

Terps on Ice

Considering a New Maryland Men's Ice Hockey Team

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Details for Use

This case is intended to be used with a dedicated interviewer / case buddy.

- If you would prefer a guided practice case for individual use please check out “[Fear the E-Turtle: Terps Transition to Digital](#)”.
- If you are just beginning your case-prep journey and would like to learn more about creating a framework for every business situation, we recommend reading our “[Introduction to Case Frameworks](#)” guide.

Throughout this case there will be sections for the interviewer to read to the interviewee and sections the interviewer should keep to themselves. Please use the colored boxes below as a guide.

Read to
Interviewee

Interviewer
Evaluation

Case Introduction

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After a sharp increase in student interest, the Maryland Athletics Department is considering establishing a new men's ice hockey team. The Department has hired you to help them make this decision.

Q1 (Answer in slide 3): What factors should the department consider before making a decision?

Potential Questions (answer if asked)

- What type of presence does men's hockey have?
 - There is a men's club team that consistently fills an A and B team
- Are there any schools in UMD's conference (Big Ten) with a men's ice hockey team?
 - 7 schools have men's teams, 4 schools have women's teams
- What is the criteria for success in this project?
 - The Athletic Department would require the team to be profitable within 20 years

If a question is asked that isn't on this list, respond with one of the following.

"We'll examine that later in the case"

"That isn't relevant for this case"

Make up a realistic answer to a question they ask if you think their answer is relevant to the question in the case

Potential Framework Topics (Non-Exhaustive)

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Q1: What factors should the department consider before making a decision?

Profitability

Revenue considerations

- What would student interest be like?
- Potential revenue streams: ticket sales, merchandise, sponsorships, broadcasting rights
- Return on Investment timeline: how long would it take to break even?

Cost considerations

- Startup costs: rink time, equipment, uniforms
- Ongoing costs: coaching staff, medical, marketing

Competitive Landscape

Direct competition

- What is the impact of other participating schools? Are there any synergies there?
- What's the split between NCAA and professional hockey fans in the area

Indirect competition

- How else would students spend their time at UMD besides attending ice hockey games?
- What broadcasts would a hockey team have to compete with?

Department's Capabilities

- What current resources may offer synergies?
- Would current facilities be able to accommodate a team? Xfinity? Local rinks?
- Feasibility of scheduling with other schools?
- What resources could we pull from the club team? Staff, players, equipment?

Regulatory Factors

- Which NCAA coaching, scholarship, safety, and recruitment regulations will apply in this situation?
- Will adding this men's team necessitate bolstering a women's sports team to maintain Title IX compliance and gender equity in athletics?
- What insurance and liability insurance requirements will UMD have to meet?
- What licencing and trademark rules apply?

Long-term Sustainability

Sustainability

- Factors affecting long-term viability: player recruitment, fan interest, ongoing funding

Growth

- What would be the short and long term growth goals for UMD ice hockey?

Brand & Reputation

- Does a D1 Men's Hockey Team align with UMD's values?
- How would a team affect other aspects of UMD's brand? Recruiting new students, national recognition?
- How would a UMD hockey team compete nationally and within the Big Ten?



Denotes critical bucket

Estimating Home Game Revenue

Read to
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The ice hockey season runs from October through April. During that time, UMD's team would host 10 home games and play 10 away games. During home games, UMD would keep 60% of the revenue earned from ticket sales. They would charge \$10 per student ticket and \$20 per general admission ticket. They expect an average of volume of 500 student tickets and 1,000 general admission tickets per home game.

Q2: How much revenue would UMD make from all of their home games?

Solution:

1. UMD Revenue per game = $60\% \times (\text{Student ticket revenue} + \text{General Admission revenue})$
2. Total student revenue = $\$10 \times 500 = \$5,000$
3. General admission revenue = $\$20 \times 1000 = \$20,000$
4. UMD revenue per game = $60\% (\$20,000 + \$5,000) = 60\% (\$25,000) = \$15,000$
5. Total UMD Revenue = $\$15,000 \text{ per game} \times 10 \text{ games} = \$150,000$

Bonus question if time allows: How can UMD measure if \$150,000 is enough revenue?

Structured Brainstorming

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**Q3: What are some ways the Department of Athletics could increase revenue at home games?
Focus on ways to improve the revenue stream of ticket sales.**

Potential Solution

- Price
 - General Admission: Increase ticket prices marginally based on elasticity of demand
 - Premium Seating: Charge higher prices for seating in private boxes or premium views
- Volume
 - Season passes: Offer discounted season passes to encourage commitment and upfront cash flow
 - Group discounts: promote sales to groups such as student organizations or community clubs
 - Halftime shows: Bring in local talent or celebrities to increase attraction
 - Giveaways: Offer free merchandise for early attendees
 - Theme nights: Host special theme nights to draw specific crowds (Ex: alumni night)

Break Even Calculations

Read to
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The Athletic Department has said they would only fund a hockey team if it was to be profitable within 20 years. They have also collected some information on the costs and revenues they would experience over those 20 years.

[Co-interviewer shows candidate Exhibit 1 on slide 7]

Q3: Without considering any other costs or revenue streams, how long would it take for this venture to break even?

Solution:

1. Breakeven periods = Initial cost / (Annual revenue - Annual Cost)
2. = \$8M / (\$150K + \$100K + \$350K - \$100K)
3. = \$8M / (500K)
4. = 16

It will take 16 years for the venture to break-even. Since this is less than 20 years, the Athletic Department would support creating the ice hockey team.

Exhibit 1: Costs and Revenue Streams

Projected Costs

Initial Cost: Stadium Construction	\$8,000,000
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Annual Cost: Stadium Maintenance	\$100,000
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Projected Revenue Streams

Home games (10 games per year)	\$15,000 per game
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Away games (10 games per year)	\$10,000 per game
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Annual sponsorship revenue	\$350,000 per year
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Conclusion

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You have a meeting with the Athletic Director at UMD. They have asked you to give them your recommendation, summarize your findings, and propose next steps.

Potential Conclusion

- **Recommendation:** The Athletic Department should start a new men's ice hockey team.
- Supporting Information
 - Recent **sharp increase in student interest**, presence of UMD club team, 7 other Big Ten teams have a men's hockey program
 - Would generate **\$150K** in home game ticket sales annually
 - Could increase this through sales of **premium tickets and season passes**
 - **\$600K in total annual revenue, \$500K after costs**
 - The venture would **break even in 16 years**, less than 20 year maximum
- **Risks:** Decline in student interest, fall through of sponsorship deals
- **Next Steps:** Secure funding for stadium, lock in contracts for future sponsorship deals