



# Sports Agency

# Introduction

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- Many sport agencies began by **representing athletes**.
  - Mark McCormack - lawyer, sports agent and writer. He was the founder and chairman of International Management Group, now IMG, an international management organization serving sports figures and celebrities
- Large **multiservice agency firms** have evolved to include **sport marketing and global event management**.
  - IMG

# Introduction

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- **Law of agency** imposes fiduciary duties on the sport agent.
  - A **fiduciary relationship** exists between a sports agent and an athlete upon the signing of an agency contract
- A **highly competitive** industry
  - Client pool is **limited** = many agents have no clients
  - **Significant consolidation** (mergers and acquisitions) has led to the evolution of major firms

# History of Sport Agency

- C. C. “Cash & Carry” Pyle often cited as **first sport agent**
  - Worked with Susan Lenglen (tennis) and Red Grange (football) in 1920s
- Until the 1970s, was **extremely rare** for pro team sport athlete **to have an agent**
  - Teams generally **refused to deal** with agents
  - **Athletes** sometimes **held out for more money** (Koufax)
  - **No free agency until 1976**, so little leverage to negotiate
- **Agents have existed in individual sports** such as golf and tennis for a longer time.
  - Mark McCormack and Arnold Palmer in the 1960s

# Sport Agency: 5 Factors That Influenced Growth

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## 1. Evolution of players' associations

- Through collective bargaining, the MLBPA negotiated the right for players to be represented by agents and labor grievance arbitration.

## 2. Reserve system

- Onset of free agency granted to players through the Messersmith-McNally arbitration decision

## 3. Need for tax and financial planning with increased salaries

# Sport Agency: 5 Factors That Influenced Growth

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4. **Development of competing leagues**
  - created competition for players and thus higher salaries
5. **Increased opportunity for athletes to increase income**
  - through endorsements with expansion of television and entertainment industries

# Sport Agency: Evolution of Sport Agencies

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- Late 1990s saw creation of “**uberagencies.**”
  - Convergence of **entertainment and sport**
  - Large firms bought up smaller firms to **diversify.**
    - SFX, Octagon
    - Some firms ultimately broke up due to **internal strife.**
- 2000s saw rise of CAA and Wasserman.
  - Same strategy of buying up smaller firms
  - WME and Silver Lake Partners acquiring IMG for 2.3 billion in 2013

# Sport Agency: Representing Individual Athletes

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- **Income dependent on consistent performance** in events, appearance fees from events, and the ability to promote and market athlete's image.
- **Agent often travels with athlete**, tending to daily distractions so athlete can stay focused on playing.
- **Large firms** doing individual representation are **often involved in all aspects of the sport** -event management/marketing, broadcasting, consulting.
  - **Possible conflict of interest?**
- Olympic Movement is growth area.
- **Athlete branding** important aspect of job.



# Sport Agency: Representing Coaches and Management

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The number of coaches (and even general managers) with agents is growing.

- Increased income potential
- Increased job movement
- Added pressures on coaches to succeed
- “Modern-day CEO”

Increased complexities of coaching may make having an agent to rely on for advice and counsel almost a necessity.

# Sport Agency Firms

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No set agency firm “blueprint”; **3 common models**

## **1. Freestanding Sport Management Firm**

- A full-service firm providing a wide range of services to the athlete/client

## **2. Law Practice–Only Firm**

- Lawyer performs many legal tasks (contract negotiation, arbitration, legal counseling, dispute resolution, and the preparation of tax forms)

## **3. Sport Management Firm Affiliated with a Law Firm**

- Each fills a void by providing the services the other does not offer.

# Sport Agency Firms: Small Firms vs Large Conglomerates

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- **Small firms** find greater success representing **athletes in one sport** and focusing on one or two services for the athletes or coaches.
- In **smaller firms**, an **agent works alone** or with a small group of employees.
  - **Advantage** may be that **athletes receive increased attention** and are actually represented by the person he or she originally signed a contract with.
  - **Disadvantage** may be that a solo agent often **cannot offer as many services as a large firm**.

# Sport Agency Firms:

## Large Conglomerates vs Small Firms

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- In **larger firms**, the agent may be part of an international conglomerate representing **many athletes in a broad range of sports**.

**Advantages** of large firms include:

- Provide one-stop shopping for services
- More history, reputation, and contacts
- Have other star players
- Increased bargaining position

**Disadvantage** may be that there is often a large stable of clients, and an **athlete may feel like a “small fish in a big pond.”**

# Sport Agency Firms: Fees Charged by Agents – 4 Methods

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## 1. Flat Fee Arrangement

- Athlete must pay agent an amount of money agreed upon before the agent acts for the athlete

## 2. Percentage of Compensation Method

- Often covers negotiation plus all of the work related to the provisions of the contract over its term; most popular

## 3. Hourly Rate

## 4. Hourly Rate with a Compensation Cap

# Sport Agency Firms: Fee Issues

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- **Players' associations** limit amount of agent fees.
- Agent fee “**ceilings**” set between 3% and 6%
- **Fierce competition** for clients has driven average fees down closer to 2%–3%.
- **Limitation only exists** for the fees the agents can charge **for negotiating the athlete's contract**, not for marketing deals.
- **Marketing fees** charged by agents generally range between 15% and 33%.



# Sport Agents

# Career Opportunities with Sport Agency Firms

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## ➤ Sports Event Manager

- Manage events owned by sport agencies

## ➤ Sports Marketing Representative

- Coordinates all of the marketing and sponsorship activities for sports properties

## ➤ Sports Account Executive

- The agency's corporate clients servicing their needs and leading sales and marketing efforts

## ➤ Sports Agent

- May perform just one function (e.g., contract negotiation) or may have many staff performing functions for clients



# Functions of the Sport Agent: 8 Main Functions

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1. Negotiating and administering client contracts
2. Marketing the client
3. Negotiating marketing and endorsement contracts
4. Financial planning
5. Career and post career planning
6. Dispute resolution
7. Legal counseling
8. Personal care

# Functions of the Sport Agent: Athlete Contract Negotiation

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- ✓ Agent must be knowledgeable about the sport and the rules, regulations, documents (contract, collective bargaining agreement, constitution), and common practices of its governing body
- ✓ Agent must understand the value of the player's services
- ✓ Agents must administer the contract and ensure the parties comply with their contract promises
- ✓ Negotiable Terms
  - Bonuses, deferred income, guaranteed income, a college scholarship plan, roster spots

# Functions of the Sport Agent: Coach Contract Negotiation

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When negotiating a contract for a **college coach**, an agent must be familiar with the sport, the NCAA and conference rules, any applicable state open records laws, and common concerns of collegiate athletic directors and university presidents.

- **Negotiable Terms**

- Duties and responsibilities, term of employment and tenure, compensation clauses, termination clause, buyout/release of contractual obligations by either side, support of the team by athletic program or ownership, support staff, etc.

<http://sports.usatoday.com/ncaa/salaries/>

# Functions of the Sport Agent: Marketing the Athlete/Coach

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1. Assess the athlete's current image and marketability.
2. Develop a "branding" plan and polish client image.
3. Select endorsement opportunities that support the developing brand and are consistent with plan.
4. Keep in mind that client's career and public persona may be short-lived; with salary restrictions, market deals more important.
5. Be familiar with restrictions that may limit an athlete's or coach's marketing opportunities.

# Functions of the Sport Agent: Negotiating Endorsement Contracts

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- **Maintain client's exclusive rights** and control over his or her image and other endorsements
- Negotiable Terms-
  - Endorsed products, contract territory, term (length), annual base compensation, bonus compensation, signature products, promotional efforts to be made by company, personal appearances, athlete's approval of company advertising, athlete to use/wear product, company protection of athlete endorsement, rights of termination by athlete or company, indemnity and insurance, approval of assignment

# Functions of the Sport Agent: Financial Planning

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- Covers banking and cash flow management, tax planning, investment advising, estate planning, and risk management
- Sport agents often **attempt to take on this function without proper skills and training.**
  - Doing so can lead to allegations of incompetence and negligence.
- **Disability insurance plans** to protect athletes from career-ending injuries.
- Recent surge of companies offering athletes **pre-draft lines of credit.**

# Functions of the Sport Agent: Career and Post Career Planning

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- Agent must help a client with **transition into a professional career** and again with the **transition into retirement** from the sport
- Agent must **maximize the client's earning potential** during and after his or her playing career, but avoid overexposure
- Agent may take on the **establishment of sport camps or charitable organizations** under the athlete's or coach's name
- Must prepare for **financial crisis** for athlete post career

# Functions of the Sport Agent: Legal Counsel and Dispute Resolution

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- **Provide legal counseling on contract** and other legal matters.
  - However, nature of the legal work may dictate that a lawyer specializing in a particular area is better suited for providing the actual legal services.
- **Resolve disputes** the athlete or coach may have with his or her league, team, fans, referees or umpires, press, or endorsement companies.



# Key Skills Required of Sports Agents

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- **No established educational standards or degree** requirements necessary to become a sports agent
- **Professional degree** not usually required, but expected
- Know **industry sector**:
  - Contracts, policies, rules and regulations, constitutions and by-laws, and collective bargaining
  - Negotiations
  - Shielding client from media

# Current Issues: Unethical Behavior

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Great deal of **criticism and a public perception** that the behavior of those in the agent profession is excessively unethical

Five key problems in the profession:

1. **Income mismanagement**
2. **Incompetence**
3. **Conflicts of interest**
4. **Charging of excessive fees**
5. **Overly aggressive client recruitment**

# Current Issues: Agent Regulation

- Sport agents today must maneuver through a maze of **conduct-governing regulations**.
- Many organizational **policies and by-laws regulate agents**:
  - **Players' associations**
    - Agents register with unions and pay fee
  - States (43 currently have some form of regulation); most have **UAAA**
  - Federal government (**SPARTA** of 2004)
  - **NCAA**
- Athletes can also seek **recourse** under tort, criminal, agency, and consumer protection laws.

# UAAA & SPARTA

## *Uniform Athlete Agents Act*

Primary purpose is to protect educational institutions by creating a uniform code of rules and regulations

Requires sports agents to register in a state in order to be granted permission to initiate communication with a student-athlete who attends classes at an educational institution within that state

- *The Sports Agent Responsibility and Trust Act of 2004*
- Helps protect student-athletes and educational institutions against harmful acts by unscrupulous sports agents
- Three main sports agent duties under SPARTA:
  - to be truthful,
  - A duty of disclosure,
  - A duty to refrain from “buying” an athlete

# Summary

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- The field of sports agency is **exciting and competitive**.
- There is **fierce competition** for a limited number of clients.
- **Recruiting a client is just part of the struggle**, because keeping the client in this **competitive market** is an equally competitive battle.
- **A large, multiservice firm** engaged in athlete representation and event management may provide a good launching point to break into the field.