We are in the middle of the 2024 NCAA basketball Championships, AKA March Madness. Three weeks which during college basketball becomes big business. Hello and welcome to the On-Ramp, an ongoing series that highlights the thought leadership from Suffolk Universities Sawyer Business School in downtown Boston. My name is Melissa Sipini and today I'll be speaking with Professor Skip Perham, director of the school's new Sports Management Business program. He's going to help us explore the economics of March Madness and explain why the tournament is about business as much as it is about basketball. Professor Perham, thank you so much for being here. Thanks, Melissa, for having me. Of course.

As marketing professor and director of the Sports Management Program here at Sawyer Business School, what do you think of the tournament? Is playing basketball being eclipsed by the business of playing basketball? Well, I wouldn't say that because without the basketball, there really isn't a product. Right.

So the product is the basketball, and literally the product is the players. So there isn't anything outside of NFL football or college football that really drives engagement like the March Madness Tournament, both on the men's and increasingly on the women's side. What are the economics behind the NCAA March Madness?

So the NCAA takes in at about $1.2 billion in revenue. Wow. Almost a billion of that, really starting next year, will come over these three or four weeks that are the men's and the women's tournament. So we're talking about the vast majority of NCAA revenues, which get distributed to 1200 member schools, including a university like Suffolk at Division III. It is the revenue source for the NCAA. How much does the media pay for this content? So, CBS and Warner Discovery Television pays 900 million per year to bring just the men's tournament. So we're talking, you know, a tournament of 62 teams bracketed, 900 million. That's an estimate.

For the women's side, far lower, but increasing. With the new contract that the NCAA just signed with ESPN, the women's NCAA tournament is valued about 65 million.
And both contracts, the ones with the men's and the women, both sunset in 2032. And then I think we might see the women and the men get even closer in terms of the value to...

That's huge.

The NCAA.

Wow.

Yeah.

How important is March Madness when it comes to funding the NCAA?

I mean, it is huge.

As I said, so 900 million, almost a billion of the NCAA's revenues, which really come from ticket sales to championship events and this tournament, both the media rights and the marketing rights, but the vast majority come from these four weeks.

Why do people care so much about college basketball?

Well, I think that if I were to give you one number,

I would say that an estimated 60 million people play some kind of NCAA bracket challenge.

Whether that's for money or just for pride or fun. That's just an enormous amount of engagement.

And I don't think you would have 60 million people doing a bracket tournament for the NFL or any other sport.

So, because it's sort of ubiquitous over these 3, 4 weeks, it just, and look, lots of us went to college.

Suffolk's not gonna be playing in the tournament, but I'm certainly gonna be excited about it, whether it's driven through the bracket challenge or maybe you, I'm an individual bettor.

It just captures the attention of people over these three or four weeks.

How many people watch, play brackets and bet on March Madness?

So the men's championship game last year took in an audience of 15 million.

The women's set a record with 10 million.

We had Kaitlyn Clark, who's again playing, and she's phenomenal.

And I think the women's tournament will be even higher this year.

So those ratings are above what you would get for a traditional major league baseball game.

Even your everyday NBA game, premier League, any of that. I mean, it's far shorter than what the Super Bowl would get with is 120 some odd million.

But we're talking significant audiences for sure.

In terms of brackets, 60 million people that were estimated to play last year.

And in terms of betting, let me give you this number. In Massachusetts alone and a year ago at this time, was the first time you could bet legally online in Massachusetts.
Massachusetts saw close to more than a half a billion in wagers, both in April and May of last year. And the state made about $24 million in tax revenue off of those bettings just for those two months alone. And that's on par with what we would see NFL betting during December of last year.

And that's just for basketball?

That's just for this tournament.

So there are other things going on in March and April that you could bet on, but there's no doubt that the vast majority of that revenue is coming from legalized betting on the NCAA tournament.

Absolutely insane.

Yeah.

There's been a lot of controversy over the equity between the men and women's tournaments.

Tell us more about that gap.

So it's manifested itself a lot in the terms of facilities.

We all remember that, or many people will remember the video of the women's basketball player shooting that social media video saying, "This is our gym. This is our workout room."

And then comparing it to the men.

So look, I think particularly with the new NCAA president, Charlie Baker, this is a priority.

Yeah.

I think the Women's Tournament is getting increasingly amount of exposure.

It's getting more revenue.

So I think it's making progress, but I can't say that the same facilities that the men have or what the women have at this point.

Again, where these TV contracts reset in 2032 and the NCAA has a chance to put the men's and women's together and market it at the same time.

It might really change the value.

One of the things I will say is, I think it's significant, last year for the first time, the Women's Tournament was branded as March Madness.

And before they couldn't.

It was just the men's tournament.

Now both the men's and women's tournaments are March Madness.

So from a branding perspective, that puts them on par, the women's tournament with the men's tournament.

Do you know why that was?

I think it was because of these equity issues.

Just clear. I mean, it was an easy statement to say the women are playing the same game.

They're playing at a high level. It's the same tournament.

Why wouldn't we call it March Madness?
And the truth is, it's more valuable as you go out and market the women's tournament to call it March Madness. Why wouldn't you do that?

So how does the business school incorporate events like March Madness into its sports management curriculum? We're running right now a business of sports in the media class. It's a class I've been teaching for over a decade. Actually we did start with watching this documentary a number of years ago called "The Billion Dollar Game". It's an ESPN 30 for 30 short documentary about this game, first round game back in 1989, where number 16 seed Princeton played number one seed Georgetown. Princeton nearly became the first 16 seed to upset a number one seed. And back in 1989, Georgetown was as big a college basketball program there was. The Hoyas paranoia, all that. It captured an audience. And CBS realized, wow, we can put these games that would probably be a blowout, but might be really close. They're really worth something. And with the next TV contract, they wrote a check worth $1 billion, not one check, but they signed a contract worth a billion dollars.

So we started to watch that. And then in my class, we'll do our own bracket challenge. Everybody will get to pick the tournament and we'll play for a gift card or something along those lines. Oh, that's awesome. But yeah, we're doing that right now. Thanks for joining us. We'll see you next time on the On-Ramp.