

THE ELUSIVE FAN



**REINVENTING SPORTS IN A
CROWDED MARKETPLACE**

**IRVING REIN, PHILIP KOTLER
AND BEN SHIELDS**

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To my late parents, Ethel and Sidney Rein, who let me play
Irving Rein

To the Kotler family's six athletes:
Jordan, Jamie, Ellie, Abby, Olivia, and Sam
Philip Kotler

To Ginny and Ben Shields, the most loyal fans in the stands
Ben Shields

PREFACE

Sports are in increasing danger of losing their fans. Fans are now confronted with an array of sports options never before imagined. Traditional sports—baseball, football, basketball, hockey—are under pressure to maintain market share. An entire group of emerging sports—lacrosse, paintball, NASCAR, poker—and many new extreme sports are gaining new fans and fragmenting the market even further. As the global marketplace becomes more transparent, sports that were formerly national or regional in scope are now seeking opportunities to conquer new overseas markets.

This competitive crunch exists at all levels. Colleges, high schools, and clubs find themselves in an ever-escalating battle to compete, not only against their peers but in the face of professional expectations and powerful media attractions. Add the time constraints facing most people, the rising costs of being a sports fan, and the proliferation of media channels and new technologies—and the result is the Elusive Fan crisis.

Many questions in the sports industry now demand responses. Why do fans connect with a particular sport, team, or star and ignore others? What are the

challenges of retaining core fans and attracting new ones? What are the essential strategies that will enable a sports decision maker to connect to the fast-changing competitive sports audience that is splintering into numerous groups? How do cultural and political factors such as competing entertainments, emerging technologies, transportation problems, and safety and security affect the fans' willingness to spend money on sports? These questions are at the center of this book. To answer them, we develop a set of strategies that will help guide sports decision makers as they confront the competitive and fragmented sports marketplace.

These issues are important because of the huge financial and emotional stakes. Sports are growing across the globe, and estimates of the worldwide size of the sports market are nearly \$100 billion. The value of the Chinese sports market alone is expected to reach \$10 billion by the 2008 Olympics. In the 2003–2004 sports season, 476 million people attended sporting events in the United States and Canada, and two years later, 1.3 million fans watched live streaming video of March Madness men's basketball games online. None of these impressive numbers tell the whole story of the impact of sports. Sports have become a way of life and in many cases a principal connection to community, moral values, and hero worship. Players and teams, large and small, become the central focus of families, places, and nations as they intersect all cultures. In an industry of this size and scope, connecting to and sustaining a devoted fan base is both an opportunity and a major challenge.

This book proposes a competitive framework that will enable sports decision makers to address the critical fan connection crisis. We believe that the sports industry needs to reinvent its thinking on teams, leagues, athletes, and events in order to differentiate them from the competition. Furthermore, we advocate an action plan for building a brand for a sports product that will both retain and grow the fan base.

The central message of this book is *transformation*. All sports need to be constantly adapting and if necessary changing to accommodate a competitive and fragmented marketplace. We provide a strategic approach to change that emphasizes fan connection, innovative segmentation, brand-building, and sustaining market share. A critical component of the change process is adapting to the generational shifts in the marketplace that span babies starting life and Baby Boomers starting retirement. An agile and responsive sports brand is the solution to what has become an uncertain and sometimes confusing marketplace.

Preface

The sports industry at all levels can benefit from the framework and cases presented in this book. Whether the sport is pro football, snowboarding, or high school basketball, there are common denominators that can connect the sports fan. The concepts of escape, entertainment, and identification are universal and can provide insight and power to those competing in the often unpredictable sports marketplace.

Few sports products are perennial winners. In fact, many of them are often losers. Yet we can demonstrate that, with the proper brand-building and fan connections, most sports can not only hold onto their fans but also grow in the midst of intensifying competition for the fan's time and wallet. In this new era of competition, the willingness and ability of sports decision makers to reinvent their products and implement change will separate the successful sports products from those that cannot adapt.

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PART



REACHING THE ELUSIVE FAN

Chapter



THE FAN CHALLENGE

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. 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.

Sports fans have never had so many options, opportunities, places, and events to spend their time and money. Add into this mix the hundreds of other cable and satellite television channels, video games, DVDs, and interactive Web sites, and the number of entertainment options at home makes it convenient for people to never leave. And if they do, there are restaurants, movie houses, galleries, theaters, reading groups, grocery stores, lectures, coffee shops, museums, shopping malls, and concerts all vying for their attention.

In a marketplace so crowded, the search for fans has become essential to the very survival of sports. In every decade competitors in the sports industry have adapted to what they consider the pressing issues of fan attraction. A sampling of attention-getters includes:

Newspaper headlines

- “Green-Haired Woman Stalks Welterweight Champion”
- “Sox to Host Disco Demolition Night”
- “Roller Derby Star Seeks Revenge”

Targeting demographics

- Family meal deals—four tickets, four hot dogs, four sodas, and four souvenir cups
- Dog Day at the ballpark
- End zone armchair seats—buffet included

In-game promotions

- Pregame, halftime, and postgame musical extravaganzas
- Cheerleader and mascot T-shirt gunslingers
- The kiss cam

Some strategies have been outrageous successes, while others have received modest responses or failed. They all have one goal—get fans’ attention; entice them to attend, watch, and buy; and encourage them to do it again with more

intensity. In today's highly cluttered marketplace, the competitive strategies for attracting fans have become fiercer and the results often less certain as the sports industry continues to grow with no real end in sight.

At all levels of the industry—from professional to high school—and with all sports products—from athletes to sporting goods—we are seeing revenues and profits reach previously unthinkable heights. The top 50 highest-paid athletes in the world earned a combined \$1.1 billion in 2004, with more than \$400 million coming from product endorsements.¹ Fédération Internationale de Football Association (FIFA), the governing body of soccer, projects a \$144 million profit and a \$1.64 billion revenue stream through at least 2006.² The Washington Redskins have made \$287 million in a year,³ while the New York Yankees have generated \$264 million,⁴ and Manchester United, \$315 million.⁵ Sporting events such as the International Rugby Board's Rugby World Cup earned \$90 million in 2003,⁶ and the X Games, a decade-old extreme sports competition, has turned a \$15 million profit on \$70 million revenues.⁷ League and team licensed sporting goods such as jerseys and hats have sold \$12.6 billion worth in the United States,⁸ and the manufacturers of U.S. sporting goods have generated as much as \$52.1 billion in one year.⁹

These numbers only scratch the surface of the magnitude of the sports industry. They do not include the hundreds of thousands of revenue-producing high school sports programs, college team profits and losses, and the growing number of minor league teams in all sports. Nor do they include the enormous amount of money made from television contracts and sponsorships, video game and new media licensing, legal and illegal gambling, and the operating costs of the industry that include everything from travel to medical expenses. And most significantly, they only begin to place into perspective the global reach and power of the industry.

In an environment with such high rewards, the money spent to compete is escalating at every level. Sports facilities are being built at a feverish pace as high schools alone spent \$440 million in 2004 on the construction of new facilities.¹⁰ Many high schools are engaging in what Brian Holloway, head trainer of Choate Rosemary Hall, a school that recently spent \$10 million renovating its athletic facilities, calls an "arms race" for professional-level medical care for their athletes.¹¹ The National Football League (NFL) spent \$10 million on merely promoting its inaugural annual kickoff celebration of concerts.¹² The National Thoroughbred Racing Association (NTRA), a significantly smaller operation, is spending close to 30 percent of its \$67 million revenue on marketing to grow their fan base.¹³ In recent seasons the National Basketball Association's

(NBA) Cleveland Cavaliers have increased their marketing budget by 15–20 percent,¹⁴ and the Arizona Diamondbacks of Major League Baseball (MLB) spent 60 percent more just on team advertising.¹⁵ And none of this accounts for the vast amount of resources expended to brand sports stars, events, sporting goods, and new media sports experiences.

Despite the enormous amount of money and resources spent to attract fans, there continues to be a struggle for market share and profit. Major League Soccer (MLS), in an effort to establish itself as a major professional sport in the United States, is racing to build its own soccer-specific stadiums to cover its operating costs, brand its facilities, and survive in the marketplace.¹⁶ Established professional teams in leagues such as MLB and the NBA are fighting for an ever-fragmented market share in cities with competition from other professional, college, and high school teams. In college football, while the Big Ten, Big 12, and Southeastern Conference continue to operate in the black, other major conferences such as the Big East, Conference USA, Mid-American, Western Athletic, and Sun Belt haven't made a profit in 10 years.¹⁷ Many major Division I universities are so dependent upon football program revenue that adding a twelfth game has become a built-in budget item in order to meet expenses and subsidize other sports in the athletic program. Even high school athletic departments are becoming more sophisticated at attracting fans and revenue because they are forced to compete with college and professional teams.

In such a high-stakes marketplace with so much to gain and only so many winners, developing and implementing a winning strategy is a critical concern as the competitive environment becomes more intense and fans are harder to reach, attract, and retain. In this book, we propose a systematic approach to the fan problem based on transformation and branding—emphasizing marketplace analysis, integrating state-of-the-art communication strategies, and undergoing a change process with a central and compelling focus on fan connections.

ALL FANS ARE IN PLAY

While sports continue to occupy a great portion of fan interest across the globe, increased competition and new or reemerging sports are fragmenting the market and eroding previously hard-won gains in the sports industry. Every time a 14-year-old decides to play lacrosse instead of baseball, the economic ramifications