserves special note because it made it to the playoffs as a young franchise. This presents the question of whether or not new teams in other top soccer leagues could compete well with very established teams with an impressive legacy. Interestingly, Atlanta United followed a different route to success, i.e., instead of contracting with older international superstars, the franchise sought out young, talented players. In addition to greatly improving team performance, Atlanta United also benefited from these players later being transferred to top European leagues. Certainly, soccer clubs, in any league, must determine their core strategy and identity. For example, does the club build its success from primarily being a buying, developing, or selling enterprise? Or does it employ a diversified approach?

### **Financial operations of MLS**

The balance between the cost structure and the revenue streams of MLS reflects a degree of managerial complexity, while also maintaining more competitive simplicity than the business models of other soccer leagues worldwide. First, players being on contract with the league and not with the individual teams reveals the single entity structure of MLS. In this way, all teams share a common interest in the financial well-being of the league, while also being competitors. In contrast, in many cases of leagues outside of the U.S., the more unequal market scenario of international soccer leagues turns some clubs, especially the major powerhouses, into advocates for increased self-interest and an unwillingness to share wealth and power. Therefore, it has been claimed that teams in international soccer leagues possess more competitive diversity due to the structure of their business models. For instance, teams in European soccer are usually subject to broadcasting revenue distribution being somewhat based on the mix between solidarity<sup>47</sup>, quality sporting performances,<sup>48</sup> and winning. On the other hand, the teams operate under a decentralized paradigm, in which they work more independently to capture market share, customers, and revenues. In MLS, teams also secure revenue that is directly associated with local broadcasting, commercialization via local sponsorship, and game-day-related operations, such as merchandise, parking, and concessions. However, the teams must share a part of their profits from ticket sales and transfer activities with the league. Moreover, the league profits from selling national broadcasting rights and commercial activities on the league level, such as securing national sponsorship deals or selling merchandise via its website.

Considering cost, the league is responsible for standard player salaries, as well as wages that fall under the umbrella of the salary cap and in association with “targeted allocation money” and “general

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<sup>47</sup> Solidarity in this sense means that part of the broadcasting revenue is shared equally among teams in the respective league.

<sup>48</sup> While there are differences between markets, e.g., the Spanish La Liga used to have a distribution system in which the powerhouses of FC Barcelona and Real Madrid took an enormous portion of the money; whereas, in the distribution of UEFA Champions League, the aspect of the “market appeal” of the team is also significant.

allocation money”. Other costs on the operational side of a MLS team are the responsibility of individual team investors, including wages for designated players beyond the salary cap, traveling expenses, academies and training infrastructure, venue costs, and administrative costs, such as human resources, marketing, sales, and finance. This collective approach to balancing costs and revenues is unique, compared to international leagues. In addition, the risk management aspect provides a collective mindset in which individual teams are constrained in terms of overspending, and a type of unionization and anti-capitalist approach to running the league exist. For instance, risk management is positive, in that it accounts for the strategic interaction between league growth and team expansion. It could also be considered conservative, however, because it prevents visionary high-level investors from entering the league, and thus impedes the core product of soccer on the playing field from being diversified to the same extent as in international professional soccer. In an answer to the ceiling of MLS in terms of league expansion, Rothenberg mentions Major League Baseball and the American League and the National League while saying that *“I think there's any cap on that. That's really a question of where is the business interest? [...] They still have to worry about dilution of talent. But you know, I don't think that's an issue for anybody to worry about quite honestly. I think that the interest is there. The interest keeps peaking”*. In addressing this issue Rothenberg feels that it is more important to focus on the quality of resources in that *“up until now Major League Soccer has been doing a good job of making sure there is quality ownership in every case, which is ultimately a big thing [...] One of the problems with a lot of emerging sports is you have people who love the sport, who are people of means but limited means. And they get in over their head financially and they have to cut corners. And it's difficult. So, MLS has been very good about making sure that they get either individual billionaires or solid partnerships that in the aggregate have the money so you can overcome the yearly payings and those early years of laying out a lot of money to build the stadium before you get the return”*.

Indeed, top teams usually set the standard for a league in numerous respects. Clearly, MLS is highly effective in staging comprehensive soccer experiences, but does this translate into quality of the game on the pitch? From a positional perspective, MLS must bet that comprehensive experiences will build and shape soccer culture in the U.S. It must also be noted that, by creating content across several traditional, modern and digital platforms, the league has been successful at sustaining a profitable business tradeoff between push and pull strategies<sup>49</sup> in the media-savvy U.S. sports marketplace.

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<sup>49</sup> A pull strategy refers to when a *“Manufacturer uses advertising and promotion to persuade consumers to ask intermediaries for the product or service, thus inducing the intermediaries to order it”*. A push strategy refers to when a *“Manufacturer uses its sales force and trade promotion to induce intermediaries and sell the product and service to end users”* (Kotler, Keller, Brady, Goodman & Hansen, 2012, p. 977). The main difference is that the pull strategy emphasizes that the customers ‘come to you’ whereas the push strategy emphasizes that the offering is pushed to the customers by boosting awareness of the offering.

The league's business model constitutes a multi-dimensional revenue and cost structure, which can reasonably be expected to grow along with the expansion of soccer's global popularity and the spill-over effect on the U.S. market. However, despite its governance structure, which differs from other domestic soccer leagues, revenue streams overlap to a large extent. For example, foreign influences from sources, such as David Beckham, are included in ownership decisions. An important question for MLS then becomes, 'What is Beckham's value for the league?' More specifically, 'Does David Beckham's value to a franchise owner translate into substantial value for the league and future commercial potential'? So, economic value in soccer is a function of players' sporting and commercial impact on the team. Producing return on investment from talent development in MLS through transfer market activities is viable in terms of moving Alphonso Davies from Vancouver to Bayern Munich. There are always risks of such a model for clubs and leagues in soccer as there are production inefficiencies associated with talent development. Currently, Davies has a market value of €45<sup>50</sup> million, which is significantly higher than before leaving Vancouver. However, leagues and clubs have an interest in developing similar players just like Dutch soccer would like to develop a new Johan Cruyff but a valid question is: what is the likelihood of producing such a player again? Rothenberg marks the importance of *"developing and selling players"* as producing ROI from this as a *"way to cover short-term. Long-term, it's the growth of the value of the team [...] Back to my earlier days in the NBA. Teams would be losing money every year and then they would sell for a huge amount [...] So, partly that ROI is just to keep the losses tolerable as long as you've got the value of the team growing"*. Consequently, the way to produce this ROI is a complex process of managing individual player development and growth, athletically and commercially, while managing team development and growth in the same manner and with the production inefficiencies in mind. It requires that right strategy and also the right competences to be put in play in the right cultural production. Rothenberg notes that *"It's almost like you are reinvesting. Ok, you lose a couple of \$million, but the value of the team just went up \$100 million. So, ok, I don't mind putting a couple of \$million in. I'm exaggerating, obviously, but just to make a point [...] If it becomes desperation, that's what I'm talking about again. The economic quality, depth of the ownership, their capital base is really important. If they're floundering and are fearful of making the next payroll, then they're selling off players as strictly to stay alive. Guess what? That team's always going to be a bad team. And also, when the fans notice that, and they just get sick of it [...] If you've got enough sustaining power economically that you don't have to do it, but you obviously you see a good opportunity. That's a different story"*. The practical financial challenge for MLS as of right now in terms of attracting investments into the league is that valuation prices (the price of expansion fees) have skyrocketed to

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<sup>50</sup> <https://www.transfermarkt.com/alphonso-davies/profil/spieler/424204>.

an amount way higher than what you pay for a European top league club. In this context, it comes down to what Rothenberg mentions about television money because the price of a soccer club is associated with the value of broadcasting deals and other revenue sources. So, it makes sense that Rothenberg emphasized the importance of MLS finding owners with enough economic sustaining power to back the long-term investment horizon compared to investing in a European club with more manifested legacy and brand value. Basically, this stresses how investing in MLS may come with too much disparity between the purchasing price and the revenue generation compared to investments in European clubs, especially with the short-term investment horizon in mind when television money remain as low as now. With more television money and thus exposure, because these things are interconnected, there is hope to further battle this disparity and maybe see jumps in short-term valuation too.

One prevailing consideration when discussing why investors throw money after soccer is television money and other revenue sources and the economic valuation enrichments over time. Rothenberg articulates the importance of television in financing the operational cycle in global soccer leagues while the stadium is one source that so far may compensate the fact that MLS does not realize the same capitalization on media value as big European leagues. According to him, the financial upside, which drives big European leagues, *“it’s because of big television money” [...] the reality is that if you want to talk about operational and financial success divorced from what you make selling your team, it’s a combination of things. Number one: stadiums*”. However, this is an economic development, which took time, but Rothenberg mentions that *“Interestingly, part of our original business plan for the Major League Soccer was the construction of soccer-specific stadiums, because they just didn’t exist back in 1995 and 1996. So, you either were doomed to play in a high school or junior college stadium, which generally would be bleachers without hoses and hardly conducive to calling yourself major league or go into these huge American football stadiums where again, a crowd of 15,000, 18,000 people in a 60,000 or 70,000 seat stadium, just as horrible*”. Moreover, a stadium is a vital marketplace, which draws the outline for an additional money flow into the league and its clubs given the fact that a stadium is relevant marketplace where passionate people crave to be. If you don’t own the stadium, there is not the same control and Rothenberg mentions *“Plus, you don’t have any ancillary revenue. So, they belong to the stadium owner*”. However, Rothenberg also noted that *“We dropped that out of the business plan because the first couple of people that we talked to about potentially investing said, ‘look, it’s risky enough to start a new professional soccer league’. But if it doesn’t go, I just closed the doors and I’ve lost whatever I’ve lost. But I don’t have any continuing financial obligation. If you tell me I got to spend all these millions on a single purpose stadium and then the tenant goes out of business. I’ve got a white elephant that’s just very expensive and would cost in the first place. Plus, it’s going to be expensive to maintain. And so, as a practical*

*matter, we said, okay, let's drop it out of there". Despite this risk scenario, some MLS owners went the other way, which eventually shaped things in a different direction. Rothenberg said "But interestingly, the first person that I showed the business plan to was Lamar Hunt. He had been on our World Cup board [...] He was one of the original NASL owners [...] been multi sports, but he was just dedicated to soccer as well as others. So, he read that business plan and he agreed. And so right after we started in the league, he began to build the stadium in Columbus. Now, Columbus at the time was the smallest market. And because it was experimental, the stadium was pretty spartan-like. It didn't have all the fine amenities. But the important thing is the next year, Columbus led the league in attendance". This is an analogy, which reminds of what Juventus did in the Italian Serie A. The Italian powerhouse invested in a new stadium to secure better revenue generation and to produce competitive edge. Rothenberg remarks that what Hunt did in Columbus set a new standard, and "That sort of sparked and that's when Phil Anschutz decided, ok, once everything was refinanced, then the financing was consolidated that he was going to build what is now the Dignity Health Center down in Carson. And that started the wave [...] the league would say we are not going to give a franchise to a new owner unless they commit either have or commit to building a new stadium".*

The stadium development in MLS holds significant meaning in shaping the professional soccer culture in the U.S. towards atmospheric conditions similar to the situation in other and more manifested leagues around the globe. Moreover, it is meaningful from an economic standpoint. Rothenberg mentions revenue sources such as "Obviously Ticket sales, as you mentioned in soccer, and unlike other sports, transfer rights. But if you own the stadium, you've got sponsorships, naming rights on the stadium, you've got concessions, you've got parking [...] The team, even if they don't own the stadium, has merchandising and licensing. But when you own the stadium, you have a big store. And so, all these other sources of revenue that kick in". However, television money is second to none in many leagues. Rothenberg is cognizant of this fact and recognizes that "None of the major sports, including the Premier League and the Champions League, could do it without big television dollars. That's the one place so far where MLS has lacked [...] They focused more on exposure in the earlier years, including to now [...] They get some money, but it was more get on TV so people could see it". The future development in terms of television deals is going to be a relevant symbol for the current economic state of the game in the U.S. Rothenberg notes that "Their contract is up, I think, in 2022 [...] It's going to be different because it is, you know, back when we started, basically it was three networks plus ESPN. Now, there are so many platforms, media platforms. I don't think you're going to be able to see a TV network or combination of networks throwing billions like the NFL or something like that. So, I think it is going to be kind of a patchwork of various types of media, but you add up all the dollars and get to the point where teams can do it".

## **Building and retaining fandom**

The Millennial generation, who grew up during the milestone of the 1994 World Cup and saw what it meant for soccer in the U.S., may constitute a great opportunity for MLS (Brandt, Jackson, Luck, & Nardi, 2017). The fan base of MLS is very young compared to that of other major leagues in the U.S. (cf. Exhibit 3). The Millennials certainly wanted to make their own mark on the sport. They grew up playing soccer or being exposed to the game through the media and other modes of cultural expression. Consequently, soccer is an entity of which they take ownership and aim to be a core part. This development has been a seismic shift, resulting in extremely high growth rates compared to the other, and thus<sup>51</sup> already established, major leagues. MLS also achieved exponential growth in attendance levels.

Notwithstanding, a major challenge of MLS from a commercial and profitability perspective is that the league cannot rely on broadcasting or total revenue generation to anywhere close to the same degree as the NFL (MarketWatch, 2016)<sup>52</sup>. Indeed, it is impossible to compare the MLS Cup to the mammoth event of the Super Bowl, or to compare it to the final of the 2015 FIFA Women's World Cup between the U.S. and Japan, which was the most-watched football game in U.S. history with approximately 23 million viewers (US Soccer, 2015). Despite an increase of 77% compared to the final of the 2011 Women's World Cup, it remains important to consider this growth in relation to competing sports products<sup>53</sup>, which remain much more dominant in terms of market share, consumer spending, corporate sponsorship, and media focus. It is also essential to mention that, even though the Super Bowl can obtain 100 million viewers, this does not mean that MLS is not culturally relevant. Moreover, it is less expensive to start or buy a MLS team compared to teams in other North American leagues due to differences in valuation and scale<sup>54</sup>. Overall, profit is a function of revenue generation, and expenses and salary levels are considerably lower in MLS than in other U.S. major leagues.

### A soccer economy driven by superstars

The various soccer superstars that are part of MLS strongly motivate fans. Such stars have included Zlatan Ibrahimovic, Wayne Rooney, Andrea Pirlo, Steven Gerrard, and David Beckham. It is indeed interesting to consider the positive effect that would result from Cristiano Ronaldo joining MLS. From a business perspective, the overall fan experience benefits from other elements, as well. For

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<sup>51</sup> When considering the growth rates of MLS, it is essential to note that other major leagues had already reached a very high position in terms of attendance levels, revenue generation, and broadcasting deals.

<sup>52</sup> That is also true in relation to other premium sports leagues, e.g., MLB or the NBA (MarketWatch, 2016).

<sup>53</sup> From a competitive perspective, there is difference between the viewership of a domestic soccer league nationwide and the viewership of the World Cup when your national team plays in the Final.

<sup>54</sup> With this in mind, it is relevant to consider if it is interesting due to the lack of freedom for owners due to the single entity structure?

example, an iconic venue, such as Yankee Stadium, is not optimal for soccer (fans are physically further away from the action than at new and soccer-designed venues, such as the Red Bull Arena in New Jersey). Nevertheless, these legendary venues offer a tremendous legacy of value and experience for fans. American sports are also positively differentiated from most arenas in other sports leagues worldwide in numerous aspects (e.g., offering sushi and other interesting gourmet foods). American sports fans also tend to be very committed to all facets of the game, from purchasing merchandise to identifying with the incorporated events, which enhance the overall experience. In addition, the teams constantly offer new opportunities for fans to participate. MLS has attempted to incorporate the best aspects of the U.S. modes of staging and promoting sporting events, including pre-, during-, and post-game entertainment.

### Developing a sustainable fan culture

Other American sports leagues, and European and other soccer leagues, have deep-rooted rivalries<sup>55</sup> of a local, regional, national, or international character, which are profoundly effective at stoking the excitement and passion of fans. However, the rivalry between the Seattle Sounders and the Portland Timbers shows that soccer has its own fan life, and that the club-to-fans-approach to control fan engagement is difficult to employ in a soccer context.<sup>56</sup> The influence of soccer fan culture from other regions of the world also translates into the U.S. context. For instance, certain rivalries, such as the Sounders against the Timbers or between New York City FC and New York Red Bulls at Yankee Stadium possess a vivid fan culture element. A huge market, such as New York City, offers people a broad variety of cultural offerings. However, the city's soccer economy has lacked an attractive product offering for years. Currently, the situation is different due to the presence of two MLS teams, strong personal sports brands (e.g., players), and an organizational arrangement that establishes a bridge to European top soccer (e.g., Manchester City). European soccer and other sports leagues, such as the NFL, show that although small-market and large-market teams exist, there is also space in large markets for more than one team and the staging of passionate rivalries.<sup>57</sup>

Another dimension of MLS is its ability to keep the game atmosphere friendly and pleasant, despite the existing rivalries. For example, the league is effective at creating and hosting family events. Soccer also has wide appeal across demographic and psychographic variables, e.g., gender, age,

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<sup>55</sup> Examples include Auburn vs. Alabama in college football, the Lakers vs. the Celtics in the NBA, the Portland Timbers vs. the Seattle Sounders in MLS, and Manchester United vs. Liverpool FC in the English Premier League.

<sup>56</sup> That fans usually take ownership of the brand in the form of "brand hijack" (Wipperfurth, 2005) is seen in clubs with huge tribalism, such as Celtic in Scotland, Union Berlin and FC St. Pauli in Germany, and Hammarby in Sweden in which fan protests are a common element if the club runs counter to the wishes of the core identity, as perceived by fans in the club.

<sup>57</sup> Examples include Manchester, Rome, Liverpool, London, Hamburg, Berlin, Turin, Milan, Lissabon, Porto, Madrid, and Barcelona, Istanbul, Buenos Aires, and Rio De Janiero.

education, social class, etc. It is a significant strength of the sport on a global stage. This consumption perspective may be transferred to the American market where soccer has huge participation and fan potential if the sport provides better access to various segments than the expensive pay to play model in terms of participation. This may cause some families to turn their backs to MLS and the American soccer approach and thus turn to international soccer consumption via Liga MX or European leagues. MLS demonstrates promise in a marketplace associated with passionate sports consumption.<sup>58</sup> Soccer consumption in the U.S. may also find relevance in driving associations with the overall popularity of the sport. Market dynamics produced by younger segments in soccer compared with other sports in the U.S. and other markets also exist.<sup>59</sup> So, the growth conditions for the soccer economy in the U.S. are better than decades ago (e.g., the above-mentioned U.S. vs. Mexico game). Such sports market dynamics are essential to success. For instance, the development of the English Premier League has been boosted by broadcasting agreements, especially in the last decade, which has greatly increased its prominence compared to other European soccer leagues. These capital injections into the English game heighten the overall sporting quality and competitiveness of the league. The relationship between the strength of the business model of a domestic league (e.g., the Premier League or MLS), including its clubs, and business model elements, such as broadcasting revenue (and how that affects other parts of the business model) constitutes a dynamic topic worthy of investigation. This dynamic feature of the soccer economy is exemplified in how the Italian Serie A became very popular in the late 1980s and early 1990s<sup>60</sup> with a first-rate sporting level and superstars of the game, e.g., Michel Platini, Michael Laudrup, Diego Maradona, Roberto Baggio, Ruud Gullit, Marco Van Basten, Jürgen Klinsmann, Lothar Matthäus, Gianluca Vialli, Franco Baresi, Paolo Maldini, Zinedine Zidane, Alessandro Del Piero, etc. At the time, the Italian Serie A was the league in which top players most wanted to play. The top Spanish clubs, and with it the Spanish La Liga, have experienced their glory days<sup>61</sup> and still possess top sporting competitiveness in powerhouses Real Madrid and FC Barcelona. This dynamic is also present, in that the English Premier League has considerably outpaced other domestic European leagues due to an exemplary commercial development process

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<sup>58</sup> At the professional level, but it is different at a recreational level due to the high price to participate.

<sup>59</sup> The fan base of baseball is growing older.

<sup>60</sup> Diego Maradona came to SSC Napoli in 1984 and took them to lift the Scudetto (Italian Championship – first ever) in the 1986/87 and the 1989/90 seasons, the Coppa Italia in 1987, and the trophy of the UEFA Cup in 1989. Prior to Diego Maradona's arrival, Italian football was dominated by teams from the north and centre of the country, such as A.C. Milan, Juventus, Inter Milan and Roma, and no team in the south of the Italian Peninsula had ever won a league title. In the 1980s, Italian clubs were represented in five out of 10 European Cup Finals – winning three of them. In the following 10 years up to the 2000 UEFA CHL Final between Real Madrid and Valencia, it continued to dominate by being represented in seven out of 10 finals (however, only winning two). For example, the AC Milan team with the three flying Dutchmen and the across-town rivalry with Inter with three German superstars (who won the 1990 World Cup). Another example is Juventus, with Platini in the early 1980s or with Roberto Baggio, Alessandro Del Piero, and Gianluca Vialli in the Marcello Lippi era of the late 1990s (from the championship in the 1994/95 season).

<sup>61</sup> Top clubs and global brands, such as Real Madrid and FC Barcelona, remain dominant and have been able to sustain that dominance partly due to a polarized television market in the Spanish La Liga and global appeal. Currently, the television market model is characterized by increased solidarity.

implemented over a longer time span.<sup>62</sup> The Premier League has revitalized sporting attractiveness, and thus obtained better options to benefit from the strong culture heritage of English soccer. This has only been further intensified via the globalization of modern soccer.<sup>63</sup>

### Television, digitalization, and other mediated content

It could be definitively asserted that “television is king” in the business of sports. Sporting mega-events, such as the Super Bowl, remain profoundly influenced by television as a medium, as are European soccer leagues, especially considering the growth of the broadcasting deals of the English Premier League and other European soccer leagues (including smaller leagues). However, a paradigm shift in the business of sports has occurred concerning investments in, and constant negotiation of, the concept of “content is king”.

In a sports market place characterized by higher levels of media fragmentation, the business value associated with “content is king” seems valid. MLS is subject to rapid digitization (measured by unique users and similar KPIs), which means that the league must remain vigilant and committed to delivering good, relevant, and timely (keeping the importance of “real time” in mind<sup>64</sup>) content, and to integrate such content in efforts to expand other commercial sides of the league’s business, e.g., sponsorship and merchandise sales.<sup>65</sup> While focusing on optimizing all of these revenue sources, television deals remain highly influential and have constituted a major focus of MLS from its beginning stages until now. Rothenberg brings up that the structure of the league, e.g., the single entity structure, must be a good fit with what the commercial stakeholders, e.g., broadcasting partners, want. He believes that the promotion-relegation structure of other soccer leagues gives MLS a situation, which is *“antithetical to what we see in sports and it's antithetical to investments and to TV. If you look at it, TV is the big thing. TV wants two things. One is a nationwide exposure, but two is, they want the major markets. And if you can't guarantee you've got the major markets, then you ought to take a long, hard look”*. So, Rothenberg basically addresses that broadcasting investors are looking for the major markets to be included in the commercial ecosystem of the soccer league. A closed or fixed league is a way to guarantee or control this.

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<sup>62</sup> Manchester United won the “treble” at a time (1999) when the media market of sports truly evolved and when Manchester United was boosted by the “creative economy”. This constitutes an interesting development of taking a club to the top of the soccer, as measured by commercialization and revenue generation.

<sup>63</sup> So, this contextual understanding of the mechanisms of marketability in soccer is vital.

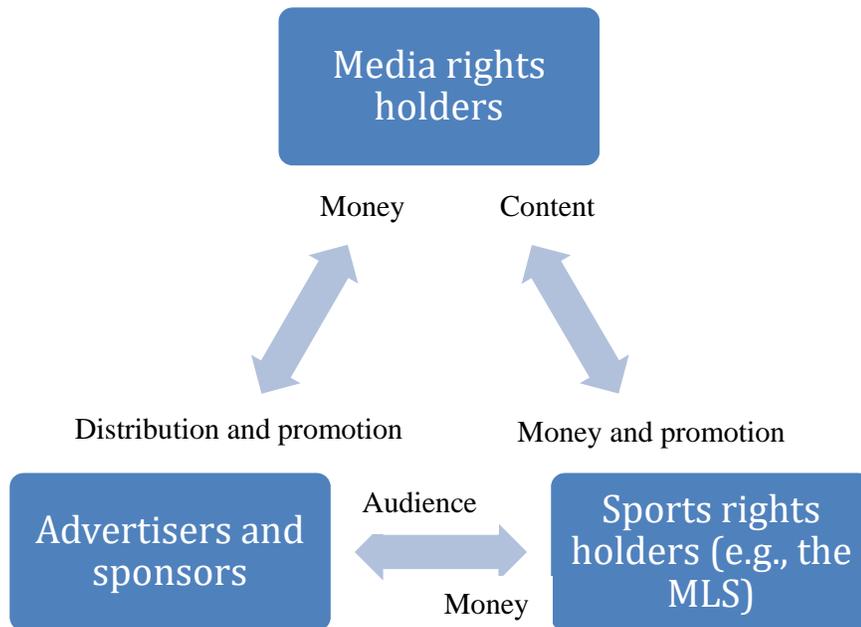
<sup>64</sup> Time and context must always be considered.

<sup>65</sup> For instance, creating some synergy in relation to sponsorship co-creation and co-branding (Blackett & Russell, 1999; 2000; Vargo & Lusch, 2004; Urriolagoitia & Planellas, 2007), which can be done with Adidas, and with international leagues, such as La Liga.

However, since MLS is still not profitable in a sustainable way, effort must still be exerted to continue to increase revenues over the costs, as it is very expensive to operate a soccer league when investing in global superstars, stadiums, and talent academies, while attempting to rise to a level that is closer to its European counterparts (and now also China). Brand development is at the core of this process, and MLS must continue to strive to appeal to the fans of the future. Currently, the Millennials are the biggest demographic of MLS, and league performance is above average with this digital-savvy segment. Co-creation and co-branding have been powerful vehicles in supporting this development.

### Corporate support

Fans are the founding pillar for economic success in sports. Soccer is no exception. Whether focus is on live attendance in the venue or in front of media screens, fans secure that the engine of sports business is running. Thus, fans create a rationale for corporate support. This includes broadcast partners, which shape the interaction between soccer (MLS), the media and the basis for commercialization, cf. Figure 3 below.



**Figure 3.** Interaction between media rights holders, sports rights holders and commercialization (Cortsen & Nørgaard, 2015).

MLS has an eight-year media rights deal starting in 2015 with ESPN, Univision and Fox worth \$90 million annually (Greyser, Schmidt & Holzmayr, 2018; SportsPro, 2019). Figure 3 illustrates the flow of money and offerings between the sports rights holder, i.e., MLS, the media rights holders, i.e., ESPN, Univision and Fox, and sponsors and advertisers such as for instance Adidas or Heineken. Thus, MLS provides soccer content to the media rights holders, which in return pay for the content and help to promote the league. In addition, MLS offers an audience to Adidas, Heineken and other

sponsors or advertisers, which are interested in paying for the marketable association with MLS. The same sponsors or advertisers may also pay the media rights holders for the association with soccer and MLS in return for the media rights holders' distribution and promotion of specific corporate messages and the relationship to soccer and MLS. The interaction is a theoretical construction but if it breaks, e.g., if the media rights holders pay too much for the soccer content, often they win some money back by increasing the price for fans that pay for media subscriptions. However, this scenario always comes down to the quality of the sporting competition and thereby economic supply and demand factors within that contextual framework (Foster, Greyser & Walsh, 2006). Broadcasting and specifically television exposure is vital for the league's attempts to provide commercial value and to grow in the future. Various sources emphasize positive expectations in that regard (Greyser, Schmidt & Holzmayer, 2018; SportsPro, 2019). Rothenberg reinforces the importance of television and media revenue for the financial practicality of MLS. In answering our question of the relative immaturity of MLS as a media product, Rothenberg says that *"implicit in that question is the unique nature of television today and media broadly [...] The great leagues and teams from around the world are available on U.S. television, which obviously crowds the market somewhat and makes it difficult for Major League Soccer to carve a good niche for themselves. Also, those leagues, they don't need big ratings in the United States"*. Rothenberg points to the competition elements from these international leagues in which *"big money comes from their Premier League contract or their Champions League contract and so the few million more that they get from a domestic U.S. platform, that's nice to have, but it isn't vital. Obviously, for Major League Soccer, it's the opposite"*.

This competitive scenario is relevant to dive into because it also speaks to the market dynamics influencing international soccer over the past decades. In retrospect, Rothenberg notes that *"Go back to the 1970s with the NASL [...] It was relatively easy to bring players over here because at that time you didn't have cross-border television. You didn't have pay-per-view. So, you basically had, you know, in England, they had whatever, I guess at the that time was strictly the national broadcaster, the BBC arm. That was it. And they couldn't go across borders. So, there was only limited money that was available to pay players. And so, the United States was sort of on a par, if you will. Yeah, and obviously it's a rich country and with some major networks. And so, there was money there and you could compete"*. Therefore, the media setting or the media development acts as a major influencer on the commercial state of sports and soccer leagues, also from a competitive perspective. Rothenberg supplements in that *"The problem with Major League Soccer [...] They are getting some name players, but mostly toward the tail end of their career. If they want to get a player into prime, a top player, there are two things. One is, does it make sense to spend a humongous amount of money for transfer fees or salary to get a Messi while he's still in his prime. Will that result in TV-ratings high enough that it pays for itself so it's chicken and egg?"*.

Consequently, there are commercial and economic aspects for MLS to consider while also the practicality of dealing with the supply and demand side of professional soccer players. For instance, Rothenberg emphasizes that *“More important than that, the top players want to play at the top level of competition so that even if you offer them the same money, they probably would stay where they are at least for a couple more years. Then they'd find a way to get you in their 30s. Ok, I don't care about the top competition. I like, you know, it's a nice payday, and I'd like to spend a few years in the United States. It's kind of cool”*. This addresses the importance of time and context as to how international soccer has developed since the 1970s until today but also how MLS must consider adjusting its strategic and operational reality to spark future growth from a sporting and business angle and to benefit from the integrated cohesion. From Rothenberg's viewpoint, *“It will happen. But it just takes, it takes time. And in terms of the quality of play, you know, we're getting there, and people focus on the top teams in the Premier League. If you drop past the top two or three teams in La Liga or in the Bundesliga or Serie A or France, we're OK [...] And also in terms of attendance, but people say, oh, come on, after you get through with the top tier teams, everyone pays attention to the Premier League and then one or two teams in those other countries. If we take those off the board [...] Our best teams are competitive”*.

### **Competitive landscape**

Scholars (Greyser, Schmidt & Holzmayer, 2018) highlight the differences between the U.S. and the European sports leagues, e.g., the overall league system, governance, competitive balance, market exclusiveness, ownership talent work, salary and transfer fee rules, competitive balance. It is notable that soccer fits in to society as a clear no. 1 sport in most countries in Europe and in other regions of the world, e.g., South America. However, the competitive landscape in the U.S. positions soccer and MLS far behind the other four major sports leagues as an alternative for consumer leisure time and money. For instance, research shows that the NFL as the market leader generated revenues of \$13.2 billion in 2016 (an average of \$411 million per club) compared to MLB with revenues of \$9.0 billion, the NBA with revenues of \$5.9 billion, the NHL with revenues of \$4.1 billion while MLS only generated \$644 million or an average of \$32 million per club on average (Greyser, Schmidt & Holzmayer, 2018). Moreover, MLS clubs must compete with collegiate athletics, which also account for a relevant share of the U.S. sports market<sup>66</sup>.

### **The future of MLS and concluding remarks**

It remains difficult, perhaps almost impossible, for MLS to beat the Premier League or other

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<sup>66</sup> In 2017, the NCAA reported revenue of more than \$1 billion (Greyser, Schmidt & Holzmayer, 2018).

powerhouse European leagues<sup>67</sup> in terms of global popularity or to accomplish the same commercialization power as the NFL. However, North America is an enormous marketplace, and soccer will grow to even higher extents,<sup>68</sup> and claim its share of this immensely lucrative sports market. The organizational structure of MLS incorporates common features of the North American sports leagues.<sup>69</sup> For example, there is no relegation, and the league has a salary cap, a draft system, and a revenue-sharing system. There are also specific rules and regulations concerning free agents and the transfer market, which do not apply to European soccer clubs.<sup>70</sup> The league applies these features to achieve a competitive balance. Moreover, although the league, over its lifetime, experienced the inclusion of star players, such as David Beckham, Steven Gerrard, Frank Lampard, Andrea Pirlo and David Villa, MLS has not experienced circumstances such as those in China, in which top Chinese clubs have bought star players in transfer situations. The astronomic transfer amounts linked to Chinese top clubs' signings of star players, such as Hulk, Jackson Martinez, Oscar and Ezequiel Lavezzi,<sup>71</sup> and the strategies of the Chinese government to put the country on the global soccer map, may result in problems for MLS in terms of recruiting top players.<sup>72</sup> This development in global soccer is certainly exciting in terms of its impact on the future of the sport, but also in the sporting and commercial conditions of various sports leagues, as developments in global soccer always have reverberating effects in sports, in general.<sup>73</sup>

Overall, it is clear that MLS and soccer in the U.S. (and Canada) have a promising future and have come a long way concerning structure, commercialization and professionalization since the milestone of the 1994 World Cup and the first MLS game in 1996. However, this must be measured against the foundation of soccer in the country's large population and whether or not young athletes continue to choose soccer as their sport in the future and the fact that the U.S., Canada and Mexico will co-host the World Cup in 2026? The resources and capabilities of MLS are important in helping to cultivate the soccer market in the U.S. and in shaping the possible upsides, e.g., financially via the league's growth potential, and should be adjusted according to macro and micro issues. For instance,

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<sup>67</sup> These leagues have been around for so many years, and all the best players go to Europe because that is where the most money is (manifested sport in Europe and manifested leagues and the cross-country and co-created UEFA competitions that really boost sporting and business levels of European leagues).

<sup>68</sup> Given some of the development signs that we see in terms of higher attendance levels, increased investor interest, league expansion, or more commercial interests.

<sup>69</sup> This is something that safeguards the league's business model. However, one can discuss if it is effective from a sporting perspective – also that the players are on contract with the league (in Europe there is such an intensive rivalry characterized by the expression, “I really want to beat that team”).

<sup>70</sup> There may be interesting aspects here that may influence the development of the league. It is also relevant to relate this to what Infantino is attempting to achieve with FIFA reforms in order to determine how the political environment of global soccer will affect MLS in the future.

<sup>71</sup> These players are not old and faded. What does this mean for MLS and for global soccer?

<sup>72</sup> This is also interesting because Infantino is currently trying to counterbalance what is occurring in China.

<sup>73</sup> Then, it becomes a matter of whether or not that influence is on a small-scale and irrelevant for MLS or on a large-scale and relevant?

the trinity between U.S. Soccer, clubs and fans must also be cultivated and may assist in building long-term passion and preventing MLS from making the same mistakes of NASL because at the end of the day, the long-term sustainability of the league is a function of qualifying the understanding and importance of the game of soccer on U.S. soil. In doing so, sophisticated and meaningful commercial and sporting co-creation and co-branding can take place because soccer is a cultural phenomenon. From merchandise stores at different MLS venues, to hospitality offerings, to the in-venue atmosphere, and to the logistics surrounding the game, MLS has established an excellent commercial direction for its future development. Moreover, the total soccer experience in MLS is innovative and has high standards, as measured by service and experiential parameters. More rivalries and geographical proximity will boost this development. Simultaneously, MLS maintains its own identity, a *bona fide* “soccer club mentality”, and a fan culture that is distinct from those of other U.S. major league sports while striving to improve its sporting quality and talent development. Soccer and MLS is a good match among younger generations. Though, the challenges of the pay to play system, educated coaches, the fight for talent in a global soccer market with a salary cap, and the future value of broadcasting deals remain questions to be answered.

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## **Acknowledgements**

We appreciate the cooperation of past and present MLS executives in the development of the Harvard Business School case studies on the North American Soccer League (1977) and the initiation of MLS (1998). We also thank the named and anonymous executives and observers who agreed to be interviewed for this research. Special thanks go to Alan Rothenberg, Michael Gspurning, Greg Lalas, Mikkel Strøjer, Tim Hinchey III, and Pdraig Smith for their perspectives on the development of the league. Luz Velazquez (HBS staff) deserves special gratitude for helping to guide this Working Paper to publication.

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1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
10,3	12,5	12	13,9	13,7	13,2	13,2	12,9	13,9	14,5
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
11,1	13,3	14,1	14	13,8	13,5*	13,6	13,5	13,9	13,7
2013	2014	2015	2016	2017					
12,9	13,4	14,1	14,1	14,3					

**Exhibit 1.** Soccer participation in the U.S. from 1993 – 2017 in millions (National Sporting Goods Association, 2018).



**Exhibit 2.** Governance structure and participants in DFB/German Soccer Association (source: DFB, 2018).

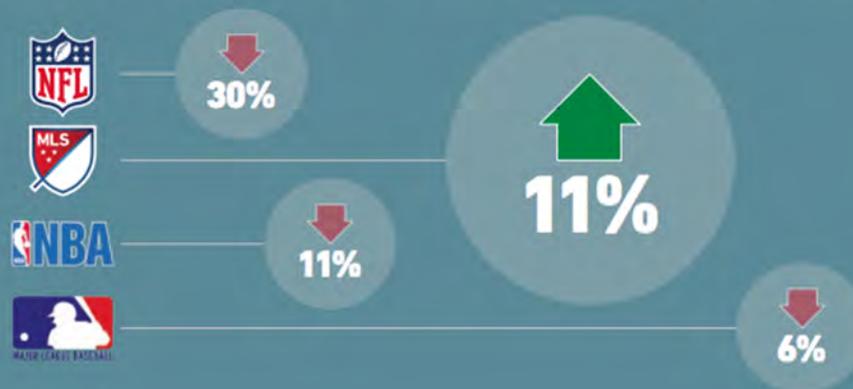
<b>The Eastern Conference (14 teams)</b>	<b>The Western Conference (13 teams)</b>
Atlanta United FC	Austin FC
CF Montréal	Colorado Rapids
Chicago Fire FC	FC Dallas
Columbus Crew SC	Houston Dynamo
D.C. United	Los Angeles Football Club
FC Cincinnati	LA Galaxy
Inter Miami CF	Minnesota United FC
Nashville SC	Portland Timbers
New England Revolution	Real Salt Lake
New York City FC	San Jose Earthquakes
New York Red Bulls	Sporting Kansas City
Orlando City SC	Seattle Sounders
Philadelphia Union	Vancouver Whitecaps FC
Toronto FC	

**Exhibit 3.** Eastern and Western Conference, MLS 2021 season<sup>74</sup>.

<sup>74</sup> <https://www.mlssoccer.com/standings>.

# SOCCER'S RISING POPULARITY

A Gallup poll in December 2017 stated that soccer ranks second in popularity as a spectator sport among people 18–34 in the U.S., behind only gridiron football.



## SPECTACULAR SOCCER STADIUMS

MLS now has 19 stadiums built for soccer, with two opening this season — LAFC's Banc of California Stadium and D.C. United's Audi Field. Minnesota United's Allianz Field opens in 2019.

## DYNAMIC ATHLETES IN THEIR PRIME

As MLS has quickly become one of the world's top soccer leagues, it has become a League of Choice for dynamic players in the prime of their careers. These players combine with a passionate, millennial-fueled supporter culture to provide an exhilarating live experience at every match.

## THE WORLD COMES TO MLS

With players from more than 70 different countries competing, MLS is the most diverse sports league in the world.



U.S. National Team midfielder Paul Arriola and his D.C. United teammates begin play this season at Audi Field



Exhibit 4. The rising popularity of soccer (MLS, 2018b).

U.S. major sports league	Average attendance
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<b>NFL (2019)</b>	<b>66,151</b>
<b>MLB (2019)</b>	<b>28,317</b>
<b>MLS (2018)</b>	<b>21,873<sup>75</sup></b>
<b>NBA (2019/2020)</b>	<b>17,750</b>
<b>NHL (2019/2020)</b>	<b>17,423</b>

**Exhibit 5.** Average attendance numbers of the U.S. major sport leagues (Statista, 2019).

	<b>Club</b>	<b>Average attendance (2018)</b>
<b>1</b>	<b>Borussia Dortmund</b>	<b>80,133</b>
<b>2</b>	<b>FC Barcelona</b>	<b>76,452</b>
<b>3</b>	<b>Bayern Munich</b>	<b>75,000</b>
<b>4</b>	<b>Manchester United</b>	<b>74,474</b>
<b>5</b>	<b>Real Madrid</b>	<b>64,347</b>
<b>6</b>	<b>Inter</b>	<b>62,728</b>
<b>7</b>	<b>FC Schalke 04</b>	<b>61,698</b>
<b>8</b>	<b>Arsenal</b>	<b>59,951</b>
<b>9</b>	<b>Tottenham</b>	<b>59,652</b>
<b>10</b>	<b>Celtic</b>	<b>58,352</b>
<b>11</b>	<b>VfB Stuttgart</b>	<b>57,909</b>
<b>12</b>	<b>West Ham</b>	<b>56,905</b>
<b>13</b>	<b>Hertha BSC</b>	<b>56,670</b>
<b>14</b>	<b>Atletico Madrid</b>	<b>55,945</b>
<b>15</b>	<b>SL Benfica</b>	<b>55,619</b>
<b>16</b>	<b>AC Milan</b>	<b>54,393</b>
<b>17</b>	<b>Olympique Marseille</b>	<b>54,262</b>
<b>18</b>	<b>Manchester City</b>	<b>53,965</b>
<b>19</b>	<b>Atlanta United</b>	<b>53,002</b>
<b>20</b>	<b>Ajax Amsterdam</b>	<b>52,907</b>
<b>21</b>	<b>Liverpool</b>	<b>52,685</b>
<b>22</b>	<b>Flamengo RJ</b>	<b>51,263</b>

<sup>75</sup> The authors note that there is a slight discrepancy between the number 21,873 shown in Exhibit 5 (where the main source Statista refers to ESPN.com) and the number 22,120 shown in Exhibit 7 (where the main source Statista refers to weltfussball.de) (Statista, 2019).

23	<b>Borussia Mönchengladbach</b>	<b>50,888</b>
24	<b>Newcastle United</b>	<b>50,854</b>
25	<b>Zenit St. Petersburg</b>	<b>50,352</b>
26	<b>Glasgow Rangers</b>	<b>49,581</b>
27	<b>Olympique Lyon</b>	<b>49,457</b>
28	<b>Eintracht Frankfurt</b>	<b>48,360</b>
29	<b>Guangzhou Evergrande</b>	<b>48,016</b>
30	<b>Paris Saint-Germain</b>	<b>47,238</b>
31	<b>Real Betis</b>	<b>46,802</b>
32	<b>Porto</b>	<b>45,134</b>
33	<b>Feyenoord</b>	<b>45,120</b>
34	<b>Boca Juniors</b>	<b>44,500</b>
35	<b>Fortuna Düsseldorf</b>	<b>41,823</b>
36	<b>Beijing Guoan</b>	<b>41,743</b>
37	<b>Athletic Bilbao</b>	<b>41,371</b>
38	<b>Werder Bremen</b>	<b>41,350</b>
39	<b>UANL Tigres</b>	<b>40,995</b>
40	<b>Seattle Sounders</b>	<b>40,641</b>
41	<b>River Plate</b>	<b>40,500</b>
42	<b>Chelsea</b>	<b>40,467</b>
43	<b>Valencia</b>	<b>40,460</b>
44	<b>AS Roma</b>	<b>40,162</b>
45	<b>FC Nürnberg</b>	<b>39,874</b>
46	<b>Juventus</b>	<b>39,473</b>
47	<b>Hannover 96</b>	<b>39,340</b>
48	<b>Everton</b>	<b>38,825</b>
49	<b>Sao Paulo</b>	<b>37,316</b>
50	<b>Sevilla</b>	<b>37,314</b>

**Exhibit 6.** Ranking of global soccer clubs measured by average attendance numbers (Sky Sports 2019).

Soccer league	Average attendance
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<b>Bundesliga (Germany)</b>	<b>41,520</b>
<b>Premier League (England)</b>	<b>38,300</b>
<b>La Liga (Spain)</b>	<b>26,940</b>
<b>Liga MX (Mexico)</b>	<b>25,180</b>
<b>Serie A (Italy)</b>	<b>24,770</b>
<b>Ligue 1 (France)</b>	<b>22,520</b>
<b>Major League Soccer (U.S. and Canada)</b>	<b>22,120</b>

**Exhibit 7.** Ranking of global soccer leagues measured by average attendance numbers 2017/2018 (Statista, 2019).

<b>Year</b>	<b>North America sports market size (billion \$)</b>
<b>2009</b>	<b>48.73</b>
<b>2010</b>	<b>49.99</b>
<b>2011</b>	<b>52.01</b>
<b>2012</b>	<b>53.47</b>
<b>2013</b>	<b>56.45</b>
<b>2014</b>	<b>60.23</b>
<b>2015</b>	<b>63.56</b>
<b>2016</b>	<b>67.29</b>
<b>2017</b>	<b>69.14</b>
<b>2018*</b>	<b>71.19</b>
<b>2019*</b>	<b>73.46</b>
<b>2020*</b>	<b>76.05</b>
<b>2021*</b>	<b>78.01</b>
<b>2022*</b>	<b>80.30</b>

**Exhibit 8.** Size of the sports market in North America from 2009 to 2022 (Statista, 2019)<sup>\*forecast</sup>.

<b>Year</b>	<b>Revenue of sports teams and clubs in the U.S. (million \$)</b>
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<b>2008</b>	<b>20,375</b>
<b>2009</b>	<b>20,651</b>
<b>2010</b>	<b>21,442</b>
<b>2011</b>	<b>22,333</b>
<b>2012</b>	<b>22,672</b>
<b>2013</b>	<b>24,145</b>
<b>2014</b>	<b>26,668</b>
<b>2015</b>	<b>28,979</b>
<b>2016</b>	<b>30,888</b>
<b>2017*</b>	<b>32,399</b>
<b>2018*</b>	<b>33,575</b>
<b>2019*</b>	<b>34,502</b>
<b>2020*</b>	<b>35,241</b>

**Exhibit 9.** Revenue of sports teams and clubs in the U.S. from 2008 to 2020 (Statista, 2019) \*forecast.

<b>League</b>	<b>Country</b>	<b>Clubs</b>	<b>Players</b>	<b>Total Market Value</b>	<b>Mean Market Value</b>	<b>Continent</b>
Premier League	England	20	499	8.25 Bill. €	412.71 Mill. €	UEFA
LaLiga	Spain	20	475	5.53 Bill. €	276,36 Mill. €	UEFA
Bundesliga	Germany	18	511	4.28 Bill. €	237.98 Mill. €	UEFA
Serie A	Italy	20	527	4.70 Bill. €	234.99 Mill. €	UEFA
Ligue 1	France	20	537	3.31 Bill. €	165.40 Mill. €	UEFA
Liga NOS	Portugal	18	474	1.04 Bill. €	57.92 Mill. €	UEFA
Premier Liga	Russia	16	405	901.73 Mill. €	56.36 Mill. €	UEFA
Eredivisie	Holland	18	489	1.01 Bill. €	56.05 Mill. €	UEFA
Jupiler Pro League	Belgium	16	454	658.03 Mill. €	41.13 Mill. €	UEFA
Campeonato Brasileiro Serie A	Brazil	20	696	776.15 Mill. €	38.81 Mill. €	CONMEBOL
Süper Lig	Turkey	18	504	634.10 Mill. €	35.23 Mill. €	UEFA
Primera Division	Argentina	26	704	826.25 Mill. €	31.78 Mill. €	CONMEBOL
Chinese Super League	China	16	523	484.40 Mill. €	30.28 Mill. €	AFC
<b>Major League Soccer</b>	<b>USA</b>	<b>24</b>	<b>654</b>	<b>515.30 Mill. €</b>	<b>21.47 Mill. €</b>	<b>CONCACAF</b>

Alka Superligaen	Denmark	14	350	172.00 Mill. €	12.29 Mill. €	UEFA
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**Exhibit 10.** Total market value of players in top professional soccer leagues<sup>76</sup> (TransferMarkt, 2019).

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<sup>76</sup> Exhibit 10 shows the domestic professional soccer leagues with the highest mean market value while comparing them to MLS, the Chinese Super League and a small European league, cf., the Danish Super League, to illustrate the gaps between leagues.

## Appendix A: Soccer in the U.S. and MLS

A comprehensive understanding of the American soccer context and fMLS must consider the differences between the foundational and economic perspectives of soccer in the U.S. and specifically of MLS and those of the other U.S. major sports leagues. For instance, the average annual player salary in MLS in 2018/19 accounts for \$380,000 compared to \$7.77 million in the NBA, \$4.51 million in MLB, \$2.91 million in the NFL, and \$2.78 million in the NHL. The English Premier League (EPL) is positioned in between MLB and the NFL with an average annual player salary of \$3.94 million while other prominent soccer leagues such as the Spanish La Liga (\$2.9 million), the Italian Serie A (\$2 million), the German Bundesliga (\$1.84 million), and the French Ligue 1 (\$1.3 million) report smaller amounts than the EPL but still have salary levels significantly higher than MLS (Statista, 2019).

In 2017, there were 5.4 million participants in indoor soccer in the U.S. (6 years and older) while there were 11.92 million participants in outdoor soccer (6 years and older). 390,482 girls participated in U.S. high school soccer in 2017/18 and 456,362 boys participated in U.S. high school soccer in the same period. The growing interest for soccer consumption in the U.S. is portrayed in a growing soccer team uniforms wholesale, which accounted for \$145 million in 2017. This number was the highest since 2007. The sales of soccer equipment reached its peak in 2018, which shows a consistent increase over many years, cf. Table 3.

The Working Paper notes that the contextual factors, e.g., team valuation, team revenue generation, team operating income and average player salary, in MLS vary, which is illustrated in the tables below:

<b>Team</b>	<b>Team value in 2018 (million \$)</b>	<b>Team revenue in 2017 (million \$)</b>
Atlanta United	330	47
LA Galaxy	320	63
Seattle Sounders	310	52
Los Angeles FC	305	<b>Joined the league in 2018</b>
Toronto FC	290	49
Portland Timbers	280	48
New York City FC	278	42
Orlando City SC	275	44

Sporting Kansas City	270	41
D.C. United	265	26
New York Red Bulls	250	38
Minnesota United	248	24
Chicago Fire	245	27
San Jose Earthquakes	235	36
New England Revolution	225	28
Houston Dynamo	220	28
FC Dallas	190	34
Philadelphia Union	175	26
Real Salt Lake	170	22
Montreal Impact	168	24
Vancouver Whitecaps	165	22
Columbus Crew	160	24
Colorado Rapids	155	18

**Table 2.** Team value and team revenue in MLS (Statista, 2019).

	<b>Balls</b>	<b>Protective Gear</b>	<b>Other/Accessories</b>
<b>2007</b>	<b>103</b>	<b>25</b>	<b>179</b>
<b>2008</b>	<b>104</b>	<b>24</b>	<b>176</b>
<b>2009</b>	<b>99</b>	<b>23</b>	<b>184</b>
<b>2010</b>	<b>111</b>	<b>29</b>	<b>191</b>
<b>2011</b>	<b>113.1</b>	<b>29.8</b>	<b>197.6</b>
<b>2012</b>	<b>114.2</b>	<b>30.6</b>	<b>204.9</b>
<b>2013</b>	<b>122.8</b>	<b>31.4</b>	<b>213.4</b>
<b>2014</b>	<b>127.7</b>	<b>32.1</b>	<b>236</b>
<b>2015</b>	<b>127.1</b>	<b>31.8</b>	<b>241.6</b>
<b>2016</b>	<b>130.5</b>	<b>32.6</b>	<b>255.5</b>
<b>2017</b>	<b>130.3</b>	<b>32.6</b>	<b>256.5</b>
<b>2018</b>	<b>127.9</b>	<b>32.5</b>	<b>261.3</b>

**Table 3.** Soccer equipment wholesale sales in the U.S. from 2007 to 2018 in million \$ (Statista, 2019).

<b>Team</b>	<b>Operating income in 2017 (million \$)</b>	<b>Average player salary in 2018 (thousand \$)</b>
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LA Galaxy	6	648
Seattle Sounders	6	421
Portland Timbers	3	417
Sporting Kansas City	2	328
Real Salt Lake	2	299
Orlando City SC	1	310
New England Revolution	1	273
Houston Dynamo	-1	195
San Jose Earthquakes	-2	269
Atlanta United	-2	365
Philadelphia Union	-2	308
FC Dallas	-3	301
New York Red Bulls	-3	265
Vancouver Whitecaps	-3	257
Columbus Crew	-6	258
Minnesota United	-6	272
Colorado Rapids	-6	367
D.C. United	-6	259
Montreal Impact	-7	385
Toronto FC	-10	902
Chicago Fire	-12	493
New York City FC	-15	544
Los Angeles FC	Joined the league in 2018	480

**Table 4.** Operating income and average player salary in MLS (Statista, 2019).