

Sports Economics

Name, Image, and Likeness



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Agenda

5 mins: Origins of NIL and NIL today

5 mins: NIL vs. “Pay for Play”

10 mins: NIL and decision-making

5 mins: NIL and “Rules of the Game”

10 mins: Competition activity

10 mins: Examples of NIL deals

5 mins: NIL and high school athletes

5 mins: Q & A/wrap-up

Objectives

Participants will:

1. Develop an understanding of what name, image, and likeness is and how it is defined.
2. See how institutions are competing to determine the “rules of the game” for NIL regulations.
3. Investigate how NIL is impacting high school student athletes and the role social media plays in NIL earnings.
4. Gain activities and resources they can use to tie NIL into their econ/personal finance course.

National Standards

Standard 2: Decision Making:

Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Many choices involve doing a little more or a little less of something: few choices are “all or nothing” decisions.

Standard 4: Incentives:

People usually respond predictably to positive and negative incentives.

Standard 10: Institutions:

Institutions evolve and are created to help individuals and groups accomplish their goals.

Key Terms

Cartel: An organization created from a formal agreement between a group of producers of a good/service to regulate supply in order to regulate or manipulate prices.

Trade-offs: All of the alternatives given up when making a choice.

Opportunity cost: The single next best alternative when making a choice.

New NCAA Rule on Paying Players

In September 2019, California signed the [Fair Pay for Play Act](#) into law.

Florida, South Carolina, New York, Colorado all either had laws in their legislature or were working on their laws. There was even a law being proposed in Congress

On October 29th 2019, **the NCAA Board of Governors** responded by [voting unanimously](#) to **direct their 3 divisions to allow athletes to enter into contracts with corporations and other parties to receive compensation for their personal brand or celebrity.**

What NIL is and What NIL is not:

NIL is **NOT** pay for play. (*unless it is...*)

NIL might be more palatable for the NCAA than paying SAs directly because the compensation is not tied directly to athletic competition.

NIL also makes compensation for student athletes easier logistically because it is not tied directly to the institution or to on the field play (*unless it is....*).

NCAA maintains that NIL cannot be used to induce players to attend institutions. (*unless it is...*)

NIL originates from the “right to publicity.”

*The right of publicity is a right to legal action, designed to protect the names and likenesses of celebrities against unauthorized exploitation for commercial purposes. In *Zacchini v. Scripps-Howard Broadcasting Co.* (1977), the Supreme Court ruled 5-4 that a television station would have to provide compensation for broadcasting a film clip of a complete human cannonball act. (Photo of Edmondo and Hugo Zacchini circa 1960-1970, [Zacchini brothers](#) Circus World Museum via New York Times*



How NIL influences economic decision-making

Should a talented high school QB leave school early to earn money via NIL deals?

- What options do they have?
- Let's look at Texas high school QB Quinn Ewers.
 - Ewers threw for 6445 yds in 25 games (~258 yds/gm).
 - He completed 70% of his passes (643 attempts).
 - He had 73 TDs and only 8 INTs.
 - His overall QBR was 134.8.
 - It's worth noting these stats only include his sophomore and junior year.
- NIL became available in the summer prior to Quinn's senior year.
- However, Texas does not allow high schoolers to earn NIL \$.



What should he do?

PACED Model lesson

Problem: Quinn Ewers wants to enjoy NIL earnings, but is prohibited from doing so as a high schooler in Texas.

Alternatives: Does he have any?

- NCAA early enrollment?
- Transfer to a school in a state that allows high schoolers to earn NIL \$.
- Stay in Texas and increase his earning potential through play?
- Stay in Texas, but focus on his social media presence to increase earning potential?

Criteria: What should Quinn consider with each alternative?

Evaluate:

Decide:

What did Quinn do?

Ewers skipped his senior year and enrolled at Ohio State.

He was originally committed to University of Texas, but he cited NIL earning potential as the reason why he switched to OSU.

Ewers signed a [\\$1.4M NIL deal](#) with GT Marketing in August.

He also signed [a NIL deal](#) with Texas-based beverage company, Holy Kambucha for cash AND equity in the company. (August 7 PRIOR to arriving on campus.)

Ewers continued

He ALSO signed a deal with an Ohio car dealer and a customizing company for a new Ford F-250 Tremor pickup truck. (August 15)

OSU quarterback C.J. Stroud (redshirt freshman) was a Heisman finalist this year and is the projected QB1 for OSU next year.

Quinn transferred to Texas in December (rumors are floating about how much he will [get from UT in NIL](#))

Decision-Making Activity extensions

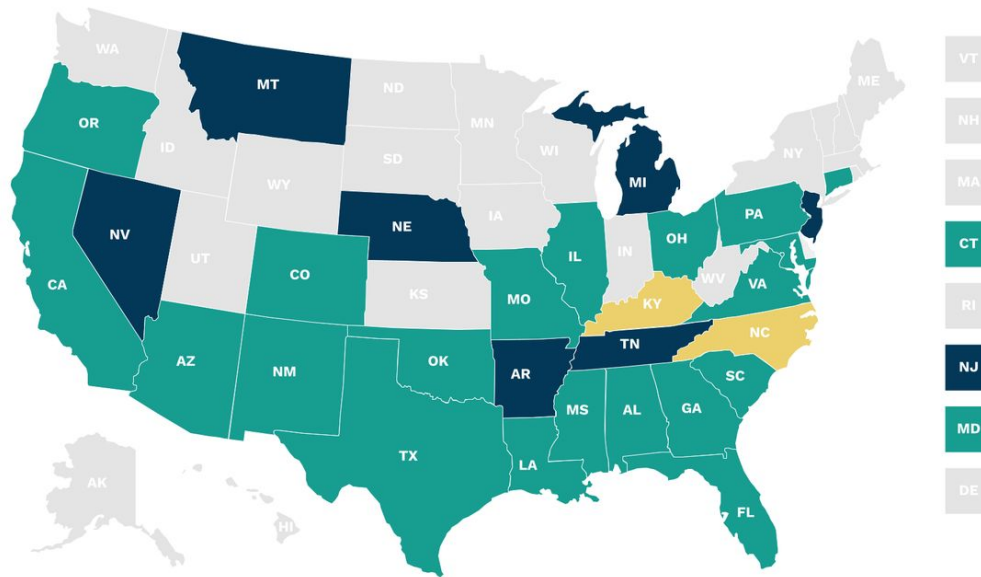
The PACED model can be integrated into the concept of NIL in several ways:

- 1) How NIL influences the decision-making of prospective recruits.
- 2) How NIL influences the decision-making of prospective transfers.
- 3) How NIL influences the decision-making of coaching hires.
- 4) How NIL influences the decision-making of high school SAs regarding social media influencer status.

Who decides the rules for NIL?

Name, Image, & Likeness (NIL) Legislation | Which states have laws in effect?

- NIL legislation enacted and in effect
- NIL legislation enacted but not yet in effect
- NIL executive order issued
- No NIL laws in effect or scheduled to take effect



Source: MultiState. Data as of September 20, 2021. Currently, 22 states have NIL laws in effect and 7 other states have enacted laws that go into effect between 2022 and 2025.

Right now, many states have created their own rules for NIL.

Many believe Congress should/will create a national set of rules for NIL.

Should the NCAA create a set of rules for member institutions regarding NIL?

Sample of state NIL laws/ examples of institution NIL dealings

Georgia's NIL law permits NIL, **BUT** schools can require athletes to pool up to ~75% of their earnings which would be shared out with other athletes.

BYU is promoting a NIL deal for walk-on football players to promote a sponsor via social media.

OSU has stated it is looking for ways to partner with corporations to provide NIL deals for athletes.



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Institutions determine the rules of the game

Numerous institutions have started to create shell corporations to provide NIL deals to athletes via boosters.

Remember: NCAA maintains that NIL cannot be used to induce players to attend institutions.

[More here](#)

Competition/Cartel Activity (scenario)

The NCAA has gathered all the major conferences together to discuss a set collegiate NIL rules. Based on the [Knight Commission](#) findings the following rules are submitted for a vote:

1. Conferences, institutions, employees, or independent contractors (hired by conferences, institutions, or their employees) are prohibited from providing or arranging NIL deals.
2. The NCAA will be given oversight powers for all NIL deals.
3. NIL deals for all athletes will be capped at \$100,000. Any amount earned beyond that will be given back to athletic departments.

Competition/Cartel Activity

Each of the major conferences agree to the rules set by the NCAA at the conference.

- **Big Ten, SEC, ACC, Big 12, PAC 12, Conference USA, Big East, Western Athletic Conference (WAC) and Mid-American Conference (MAC).**

HOWEVER, now each conference leadership committee needs to report back to the heads of each school in their conference.

Competition/Cartel Activity

Should the conferences decide to follow the rules set by the NCAA or should they create their own rules?

Your sports marketing economist details how much revenue you stand to gain in either scenario.

Here are the numbers they provide:

# of conferences joining	# of conferences NOT joining	% change in profits for conferences joining	% change in profits for conferences NOT joining
9	0	+15%	--
8	1	+12%	+100%
7	2	+10%	+85%
6	3	+8%	+60%
5	4	+4%	+45%
4	5	0	+30%
3	6	-15%	+20%
2	7	-30%	+10%
1	8	-45%	+5%
0	9	--	0

A Collusion Game



Poll

A. Yes, we're all in this together!

B. No, we should make our own rules!

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Tips and tricks for using this activity:

1. BE SURE TO KEEP STUDENTS QUIET WHEN DECIDING.
2. You can easily adjust the numbers to fit different amounts.
3. Point out that one column has nothing but green, thus illustrating what economists refer to as a **dominant strategy**.
4. If you want to use a fun clip to illustrate a dominant strategy here's a fun one.



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Best NIL deals?

Arby's gave 200 running backs \$500 for promoting their roast beef.

Denny's created the "All-Pancaker Team" with offensive linemen to compete with IHOP.



Oregon edge rusher, Kayvon Thibodeaux, released an NFT with Nike.

Kansas walk-on fullback, Jared Casey did an Applebee's commercial for their 2 for \$20 menu after he scored a 2 point conversion to upset Texas.



Akansas WR Trey Knox and his Husky, Blue, have a deal with PetSmart.

WWE has started a NIL partnership called "Next in Line" with NCAA athletes across sports.





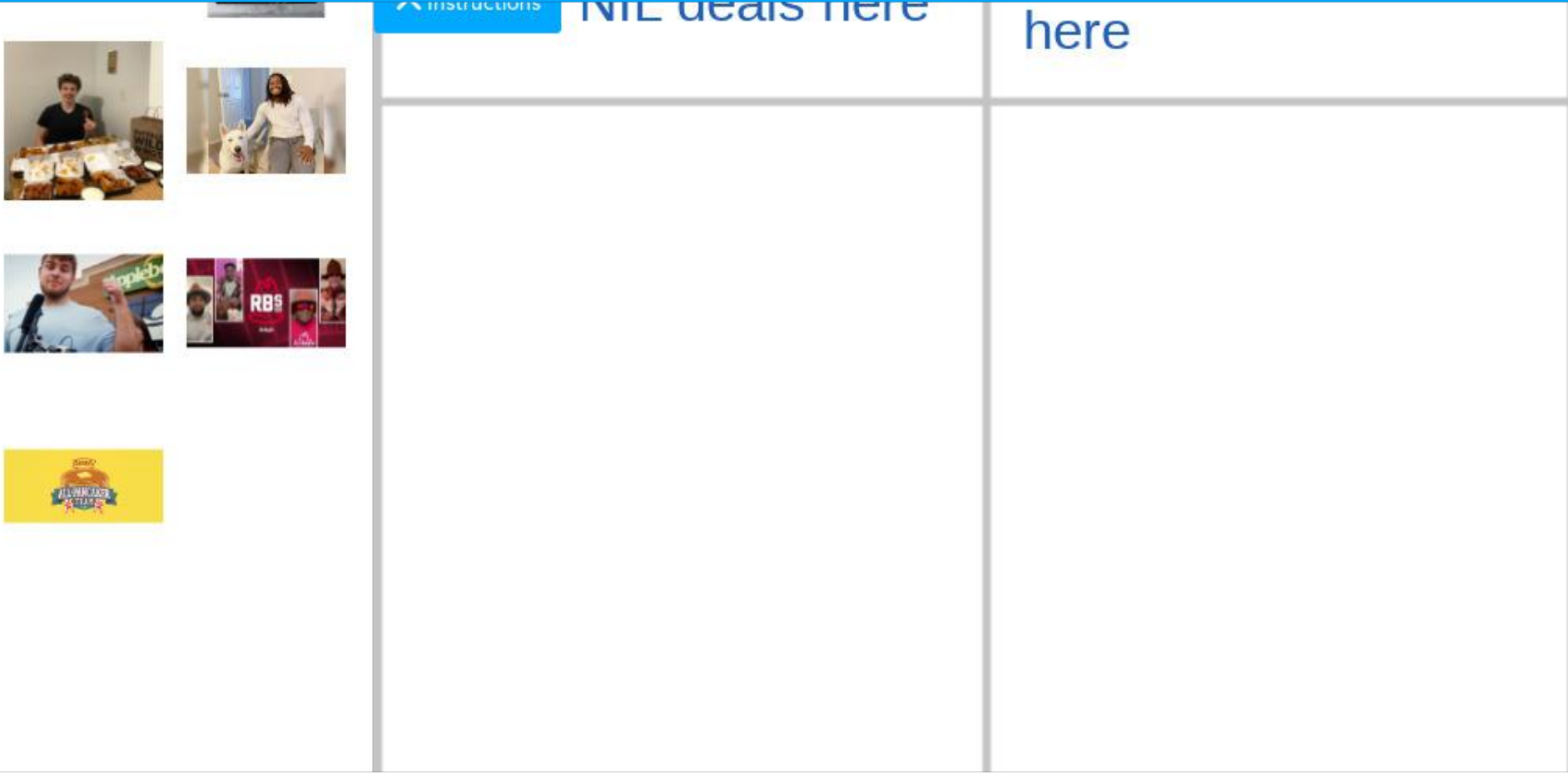
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NIL or Pay for Play?

Grambling State University apparently [has a new NIL deal for student-athletes that will provide each athlete with an annual income](#). Urban Edge Network and Athlyt have committed to fund the deal.

Barstool Sports [MAY have paid](#) over \$1M for the #1 FB recruit to attend Jackson State to play for former Barstool employee Deion Sanders. Both sides [deny any NIL deals](#).



NIL or Pay for Play?

Texas football are giving their [o-line \\$50,000 annually](#) to aid charities. It's capped at \$800,000 annually. "The Pancake Factory" program hopes to expand this to additional schools in the near future.

Texas ALSO has a \$10M fund to "facilitate" NIL deals for Texas athletes across 17 varsity sports.

- This is through a [new organization called "Clark Field Collective."](#)

Possible activity

Have students come up with a business plan to increase their target market using NIL.

- 1) Which athlete(s) should they target?
 - a) Who is their target market?
- 2) How should they promote their NIL deal?
 - a) Social media (specify)?
 - b) Headhunters?
- 3) How much money should they use for their NIL campaign?
- 4) Possible research of actual companies?
- 5) Should they represent colleges or companies?

Resources for business plans

1. Intro [video](#) from EconEdLink (TRT: 2:00).
2. [4 Ps of marketing](#) (product, price, promotion, placement) from BizKid\$.
3. Business plan [template](#) from BizKid\$.
4. Concept statement [outline](#) from Wharton.

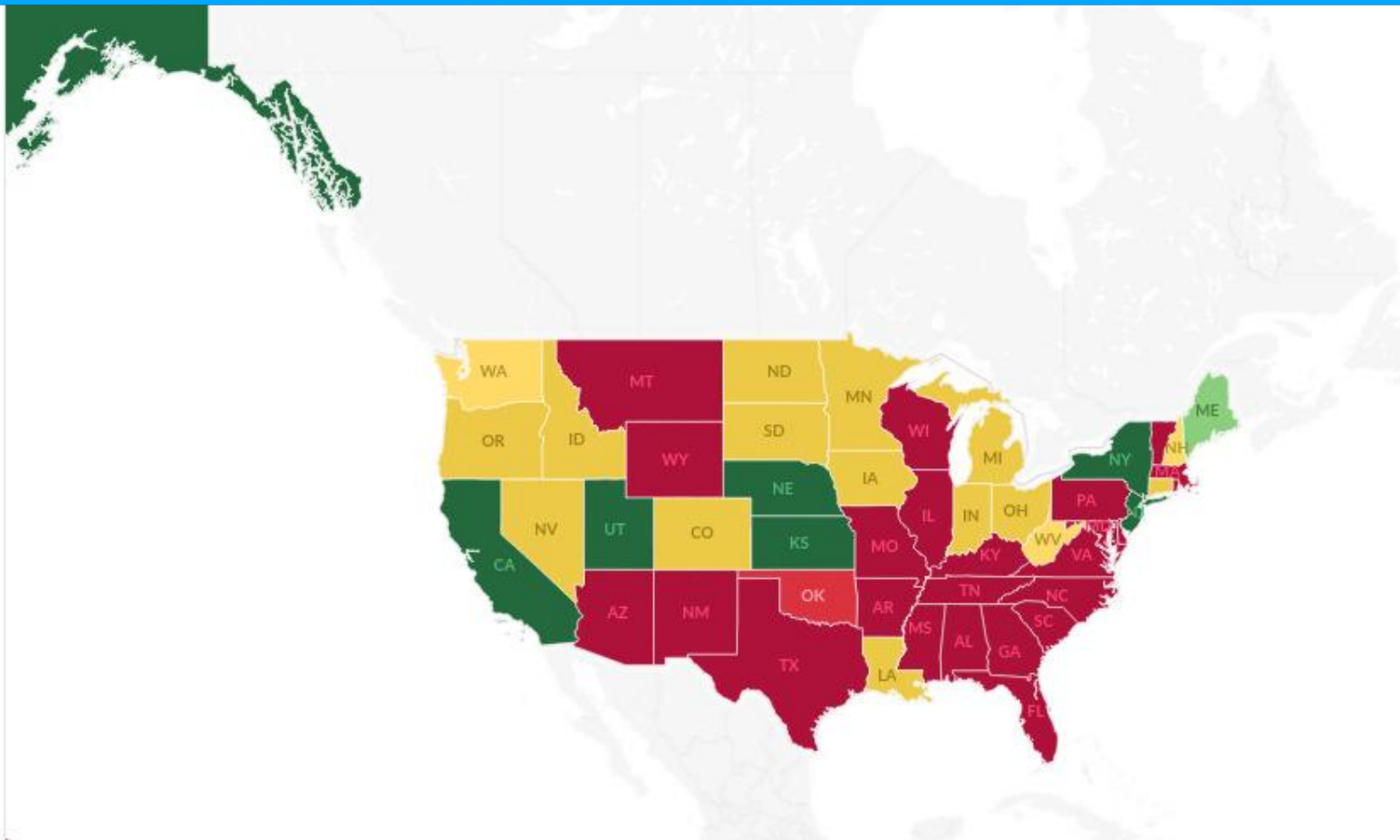
NIL and High Schools

Five states currently allow high school students to enter into NIL deals:

- Alaska, California, Nebraska, New Jersey, and New York all permit students to profit from NIL. Other states allow NIL for private school students.
- In July, Mikey Williams (*North Carolina HS **SOPHOMORE***, but plays at private school) signed a deal with Excel Sports Management that could generate millions in earnings.



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- Under membership C...
- Prohibited**
- Confirmed Prohibited
- Needs Clarity**

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NIL and social media

A lot of NIL money is going to athletes with a strong social media following.

Some research suggests athletes could earn \$.004 per follower per post on Instagram.

Shareef and Shaqir O'Neal would take 1st and 4th place earning \$10,819.51 and \$3,895.97 per post.

FYI: Mikey Williams has over 5M followers on social media.

Will North Carolina allow him to earn revenue from social media?

Here's a [full list](#) of earnings potential for current SAs using this formula.



Open Ended Question

Ready? Enter your answer here.

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Additional links

1. Legal summary of [NIL and history](#)
2. Editorial on NIL legislation from [Harvard Sports Journal](#)
3. NCAA statement on [NIL policy change](#)
4. Congressional [summary of NIL](#)
5. State-by-state [tracker of NIL laws](#)
6. Knight commission findings/[recommendations for NIL](#)
7. Op-ed on [NIL and high schools](#) by Kristi Dosh.
 - a. (Kristi Dosh is leading the way on reporting NIL information)

Thanks!/Questions?

- Thank you all for attending, hopefully your **MB > MC!**
- Are there any questions?

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