

Research Note

Evaluating the Risks to the National Football League

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Abstract: This paper discusses the various types of risks that the National Football League (NFL) faces, not only its unique risks to its players and fans, but those that stem from the vast number of employees who have built careers around the operations and broadcast of American football. The author evaluates the risk landscape, including the safety of players, the risks arising from player conduct, and the risks of cyber and physical attacks.

Introduction

The National Football League (NFL) is a cornerstone of American culture. Many Americans dedicate their entire Sundays to the sport. The NFL generated \$13 Billion dollars in revenue in 2016.¹ Sunday Night Football, the NFL's flagship show, is the number one rated primetime show for six years running.² Due to the massive revenues and popularity, the NFL incurs massive risks as it tries to reach as many fans as possible. The risks outlined in this analysis are the risks to the level of play given the sharp decline in youth football participation due to the scare of brain trauma, the harm to the NFL brand from personal conduct of players and the NFL's handling of scandals, and finally the cyber and physical attacks on NFL stadiums and NFL players. These three specific risks can be categorized into strategic risks, reputational risk, and external risks.

Strategic Risk

A major strategic risk to the NFL is the decline of youth football participation. This is a risk since people tune in on Sundays to see some of the best athletes in the world compete in one of the world's most physical games. When the sport reduces the sample size of players playing at the youth level, it has negative effects on the level of play at the professional level. This could contribute to lower popularity and viewership. A major contributor to declining youth participation is the risk of major injury in football, specifically, injury to the brain. A recent study showed that for people who played tackle football before the age of 12 doubled the risk of problems with behavioral regulation, apathy, and executive functioning. More shockingly, the same subject group saw the risk of developing depression triple.³ This research and others like it are affecting how parents feel about their kid playing football from a young age. A study by the PPRI showed that 31% of parents would not allow their child to play football.⁴ In addition, this number increases to 41% of parents who have more education than a high school diploma.⁵ Given these statistics, the NFL should look at youth participation in football as a major risk to its strategy that relies on talent from the youth through college levels of play. Not only does the NFL lose potential superstars who generate millions of dollars for the league, but also it loses tens of millions of dedicated fans who have been watching and playing the sport since a young age.

How can the NFL mitigate some of this risk? The NFL needs to make the game of football safer and prove to parents that there is no more risk of head injury than any other contact sport. The NFL has admitted to the risk of brain

damage in football⁶ and has funded a program called “Heads up Football.” This program is intended to maximize youth player safety and has been implemented in more than 7000 youth and high school programs.⁷ However, the results of this program are mixed. The NFL claims that according to a recent study that the “Heads Up” program has reduced the risk of concussion while a New York Times review of the study showed that it actually did not reduce the risk of concussion.⁸ The “Heads Up” program is new so there may be more data that are conclusive over time but at this point, the program is not doing much to help with participation in youth football. In addition to youth programs, the NFL has invested \$60 million dollars into research and development of helmets that reduce the risk of head injury. At this point, all the modern helmets are still in the development phase but have received positive feedback from both players and brain trauma experts.⁹ One of the highest performing helmets is being developed by a Seattle company started by a brain trauma expert from the Seattle Children’s Hospital who got the company off the ground with a grant from the University of Washington. However, there are experts who claim that technology will not solve the brain trauma problem. Dr. Robert Cantu, a prominent brain trauma specialist, claims that a better way to protect players is rule changes that restrict contact to the head and neck area.¹⁰ Since 2002, the NFL has made 47 rule changes that do just that but experts say that it needs to go further.¹¹ Given all that the NFL has done to mitigate the risk of traumatic head injuries, there needs to be more money and more transparency about head injuries and the effectiveness of certain programs and technologies. The NFL needs to work harder to regulate their sport to show parents that their kid’s brains will be ok if they let them play the game. Otherwise, the NFL risks a lot of talent and many lifelong fans.

Reputational Risk

A major reputational risk to the NFL has been the conduct of players that represent the league. Star running back Adrian Peterson was suspended a year when child abuse charges were filed, Ray Rice was suspended two games for video of him dragging his unconscious wife out of an elevator in Atlantic City and then indefinitely when another video was released that showed Rice punching his wife unconscious. Fallen star Colin Kaepernick in the 2017 season so far does not have a job because he knelt during the national anthem to highlight racial disparity in the United States. Currently, there is a massive legal battle going on over the suspension of star running back Ezekiel Elliott who allegedly committed acts of domestic against his girlfriend. The NFL in recent years has also been the source of a number of cheating scandals that include Deflategate, Bountygate, and Spycgate all of which got massive media attention. The NFL a source of income of nearly 2000 players and hundreds of coaches who are constantly in the spotlight for what they do on and off the field. For example, there have been reports of low ticket sales in the NFL this season due in part by the National Anthem protest that was the controversy at the beginning of the 2017 NFL season.¹² This presents a huge amount of reputational risk to the NFL’s brand because the NFL cannot control all of the people affiliated with it. Just as any company assumes the risk of the actions of the employee, the NFL risks its reputation with every player, coach, or team executive. Not only is the NFL critiqued on the actions of its players but also critiqued by fans and the media on how the scandals are handled. For example, the NFL’s handling of the Ray Rice scandal related to domestic violence was heavily critiqued by the media and fans for its stance on domestic violence. Leading the critique was Hannah Storm, an anchor for ESPN, who called into question the integrity of the NFL for the initial minimal two game suspensions for Ray Rice.¹³

The NFL needs to accept the risk of a scandal and accept the risk that it will probably happen on a yearly basis. However, the NFL needs a better risk management plan when these events do happen. Insensitive handling of domestic violence and child abuse will lose the NFL viewership and revenue along the way. Roger Goodell, the commissioner of the NFL, currently is the person who decides what the punishment will be in accordance with the NFL’s collective bargaining agreement. However, to direct the risk away from the NFL, the NFL could institute a policy in which they hire independent lawyers and investigators to handle scandals and deal punishments. This moves some of the risk away from the NFL since the NFL and Roger Goodell since they cannot be blamed for the

punishment and handling of the case. Additionally, critics blast the NFL for responding to public relations disasters instead of showing initiative. For example, the NFL was criticized that they only suspended Ray Rice indefinitely once the second, more graphic, video was leaked. The facts of the case were the same before and after the video release, Ray Rice knocked out his wife on the elevator. However, the video attracted much more media attention and was more of a public relations disaster than the initial suspension. This forced Goodell to suspend Rice indefinitely. This raised the legitimate question: why wasn't Rice suspended indefinitely once the original facts were confirmed? To avoid such a criticism again, the NFL should get out in front of public relations issues by suspending players once they find out about the issue instead of tying the length of suspension to media attention.

External Risk

Average NFL attendance is 68,400.¹⁴ A terrorist attack on one of these stadiums is a massive risk that the NFL needs to address. NFL games are especially at risk since football is such a cornerstone of American culture. An enemy of the United States could potentially find one of the 32 stadiums a compelling target given their value to Americans. After the Paris stadium attacks in 2015, the NFL has further increased their security measures. The NFL requires NFL franchises to have certain security elements such as metal detectors, no liquids, and clear bags. The NFL also has security protocols approved by the Department of Homeland Security.¹⁵ The NFL works with teams to continuously update their security and risk protocols and often hires expensive security consultants to help with the work. In an article published in Risk Management Magazine, the chairmen of the 2012 Super Bowl Risk Management Committee claim that with an event such as the Super Bowl that the bottom line comes secondary to making sure the event goes off without a hitch and preparing for potential threats.¹⁶

Another type of risk that the NFL takes on is the risk of cyber attacks. These risks can come in two forms, hacking of player's social media accounts and private lives and hacking into increasingly connected stadiums. The threat of their social media accounts being hacked is a major risk players take on by having social media accounts. Laremy Tunsil's scandal right before the 2016 NFL draft is an example of this. Tunsil was projected to be one of the first picks in the NFL draft until a video was released from his Twitter account showing him smoking marijuana out of a gas mask bong. In addition, his Instagram account was hacked and screenshots of text messages showing the Ole Miss coach and Tunsil exchanging messages about receiving money from the football program. These two posts made Tunsil fall in the draft to pick 13. Examples like these show just how much risk the NFL and players take on by having social media accounts and not employing better password management. To reduce the risk of cyber-attacks on players, the NFL could institute trainings on how to properly use social media and how to pick passwords that are harder to crack. In addition, these trainings should have players delete any posts or tweets that could be taken out of context and used against them by the media. Another recommendation is that players should have a public relations plan in case something from their past gets leaked.

The other type of cyber risk is the risk to stadiums. Stadiums are increasingly implementing Internet of Things technologies (IoT) to increase their customer service and streamline operations. However, these types of technologies have the risk of being hacked. For example, newly built Levi Stadium boasts 1200 public Wi-Fi access points that allow fans to order food and drinks to their seat.¹⁷ This is a massive risk for the NFL to undertake since 70,000 fans are at risk for their credit card and other personal information to be hacked by a hacker connected to the same public network. The NFL and stadiums have to ensure that the technologies that they are installing are very difficult to hack and to set up protocols for when they are hacked. These technologies need to be rigorously tested before access to the public is allowed. Levi Stadium, which has wholly embraced the idea that it can better fan experience using IoT devices, spent the year before opening testing out the devices making sure that they are safe for fan use.¹⁸ Other stadiums with smaller budgets or working with older technology may not have the same luxury and need to be very careful about which technologies they implement.

Conclusion

The NFL is the world's most profitable league, a cornerstone of American culture, and an employer of hundreds of thousands of journalists, medical professionals, and others who make their living on the game. With the profitability and the notoriety of the NFL, the league has to address the risk to the NFL brand, players, and fans. The safety of players, the conduct of players, and the risk of cyber and physical attacks need to be evaluated by NFL executives. To some extent the league office is addressing these risks, however, I believe that they can go further. The NFL needs to make the game safer for players, better get ahead of scandals and player misconduct, and make sure that players are notified of the risks of their social media being hacked as well as make sure that the IoT stadiums of the future are rigorously tested for hacking and other breaches. These risks, if not addressed, will negatively influence ratings and revenues as well as endanger players and fans.

¹ Belzer, Jason. "Thanks To Roger Goodell, NFL Revenues Projected To Surpass \$13 Billion In 2016." *Forbes*. February 29, 2016. Accessed October 25, 2017. <https://www.forbes.com/sites/jasonbelzer/2016/02/29/thanks-to-roger-goodell-nfl-revenues-projected-to-surpass-13-billion-in-2016/#67e1c2e1cb79>.

² Ratings - NBC's "Sunday Night Football" Is Primetime Television's No. 1 Show for Record Sixth Consecutive Year as TV Season Ends | *TheFutonCritic.com*. Accessed October 25, 2017. <http://www.thefutoncritic.com/ratings/2017/05/25/nbcs-sunday-night-football-is-primetime-television-no-1-show-for-record-sixth-consecutive-year-as-tv-season-ends-834322/20170525nbc01/>.

³ "Youth Football Linked To Brain Damage Later In Life." *Time*. Accessed October 26, 2017. <http://time.com/4948320/football-brain-damage-consussions-study/>.

⁴ "Nearly One-Third of Americans Say They Would Not..." *PRRI*. Accessed October 25, 2017. <https://www.prii.org/research/poll-football-dangers-concussion-america-favorite-sport/>.

⁵ *Ibid*

⁶ Bieler, Des. "In stunning admission, NFL official affirms link between football and CTE." *Chicagotribune.com*. March 15, 2016. Accessed October 26, 2017. <http://www.chicagotribune.com/sports/football/ct-nfl-exec-admits-to-cte-football-head-trauma-link-20160314-story.html>.

⁷ "HEADS UP FOOTBALL: SAFETY IN ACTION." *USA Football*. Accessed October 26, 2017. <https://usafootball.com/programs/heads-up-football/>.

⁸ Schwarz, Alan. "N.F.L.-Backed Youth Program Says It Reduced Concussions. The Data Disagrees." *The New York Times*. July 27, 2016. Accessed October 26, 2017. https://www.nytimes.com/2016/07/28/sports/football/nfl-concussions-youth-program-heads-up-football.html?smid=tw-share&_r=0.

⁹ "The Quest for a Better Football Helmet." *SI.com*. Accessed October 26, 2017. <https://www.si.com/mmqb/2017/05/31/nfl-quest-better-football-helmet>.

¹⁰ *IBID*

¹¹ *IBID*

¹² Berr, Jonathan. "NFL national anthem protest denting ticket sales." *CBS News*. September 29, 2017. Accessed October 26, 2017. <https://www.cbsnews.com/news/nfl-national-anthem-protest-denting-ticket-sales/>.

¹³ Johnson, Zach. "ESPN's Hannah Storm Questions the NFL's Integrity After Explaining Ray Rice Scandal to Her Kids." *E! News*. September 15, 2014. Accessed October 26, 2017. <http://www.eonline.com/fr/news/579110/espn-s-hannah-storm-questions-the-nfl-s-integrity-after-explaining-ray-rice-scandal-to-her-kids>.

¹⁴ NFL Sees Small Regular-Season Attendance Decline; Titans, Rams Down Sharply At Home." *SportsBusiness Daily | SportsBusiness Journal | SportsBusiness Daily Global*. Accessed October 26, 2017. <http://www.sportsbusinessdaily.com/Daily/Issues/2016/01/05/Research-and-Ratings/NFL-gate.aspx>.

¹⁵ Florio, Posted By Mike. "NFL statement on stadium security." *ProFootballTalk*. November 14, 2015. Accessed October 26, 2017. <http://profootballtalk.nbcsports.com/2015/11/14/nfl-statement-on-stadium-security/>.

¹⁶ "ERM in the Red Zone: Lessons from the Super Bowl." *Risk Management*. Accessed October 26, 2017.

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¹⁷ "About Levi's® Stadium." Levi's® Stadium. Accessed October 26, 2017. <http://www.levisstadium.com/about-levis-stadium/>.

¹⁸ Alex Koma September 16, 2015 5:28 PM, and Colin Wood. "How Santa Clara uses IoT, open data to tackle NFL invasion." StateScoop. Accessed October 26, 2017. <http://statescoop.com/santa-clara-using-iot-open-data-tackle-football-challenges/>.