



Expanding the National Hockey League into West Virginia



Abstract

This project looks into the implications of bringing a NHL team to Charleston, WV. For the research we looked into the process of expanding the NHL, the effect on the economy, examples into other teams that were recently created, and the possible negative implications. The problem that we are trying to rectify is the staggering West Virginia economy which we plan on fixing by increasing the tourism business, and creating a sense of pride that comes with a professional hockey team. Professional sports is a 100 billion dollar industry and its time West Virginia got a team of its own. Our plan is to bring the team to Charleston, West Virginia and to use the existing facility of the Charleston Civic Center; as the arena would also need to be expanded.



Las Vegas Golden Knights Example

The Golden Knights have been successful so far in Vegas. Tickets sales have been successful for the Golden Knights as right now the average ticket price is eighty-eight dollars while the league average is seventy dollars. Before the first regular season game was played in Las Vegas, Golden Knights tickets were the most sought tickets on Stubhub; not only are Las Vegas citizens purchasing these tickets but fans from all fifty states and eighteen different countries have also purchased tickets to see the Las Vegas Golden Knights play in Vegas. On top of this, the average ticket price for the home opener is the second highest in the league at \$227. Majority of the ticket sales for the Golden Knights are coming from season ticket sales, as of right now they account for 15,000 of the seats which is at eighty-five percent capacity.

Columbus Blue Jackets Example

Looking at another expansion team, the Columbus Blue Jackets have brought life to the city of Columbus. In 2009, a statement was released by the Columbus Blue Jackets saying that since 2000 they have brought in an economic impact in excess of 2 billion dollars to Columbus. In the past nine years Nationwide arena has had an average of 159 full-time employees and 972 part-time employees, providing jobs for the area. The NHL franchise has also brought in 4 million in local tax income since 2002. An estimated amount of 160 million has been brought in as indirect spending at local hotels and restaurants from out-of-town visitors visiting the arena. Not only has the Blue Jackets brought monetary benefits to the city of Columbus but a survey showed that ninety percent of survey respondents were proud to have a NHL team in Columbus.



Effect on the West Virginia Economy

Based on the research, West Virginia consists of mostly devoted and fanatical fans. Devoted and fanatical fans are individuals who show a deep passion and love for a specific team even through difficult times. They continue to show their continued support through ticket purchases and through the sales of merchandise. This can be seen from the major in-state rivalry between West Virginia University and Marshall University. Both of these teams stay strongly devoted to their side and have a high negative connotation of the other team. If a professional sports team were implemented in West Virginia, this would give fans from both sides of the rivalry the ability to share their pride for a singular team rather than being divided. The categories listed below will show how the economy of West Virginia will benefit and the added assistance it will bring to individuals and groups within the state:

Merchandising

- Large Population of Devoted and Fanatical Fans leads to increased sales
- Accounts for the Largest Part of total sporting league revenue
- Large increase to the local economy through increase in sales in sporting goods stores

Sponsorships

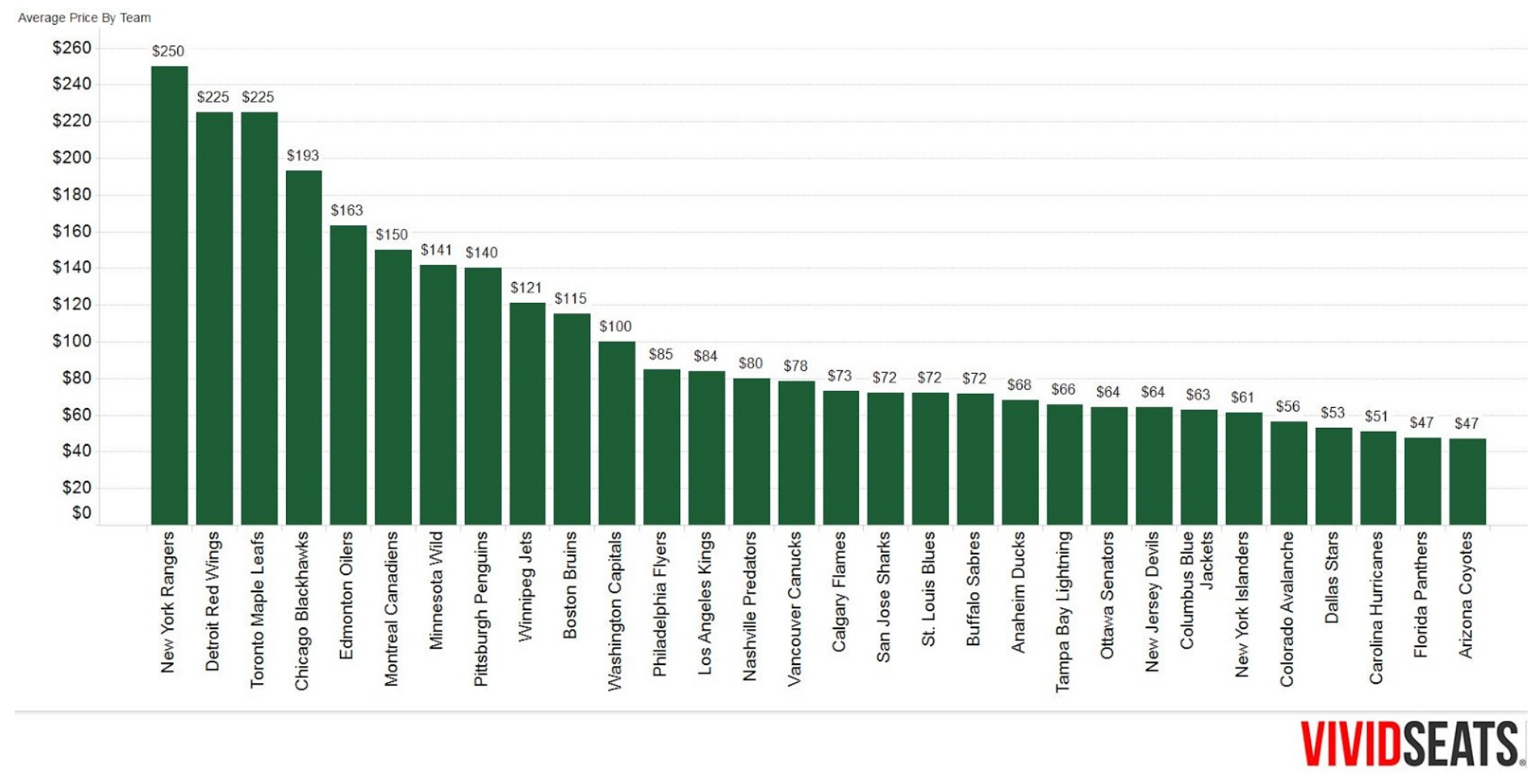
- Helps Local Businesses thrive and receive more advertising opportunities thus increasing patronage

Advertisements

- Most games are broadcasted on local radio and television stations
- Allows small businesses to receive funds from the NHL to broadcast games
- Helps both the teams and businesses grow

Jobs

- Large job openings during expansion design and implementation
- Seasonal and Full time positions for the Hockey team
- Event Staff and Security for the games



Incoming Revenue From Out-of State

The hockey arena in Las Vegas that was created to house the Golden Knights seats 22,000 individuals. Among those seats 15,000 have been sold to season ticket holders. Assuming that 4,800 tickets are purchased by people permanently located in the Las Vegas region that leaves 2,200 (or 10%) of the tickets that are purchased by out of state fans. Applying this 10% to the civic center, which currently seats 12,000 individuals it can be concluded that 1,200 individuals from out of the state will come for each hockey game. It can safely be assumed that 50% of these individuals will be staying in the region for at least one night and there will be at least two individuals in each room. By averaging the price of 10 different hotels \$93 was determined to be the cost of a hotel room. Multiplying this by the 300 rooms that will be rented, \$27,900 will be spent in the hotel industry per game. Now turning to the restaurant industry, it can be assumed that 80% of out of state fans will purchase dinner before or after the game. If 960 of the ticket holders spends approximately \$10 on meal then \$9,600 would be inputted into West Virginia's economy. If 60% of these out of states individuals go out to get drinks before or after game then 720 individuals will be consuming these services. If they spend approximately \$15 at these locations this would result in \$10,800 being spent. Overall, just analyzing these 3 common purchases during a sports trip \$48,300 will be inputted into the West Virginia economy just by out of state fans per game. There are 61 games for each team during the hockey season assuming that 30 of these games will be played in the arena in Charleston then over \$1.4 million will flow into the West Virginia economy from outside sources.

Logistics for bringing an NHL team to West Virginia Expansion

In 2015 a formal expansion process was put into place so that the National Hockey League could analyze the cities that were interested in expanding into the NHL. The interested individuals had from July 6th to August 8th 2015 to submit an application form for consideration. This process was exceedingly successful because, Las Vegas Golden Knights were added to the NHL as a result of it.

Positive

- The team would be connected solely to West Virginia rather than another state
- The NHL Commissioner has expressed interest in expansion of the league

Negative

- There is \$500 million fee associated with creating a new team

Relocation

There are several current NHL teams that are not happy where they are currently located, such as the Arizona Coyotes, Calgary Flames, New York Islanders, and Ottawa Senators. Therefore, one of these teams could be relocated to the Charleston area at a reduced cost than creating a new team.

Positive

- It would be less expensive to relocate a team

Negatives

- The NHL Commissioner is against relocation and would prefer expansion of the league compared to moving existing teams from their current location.
- The team may not develop loyalty within the state due to the previous association with another location.

Overall

Expansion is a more feasible opportunity in regards to the regulations that are placed by the NHL on creating and relocating hockey teams.

Negative impacts and problems needed to overcome when developing the team

Owning a franchise is just like owning any other business, it has its profits and expenses. Like any other business, if expenses exceed revenues for an extended period of time, an owner has no choice but to shut down operation since it will lead to bankruptcy. There are four major reasons for bankruptcy in the realm of the NHL:

1. The owner's primary business fails, since many professional sports teams' owners depend on their primary successful company as a financial foundation for their team.
2. The large amounts of debt that are incurred in order to receive ownership of a team.
3. Business conflicts and other restrictions that are placed by the league of that sport.
4. Making a bad investment; owners may have to suffer losing the franchise if they place a large enough investment in a company that suffers profitably.

Year	Team	Sport	Sold For (million)*
2010	Texas Rangers	MLB	\$593
2009	Phoenix Coyotes	NHL	\$140
2009	Chicago Cubs	MLB	\$173
2003	Buffalo Sabres	NHL	\$92
2003	Ottawa Senators	NHL	\$100
1998	Pittsburgh Penguins	NHL	\$85
1995	Los Angeles Kings	NHL	\$113
1993	Baltimore Orioles	MBA	\$173
1978	Cleveland Barons	NHL	**
1975	Pittsburgh Penguins	NHL	\$4

Conclusion

Overall, implementing a hockey team into West Virginia will stimulate the economy by increasing sports merchandise sales, awareness for local businesses in the community by sponsorship opportunities, advertisement revenue from the West Virginia teams, jobs created, and out of town revenue generated from rival team's fans. While this would help the West Virginia economy it is not probable in the foreseeable future due to the high cost of generating a team in the NHL, which can cost up to \$500 million, and the high power that the NHL commissioner has when picking the location for a team. If a financial backer was found then it would increase the feasibility of developing a team within the state. Once these negative factors can be adapted to favor a professional sports team in West Virginia, then a new fan base can be developed amongst citizens of West Virginia in the NHL.

Group # 9