



SPORTS MARKETING

Competitive Business Strategies for Sports

CHRISTINE M. BROOKS

S P O R T S M A R K E T I N G

Competitive Business Strategies for Sports

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Christine M. Brooks

University of Michigan



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Preface

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It is easy to get caught up in all sorts of definition problems with the word *sports*. To avoid such complications I use the word *sports* to encompass the entire active lifestyle industry. I include all forms of purposeful physical activity, done in both structured and unstructured settings. I recognize that this use of the term *sports* may be problematic for some of you since I am not following traditional definition guidelines. Strictly speaking, I should use the phrase *sports and physical activity industry*, or perhaps, even more accurately, the phrase *active lifestyle industry* instead of the term *sports*. While teaching I found that repeating the words *sports and physical activity industry* became rather cumbersome. Since the name of our field is Sports Management, *active lifestyle industry* seemed too radical a deviation in terminology. I solved the problem with my students by simply beginning the course by explaining what I meant by the term *sports* and then used this word to represent both components of the *active lifestyle industry*—*sports* and *physical activity*. In the same vein, I ask for your understanding as I use the word *sports* to represent all components of the *active lifestyle industry*.

Whatever we call it, the sports industry is a multibillion dollar segment of our society that is growing larger every day. Its monetary growth has spawned a demand for college programs that prepare students for sports business careers. The University of Michigan is one of the many schools that responded to this demand. As the faculty designed the curriculum, however, we quickly discovered that there was a severe shortage of teaching materials in the way of textbooks,

computer simulations, videos, case studies, and other aids. The faculty did the best they could in gathering teaching material related to their assigned content areas. My specific assignment was to design a course that would teach students about competitive market strategies as they applied to sports. I could not find any material that discussed products, market opportunity, industry structure, sponsorship, competitive force analysis, and other business notions that were specific to sports. I was looking specifically for material that would help students learn how to think, interpret, analyze, and apply what they learned so that they would be adaptive to any sports environment. My solution to meeting these needs was to write my own material. This book is the formal presentation of my efforts.

As you work your way through this book you will find that it is a very action-oriented approach to learning. I will ask you to research markets, analyze and interpret the data for market opportunities, and then design a plan to pursue those opportunities in an organized and effective way. I also ask you to present your findings in strategic plan format.

When they first enter the classroom, my students expect I will give them a clean, neat, orderly “cookbook” outline of what I want them to do. The conversation typically goes something like this:

Student: “I can't think of a project. Can you give me some suggestions? What are other students doing?”

Me: “This is your chance to try anything you want.”

Student: “Well, how about a midnight fun run for overweight students? Do you think this is a good idea?”

Me: “Do **you** think it's a good idea?”

Student: “Yes, but what if people don't like it? I'll feel stupid.”

Me: “That certainly is a risk, but so what? You can find out if your idea is workable.”

Student: “Well, how many pages should I write for my strategic plan?”

Me: “As many as it takes to do the job properly.”

Student: “But. ?”

Just as I try to awaken the creative spirit in the students who are in my classroom, I will try to awaken it within you by asking you to think things through for yourself. Education experts agree that our survival in an increasingly competitive global economy requires that you learn how to take ideas and explore ways to apply them to diverse situations. You may prefer a cookbook outline but you will discover soon enough that the world does not operate on common recipes. The notion of exploring the unknown, where failure is frequently the teacher and is therefore considered *good*, is quite foreign to many students I teach. They think of failure as bad. This prevents them from following through on bizarre ideas that could be the breakthrough that sports needs. I urge you to define failure as *good*. I have had many student groups discover, after doing their market research, that their idea was not going to work. Without exception, the failure of their first idea

led them to a better and more profitable idea. The discovery of failure helped them bond together more closely, and they simply explored another version of their idea. Do not be afraid to explore the unknown, fail, try again, and perhaps fail again and again. The axiom “nothing ventured, nothing gained” is true in sports business just as it is in all other facets of your life. It is persistence, effort, and creativity that ultimately lead to success. So long as you challenge yourself, and try over and over again, you will be successful.

For those of you who may find the lack of a cookbook structure frustrating I urge you to think for a minute about the consequences of staying in this mode. It's the difference between a secure but limiting existence of an oyster, and a slightly more risky but exciting existence of an eagle. The ocean provides the oyster with food and gives it protection. All the oyster must do is give up its freedom and remain attached to the same rock throughout its entire life. The eagle, on the other hand, certainly faces more danger and has no guarantee of food. Life is exciting and challenging for the eagle. It can leave its nest and fly high above the mountains to breathe the beauty of its surroundings.

Do you want to be an eagle or an oyster? Do you want security by accepting the crumbs others discard? This is what a cookbook student gets—the crumbs of other people's ideas. These throwaway ideas are almost always uninteresting and mundane. Or, do you want to create your own destiny? In this book I assume you want to fly with the eagles and face challenges. I challenge you in two ways. First, I ask you to pretend you are going to produce a sports event or take some other sports-related product idea to the marketplace. You select the event or product that interests you. Each chapter introduces you to some aspect of the venture you must consider. There are chapters dealing with markets, industry structure, sports publics, sponsorship, market research, publicity, and strategy. There are several case studies to help you experience the eagle's view from the mountain top—that is, to let you see the application of the material you are reading to the real world. Worksheets will guide you as you plan your idea, but will not provide you with the exact solution. Since the book covers many details involved in bringing an idea to market, the information in each chapter may, or may not, be relevant to your specific situation. It is up to you to decide what information applies. Second, I ask you to write a strategic plan for your idea. This step ensures that you put on your thinking cap. Talking about an idea, or reading about the endeavors of others, will not give you the personal experience you need to fly high above the mountains and come back alive. Writing it down, developing a plan, thinking through the strategy—that's how learning occurs. That's how you survive in the marketplace.

I give as much guidance as possible for those of you stuck in the cookbook mode. I do, however, attempt to break you of this habit by making you responsible for searching through the information available, analyzing it from many directions, picking out what is relevant, discarding what is not, and then making the decision to venture forth. Once you make the decision you must move forward with giant confident strides even if people surrounding you claim you will fail. If *you* want to do it, then *do it!* Mountain climbing is the analogy I like to use. You will never have perfect information, and your friends may say

you are crazy to even make the effort. Those who have already made the climb can give you advice, but you are the one who is facing the challenge. You must analyze the side of the mountain as best you can, gather your resources and courage, commit to a path, get started, and be flexible enough to change direction if unforeseen obstacles block your way. Take note, though, that you cannot climb to the top of the mountain by leaving one foot on the ground. In other words, don't procrastinate—get started! Whenever you hesitate about taking the first step, picture yourself lying on your deathbed. What are you wishing you had done? Whatever it is, make sure you do it now because you can never recapture today tomorrow.

Much of the information I include in this book is from actual sports business situations. I gathered the material over a six-year period from interviews with about 100 different sports organizations, individuals, and corporations. I would like to express my appreciation to these individuals and organizations for their help and support. From their experience and advice you will:

- see that sports is a dynamic and challenging enterprise.
- be given guidelines on how to understand your consumers, markets, products, and sponsorship opportunities.
- learn strategies that will help you explore new ideas.
- learn how to move from the idea stage to the action stage.
- see that you have many career choices available to you.
- learn how to take advantage of the competitive forces that buffet almost all sports organizations.

I have one final comment. People who want a career in sports often make a common mistake. They assume all they must do is take a relevant college course, read a book such as this one, or obtain a Sports Management degree. Improving your knowledge about the industry, its products, and its markets is just one of the steps you must take. You must also prove that you can apply your knowledge to the financial advantage of some sports entity. This will almost always require some hands-on experiences through internships, volunteer projects, and other field experiences. If you complete both these steps—that is, improve your knowledge *and* practice your skills in the marketplace—you will no longer be competing for jobs with the multitude of others who did not prepare in this way. So, with this in mind, I dedicate this book to those students from my 1991 class who had the courage to test their ideas in the marketplace. Their event is now a yearly endeavor of the Sports Management Student Government here at Michigan. The first effort didn't make much of a profit, but it didn't lose money—certainly an accomplishment in itself. These students harbor in them the true spirit of entrepreneurship and the sports industry needs them. I wish them, and all of you with similar gumption, the best of luck.

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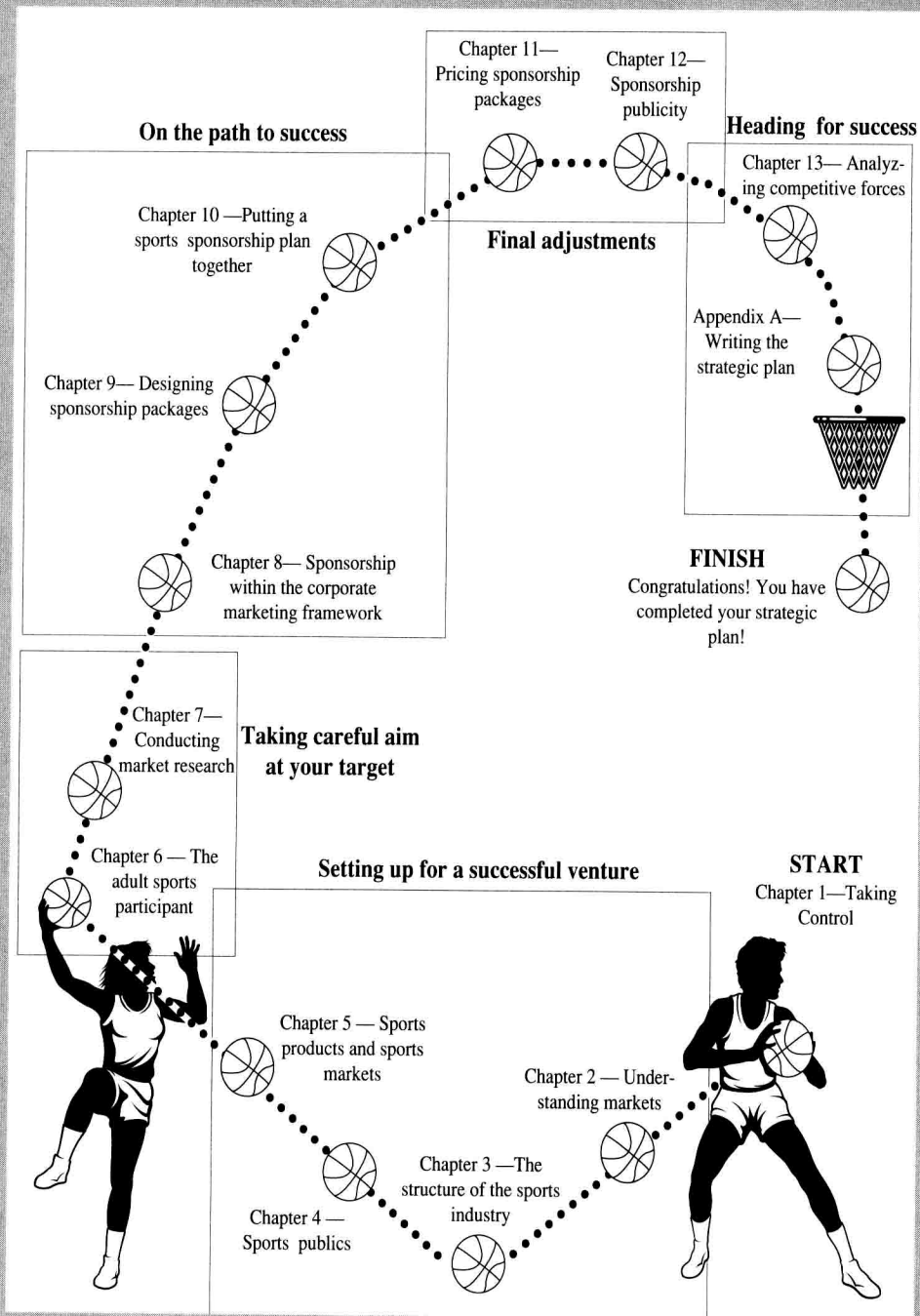
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Christine M. Brooks



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CHAPTER ONE

Taking Control

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Thinking is the hardest work there is, which is the probable reason why so few engage in it.

—Henry Ford

If you put a frog in cold water and heat the water slowly, the frog will calmly sit there and let itself be boiled. It becomes so accustomed to the slow, continuous change in heat it does not realize that its environment will eventually become intolerable. Like the frog, many of us are in such a rut that we become used to a certain way of doing things even when we are heading toward disaster. It usually takes a major jolt to shake many business organizations, and people, for that matter, out of the same old routine. Think about it. Thousands died in the *Titanic* disaster before legislators mandated sufficient lifeboats for all passengers on ships. The *Challenger* shuttle exploded before NASA took a hard look at its priorities. Only after people die will automobile manufacturers consider building safer cars. Our lakes and rivers become polluted before we, the citizens of this world, insist that our politicians enforce environmental laws. The same is true for sports organizations. A sports organization must reach the crisis stage before its managers will consider new approaches.

The cause of inaction is, of course, people. It is so easy to become lulled into doing the same thing day after day until we absolutely have to make a change. Think for a moment about how you live your own life. Do you tend to accept the way things are until disaster looms? How much prodding do you need to move out of your comfort zone of daily living to experience the unknown or the unexplored? To be a ground-breaking sports marketing strategist you must be willing to move out of a familiar environment, open your eyes to changes that

are occurring around you, and seek innovative methods of solving problems. If you do not do this, you will miss some great opportunities. In other words—you must be cognizant of when the temperature is rising, move out of the water before it is too late, and *take control!*

How do I expect you to learn to take control from reading this book? To answer this question let us begin with a thinking assignment. Find a few classmates and take some time to discuss the following questions. At first glance the questions might seem quite basic to you. It may surprise you, though, to discover how little you have really thought about them.

Here are the questions:

- What is a sports product?
- What benefits do sports products offer people?
- What are the market segments for sports products?
- How do you develop a plan or strategy for entering a market segment?
- Who are the competitors in the sports industry?
- What is meant by “market share”?

How did you do? Did you find these questions difficult? Did the terminology confuse you? Did the questions overwhelm you? If so, you are not alone. By the time you reach the final chapter of this book, though, you will be able to tackle each question with confidence. So, that is goal number one—to give you a sense of familiarity with the basic jargon and the nature and logic of competitive market strategies by introducing you to such notions as sports products, market segments, and market share. We call this the “what is” of competitive market strategy. In other words, you learn how to gather the information that is presently available. To be a successful strategist, though, you must also learn to explore “what could be.” Therefore, a second thrust of this book will be to teach you how to analyze the data you have gathered so that you can design ideas and develop action strategies. So in addition to becoming familiar with the “what is,” you need to become (a) intentionally creative with your ideas and (b) liberated from the fear of being wrong, a fear that serves only to prevent you from taking action. One way of accomplishing these latter two goals is to make *yourself* the boss.

YOU ARE THE BOSS

As you will soon discover, the analyzing phase is fairly simple. Once you understand what you should look for, analyzing is not much more than examining the facts as they exist. The idea and action phases, on the other hand, are often messy and confusing. The outcome of a specific market strategy idea, and the action you ultimately take, is certainly visible—sometimes it is successful, other times not so successful. To really feel what it is like to design and implement a market strategy idea, we need to put you in the driver’s seat. We will do this by placing you in an imaginary job. Close your eyes for a minute and imagine yourself as the

manager of a sports organization of some type. You will probably choose your favorite sport. If you are already working for a sports organization, you will probably select that sport. The sport you select really doesn't matter—just the fact that *you are the boss*. Now, go on—close your eyes and picture yourself as a sports manager.

OK. Good. To complete the imagery I'm going to ask you to do one more thing. I want you to think of yourself as more than just *any old* manager—you are an *entrepreneurial* manager. This intrigues you, right? Why are you an entrepreneurial manager? Good question! As you will discover during your journey through the contents of this book, there are vast opportunities in the sports industry available to those with an entrepreneurial bent. Entrepreneurs are the true heroes of the sports industry, for they develop new products from sports, expand the markets for sports, encourage innovation, and make a major contribution to the overall size and scope of the industry.

Be warned, though. Implementing a new venture or introducing a new idea in the sports industry, or indeed any other industry, is risky. Entrepreneurs fight tough odds, since the natural tendency of people is to resist even the best ideas. The most useful ideas that are now commonplace in our culture, such as the Xerox machine, were rejected many times over by key decision makers before they finally gained acceptance. A new idea usually means change, and change is often uncomfortable. The entrepreneurial road is challenging, time demands can be staggering, and success is often elusive. An entrepreneur must have a strong belief in his or her abilities, an overdose of determination, and a thick skin to overcome roadblocks that will cause detours and deter progress.¹

There is only one way to prepare for any venture—a *plan*. Preparing a *strategic plan* will set you firmly on the right track. A strategic plan is a detailed outline of your analyses, evaluation, and selection of market opportunities so that you can reach your market objectives. No matter what part of the sports industry you might ultimately decide to venture into, or the type of product you hope to offer consumers, you stand a much better chance of succeeding if you have a plan to follow.

LEARN BY DOING

The best way to learn how to put a plan together is by *doing it*. This is the reason we are structuring your learning experience around your imagined managerial position. It will give you the opportunity to experience the actual process of developing a strategic plan for a venture we will discuss shortly. This will teach you how to jump through the hoops you will face in the real world. You cannot play the competitive sports market strategy game unless you can prove you are a capable player. People want to see your plans on paper so that they can be sure you have thought out your ideas carefully. You must show why you are capable and how you will compensate in the areas in which you have no expertise.

If you have done the necessary background research, writing a strategic plan will not be that difficult. You do not have to be a literary genius, but you