

Strategies

From \$50 to \$4 Million

Michelle Kwan was one of the world's dominant ice skaters during the late 1990s and early 2000s. Kwan is a seven-time U.S. national champion and four-time world champion.

Michelle was born in Torrance, California, to parents who immigrated to the United States from Hong Kong and China. Michelle's interest in ice skating was sparked while watching her older brother play ice hockey. When Michelle and her sister Karen became serious about ice skating, their father offered them \$50 for every day they did not skate because the financial commitment to skating was so huge. The girls eventually earned fellowships at the highly regarded Ice Castle International Training Center in Lake Arrowhead, California. The Kwan family moved to Lake Arrowhead, and Michelle's father commuted two hours each way to his job.

Michelle finished second at the 1994 U.S. national championships when she was 13 years old. In 1996, she won her first national and world titles. She repeated as U.S. champion in 1998, 1999, 2000, 2001, 2002, and 2003 and won additional world titles in 2000, 2001, and 2003. Michelle Kwan earns an estimated \$4 million a year and attributes her success to a father who gave his children opportunities.

Think Critically

1. Explain the relationship between persistence and success as indicated in this article.
2. An entrepreneur is someone who takes risks to start a new business. How is Michelle Kwan's father an entrepreneur?





Marketing Basics

Goals

- Describe the basic concepts of marketing.
- Explain the marketing mix.
- Define the six core standards of marketing.

Terms

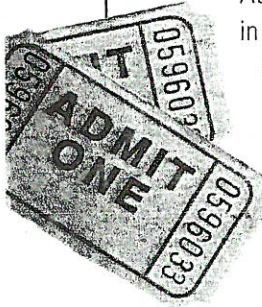
- marketing
- marketing mix
- product
- distribution
- price
- promotion
- discretionary income

Opening Act

Athletes and entertainers play a prominent role in marketing by endorsing products and services. Professional football player Brett Favre endorses Snapper riding lawnmowers, and comedian David Spade is associated with Capital One's "What's in your wallet?" campaign. People like to be identified with celebrities and sports stars.

Product endorsements by famous people are good marketing strategies.

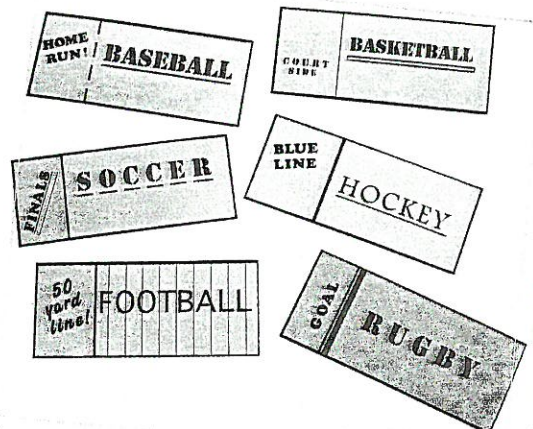
Work with a group. Identify four advertising campaigns that feature celebrities or athletes. Discuss how the campaigns have affected your thinking about the products. If you were in the market for the products, would you buy the celebrity-endorsed brands? Why or why not?



WHAT IS MARKETING?

According to the American Marketing Association, marketing is "planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives." Marketing is a highly visible business activity. Many individuals think of marketing as advertising. However, producing, distributing, pricing, and promoting are also essential marketing elements.

A simpler definition of **marketing** is the creation and maintenance of satisfying exchange relationships. This definition describes pieces of the entire marketing concept.



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Creation suggests that marketing involves product development. *Maintenance* indicates that marketing must continue as long as a business operates. *Satisfaction* implies that marketing must meet the needs of both businesses and customers when exchanging products or services. Finally, an *exchange relationship* occurs when the parties involved (business and customer) both give and receive something of value.

Satisfying Customer Needs

Customer needs should be the primary focus of marketing. This concept is not as easy as it might sound. To satisfy customers' needs, you need to perform three activities. First, you must identify your customer and the needs of that customer. Second, you need to develop products that customers consider better than other choices. And finally, you must operate your business profitably (revenues must exceed the costs of doing business). If you can do all of these items well, you will be able to market your products or services successfully.

Sports and Entertainment Marketing

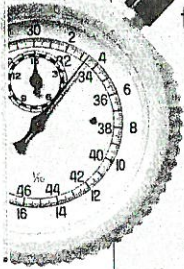
Sports and entertainment marketing is a huge industry offering numerous products and services. Busy individuals and families must carefully choose which sports and entertainment activities and events they will enjoy with their limited time and financial resources. Marketers of sports and entertainment products and services must assess consumer demand, the competition, and the financial valuation of the goods and services they offer. When developing marketing plans for sports and entertainment products, marketers must consider the marketing mix and the core standards of marketing.

What is marketing?

Intermission

THE MARKETING MIX

Time Out



In 2006, a family of four could expect to pay an average of \$352 to attend one Chicago Cubs baseball game. This price included four tickets, parking, four hot dogs, four drinks, two programs, and two souvenir caps.

To perform the tasks associated with marketing, marketers rely on a marketing mix. The **marketing mix** describes how a business blends the four marketing elements of product, distribution, price, and promotion.

A **product** is what a business offers customers to satisfy needs. Products include goods, such as athletic shoes, and services, such as video rentals. Providing entertainment can also be considered providing a service.

Distribution involves the locations and methods used to make products available to customers. **Price** is the amount that customers pay for products. **Promotion** describes ways to make customers aware of products and encourage them to buy.

Marketing Mix Considerations

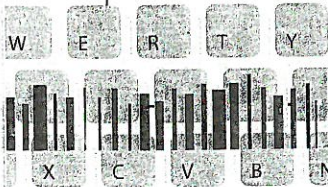
Marketers must carefully consider the many factors that affect the marketing mix elements. Product offerings for sports and entertainment must be constantly evaluated and updated. Individuals have many entertainment options for their limited discretionary income. **Discretionary income** is the amount of money individuals have available to spend after paying for the necessities of life and other fixed expenses, such as housing and car payments. Entertainment options that are popular today may lose popularity next year. Choosing the right products to meet the needs and wants of the market is essential to the marketing mix. In addition, marketers must consider the quantities of the product to produce. Too much of a product could result in price markdowns. Too few of a product could result in lost sales.

Price influences the purchasing decisions made by consumers. A business must offer its customers products and services they need and want at prices they are able and willing to pay, while at the same time covering the costs of the business and making a profit. Prices charged for sports and entertainment events must be sensitive to consumer demand and the state of the economy. Championship teams will increase consumer demand and ticket prices. However, when the economy becomes questionable, consumers are likely to spend less money on sports and entertainment events.

Distribution involves transporting or delivering goods to final customers. Athletic uniforms arriving by UPS and turf for a football field arriving by semitruck are both examples of the distribution function of marketing.

Cyber Marketing

With new technology, live cybercasts of music concerts can be heard and viewed around the world through the Internet. Movie companies are using the Internet to broadcast movie trailers and to market movie-related merchandise to consumers.



Think Critically

Work with a partner. Visit the home pages of at least three movies that have related merchandise for sale. Determine what information is collected from customers. Discuss how the marketing information gathered could be used in the future to promote and sell other products.

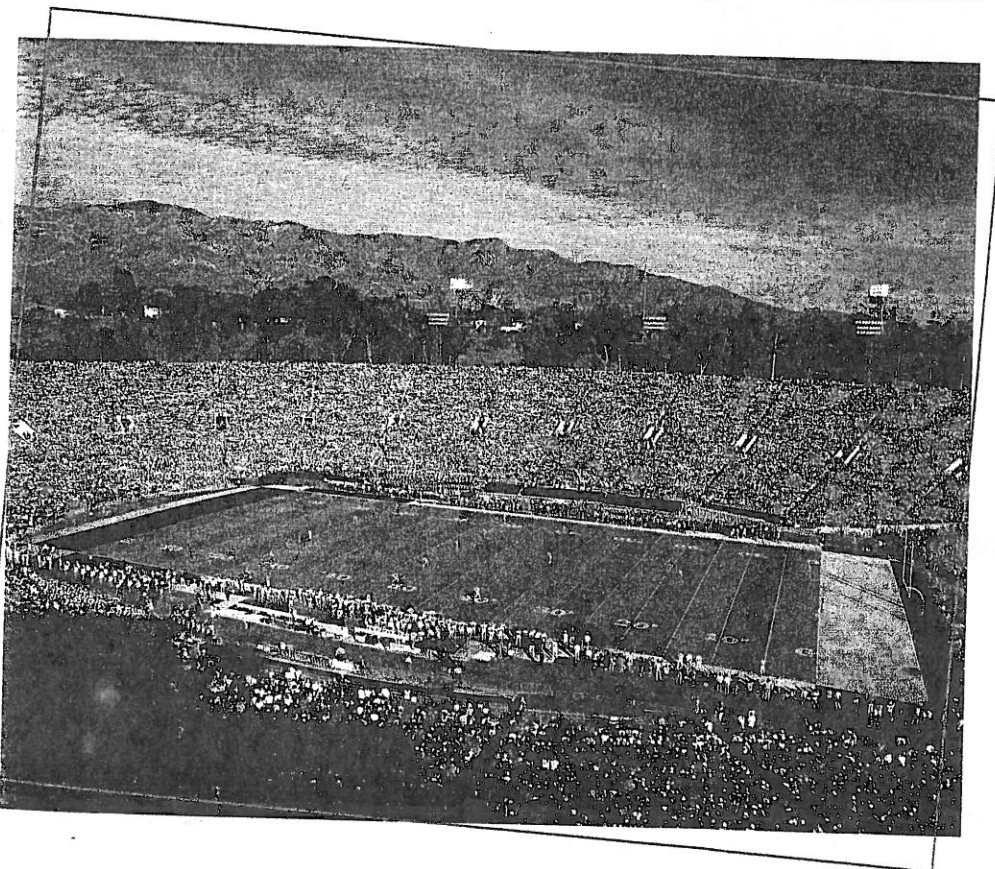
Distribution of an event involves planning the location where the event will take place. A popular three-day outdoor concert event for country or rock music must be held at a location near the customer base and where nearby businesses, such as hotels and restaurants, can accommodate the needs of the fans.

Promotion is essential to inform prospective customers about sports and entertainment events and products. Forms of promotion can range from television commercials and newspaper advertisements to in-stadium advertising through special offers on the back of ticket stubs and on giant video screens. Promotion requires creativity to keep the attention of prospective customers. Promotion costs large sums of money, making it important to select effective promotion plans that reach the largest audiences at the most reasonable price.

A Marketing Mix Example in the Sports Industry

The Super Bowl is the sports event of the year. This billion-dollar event results in large sums of money from sponsorships and ticket sales. The *product* offered by the Super Bowl is the game matching the best teams in the American Football Conference (AFC) and National Football Conference (NFC). The Super Bowl is usually sold out before the professional football season begins. Actual ticket *prices* range from \$400 to \$600, but individuals may spend thousands of dollars more in travel and hotel costs to attend the game. Major cities compete to host the Super Bowl due to the great financial benefits for the local economy as fans utilize the area's hotels, restaurants, shopping malls, service stations, and the hosting stadium.

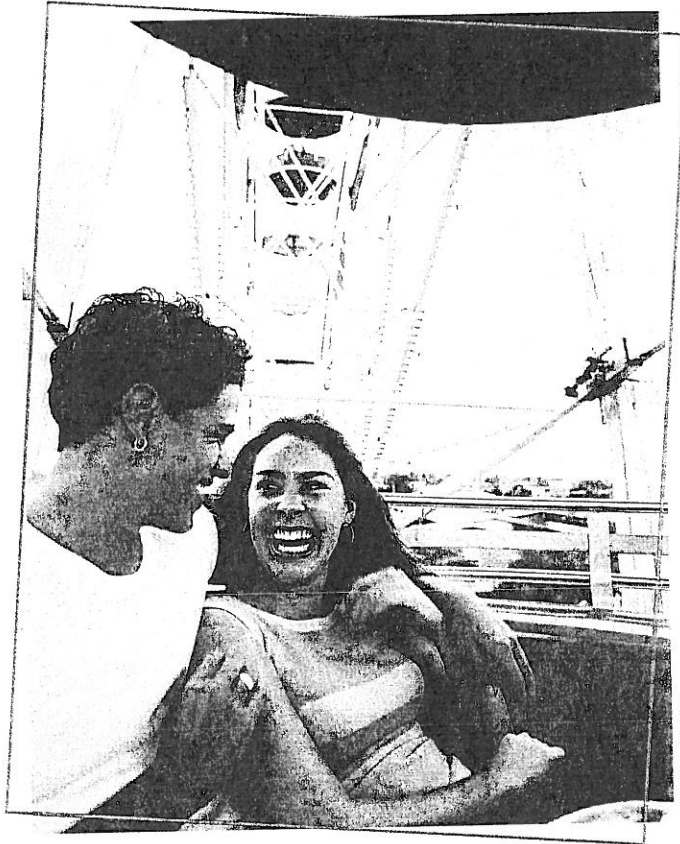
Distribution involves selecting a host city that is easily accessible by the fans. It must be near an airport and major highway and have sufficient nearby accommodations to meet the needs of the thousands of fans who will pour into the city for the game. Distribution for the Super Bowl also involves



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ticket sales. Distribution methods for tickets include direct sales by NFL ticket offices, ticket outlets such as Ticketmaster, and the Internet. Other distribution outlets for the Super Bowl include television and radio. Many Super Bowl parties are held in homes and sports bars throughout the United States.

Promotion for the Super Bowl includes television commercials, newspapers, sports magazines, and related-product contests. For example, companies such as Coca-Cola and Doritos may conduct special Super Bowl promotional sweepstakes. Super Bowl sponsors spend large sums of money to air commercials during the big game. One 30-second commercial during the Super Bowl can cost nearly \$3 million.



A Marketing Mix Example in the Entertainment Industry

State fairs are finding it increasingly difficult to compete with other sports and entertainment events. The *product* offered by a state fair must appeal to both rural and urban residents. State fairs offer livestock shows, domestic and commercial exhibits, carnivals, and a wide array of musical and other entertainment. State fair planners want to offer a product that draws the maximum attendance and profit.

Since state fairs are family entertainment events, admission *price* is an important factor to consider. State fairs must charge enough admission to remain financially sound while still attracting good attendance. The admission price must be sensitive to consumer demand. Many state fairs offer special admission prices to attract more attendance on weekdays. Frequently, price breaks are offered for advance purchases.

The success of entertainment events depends on *promotion* or communication to prospective customers. Advertisements on radio stations and in newspapers throughout the state are aimed at increasing state fair attendance. Television commercials are

another option for promotion, but the cost in relation to the increased revenue they may generate may be too high to justify.

Distribution involves location of the fair and the outlets where individuals can purchase admission tickets. State fairgrounds are usually located in a central location within a short drive for most state citizens. Tickets can be purchased at the admission gate during the state fair or purchased in advance from the state fair business office or other ticket outlets.

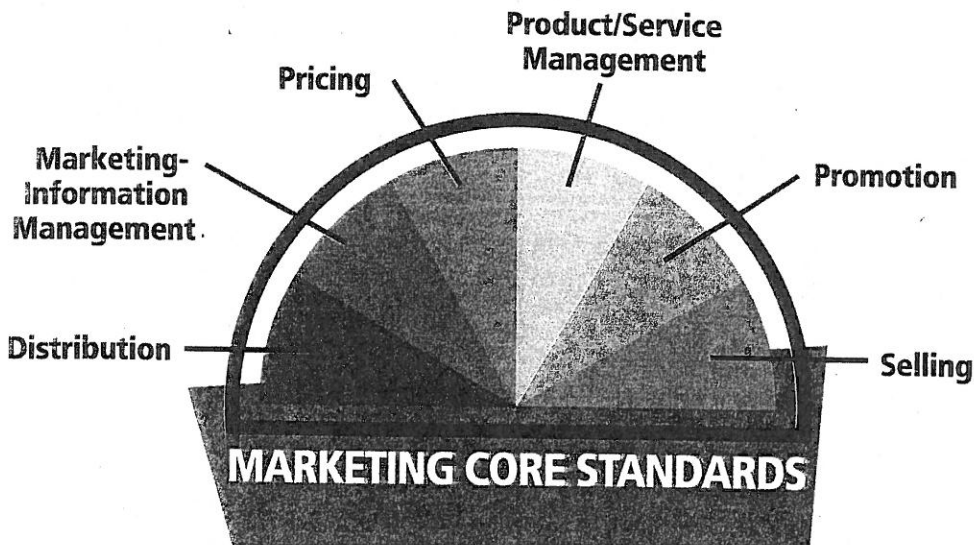
The goal of the state fair's planners is to offer appealing entertainment at the right price to attract the maximum attendance. State fair boards must develop a marketing mix that will meet this goal.

Intermission

Describe the elements of the marketing mix.

CORE STANDARDS OF MARKETING

The core standards of marketing are the basis of all marketing activities. There are six core standards associated with marketing. They are product/service management, distribution, selling, marketing-information management, pricing, and promotion. Every marketing activity involves at least one core standard.



Distribution Determining the best way to get a company's products or services to customers is part of the *distribution* function. Television makers like Sony sell their products through electronics retailers like Circuit City. Sony knows that shoppers go to Circuit City to buy electronic goods and appliances. In sports and entertainment, distribution involves selecting the right location for an event and making tickets available through ticket sales outlets. For sporting goods, distribution involves getting equipment to stores where customers can buy it.



Marketing-information Management Gathering and using information about customers to improve business decision making involves *marketing-information management*. When Domino's first considered expanding operations into Japan, it used its marketing research findings to adapt its traditional pizza to Japanese tastes. Domino's offered nontraditional toppings such as corn and tuna because of local preferences. For sporting goods, successful marketing involves using marketing information to predict consumer demand and to estimate the right quantities of merchandise to produce.



Pricing The process of establishing and communicating to customers the value or cost of goods and services is called *pricing*. Prices assigned to sports and entertainment events and goods are directly related to consumer demand. Prices may be set high if the seller knows people will buy at the high price. Super

Bowl ticket prices go through the ceiling since there are a limited number of tickets and there is an enormous demand for them. Prices may be set lower if the seller knows a large volume of a product can be sold. Pricing policies are also based upon the cost of producing goods and sports and entertainment events. If costs of production are not covered, the business will not succeed.



Product/Service Management Designing, developing, maintaining, improving, and acquiring products or services for the purpose of meeting customer needs and wants are all part of *product/service management*. Fisher Price tests new toy ideas with children and parents to make sure kids will enjoy playing with the toys. Success in sports and entertainment marketing depends upon evaluating events and goods to determine how well they meet customer needs and how events and goods can be improved to maintain and increase sales.



Promotion Using advertising and other forms of communication to distribute information about products, services, images, and ideas to achieve a desired outcome is *promotion*. For example, sports fans often find coupons on the back of ticket stubs after they attend a ball game. The coupons are used to promote products or services and to entice fans into trying them at a discounted price.



Selling Any direct and personal communication with customers to assess and satisfy their needs and wants is considered *selling*. Selling involves not only satisfying customers but also anticipating their future needs. Selling in today's world includes purchases made through the Internet with no face-to-face communication whatsoever.



Financing Although financing is not one of the six core standards of marketing, it is closely related. *Financing* requires a company to budget for its own marketing activities and to provide customers with assistance in paying for the company's products or services. A company or organization can obtain financing from sponsors and investors. Sponsors spend large sums of money to be visible during sports and entertainment events. Sponsorships can range from millions of dollars for sponsoring college bowl games to only hundreds of dollars for sponsoring the local little league baseball team. Customers may receive financing in the form of different payment options, such as cash, credit, and installment payments. Customers are more likely to make purchases when they have more than one payment option.

Intermission

List and provide an example of each core standard of marketing.



Sports Marketing

Define sports marketing.

Explain the value of sports marketing to the economy.

Terms

demographics

sports marketing

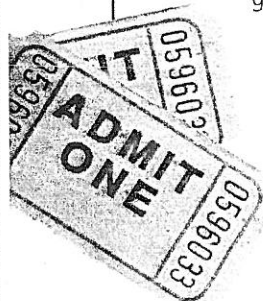
gross impression

Opening Act

Sports are big business at many universities throughout the country. Basketball has become a big money maker for many colleges. For the 2004–2005 school year, the University of Arizona Wildcats men's basketball program generated revenue of \$16.6 million and a profit of \$12.5 million. The Arizona Wildcats have had sell-out games for almost 20 years. Courtside seats have been reported to bring as much as \$30,000 a pair for the season. By playing in the National Collegiate Athletic Association (NCAA) tournaments, the Wildcats secured money for their school from CBS, which televised the tournaments and distributed more than \$400 million to the NCAA conferences.

Big business can mean big salaries for college coaches. Much attention has been given to the high salaries paid to successful college basketball coaches. Tom Crean earned \$1.65 million in 2005 for his seventh season as men's basketball coach at Marquette University, placing him among the highest-paid coaches in the Big East Conference and in the country. Crean has been rewarded for coaching the Golden Eagles to three NCAA tournament appearances, including a final four appearance in 2002–2003.

Form two teams. Debate whether successful college coaches should earn more than \$1 million a year.



WHY SPORTS MARKETING?

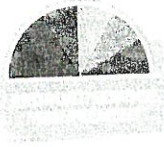


Spectators of sporting events are the potential consumers of a wide array of products ranging from apparel and athletic equipment to food items and automobiles. Sports spectators sometimes have more in common than just a sport. Common characteristics of a group, such as age range, marital status, gender, ethnic background, income level, and education level are known as **demographics**. Finding out a group of spectators' interests and planning a product or service that the spectators will buy is a function of sports marketing. **Sports marketing** is using sports to market products.

Sports marketing capitalizes on the popularity of sports. Marketers research the demographics and spending habits of fans in order to maximize

profits on the items fans purchase in association with sporting events. The price fans are willing to pay for a ticket depends upon the interests of the market, the national importance of the event, the popularity of the participating athletes, and the rivalry associated with the contest. Fans are usually willing to pay for team- or celebrity-identified clothing or equipment and for the expenses of food and travel to and from a game. The goal of sports marketing is to use the right marketing mix to meet customer needs while generating a profit. To do this successfully, marketers must consider three factors—new opportunities, gross impression, and timing.

New Sports, New Opportunities



Sports marketers must continually search for new ways to appeal to customers. New sports markets offer new opportunities for endorsement and marketing. Extreme sports, such as skateboarding and snowboarding, have captured a whole new audience. Arena football, founded in 1987, is one of the fastest-growing sports in the country, and for good reason. Tickets sell for an affordable price (\$17.50), players meet fans and sign autographs after every game, the action is continuous because the clock doesn't stop, and the scores are high—all elements that add excitement and build interest.

The Arena Football League (AFL) and NBC Sports announced an innovative agreement that began in February 2003 and was renewed in 2005 to help grow the league. The AFL also recently signed cable deals with FSN (Fox Sports Net) and OLN (Outdoor Life Network). The AFL's attendance is growing dramatically. An average of 12,400 fans attended each game in 2005. Due to its success, the AFL expanded its regular season from 14 games to 16 games. The league continues to look for ways to raise its profile, such as holding the ArenaBowl championship game in Las Vegas and working with video game creators to release video games based on the AFL.

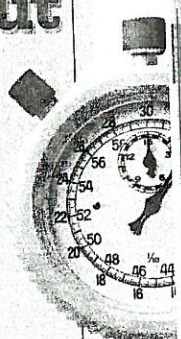
Gross Impression



Gross impression is a commonly used marketing tactic in sports marketing. **Gross impression** is the number of times per advertisement, game, or show that a product or service is associated with an athlete, team, or entertainer. Often, the message is a subtle one. Brands shown in movies, television shows, and televised sporting events all represent gross impressions. Every time you see a product or company logo on the back of a pair of shoes, in a scene in a movie, or on the license-plate holder on a car, your brain records that image. Advertisers hope you will remember it when you are ready to buy such a product.

Many college and professional teams now have company or product logos on their uniforms. Marketers hope the spectators will see them, will want to be associated with the elite team or athlete, and will buy the sponsor's products. Every time the media mentions a player or team in association with a sponsor's product, there is one more gross impression made on a potential customer.

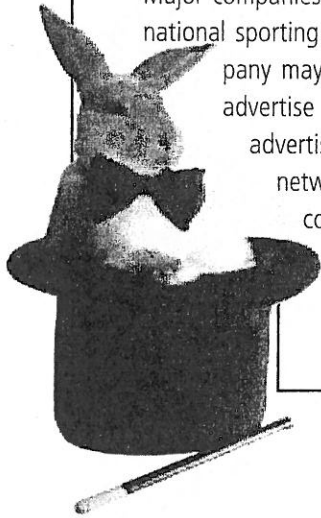
Time Out



Celebrities have become increasingly involved in NASCAR and IRL racing events, boosting the popularity of this sport. Paul Newman not only owns race cars, but he also drives them. David Letterman sponsors an IRL race team.

Letterman recognizes that racing is thrilling but also very dangerous. The death of Paul Dana, an IRL driver partially sponsored by David Letterman, reminds society of the serious dangers associated with the sport.

Marketing Myths



Major companies pay millions of dollars to sponsor national sporting events. However, even though a company may purchase the exclusive rights to advertise during an event, competitors can advertise on local radio stations, competing networks, and billboards. Fans soon become confused about who the real sponsor is. This deliberate confusion is sometimes called ambush marketing or stealth marketing. It takes place when

organizations participate in events to some degree rather than sponsor the events. For example, Coca-Cola might pay to be the official sponsor of a skating competition. However, Pepsi can pay to display an ad on the wall around the rink.

Think Critically

Companies that use ambush marketing obviously think it is beneficial. In the long run, is it? How might it eventually harm a company?

Timing

Marketers are aware that the popularity of teams and sports figures is based on sustaining a winning record. A team or celebrity on a losing streak can lose more than just points in a game. Timing is extremely important when marketing sporting goods. Fans want products and services that identify them with a winner. Winning trends for athletes and teams must be monitored to determine when marketing strategies need to change. Similarly, marketers must be aware that success leads to increased competition. If one major athletic company has a successful marketing campaign, competitors are likely to increase their marketing efforts. Competition must be monitored so that a company's marketing can remain unique.

Intermission

Why are gross impression and timing important in sports marketing?

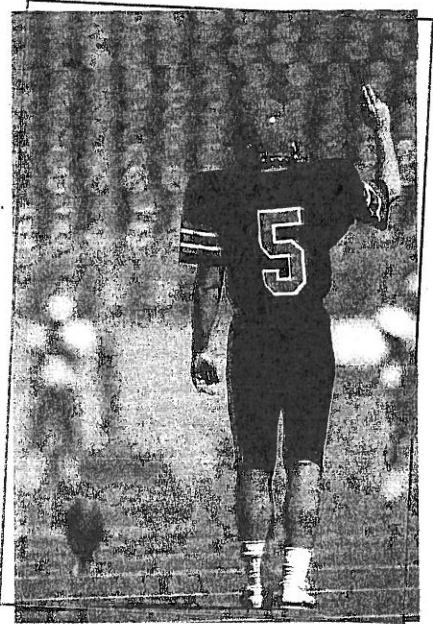
NET Bookmark

The marketing mix for sports-related products and services must be constantly evaluated and updated because the popularity of certain sports, sports teams, and star athletes can change over time. Access <http://cengage.com/school/sports> and click on the link for Chapter 1. Examine the table of World Series television ratings. Generally, would you say that baseball has grown more or less popular over the past 30 years? Explain your answer.

<http://cengage.com/school/sports>

THE VALUE OF SPORTS MARKETING

Sports marketing is a multi-billion-dollar global industry that has a definite impact on the economy. The popularity of sporting events impacts individual and family budgets. Whether it's the family vacation centered around a soccer tournament for the kids or the Orange Bowl for a national football championship, large sums of money are spent on sporting events and related products. The sports industry has far-reaching effects on the automobile industry as supportive parents transport families to soccer, baseball, basketball, and numerous other sporting activities and events. Think of the restaurants, hotels, and service stations that count on the business generated as a result of these events. Sports marketing has created job opportunities, ranging from a parking lot attendant to a marketing executive for a professional sports team. Stadiums and other entertainment venues must be built and maintained. Venues require building managers, horticulturalists, security personnel, and maintenance crews. Athletes require trainers, handlers, and personal attendants. They also hire agents to maintain publicity, book engagements, and negotiate contracts for them.



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Emotional Value

Sports fans have emotional ties to their favorite high school, college, and professional teams. Many sports enthusiasts live for the weekend to see their favorite teams in action. Emotions such as affection and passion often compel fans to buy tickets and other sports-related merchandise. Individuals will freely spend discretionary income on sporting events that capture their hearts, so marketers try to appeal to the emotions of fans.

So Many Channels



Marketers for the hundreds of television networks now available through cable and satellite systems must consider marketing strategies to capture the highest possible percentage of the viewing audience for the least amount of money. Sitcoms, popular from 1960 to 2000, have taken a backseat to reality shows starring average people and costing little to produce. The networks must find the right mix of programming to reach audiences, attract sponsors, and maximize profits. Sports programming has proven to be valuable. Sporting events such as the Super Bowl, BCS (Bowl Championship Series) games, and March Madness attract the attention of large sports-minded audiences, which, in turn, attract high-paying promoters. Television networks pay top dollars to obtain exclusive broadcasting rights for high-profile sporting events in hopes of reaping financial benefits.

Name three ways that sporting events help boost the local economy and/or national economy.

Intermission