

Lesson 2.7

Reaching Consumers



The Elusive Fan

A classic sports marketing book entitled “The Elusive Fan” was published to examine the volatility of the sports/entertainment marketplace and the challenges today’s sports business professionals face.



An Excerpt from *The Elusive Fan*

“It’s an October Saturday in Chicago. On television are two MLB playoff games, two preseason NBA games, fourteen college football games, five golf tournaments, an AHL game, an international horse race, two NASCAR races, and eight soccer matches. The University of Illinois and Northern Illinois University football teams and the AHL’s Chicago Wolves have home games. Hawthorne Race Course has a full card and there’s harness racing at Balmoral Park. There are twenty-nine high school football games and the final round of the boys and girls Illinois high school state championship golf tournaments...”

An Excerpt from *The Elusive Fan*

“...Youth and recreational league games are also being played in every community of the Chicago area. What about the Chicago Bulls, Bears, Blackhawks and Northwestern Wildcats? The Bulls played at home last night, the Bears play at home tomorrow, the Blackhawks are away and the Wildcats had their midseason bye. Of course this does not include the hundreds of satellite television channels broadcasting soccer, rugby or cricket games all over the world; the millions of sports Web sites with fantasy games, insider information and gamecasts; and a wide variety of increasingly realistic sports video games.”



Discussion Topic:



What is a sports and entertainment business and marketing professional to do?

What do we mean by the term “elusive fan”?

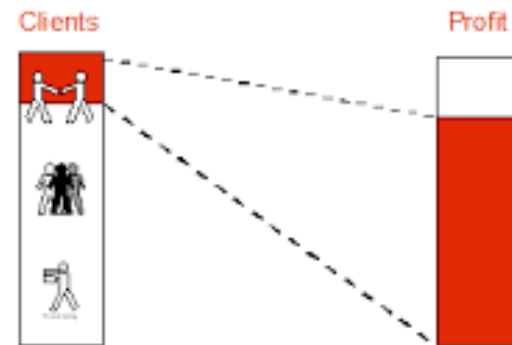
What challenges lie ahead for sports and entertainment business professionals?

Challenges for Today's Sports Business Professionals

The primary challenge for today's sports/entertainment business professional is capturing consumer interest and building loyalty once that connection has been made.

Challenges for Today's Sports Business Professionals

Why is loyalty important? Most marketers follow the widely accepted “20/80 rule”: 20% of customers account for 80% of company sales



The top 20% of your clients
Generate 80% of your profit

Challenges for Today's Sports Business Professionals

An excerpt from a Forbes article on NHL fan loyalty suggests that “From a marketing perspective, loyalty – because it’s a leading-indicator of positive consumer behavior correlating, highly with viewership, licensed merchandise sales and, to a more-or-lesser, degree, attendance – represents the ultimate trophy a sports marketer can win.”



What is SEM?

LESSON 2.7

According to a 2017 report from Fanatics.com, here are the most loyal fans in the NHL:

1) *Chicago Blackhawks*



2) *Pittsburgh Penguins*



3) *Boston Bruins*



4) *New York Rangers*



5) *Detroit Red Wings*



Challenges for Today's Sports Business Professionals

Because NASCAR fans are among the most brand loyal in all of sports, more Fortune 500 companies invest in NASCAR marketing programs than any other major sports property.



Challenges for Today's Sports Business Professionals

Outside of NASCAR, Brand Keys (a brand engagement and customer loyalty research agency) ranked the U.S. major league sports in their 25th annual Sports Fan Loyalty Index (which includes feedback from almost 18,000 fans) as follows:

- Major League Baseball (MLB)
- National Basketball Association (NBA)
- National Football League (NFL)
- National Hockey League (NHL)



Major League Baseball was rated #1 in fan loyalty for the first time in a decade

The NFL, which has finished first nearly every year in the last decade, slipped to third in 2017

Challenges for Today's Sports Business Professionals

Because loyalty is so important, many sports and entertainment organizations implement “loyalty programs” to reward core customers.

The NBA's Portland Trail Blazers offer their season ticket holders a percentage-savings based on tenure –the longer fans hold seats, the higher their discount, up to 20% off.



Challenges for Today's Sports Business Professionals

According to 500Friends, an agency specializing in loyalty programs, the practice of rewarding loyal fans is increasing in popularity among sports leagues

In the English Premier League, 12 of its 20 teams offer an active loyalty program while 23 of the 32 MLB teams and 20 of the 26 NBA teams offer programs rewarding fans for their loyalty



Challenges for Today's Sports Business Professionals

Last season, the Jacksonville Jaguars launched a rewards program that provided loyal fans with cash back on purchases, exclusive discounts available only to loyalty program members and drawings to win prizes like a trip to the Super Bowl.



What is SEM?

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*some exceptions apply

HOW IT WORKS

Online

1. Sign-into Rewards site
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4. Make your purchase
5. Receive cash back

In-stadium

1. Bring Rewards card
2. Visit a vendor
3. Show your card when you pay
4. Enjoy the game
5. Receive ticket credits

Congratulations to Darrell and Becky Dugat of Bradford Plus Insurance in Starke, FL who earned \$322.25 in cash back!

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- ▶ September Savings at Metrostyle! at Metrostyle
- ▶ SAME DAY DELIVERY available at Flowers fast! at Flowers Fast
- ▶ Paul Fredrick Monthly Coupon

Featured Cash Back Stores



Rawlings Gear

2.88% Cash Back

Official online store for Rawlings baseball gloves, baseball bats, baseball caps and all



NFLshop.com

2.4% Cash Back

The official online store of the NFL



Converse

2.88% Cash Back

Converse is the Official Converse Site - Buy Converse Chuck Taylor All Stars, Jack Purcell

New Cash Back Stores



2.4% Cash Back



2.4% Cash Back



4.8% Cash Back

CKSONVILLE JAGUARS

Challenges for Today's Sports Business Professionals

New and emerging sports and entertainment properties keep the marketplace in a constant state of competition and evolution.

Challenges for Today's Sports Business Professionals

Dennis Deninger, a former ESPN production executive who now teaches sports communications at Syracuse University, perfectly summarizes this concept in an interview with the Los Angeles Times: “Every year, there are more entertainment options for people to fill their leisure time.”

What is SEM?

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Challenges for Today's Sports Business Professionals

The rapid growth of eSports has taken the entertainment industry by storm

Global revenue for eSports rose 51.7% to \$493 million in 2016 and is expected to hit \$1.5 billion by 2020



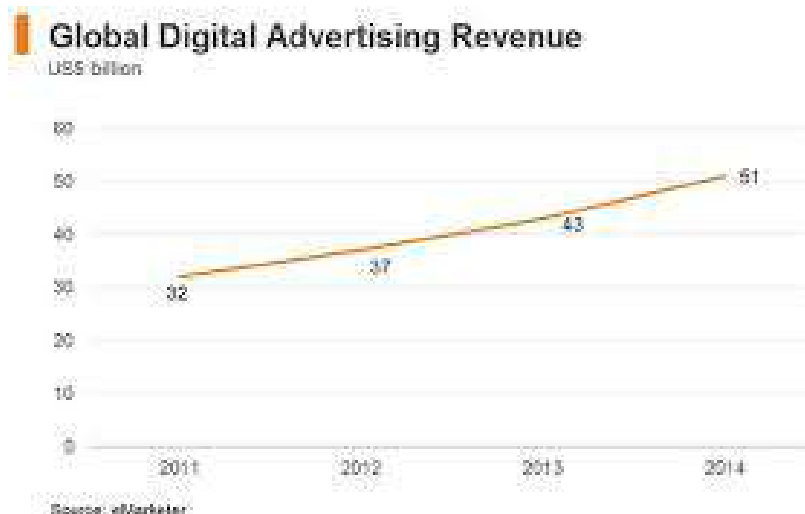
Challenges for Today's Sports Business Professionals

Statistics from newzoo's annual eSports growth report suggest massive continued growth as distribution increases, fan support grows and the number of eSports events being offered continues to rise. Consider the following: The audience for eSports reached 323 million in 2016, an increase of nearly 37% over 2015

Newzoo predicts this audience will grow to 385 million in 2017 and almost 600 million by 2020

Challenges for Today's Sports Business Professionals

Online advertising is the fastest growing revenue segment, up nearly 100% on a global scale from the previous year (driven largely by the growing popularity of eSports).



Challenges for Today's Sports Business Professionals

Forbes reported The Big Bash League, which features eight cricket franchises in Australia, saw average attendance increase by 22% in 2016 –TV ratings were up 11% and merchandise sales were up 44% over last season.



What is SEM?

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Joe Favorito, long time sports business expert, put it this way in a 2011 blog post: *“On April 2 it generated 45 percent of all page views on ESPN’s mobile platform, and over a million views in the United States alone. Its final was watched not by millions, but by billions around the world, and its professional league, which started just days after its international final, saw sellout crowds, waves of blonde haired cheerleaders and loud music. It is also the subject of one of the most talked-about documentaries of the upcoming Tribeca Film festival. No it’s not football or baseball, or NASCAR or even soccer or the X games. And it’s not Charlie Sheen. It is cricket, and while it is still not registering in mainstream America or with the media, it is becoming a bigger player on the global sports landscape than ever before. Should we care in North America? The numbers say yes we should.”*

Challenges for Today's Sports Business Professionals



In 2017, Jay Pandya (chairman of Global Sports Ventures) announced his plans to invest \$2.4 billion in the creation of eight cricket stadiums for a professional cricket league that will begin play in the United States in the next year or two

- Last year, Mr. Pandya set the plan in motion by signing a \$70 million licensing agreement between the United States of America Cricket Association (USACA) and Global Sports Ventures, LLC
- Mr. Pandya's ambitious plans make this the biggest new-sport initiative in the U.S. since the launch of Major League Soccer

Challenges for Today's Sports Business Professionals

ESPN's action sports X Games franchise's consumer products and licensing business does more than \$120 million in retail sales each year



Challenges for Today's Sports Business Professionals

In a sport once publicly denounced by Senator and former Presidential Candidate John McCain, Mixed Martial Arts (MMA) has gained mainstream appeal.

The sport is now sanctioned in every state with an athletic commission with the long-awaited approval from the state of New York in 2016.



Challenges for Today's Sports Business Professionals

In 2016, the most popular mixed martial arts league (Ultimate Fighting Championship) was sold for \$4 billion, the richest sale of any franchise in the history of professional sports. The sales figure becomes even more impressive when you consider that UFC was launched in 1993 and purchased for just \$2 million in 2001 by casino operators Lorenzo and Frank Fertitta (turning \$2 million into \$4 billion is quite a profit).



Challenges for Today's Sports Business Professionals

According to the Edmonton Journal, curling is capturing the attention of fans throughout Canada, particularly on television. The sport has soared in popularity, generating ratings in Canada on par with the likes of the NFL's 'Monday Night Football' and NHL's 'Hockey Night in Canada' while attracting major sponsors and advertisers like Tim Hortons.

Last year, the Tim Hortons Brier Saturday night semifinal outdid Hockey Night In Canada, drawing an audience of 896,000 compared to the Toronto Maple Leafs vs St. Louis Blues telecast that drew 743,000

Examining the Elusive Fan

- *Primary influencers of the fan decision making process are money and time*
- *Other factors can include personal issues like spending time with family, camaraderie among friends and relaxation*

Examining the Elusive Fan

Innovation, enhancement of the overall fan (consumer) experience and careful market research become essential components of marketing plans and strategies



Seven Characteristics of the “Elusive Fan”

- 1) **Pressurized competitive environment**
- 2) **Higher fan expectations**
- 3) **Paradox of commercialism**
- 4) **New technology**
- 5) **Individualism**
- 6) **Change in family structure/behavior**
- 7) **Time pressure**

Seven Characteristics of the “Elusive Fan”

Pressurized Competitive Environment

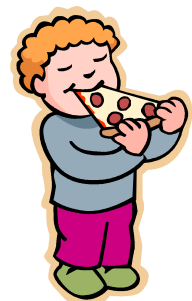
- **The sports marketplace is extremely crowded**
- **Paintball, while not a direct competitor of the NHL, poses an indirect threat as the sport gains popularity and has the potential to attract new sports fans**



Seven Characteristics of the “Elusive Fan”

Higher Fan Expectations

- Fans demand a higher consumer experience than ever before with more concessions options, newer facilities and advances in broadcast technologies
- Fans also demand more access to athletes and entertainers as well as “behind-the-scenes” experiences



Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

A conflict between business and game exists as the business of sports grows while fans still crave the spirit of competition and integrity of the game.



Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

In 2012, Indianapolis Motor Speedway featured signage on the racing surface for the Indy 500 for the first time in its history.



Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

Adidas and Nebraska introduced new “alternate” uniforms for the 2015 football season and while many fans were excited for the new look, critics were quick to voice concerns about disrespecting the school’s historic and proud college football tradition.



Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

The WNBA was at the forefront of the jersey advertising trend when they announced a partnership with Boost Mobile in 2015 that would place ads on the uniforms of 10 of the league’s 12 teams, with the Boost corporate logo appearing on uniforms directly below the players’ numbers



Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

Last year, the WNBA announced a partnership with Verizon (replacing Boost Mobile) that included ad space on the uniforms of 10 of the league’s 12 teams

Verizon’s corporate logo was placed on jersey fronts directly below the players’ numbers

The league also allows for teams to sell jersey space individually, meaning some WNBA teams would have three logos on jerseys (including adidas, another league sponsor), leaving some teams with just a small patch displaying the team’s name and logo below the left shoulder

What is SEM?

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JERSEY
COLLECTION

[SHOP NOW](#)

The complex block features a white background with an orange border. On the left, the text 'JERSEY COLLECTION' is written in large orange letters, with 'COLLECTION' in smaller orange letters below it. Below this is a grey button with the text 'SHOP NOW' in orange. To the right of the text are two basketball jerseys. The first is dark blue with orange shoulder panels, featuring the 'Frontier' logo and the number '3' in yellow. The second is light blue with dark blue shoulder panels, featuring the 'ATLANTA' logo, the number '15' in white, and the 'verizon' logo at the bottom.

Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

Major League Soccer’s Philadelphia Union announced the controversial decision to sell the jersey sponsorship rights to Bimbo (correctly pronounced Beem-bo), the world’s largest bakery, in a four year, \$12 million deal.



A 2016 report from International Business Times suggests Major League Soccer rakes in more than \$6 million annually from league jersey sponsorship sales.

Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

While the debut continues, sports teams who choose NOT to sell jersey advertising are passing up the potential for extremely lucrative sponsorship deals.

Several years ago, Horizon Media estimated that by refusing to let brands place advertisements on team uniforms, major sports leagues like NFL, MLB, NHL were missing out on \$370 million per year.

Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

Beginning with the 2017-18 season, the NBA will allow its teams to sell jersey sponsorships. The Philadelphia 76ers became the first franchise to embrace the concept when they sold jersey sponsorship rights to StubHub in a deal worth \$5 million per year, according to a USA Today report.



Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

The USA Today report also suggests that jersey advertising is projected to generate \$150 million in annual revenue for the NBA, money that will be split among the league, the teams and its players.



Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

By the summer of 2017, more than a third of NBA teams had already signed jersey partnership deal



Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism



In 2016, NHL officials reportedly told team presidents that the league would prefer not to be the first of the big four professional leagues in North America to feature on-uniform ads, even though the move might generate \$120 million per year. According to a 2016 study from S&E Sponsorship Group (a Canadian sponsorship agency), 36.5% of Canadian fans would be open to seeing advertising on NHL jerseys.

Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism



In 2017, NHL commissioner Gary Bettman re-affirmed his position that the NHL would not be following the NBA’s decision to allow advertising on jerseys

At the 2017 All-Star game, Mr. Bettman explained: “The fact of the matter is we take great pride in our sweaters. We think they’re the best in all of sports, and (adding jersey ads) is not something we’re running off to do. We think what we have is special. We talk about history and tradition and how special hockey jerseys are.”

Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

Despite its position as one of the most prestigious events in all of sports, Augusta National Golf Club (home to the PGA Tour’s annual “Masters” golf tournament) turns down “hundreds of millions” of dollars every year in potential revenue

By maintaining low concessions prices and broadcast rights fees, limiting the number of fans allowed in and not chasing sponsors, Golf Digest calls the Masters “perhaps the last major sporting event left where the emphasis is solely on the game”



What is SEM?

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Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

For example, they charge just \$1.50 for an egg salad sandwich and \$1.00 for chips, peanuts or popcorn at Augusta

Compare that to concessions prices at Super Bowl 51 where peanuts cost \$7 and popcorn was \$15



The image shows a menu board for 'SELECTIONS AT THE MASTERS'. The board is divided into four sections: SANDWICHES, BREAKFAST, BEVERAGES, and SNACKS. Each section lists items and their prices. The prices are generally low, ranging from \$1.00 to \$5.00.

SELECTIONS AT THE MASTERS	
SANDWICHES	
Egg Salad	1.50
Pimento Cheese	1.50
Bar-B-Que	3.00
Masters Club	2.50
Grilled Chicken Wrap	3.00
Classic Chicken Sandwich	3.00
Ham & Cheese on Rye	2.50
Turkey & Cheese on Wheat	2.50
BREAKFAST Served until 10 a.m.	
Masters Blend	
Fresh Brewed Coffee	1.50
Sausage Biscuit	1.50
Chicken Biscuit	1.50
Blueberry Muffin	1.00
Fresh Mixed Fruit	2.00
BEVERAGES	
Soft Drinks	1.50
Bottled Water	2.00
Fresh Brewed Iced Tea	1.50
Domestic Beer	4.00
Import Beer	5.00
SNACKS	
Candy / Chips	1.00
Peanuts / Crackers	1.00
Cookie	1.00
Georgia Peach	1.50
Ice Cream Sandwich	
Georgia Pecan	2.00
Caramel Popcorn	1.50

Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

Rather than open up a bidding war for broadcast rights, Augusta National sells the rights every year to CBS on a one-year contract with a rights position that neither CBS nor Augusta makes money on the deal. The popularity of the event drives up the cost for fans to attend on the secondary market, a practice the club deplores and has attempted to remedy over the years.



Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

Rather than inflating its own prices to capitalize on the strong demand, Augusta has even bought back some of the weekly passes to redistribute as more affordable daily passes in the past

That’s not to say the event isn’t profitable; Golf Digest reports the event generates nearly \$30 million in profits each year (which is then reinvested in the golf club for course maintenance, repair, upgrades etc.)



Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

As it becomes more and more challenging to generate a profit in professional sports, many organizations look for new and creative ways to generate advertising dollars.



Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

The Florida Panthers announced they would convert every seat in the BankAtlantic Center’s lower bowl to the color red in conjunction with the team’s “We See Red” marketing campaign and that the logo for one of their sponsor’s (Zimmerman Advertising) would appear on the front of each seat (a deal that will reportedly generate revenue in the mid-six figures each year for the team).



Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

The NFL relaxed its long standing policy of not allowing teams to solicit advertising dollars from any gambling entity when they approved the Baltimore Ravens’ effort to open conversations with casinos about signage, radio advertising and ads in game programs.



Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

Last year, Maryland Live! Casino expanded its partnership with Washington, D.C.’s Verizon Center by branding a section of the arena as the Maryland Live! Casino Players Club. According to sponsorship.com, the members-only space features an all-inclusive menu, pool tables, TVs and end-zone viewing of NBA Washington Wizards and NHL Washington Capitals games and other sports and entertainment events that occur in the building.

Seven Characteristics of the “Elusive Fan”

Paradox of Commercialism

In 2017, the NFL also relaxed its long-standing ban on showing liquor commercials during broadcasts, opening the door for NBC, ESPN, CBS and FOX to cash in by selling advertising to liquor brands



Seven Characteristics of the “Elusive Fan”

New Technology

- **Never before have consumers had so much information or access to sports and entertainment products at their fingertips with the proliferation of media channels**
- **The fan experience is being consistently upgraded as a direct result of new technologies and advances in social media as consumers can absorb the sport experience from almost anywhere**

Seven Characteristics of the “Elusive Fan”

New Technology

- **Devices like the Slingbox and mobile devices/tablets users to watch live sports or television programming remotely**

2013 marked the first time that more than half of avid sports fans who use social media to follow sports also do so while watching their favorite team’s games, according to the 2013 Sports Fan Engagement Study conducted by Catalyst on behalf of SportsBusiness Journal.

Seven Characteristics of the “Elusive Fan”

New Technology

Approximately 73 percent of sports fans engage with brand content online during the pre-game excitement, while 77 percent do so after the game, according to a recent Catalyst study (via a fan engagement report from the Los Angeles Times)

Whether they're using smartphones, laptops or tablets, sports fans are active sharers who use game time for both watching and connecting

Fans use mobile devices to supplement their televised content. According to Catalyst, on average, sports fans use Facebook 5.8 times, Twitter 5.6 times and Instagram 4.4 times on game day.

Seven Characteristics of the “Elusive Fan”

Individualism

- **Society as a whole has become less focused on group interaction and developed more specialized interests.**
- **Individualism has slowly resulted in the deterioration of the popularity of team sports (the fastest growing sports in America and internationally are individual sports).**

Seven Characteristics of the “Elusive Fan”

Individualism

Pickleball, a sport that could be described as a tennis-badminton-ping-pong hybrid that was invented more than fifty years ago, is the fastest growing sport in North America and has been for the last four years.



Seven Characteristics of the “Elusive Fan”

Individualism

According to the Outdoor Foundation, slightly over 1 million Americans participated in stand-up paddling, also called SUP. By last year, however, the number of SUP participants in the U.S. tripled to nearly 3 million.



Seven Characteristics of the “Elusive Fan”

Change in Family Structure/Behavior

- **Today, more than half of all U.S. families are divorced, single parent or diverse groups of unrelated people**
- **As a result, the decision making process for sports and entertainment participation becomes more complicated**

Seven Characteristics of the “Elusive Fan”

Time Pressure

- **The time demands Americans face today offer fewer hours for the consumption of sport in any capacity, be it as a spectator or participant.**
- **It is not simply the activity itself that poses challenges for consumers**





Discussion Topic



Think about the last time you participated as a spectator in a sports or entertainment event (basketball game, movie, concert etc).

How much of your leisure time was spent consuming the activity?



Discussion Topic



Consider the plight of a sports fan that purchased tickets to see a Dallas Cowboys game. Kick-off is at 7:00 p.m. and the fan leaves work at 5:00 to meet a friend at a local restaurant for a pre-game dinner. Given traffic and parking issues, that fan may not get home until 11:30 p.m...

That two or three hour game has now eaten up almost *six* hours of the consumer's day!

As a result, some teams are shifting the start time for home to accommodate fans to help relieve the characteristic of time pressure

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