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UDC338.242.2:796.966

**BUILDING A BUSINESS MANAGEMENT STRATEGY FUNCTIONING
OF THE NATIONAL HOCKEY LEAGUE****ALENA ZAKREVSKAYA, ALIAKSANDR MATVIENKA**
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The article is devoted to the economy of the NHL. The article considers the issues of income in the League, operating income and profit for all clubs and leagues in General, the salaries of the players, collective agreements and electronic media in the National hockey League.

The key feature of the business building of the National hockey League was independence from state institutions. As in any other country in the world, in the USA and Canada the right to carrying out of the Championships of the USA and Canada hockey belongs to the national federations. The owners of clubs from the very beginning of the formation of the NHL refused to conduct centralized hockey competitions on the definition of the Champion of Canada or USA hockey and chose a different path of development, providing them with the independence of the adoption of strategic decisions on business development. Historical experience has shown that the title holder of the Stanley Cup is for all hockey players of the world's most desirable in the process of self-realization together with the title of the Olympic champion. This factor is very important to remember for discussing the substantial aspects of the business management of the League.

National hockey League exists since 1917 as a private business Corporation, which consists of thirty clubs in the USA and Canada with the rights holders. And the specificity of business is that competing clubs aware of their interdependence. Hockey club is a subject to the Corporation, offering the market a certain type of services – hockey match with elements of show. It is for this rivalry, precisely – in high-quality spectacle, are willing to pay money viewers, fans, TV companies, advertisers, manufacturers of sports equipment, sports nutrition, etc.[3].

Professional sports leagues in North America are a vivid example of oligopsonia. Oligopsonia is the situation on the market, which has a rather limited number of buyers which is facing a number of sellers (producers). In other words, thirty clubs of NHL consider all market offers of a certain resource – professional hockey players. Oligopsonia is also characterized by the fact that the competing clubs aware of their interdependence. In order to avoid price wars, which could lead to uncontrolled growth of salaries hockey, NHL is looking for ways to rein in price competition. The result is similar to the creation of a cartel. The group of companies operates on the market as a single buyer. Each team has its own quota of players and the system of draft beginners also implies the absence of the possibility of hiring one company all the best new players [2].

Despite the General revenues of the League, which due to a new contract with the TV, the strengthening of the canadian dollar and solid attendance at traditional hockey markets increased to 3 billion dollars, 18 of the 30 NHL teams were unprofitable. The distribution of revenue between clubs occurs in equal shares that does not suit the commands such as Toronto, Montreal and Rangers, who have to share it with far less successful organizations [1].

The structure of the income of NHL is box office receipts, of matches (47%), sponsors, marketing (38%); television and radio (15%). These proportions are not permanent. In recent years, for example, the share of revenue from the sale of television rights has increased, the proceeds of matches in the US have declined, but in Canada, there is an increase in cash charges related primarily to the relocation of the club NHL from Atlanta to

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Winnipeg. Overall the growth of League income does not mean that all the clubs in the NHL work and receive profit. And some clubs complete the season with negative indices. Moreover, in the case of club "Phoenix Coyotes", whose owner Jerry Moyes suffered seriously during the global economic crisis and could not contain a command League took the unprecedented step. NHL itself bought Moyes club of Arizona, and put it on the balance until one finds a worthy buyer. Neither the players nor the staff of "Phoenix Coyotes" have felt any changes, because the salary was paid in time, the aircraft flew according to the timetable and matches were not delayed. Thus, the League protected its business [3].

The core business of the National hockey League is the delegation of rights to various types of activity. The Central office of the League may enter into contracts for broadcasting and advertising contracts, partnership agreements on behalf of the entire League. Revenue is distributed between the headquarters of the League and the clubs. However, the clubs can implement their business opportunities independently without a conflict of interest with the League.

Table 1, comparison of operating income and profits for each NHL club for the last three seasons, compiled on the basis of the data of Forbes magazine, taking into account the percentage of funds spent by teams of players in relation to a ceiling of salaries [4].

Table 1 – NHL Economy 2009-2011

	FV	2011		2010		2009		3-year	3-year
		OpRev	OpInc	OpRev	OpInc	OpRev	OpInc	OpInc	cap spent
Toronto Maple Leafs	521	193	81,8	187	82,5	168	78,9	243,2	96,20%
Montreal Canadiens	445	165	47,7	163	53,1	130	31,3	132,1	98,69%
New York Rangers	507	169	41,4	154	41,4	139	27,7	110,5	98,16%
Vancouver Canucks	300	146	23,5	119	17,6	109	20,3	61,4	100,00%
Detroit Red Wings	336	127	16,3	119	15,3	130	27,4	59,0	97,62%
Chicago Blackhawks	306	118	8,7	120	17,6	108	20,9	47,2	97,37%
Edmonton Oilers	212	96	17,3	87	8,2	83	9,4	34,9	90,03%
Philadelphia Flyers	290	111	3,2	121	13,3	101	3,1	19,6	99,96%
Dallas Stars	230	90	-1,1	95	6,4	97	12,4	17,7	83,18%
Boston Bruins	325	125	2,7	110	2,6	108	11,6	16,9	98,71%
Colorado Avalanche	198	83	6,1	82	2,3	84	3,4	11,8	78,25%
Los Angeles Kings	232	101	-2,0	98	0,7	92	10,6	9,3	93,80%
Calgary Flames	220	105	1,1	98	4,6	95	-0,8	4,9	99,64%
New Jersey Devils	181	100	-6,1	104	6,9	97	1,4	2,2	97,69%
Pittsburgh Penguins	264	110	-0,2	91	-1,6	93	3,3	1,5	99,80%
Ottawa Senators	201	100	2,8	96	-3,8	90	-3,8	-4,8	91,50%
Minnesota Wild	213	97	-5,9	92	-2,3	95	1,3	-6,9	94,60%
Anaheim Ducks	184	84	-8,4	85	-5,2	94	4,8	-8,8	93,35%
St. Louis Blues	157	78	-2,7	79	-6,2	80	-2,7	-11,6	81,04%
Winnipeg/Atlanta	164	71	-5,2	71	-8,0	68	-1,8	-15,0	77,42%
Carolina Hurricanes	169	81	-4,4	75	-7,3	82	-4,6	-16,3	86,06%
New York Islanders	149	63	-8,1	63	-4,5	62	-5,6	-18,2	70,41%
Tampa Bay Lightning	174	87	-8,5	76	-7,9	80	-2,2	-18,6	86,80%
Buffalo Sabres	173	87	-5,6	81	-7,9	79	-5,2	-18,7	97,04%
Nashville Predators	163	82	-7,5	74	-5,5	71	-5,7	-18,7	81,53%
San Jose Sharks	211	96	-7,8	88	-6,2	84	-5,0	-19,0	98,78%
Washington Capitals	225	94	-7,5	82	-9,1	83	-4,9	-21,5	98,18%
Florida Panthers	162	81	-7,0	76	-9,6	74	-13,6	-30,2	86,25%
Columbus Blue Jackets	152	80	-13,7	76	-7,3	77	-9,9	-30,9	88,62%
Phoenix Coyotes	134	70	-24,4	67	-20,1	66	-18,5	-63,0	82,06%

Source: Forbes and Financial World estimates: all data in millions dollars, FV – cost club Forbes magazine estimates OpRev– operating income of the club in millions of dollars per year, OpInc– operating profit club in millions of dollars per year, 3-year OpInc– total profit clubs over a three-year, 3-year cap spent cost of player salary for three years in the percentage of the overall size of the ceiling of salaries.

As seen from table 1, the total income of clubs in 2011 was 3,090 billion dollars. The biggest problem for the NHL club "Phoenix Coyotes". Only his losses in 2011 24.4 million dollars. In may 2012 business group led by the former Chairman of the Board of the "San Jose sharks" Greg Jameson acquired club "Phoenix Coyotes". The deal amounted to 170 million dollars. Given this transaction and transfer of the club from Atlanta to Winnipeg with automatic increase of efficiency indicators, it can be stated that in this part of the other owners may be satisfied [3].

Exactly half of the clubs in the NHL expenditure exceeds revenue. Half of these business projects has not earned over the last three seasons, and only a few remained in solid black. 12 clubs suffer losses throughout all three years.

During the last years of validity of the previous agreement the three most important problems of this document have become obvious:

- loophole, which allows the General managers hide "bad" contracts in AHL, definitely works for the benefit of rich clubs;
- calculation of the ceiling of salaries, based on the total income of all clubs, forced a number of weak clubs deal with survival to stay afloat;
- the bottom rung of the ceiling of salaries raised too high. In the 2012/13 season ceiling of salaries could be 70,3 million, so that the poorest team will have to fork out with 77% of the maximum payment. This, of course, affects the clubs with low income. If this percentage has been reduced to 60, poor team next season could spend on salaries order to 42,2 million instead of 54,3 [4].

But judging on the shown data, the cost of wages should be significantly reduced, to reduce the balance to zero, and the owners of unprofitable clubs, as well as those who have difficulty making ends meet, has the right to demand change.

The connection to the sport of the electronic media has largely changed the structure and content of the business processes, and made professional athletes recognizable worldwide figures, stars of show-business. Without the participation of the electronic media only a few tens of thousands of fans enjoyed matches at the stadiums or along the sports slopes. And with the inclusion in the process of broadcasters the audience is repeatedly increasing. In economic terms this means that the athletes continue to produce the same product market (sport). Fundamentally only the number of its consumers is changing due to the listeners, viewers and Internet users (Fig. 1).

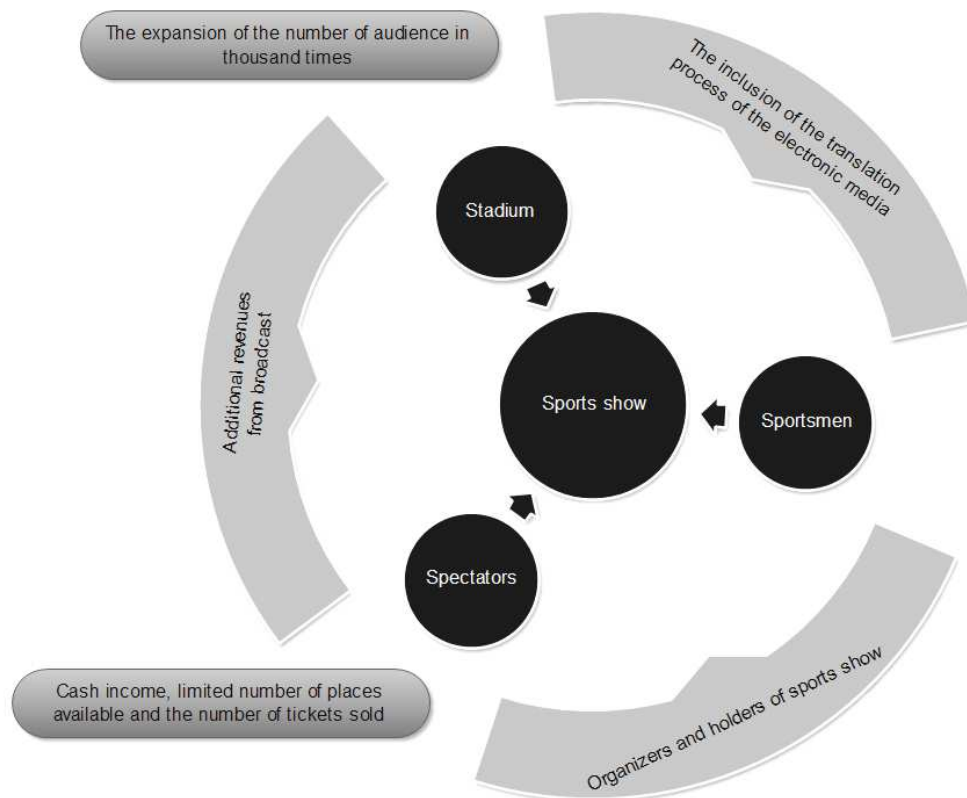


Fig. 1. Sports show how the product

In addition, the epoch of the development of telecommunications has brought the NHL product on an orbit of unprecedented popularity. A momentous event took place in April 2011, when the NHL and NBC signed a 10-year contract at 2 billion dollars. In addition to the stable of the good work of TV companies CBC, TSN and RDS on the coverage of the games in the NHL, it should be noted the tremendous work of the company NBC. The decision of the show each playoff match across the country has led to an unprecedented interest in the games in the United States. In the conduct of the League is exclusively selling the rights available to the public national TV channels level NBC, CBC or TSN. Contract League with NBC brings the annual 200 million dollars, which is divided between the clubs [2].

TV channel ESPN has signed an agreement of broadcasting of the matches of the National hockey League in Europe and Africa. TV company has brought the rights of broadcasting directly from the NHL and two other companies and broadcasted in live air of six matches in a week, as well as the matches of the Cup Stanley – up to the finals for 19 million subscribers in Europe and Africa.

In addition, the sale of TV rights is a significant revenues of any club. Each NHL club has the right to conclude contracts on the broadcasts with local, regional TV companies on their conditions. "Detroit Red wings", for example, in 2008 signed a 10-year contract with the local regional TV company FS Detroit. Not limited to only the money received for the rights to show, managers of the Detroit Red wings signed an advertising contract with the company Belle Tire, which brings club 20 million a year. Most of this money is paid for advertising on television during the team's matches you want in the "Detroit Red wings" put condition during the conclusion of TV contract. There are a few commercials for the game and the name of the Belle Tire powerplay brings more than 10 million. And this is just a single example of a direct cooperation between the club and the TV company[2].

The leaders of the clubs are very sensitive to the statistics of visits of its ice arenas. Vice-President of the NHL bill Daley, speaking in Moscow in February 2012, officially announced that 54 million fans watching matches of the regular championship and the Stanley Cup in North America only, including 14 million in Canada. It is difficult to imagine that in a country where the entire population, including infants and elderly people, is 32 million people, 14 million (almost half of the population) is a hockey fans. Over the last five years the average attendance of the matches of the League was close to 100%. Ice arenas filled 93% of all available seats. Also it is necessary to consider that the monthly official website nhl.com is entered by 14 million people and with consideration of the attendance of sites of clubs, this figure rises to 22 million people. This is the part of the target audience, which works with the NHL, using virtual media resources, the market has achieved an unprecedented rise in recent years [3].

The examples above show how fast the economy of NHL has been growing for the last 8 years. Neither economic crisis in a global scale, nor the change of Presidents of the USA, nor the increasing competition from the other American sports leagues could prevent the growth of income leading hockey League in the world. Perhaps, on the contrary, the reduction of economic indicators of the standard of living for Americans and Canadians made hockey spectacle emotional outlet for people, it is necessary to splash of emotions of joy and compassion depending on the match of your favorite team. Therefore, all activities of the managers, scouts, Directors of a sports show, aimed at attracting fans to the stands and entertainment for its target audience bore fruit.

The dynamics of the profit of the whole League and its popularity in the social environment shows that the hockey NHL product is claimed. Any default, bankruptcy and crisis cannot be discussed. As a part of optimization of the system of club management one can and should use other mechanisms and regulators, rather than reduction of wages of workers at the General background of fantastic growth of income of the Corporation with the beautiful name of the NHL.

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