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The economics of NCAA's March Madness

Friday meeting

17 March 2023

Agenda

Revenue and funding

The economics of underdogs

Introduction of gambling

March Madness is the ultimate college basketball showcase.

March Madness is an annual American college basketball tournament run by the NCAA. The tournament follows a 68-team, single-elimination format to declare a national champion.

1939: The first NCAA men's basketball tournament takes place, with only 8 teams competing.



1968: NBC purchases the rights for the tournament for **\$250,000**.



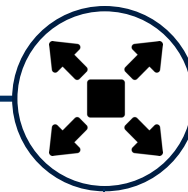
1980: ESPN begins showing early round games, exposing viewers to upsets of highly-seeded teams.



1954: The championship game makes its first appearance on national television. The NCAA charged only **\$7,500** for the rights.



1972-1985: The tournament expands from 16 to 64 teams over the course of 13 years and extensive lobbying from schools.



2011: CBS and Time Warner purchase broadcast rights for **\$10.8B over 14 years** and the tournament expands to 68 teams.



Revenue and funding

The tournament brings in significant advertising revenue.

Advertising revenue

CBS and Time Warner hold exclusive broadcasting rights for the March Madness.

This year the NCAA will earn \$771M from CBS and Time Warner.

TV spot costs increase in price as the tournament progresses.

2023 stage	Est. price
First round	\$200K–\$300K
Championship game	\$2.3M



Fun facts

2023 advertising sales are expected to surpass 2022, which produced \$1B in revenue.

60% of in-game advertisements come from 17 different advertisers.

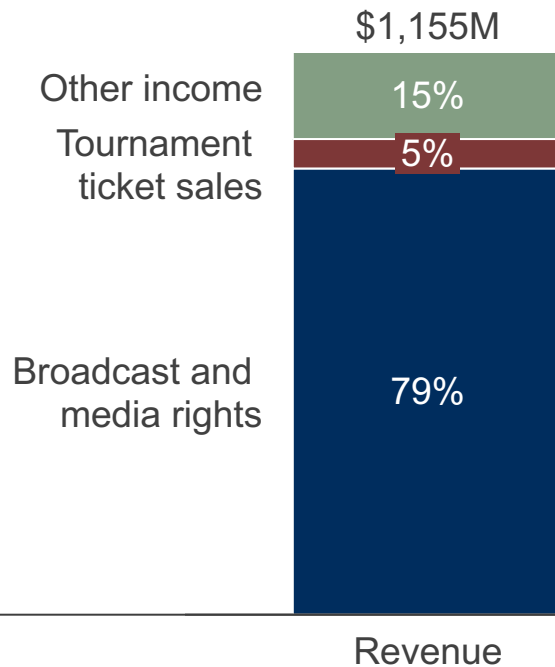
AT&T is the premier sponsor of March Madness, investing \$66.1M on the tournament.



March Madness drives the majority of NCAA revenue.

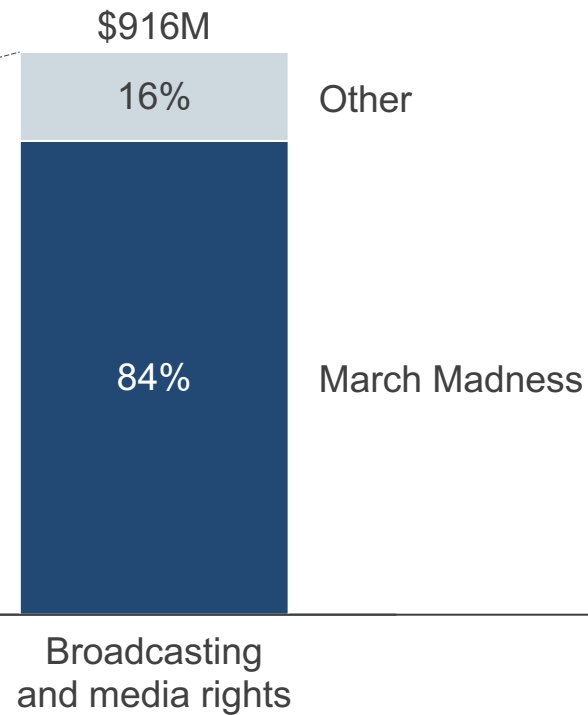
NCAA revenue breakdown

USD, NCAA REVENUE, USA, 2021



NCAA broadcasting rights revenue breakdown

USD, NCAA BROADCAST RIGHTS REVENUE, USA, 2021



College athletic programs rely on March Madness funds.

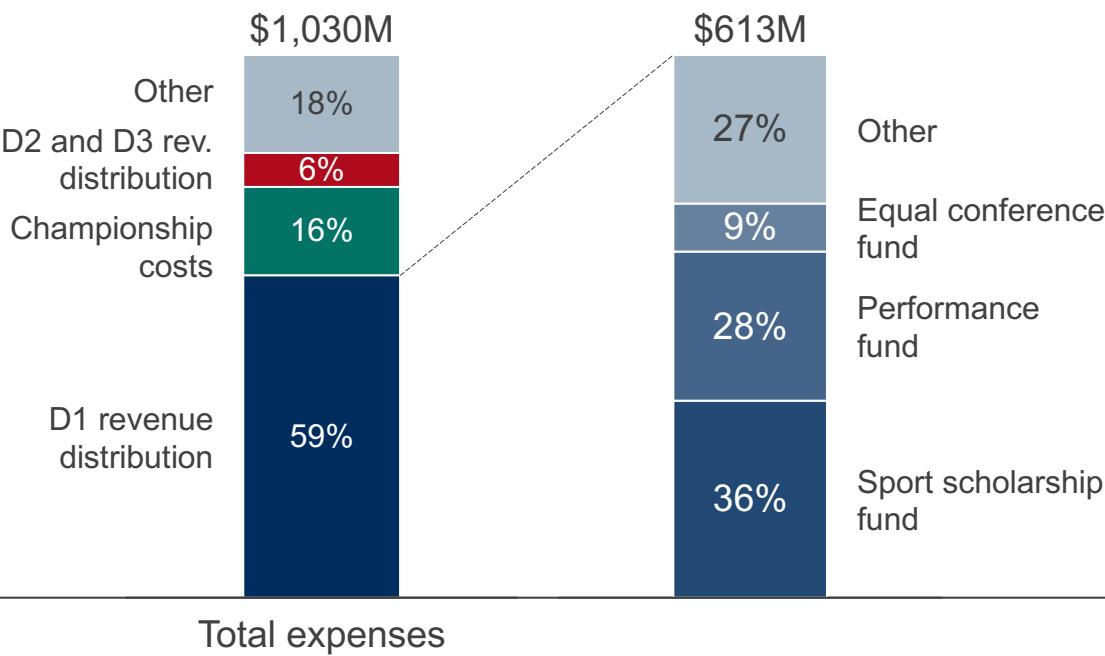
The NCAA uses its revenue to maintain the business and allocate funds to school sports programs. The money is distributed to the conference organizations, which then further distribute it to schools.

NCAA expense breakdown

USD, NCAA EXPENSES, USA, 2021

Division 1 revenue distribution

USD, NCAA EXPENSES, USA, 2021



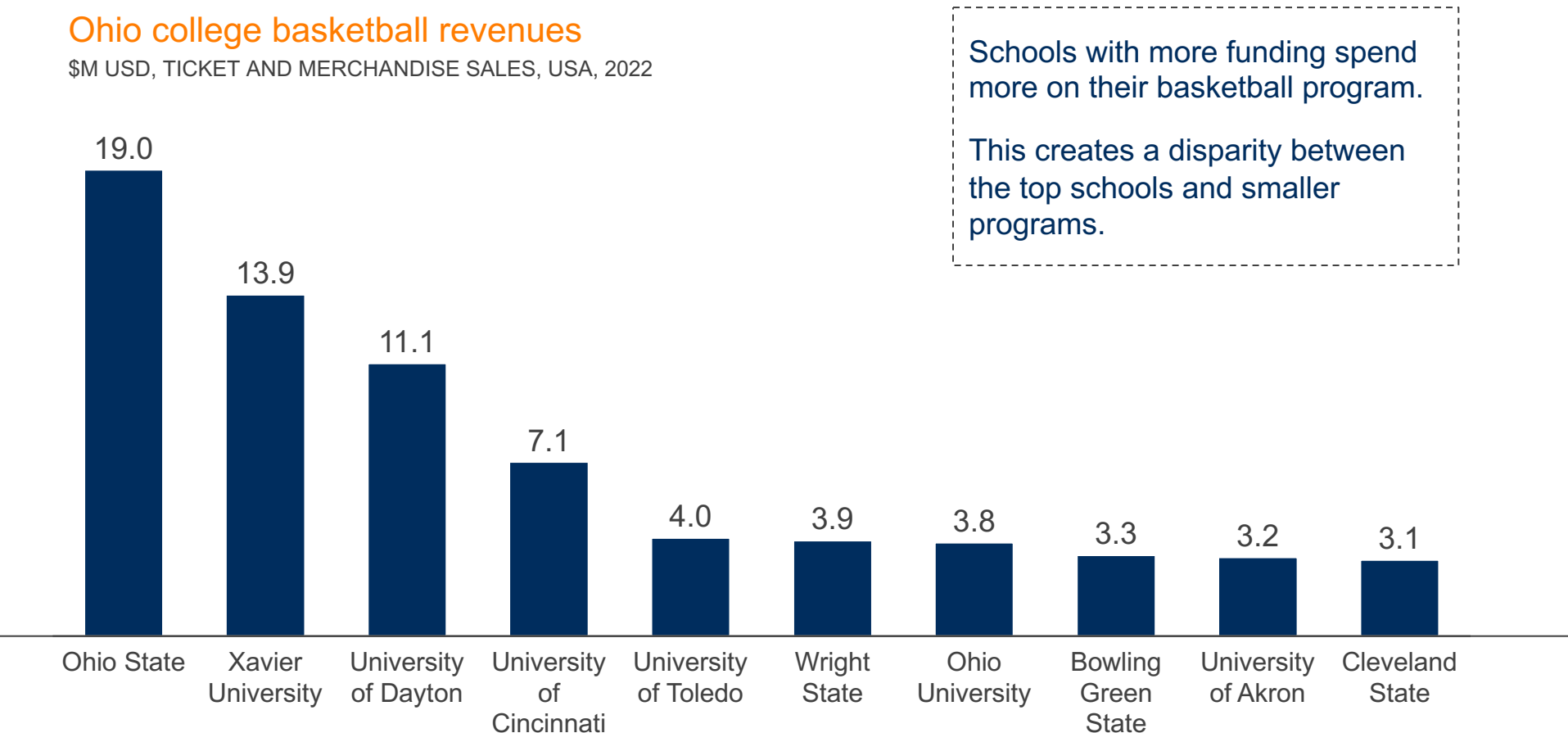
- Sport Scholarship Fund:**
Distributed to schools to fund athletic scholarships
- Equal Conference Fund:**
Distributed equally among all Division 1 conferences
- Basketball Performance Fund:**
Distributed to conferences based on March Madness performance

The economics of underdogs

Popular schools earn significantly more from their basketball programs.

Ohio college basketball revenues

\$M USD, TICKET AND MERCHANDISE SALES, USA, 2022



The Basketball Performance Fund can be a major source of revenue for small conferences.

Each tournament game a team plays will earn their conference a portion of the Basketball Performance Fund.

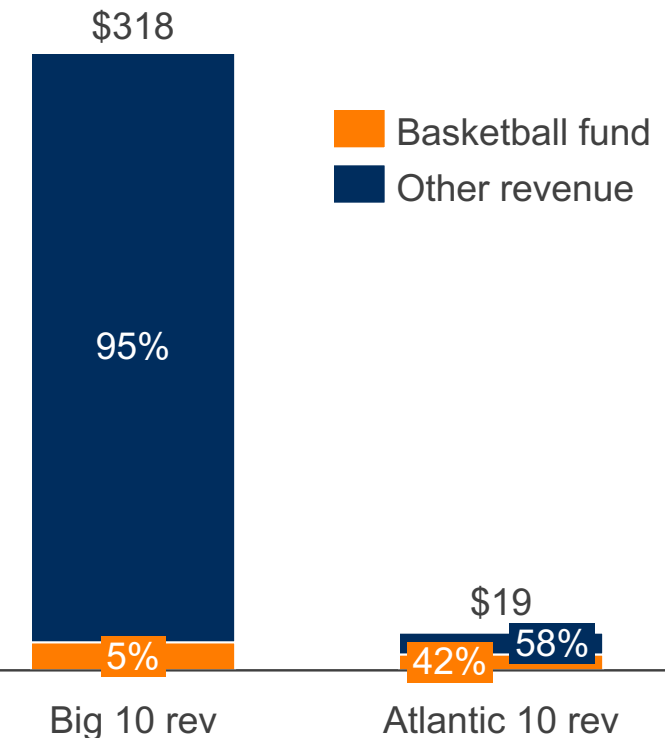
Conferences use funds for their own expenses, allocating the rest to schools.

In 2014, both Dayton and Michigan played in four March Madness games, earning their respective conferences \$6.68M each.

Michigan plays in the Big 10, a much bigger conference than Dayton, which plays in the Atlantic 10.

Revenue breakdown of college sports conference

\$M USD, TOTAL REVENUE, USA, 2014

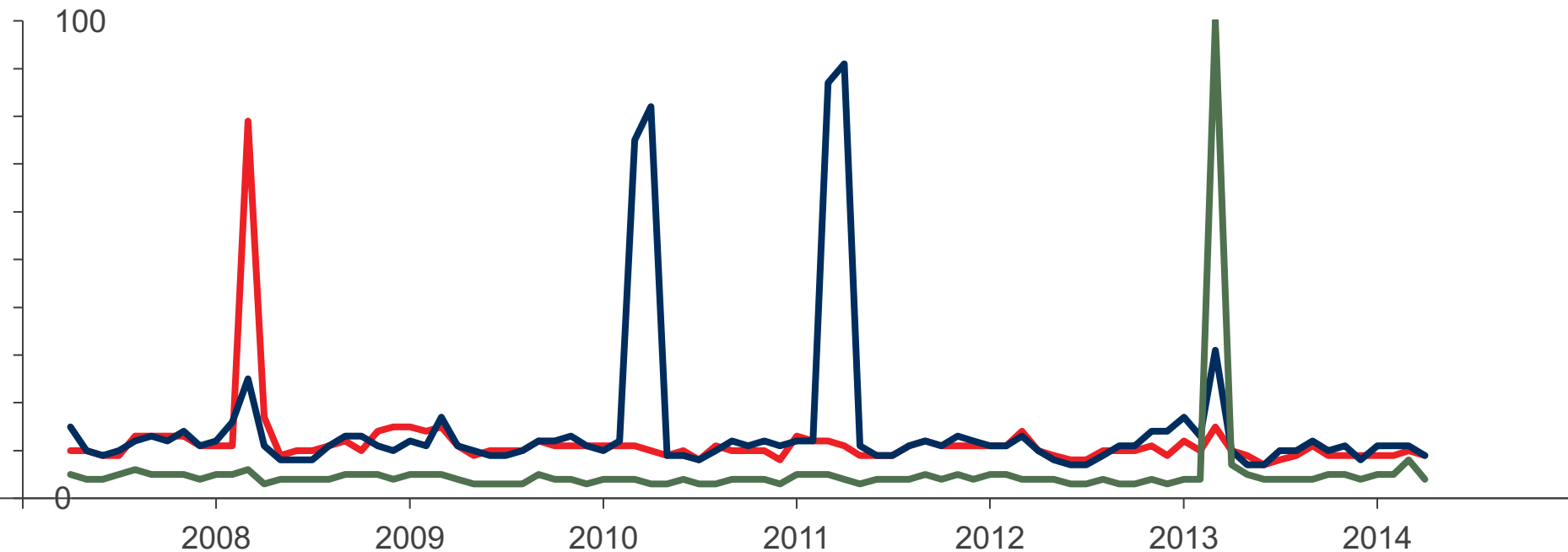


Cinderella runs put lesser-known schools into the spotlight.

Interest in small schools after “Cinderella” runs

GOOGLE TRENDS, USA, 2007-2014

— Davidson College — Butler University — Florida Gulf Coast University




Unexpected tournament success drives enrolment

“Saint Peter’s [unexpected success] is worth tens of millions, **maybe a hundred million dollars over the course of time for Saint Peter’s.**”

Mike Krzyzewski, Former Duke Basketball Coach

Studies found that private colleges see a 4.4% increase in enrolment two years after a “Cinderella” run.

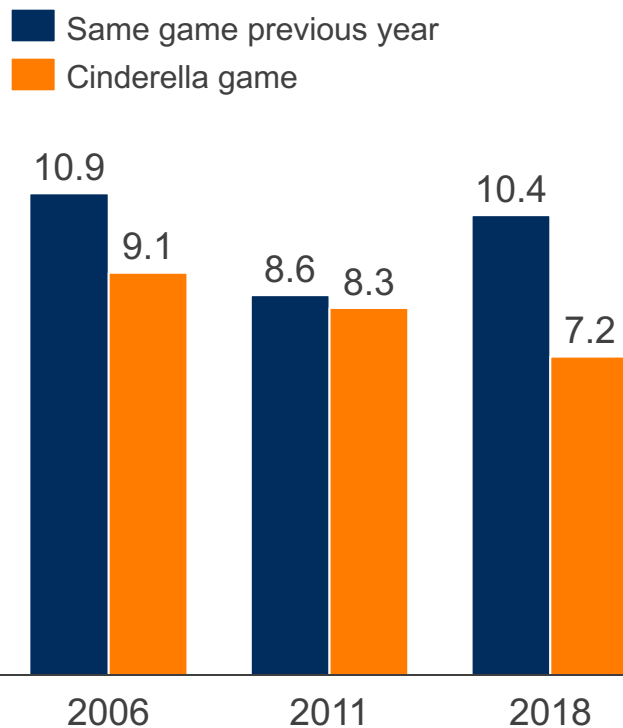
School	Increased enrollment	Incoming class	Additional students	Average admission cost	Increased 4-year revenue
 SaintPeter's UNIVERSITY	4.4%	650	29	\$28,000	\$3.25M

While Coach Krzyzewski may have overestimated the monetary impact of Saint Peter’s “Cinderella” run, there are real monetary benefits that the school sees from these runs.

Underdogs are a great story, but a nightmare for TV networks.

TV ratings of Final Four games

RATINGS, USA, 2006–2018



Broadcasts pre-sell advertising slots with an est. viewership threshold attached, while keeping a reserve in case this threshold is not realized.

When ratings do not meet the threshold, advertisers receive a kickback or a reserved slot.

Any leftover slots are auctioned off to advertisers, creating additional broadcast revenue.

Ratings suffer significantly when less popular underdog schools advance to the late stages of the tournament, creating a financial shortfall for the networks.

Introduction of gambling

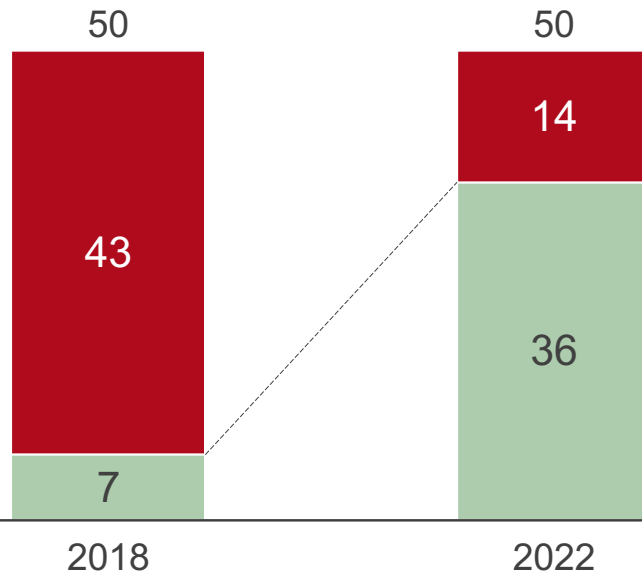
Legal sports gambling has become more widespread.

In May 2018, the Supreme Court allowed for the expansion of sports gambling on a state-by-state level.

Legality of US sports betting

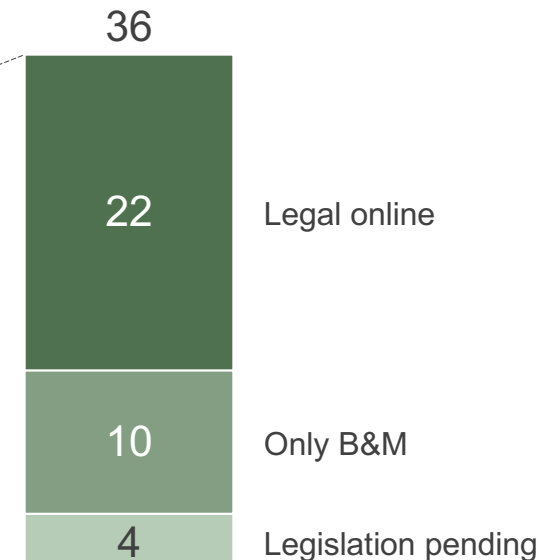
STATES, n = 50, USA, 2018–2022

- Not legal
- Legal in some capacity



Degree of legal sports betting

STATES, n = 36, USA, 2022

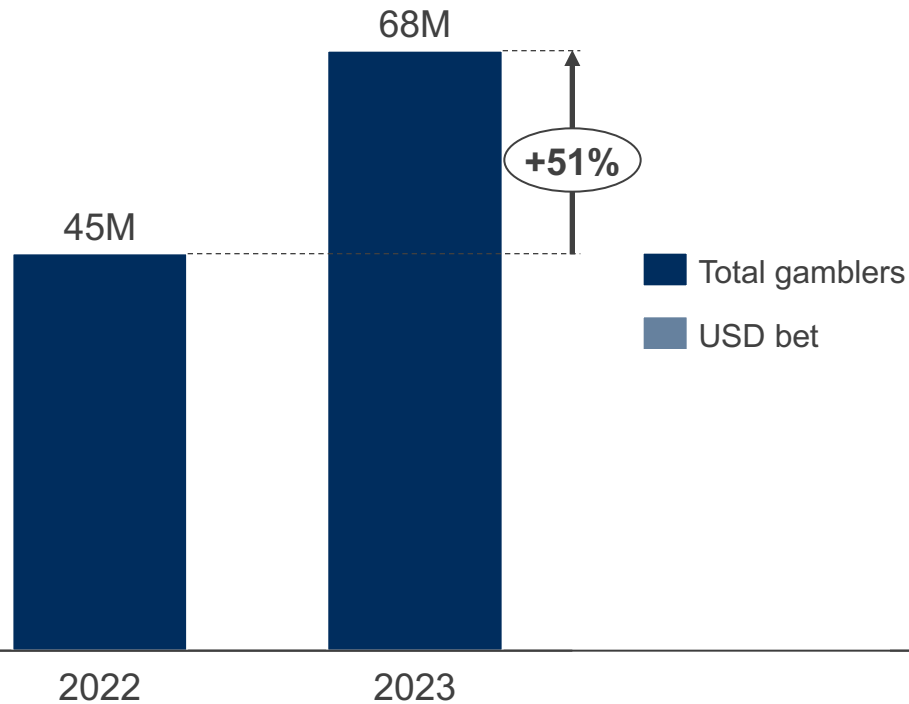


Legal gambling

2023 will see the largest legal gambling bets to date.

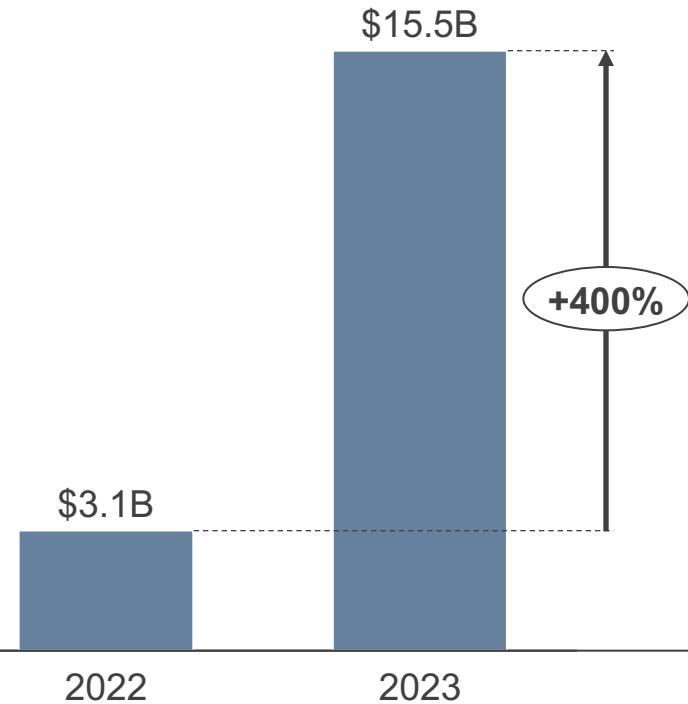
Number of March Madness gamblers

ESTIMATED GAMBLERS, USA, 2022–2023



Value of March Madness bets

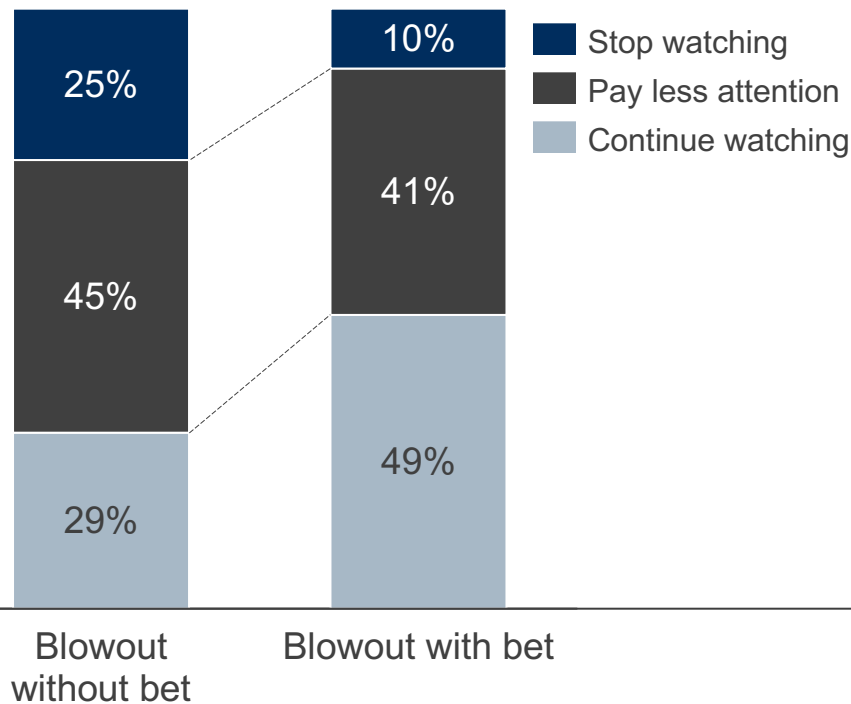
ESTIMATED USD, \$ WAGED, USA, 2022–2023



Television ratings increase when viewers make bets.

Viewership in blowout games

US ADULTS, n = 1,630



41% of gamblers indicated they would watch more NCAA basketball games after placing a bet on a game.

27% of bettors have become fans of new teams as a result of betting.

As access to sports betting increases, the value of broadcast deals will increase, further funding athletic departments for schools.

Sportsbooks offer significant opportunity for March Madness.

League	Sportsbook partner(s)	Annual deal value	Partnership date
	  	\$200M	2021
		\$25M	2018
		\$20M	2018

There are no current NCAA-wide partnerships with sportsbooks; however, some individuals, teams, and conferences have made deals with betting companies.



Based on current deals and adjusting for total viewership, an NCAA sportsbook partnership could be worth as much as \$29M for March Madness alone.