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The growing complexity of sports marketing (*)

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Publication Summary

Sport is experiencing a period of particular development around the world. It represents one of the most important forms of entertainment. The demand for sports is extremely broad, constantly increasing. Nevertheless, the extreme popularity of sport doesn't lead to positive economic results. It looks like a paradox but professional as well as amateur sports organizations often register negative economic situations despite such a growing sports demand. The research has intended to answer to this research question and the paper reports the results of an extensive qualitative research – conducted through the depth-interview of many managers involved in the sports industry – as well as the study of more than fifty cases of management of sports entities.

Sport represents an extreme complex phenomenon, where three markets [the consumer - business - public markets] with different characteristics, logics and methodologies can be identified. Nevertheless, the three markets are strictly related. This broad vision clearly underlines the complexity of the industry, with many different business units, making sport a real multibusiness sector. Each business area has different types of demand, critical success factors, competitive systems and required competences.

As a consequence, clubs must set up professional organizations with qualified competences if they want to successfully govern this reality, which has moved from a mono- to a multi-business environment.

The marketing function becomes complex and requires two different competences: specialisation and coordination. Specialised marketing managers, internal or from third companies, will have to manage the activities of each area. In this way, specialization should lead to greater efficiency in performing the functions. Furthermore, responsibility for results will correspond to a manager's influence on results. Nevertheless, the coordination of activities is essential for the development of synergies between the club's business units.

The negative results registered by the majority of sports organisations show that it is not easy

to turn the extreme popularity into positive economic results. The evolution of sports entities, from a technical-focused organisation into a multi-business company, must be guided by a clear strategy. The organisational structure should follow and support the strategic decisions taken. Sports rules didn't change a lot since its foundation. The industry, instead, has experienced a huge development that modern organisations will have to consider if they want to remain competitive.

1. Introduction

Sport is experiencing a period of particular development around the world. It represents one of the most important forms of entertainment, as indicated from the following statistics:

- sports organisations like the IOC, FIFA, UEFA, Formula One, the American major leagues, own events that guarantee large audiences. According to Group M, the WPP Group research agency, in 1997 there were 180 TV programmes aired in the UK with an audience of 15 million; by 2006, that figure had fallen to three, and each of them was a sports event,
- in 1980 the International Olympic Committee (IOC) was virtually bankrupt, relying on television revenues of \$80 million for the Moscow Games. In the 2008 edition, the same figure for Beijing is \$1,7billion (€1,08bn) (Source: IOC),
- sponsorship income accounts for 40% of the IOC's total revenue. In the four-year Winter and Summer Olympic cycle, that covers Turin and Beijing Games, companies have together paid \$866m, up from \$663m for Salt Lake City and Athens in the 2001-04 cycle (Source: IOC),
- sport plays an important role also politically, as underlined in the speech of the President of the IOC, Jacques Rogge, during the closing ceremony of the Beijing Olympic Games: *"...Through these Games, the world learned more about China, and China learned more about the world..."*,
- sport is also used for economic development. The Gulf States such UAE and Dubai are using European Tour golf, horseracing and Formula One as a part of a post-oil strategy aimed at boosting tourism,
- football, the world's favourite sport, is played by over 240 million players in 1.5 million teams and in 300,000 clubs world-wide,
- the 2006 FIFA World Cup final was a major television ratings hit in France (approximately 22 million), Italy (over 25 million) and USA (17 million). The Official Website of the competition more than doubled its traffic, attracting 4,2 billion page views, up from just over 2 billion page views for the 2002 tournament,
- Manchester United's successful finish to the 2007-08 season was reflected in record results for its website in May 2008, which attracted over 5,4 million unique users from across the globe,
- 49 million different viewers watched Eurosport's coverage of the 2008 edition of the French Open Tennis from May 25 and June 8, with the men and women's finals alone reaching 6,8 million and 5,5 million viewers respectively.

The demand for sports is extremely broad, constantly increasing and popular among various segments, from young to old people, from men to women, from rich to poor, from developed to emerging countries, from northern to southern countries.

Nevertheless, the extreme popularity of the sport doesn't lead to positive economic results. It looks like a paradox but professional as well as amateurial sport organizations often register negative economic situations despite such a growing sports demand.

Competition is increasing internally, where organisations are competing among themselves for a tighter pool of funds, and externally, where other forms of entertainment are gaining in popularity. Furthermore, the internationalization of the industry brings the competition on an international level.

Consequently, the sports business is becoming a buyer's market in which broadcasters and sponsors not only resist any increase in price, but also insist that games must be tailored to their needs.

2. Methodology

The research has considered the following main assumptions:

- the so-called "sports paradox", where a growing demand – with sport being one of the most important forms of entertainment, with a constant growing demand (both in terms of attendance and practice) – is associated with negative economic and financial performance,
- the extreme popularity of sports doesn't lead to positive economic results, both on the amateurial and professional level,
- competition is increasing within the sports industry as well as in the wider entertainment industry,
- sports organisations are aware of the evolution to a multi-business environment, but they don't act on it.

The research has intended to answer to the following research questions: how is it possible that an industry with a growing interest and demand is regularly registering negative economic and financial performances? Can this situation (The Sports Paradox) be sustainable in the long-term, also considering the increasing competition?

What distinguish successful sports organizations? Which are the critical success factors? Which is the role of marketing in determining a successful sports organization? Should sports marketing evolve? Why in a multi-business environment are sports organisations organised in a functional structure?

The scope of the research is sport intended as a form of entertainment – at a professional level – and a specific country, Italy, has been selected.

The paper reports the results of an extensive qualitative research – conducted through the depth-interview of many managers involved in this industry – as well as the study of more than fifty cases of management of sports entities.

3. The complexity of sports marketing

The popularity of sports has made this industry extremely complex, where different business units can be individuated. The organisation, in fact, operates in markets with different characteristics, logics and methodologies.

In the consumer market, the team has to deal with a large number of people, emotionally involved and loyal to the team. In terms of marketing, this means organizing a wide offer, with a differentiated pricing and a distribution close to the client.

The business market has, instead, a smaller dimension and companies as target group. The approach to the client needs to be personalised and the logics are rational. Furthermore, the value of the customised offer is based on its economic return.

Sports plays a role also socially, with public institutions providing facilities and locations, services like security, transports and others. In this case, a relational approach is required, having to deal with a limited number of public institutions, located in the area where it is based. The main characteristics of the three markets are summarised in table Fig.1.

Fig.1: Main characteristics of the three markets of a sports organisation

	Consumer market (B2C)	Business market (B2B)	Public market (B2P)
Dimension / Size	Large	Small	Minimum / Limited
Logics	Emotional	Rational	Relational
Loyalty	High	Low	Medium
Buyer behaviour	Simple	Complex	Very complex
Segmentation	Highly differentiated	Differentiated	Concentrated
Service / Offer	Wide and involving	Personalised	Institutional
Price	Differentiated	Based on competition	Public support
Distribution	Gravitational	Customised	Local
Relationships	Public	High level	Personalised
Communication	Publicity Direct marketing	Promoter	Personal

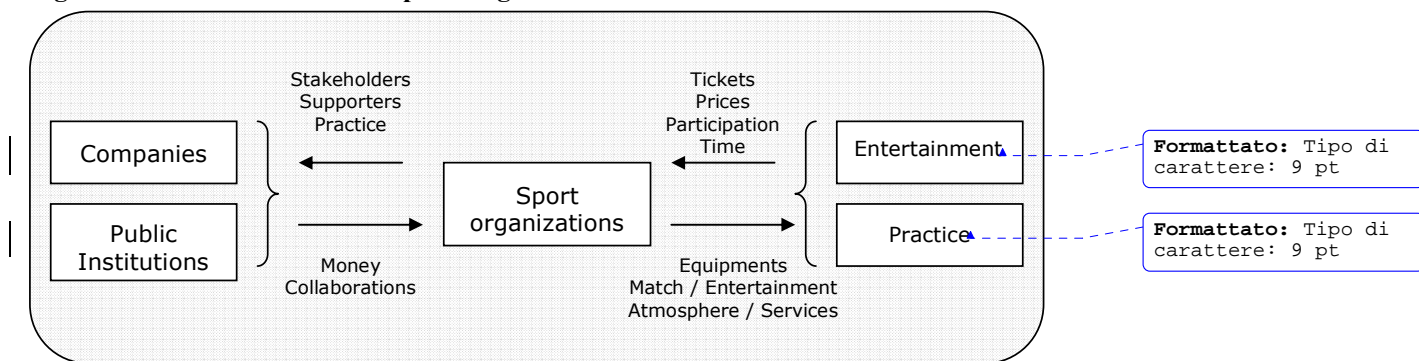
Companies are approaching sports for various reasons. Sponsors are mainly interested in increasing their awareness and/or improving their image by associating their brand with sports, while media and publishers use sports as their content. The possible target groups of the three markets for a sports club are indicated in table Fig.2.

Fig.2: Possible target groups of the three markets for a sports organisation

Consumer market	Business market	Public market
People that look for entertainment	Sponsor	State
Fans	Media industry	Region
Supporters	Technical producers	Province
People that like sports	Commercial producers	City
People that practice sports	Publishers	City districts
People that buy information	Real estate developers	Other public institutions
Technical equipment buyer	Entertainment companies	
Sports apparel buyer		
Other products (i.e. betting) buyer		

The three - just described - markets are strictly related although with different characteristics. If the club is able to attract many supporters, sponsors and public institutions will offer the team money and collaborations in order to have the possibility to communicate and interact with its fans. At the same time, the additional resources available will reinforce the team, activating a virtuous circle where the club use the resources coming from spectators as well as from sponsors to reinforce the team. The concept is represented in Fig.3.

Fig.3: The three markets for a sports organization



Source: Model developed by Cherubini S. – Il marketing sportivo (FrancoAngeli ed., 2005) -.

4. The “business as usual” in the sports industry changes

In the past, for many years, the management of sports organizations has been focused on technical aspects. Sport was the core activity and the main objective of the club was, in general, to achieve successful performances on the field.

This orientation to the production side has made sports teams’ economic results depending on the variable sport results, with negative consequences.

The industry has experienced many changes during the last years, on a social, technological and political side. Technical competences are still necessary, but alone they cannot guarantee the long-term success of the sports organization. This approach, largely used in the past, is not anymore valid.

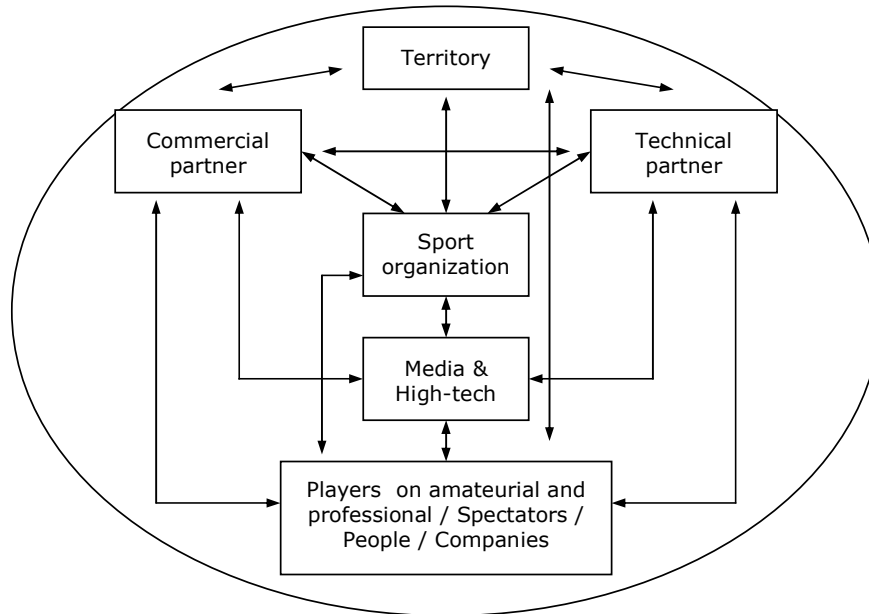
The club is nowadays surrounded by other organizations, although it remains the heart of the movement. This leads to the creation of a network based on collaboration. “*Alone you loose, together we win*”. As a result, a “*sport convergence*” (paraphrasing the more known multimedia convergence) can be individuated.

The concept of the “*sport convergence*” is illustrated in Fig.4, where commercial partners, technical partners, new and traditional media, the territory [with its territorial offices and the entire social-economical context], distribution partners and users of sports services have interaction with the sports organization.

This broad vision clearly underlines the complexity of the industry, with many different business units, making sport a real multibusiness sector and an extremely complex phenomenon.

As a consequence, clubs must set up professional organizations with qualified competences if they want to successfully govern this reality, which has moved from a mono- to a multi-business environment.

Fig.4 - The chain of the sports convergence



Source: Model developed by Cherubini S. – Il marketing sportivo (FrancoAngeli ed.) -

5. Main business areas in the sports industry

The research has highlighted the intense evolution of the environment where the sports organisations are part of. However, the actors of this industry are not aware that each business area in the sports industry has different types of demand, critical success factors, competitive systems and required competences.

Main sources of revenue for the industry have been broadcasting rights, sponsorships, event income and licensing. In the following paragraphs, an overview of the main business areas in the sports industry is provided.

5.1. Ticketing Area

Gate receipts represent the first business area developed from sports clubs. Nowadays ticketing remains a fundamental source of income - for example, the vast majority of income

of a Formula One race comes from ticket sales -, although for large events like the Olympic Games broadcasting rights represent the most important revenue.

This type of demand includes private people, on a different level involved with the team, and companies, that use the event as a public relations opportunity to invite clients and to entertain good relationships.

The competition is represented by other sports teams, nationally or internationally based depending on the type of tournament, as well as other sports and other forms of entertainment, like cinema, theatre, concerts, museums, restaurants, discos, etc.

The market is evolving rapidly, with customers demanding higher quality of services. Secondary services, like comfort, view, safety and security, accessibility, atmosphere, become more and more important and influence the choice between different options.

To win the competition of other forms of entertainment, sports organisations should:

- use more often techniques like price segmentation and yield management, categorising events according to the likely demand patterns and differentiating the price according to the quality of view and standard of facilities attached (as done, for example, in the transportation industry),
- promote online sales, that would expand the customer base and improve consumers' ease of access to tickets, as well as cut costs through reduced staffing and commissions to third parties,
- further develop new revenue streams like, among others, stadium catering and concession revenues, which present a higher margin potential,
- use ticketing [especially online] as a channel to open up new opportunities for direct marketing and loyalty applications.

These initiatives rely on the availability of modern, comfortable sports facilities. New grades of seating, like business seats and skyboxes, would drive revenues upwards. Researches have demonstrated that ticket price rises do not always reduce demand. Demand for tickets is determined in large part by a range of other, non-price factors including spectator income, team performance, standard of facilities and even the age of the venue.

Communication, before-during-after the match, as well as the usage of alternative channels for distributing tickets [online] are critical success factors since they are able to generate interest around the event and stimulate fans participation.

5.2. Players' Trading Area

The players' trading area main task is to buy and sell the "production factors" of a club. It has always gained a lot of attention from the club's management since it directly influences club's sport results.

In this area, the club can be both a buyer [demand] or a seller [offer] of a player.

The growing globalization of the players' transfer market, encouraged by a regulation that tends to eliminate geographical barriers in the transfer market [nowadays it is possible to find teams with only foreign players], together with the increased amount of information available, makes this activity more complex.

The management of this business area requires:

- a structured network of reliable scouts in order to monitor international competitions and find talented players,
- a well developed youth academy, able to provide the first team with valuable young players to promote between the first eleven, to valorize and eventually to sell,
- negotiation skills for determining transfer fees and players' salaries. Clubs should re-inforce methods of control such as performance related pay as they look for ways of maintaining and further enhancing a sustainable wages / turnover ratio.

Furthermore, the transfer financing and its mortgage plan are also important aspects, especially for big clubs where transfer fees are relevant.

5.3 Sponsorships and Advertising Area

Sports sponsorship is a relatively recent phenomenon. In the late 1950s McCormack, a talented golfer himself, saw the potential for sports stars to earn money through sponsorship and endorsements and with that in mind he sought and acquired from Arnold Palmer an agreement to manage him. Fifty years later sports sponsorship has gained consideration into companies communication budget.

Sport represents an important opportunity to develop sponsorship initiatives. The medium is the message and clubs, events or stars are powerful communication media, able to transmit an attractive and interesting message. Sport offers emotional occasions where to generate awareness and appreciation, obtaining, as a consequence, a high impact to the audience.

Furthermore, recent developments have seen clubs taking an active part in this field. Largely known sports teams have started to offer to their fanbase products and services branded with the club's logo and provided by their sponsors-suppliers. The team is the "channel" to an interesting customers base. Brand management and customer relationship management become crucial activities, in order to develop a known, trusted brand and an active, emotionally linked community.

The Sponsorship and Advertising Business Area has followed the development of the ticketing and players' transfer areas. The main objectives of this area should be:

- to exploit the potential and to increase the value of the team's brand, by focusing on the team, its history and traditions, and the supporters;
- to develop further its own commercial operations, by entering into sponsorship contracts and working with them to enhance the returns for both the team and its partners.

In the sports industry, sponsorship has registered an important growth during the 1980s and 1990s; recently the not favourable economic situation has negatively impacted the investments. Nevertheless, ad-hoc researches have shown that sponsorship is positively lived by people and registers high rates on spontaneous brand recognition.

Billboards along the pitch, rotors and virtual advertising represent the latest development in this field.

Clubs' main competitors in this business area are the other traditional media, like television, radio, press, outdoor billboards and cinema as well as new, innovative media like mobile or other direct marketing initiatives.

All these media are competing to gain part of the communication budget of the demand [companies and public institutions], that need to find the communication mix able to ensure the best return on investment.

Furthermore, sport must also compete for the sponsor investments with other forms of content such as music, arts and culture and cause-related marketing, each of which offers a compelling alternative.

Exposure – direct and indirect –, accreditation within the audience and a competitive price are the critical success factors of this activity. Furthermore, the club must develop an adequate sales organization, able to approach and understand client's needs in the sales phase as well as

to take care of it once the contract has been signed [account management].

The Public Relations function should support the sponsorship operations by establishing good relations with media [in order to guarantee exposure to the sponsor's brand] and to make sure that players participate in initiatives organised with the sponsor.

Formerly followed by a mere handful of enthusiasts, sailing has been transformed by the Internet and other communication technologies. UK solo star Alex Thomson made his main sponsor Hugo Boss very satisfied when he was forced to abandon a round-the-world race in a terrible storm in 2007. Pleasure from failure may seem strange, but according to his main backer, Sir Keith Mills, the resulting sea rescue was beamed via satellite to around 200 million consumers, resulting in a "20-fold return" on investment for Hugo Boss.

Danish roof window and skylight maker Velux, title sponsor of the Velux 5 Oceans Race, achieved a very high ROI on the 2005/06 Velux 5 Oceans Race – measured as a media value of €63m – and a spike in brand equity, independently measured, of 20%.

5.4 TV and other media content Area

Sport is not only a medium, but also a highly requested content [and also a media client when the club needs to promote its own initiatives - i.e. season ticket campaign -]. Sport is, in fact, an extremely important content, able to attract a large, loyal audience, constantly linked to and emotionally involved with the club.

For major sports like football, TV and other media content area is the most important revenue stream for sports clubs.

Main objectives for this area should be to sale broadcasting rights, to produce content about the team and to develop relationships with the fan base.

The delivery of the content to the fan base, wherever it is around the world, through broadcasting and interactive new media should be central to the team's commercial strategy. The media would then play an important role in creating enthusiasm for the sports team brand. Key channels include the official website, a TV channel, a monthly magazine, match day programmes, a radio station and mobile phone text messaging service.

Broadcasters are the direct client for the club, while the audience that a sports club is able to generate is the indirect demand. A large audience allows the broadcaster to sell advertising

spots to companies for prices fare high.

Broadcasters play a fundamental role in this field. As a consequence, it is essential to prepare formats and to schedule events according to the broadcasters' needs, in order to fully valorize the product.

Competitors in this business area are other sports events as well as movies, news, shows and other forms of tv entertainment / content. Parameters, like GRP or price per contact, are used by companies to decide where to invest in advertising.

Sports on television are usually perceived as a good investment since it is relatively easy to forecast the expected audience of a sports event, the related price is lower than other options and it generates a higher emotional participation of the audience.

Different challenges are present in this sector. First, clubs must continue to ensure uncertainty of outcome within competitions in order to maintain supporter, broadcaster and commercial interest. Broadcast revenue distribution system, as well as the way these rights are sold – individually or collectively - is certainly having a big role in ensuring the attractiveness of the product.

At the same time, governing bodies should grasp the opportunity by repackaging sports to appeal to the new broadcast landscape, avoiding any cannibalization between the different broadcasting channel.

Every part should aim to create a coherent calendar of events in order to maximise broadcasting revenues.

Secondly, owners of sports rights must make huge bets on technology when they sell their several years ahead. Sports organizations have been slow to systematically leverage the potential of new technologies such as: digital terrestrial tv, satellite tv, mobile tv, broadband, video on demand, the wireless Internet, and digital cable.

5.5 Merchandising Area

The development of merchandising as business area is recent, following the Anglo-saxon experience where buying club's branded products is a common practice.

By developing this activity, the club intends to generate profits by using the team's brand for

commercial goods, either directly or through a partnership [e.g. with sportswear / technical sponsor]. Furthermore, licensing and merchandising re-enforce the sense of fan identity and belonging.

Counterfeiting is certainly limiting the potentials of this activity; phenomenon extremely developed and not always appropriately faced in Italy.

The demand is represented by club's supporters or simply player's fans, that want to identify themselves with their idols by buying specific, related products.

Competitors are other goods producers, particularly those ones of casual/sportswear.

Various decisions need to be taken concerning the way to run the business. The club must decide if it's going to directly make the products or to license to third parties. In case of direct production, the team uses third suppliers and distributes via its own shops, affiliated shops or corners and online. This strategy can present higher margins if the value chain is managed properly.

5.6 Publishing Area

This business area represents traditional [printed publications – press] as well as innovative aspects [related to new, technological ways of distributing the content].

In the past, many sports teams were selling or offering for free their official magazine, as a tool to establish a link with the fanbase rather than as a source of revenue.

Publishing can be a profitable business, considering also revenues coming from the sales of advertising spaces in the magazine.

Furthermore, the official magazine is contributing to club's activities in different ways: by providing more information on seats pricing and availability, offering more exposure to sponsors and promoting the sales of merchandising.

The demand includes the teams' supporters. Competitors are other publishing products, specialised and not, focused on sports and specifically on the team.

The development of new technologies have certainly contributed to increase the competitiveness of the sector, with specialised websites and tv channels entering in the

market.

Websites are many, official [clubs' or players' websites] or not official. The low entry barriers [limited creation and maintenance costs, no legal limits, etc.] and the high potential [worldwide reachability, interactivity, sports as high requested content, etc.] have determined a huge development in the number of websites available.

The web certainly represents a powerful tool for the club to establish and manage a learning relationship with its fanbase.

5.7 Sports facilities operation area

Sports facilities can be an important source of income for a sports club. In football, for example, England's matchday incomes are almost three times those of other big leagues [as previously described]. The transformation of English stadia through spending of almost GBP 1.5 billion in 11 seasons has brought important benefits. Italian clubs, as well as Spanish and French ones [Germany should profit from the big restyling for the 2006 WorldCup], need to address revenue generation and commercial issues at their stadia urgently or they will fall further behind.

A new stadium, in fact, represents an important opportunity to further improve the club's match day revenue by attracting more fans to the new facility. The higher level of comfort and amenities offered and factors like curiosity and the image of the building can increase the turnover related to the match with more than 100%.

A better facility also enhances the potential for sponsoring and corporate hospitality, by providing facilities and services more in line with the corporate segment.

This business area presents opportunities as well as risks since it requires huge investments that need to be compensated with adequate cash flows during the exploitation of the facility.

As a consequence, it is important:

- to build a sports facility according to the needs of its tenants,
- to have a versatile structure, that can be adapted to different needs and situations,
- to define accurately the project financing as well as its mortgage plan.

The competences necessary to manage this business area are completely different from those required for a sports club. The club will have to identify interesting locations for the facility, to negotiate with the public administration the concessions, to maximise the usage of the

building, to organise the safety & security, to provide the right quality of service, etc.

Furthermore, depending on its versatility, the sports facility might have to deal with many clients and stakeholders, with different needs and requests, depending whether the venue is used for practicing sports and/or attending events:

- sport practioners, that requests a clean and functional area where to play sports,
- event organisers [or promoters representing the performers] that look for a state-of-the-art facility as well as its catchment area and image,
- spectators that are the first clients and main source of revenue for the event organiser;
- companies, that have their office in the stadium,
- catering organisations, that need proper facilities where to organise their activities as well as warehouses where to store their products;
- sponsors, that hold special rights that the operation company has to satisfy;
- media, to guarantee an appropriate exposure to the event and to the facility.

These competences are rarely already present in the club's organisation. The club can either create an ad-hoc division for the exploitation of the venue or hire third parties. In any case, the club must select a reliable and professional partner, since it is directly influencing the overall result of the business area.

Competitors vary depending on the type of activity. For example, in case of events organisation, the competition includes other locations where to host the event, while for offices rental, the competition is with other buildings where to locate companies' offices, etc..

5.8 Real estate Area

The construction of large sports facilities like a stadium normally includes the urbanization of the land, from the accessibility [public transports] to other public services, that can lead to the valorization of the surrounding areas. As a result, the owners of these areas would benefit from this process; the sports team could be one of them.

The sports club becomes a real-estate developer, that buys land where to locate training grounds and other activities [even not related to sports: see office buildings, commercial areas, entertainment facilities, residential complexes].

The competences requested to run this business area are those ones typical of the real-estate sector. Sports clubs usually prefer to sell the building rights to business developers or to establish joint-ventures, since it's a completely new business for them.

5.9 Players' Image Area

Top players are stars and idols for their fans. They are internationally famous and sometimes supporters are more loyal to them than to the team. Their income derives from sport performances as well as from being testimonials and participating in promotional initiatives. They can be considered real companies.

The Players' Image Area includes the image management and commercial exploitation of the team's players and eventually also of players from other clubs.

It is a business area not yet fully exploited. The club should work in close contact with advertising agencies, in order to convince companies to use players as testimonials of their communication initiatives.

5.10 Training Area

Some sports teams have started training programs addressed not only to young, talented players [youth academy], but also on an amateur level. Other sports, like tennis, have already developed this format, with fans participating to "clinics" where they can meet famous tennis players and steal their secrets.

Campuses are usually organised during the summer, where fun and learning moments are combined to form an attractive product.

The development of this activity allows sports teams to have an economic return while promoting the club and developing its fan base.

The demand includes young fans as well as adults interested in learning technique from famous, qualified and professional teachers. The competition is represented by other schools.

The competences of the teachers [also relational ones], the location of the campus, the awareness of the team-organiser and the participation of famous players are the main critical success factors.

5.11 Health Area

This business area includes the offer of prevention and rehabilitation treatments, targeted to professional players as well as not professional ones [against payment]. It is a new area, with an interesting growth potential.

The management of athletes creates awareness and credibility for the team's medical staff; values [awareness and credibility] particularly important in the health sector where trust is essential.

The expansion of the offer to not professional athletes can increase the usage of the equipments, often particularly expensive and soon obsolete.

The demand includes athletes [also from other sports], on a professional as well as not professional level, and teams that decide to outsource this activity.

Competitors are other health centers, national and international, specialised in the sport sector or not.

5.12 Tourism Area

Sport tourism is a new, global phenomenon, where sports clubs, alone or together with specialised partners, offer travel packages in occasion of matches or clubs' tours, targeted to sports fans. The offer combines sports and other factors, attracting in this way also families and other segments not interested in the event.

Competences required in this area are those typical of the tourism sector. The identification of attractive destinations, the organization of attractive packages, a differentiated pricing are competences necessary to run this business.

Brand management [to let the organization benefit from the association with the team's logo and heritage] and customer relationship management [to develop a numerous fan/customer base] are also important.

Competitors are tour operators and travel agencies.

Furthermore, sport represents a useful promotional tool for tourist destinations. Never before has the Olympic Games been so fought over by the world's biggest cities. Beijing has hosted the 2008 edition and now the event heads to London in 2012, after winning the competition of Paris, New York, Madrid and Moscow.

One of the reason why cities are bidding for these mega-events is tourism. The year before Barcelona hosted the 1992 Olympic Games, tourism comprised just 2% of the city's GDP and its international airport handled only 2,9 million visitors. Ten years after the event, tourism was 12,5% of GDP, with 21 million people flying into the city.

5.13 Finance Area

The Finance Area is under an intense evolution, especially in the Anglo-saxon countries, where various financial services, like credit cards, insurance, mortgage, financing, etc., are offered together with financial institutions.

The demand includes private people, that buy financial services offered via the club. The team's brand role is to give access to a customer base and to provide trust. The basic service include the possibility of paying the season ticket in several instalments as well as the club's credit card. Some teams offer a wider portfolio of products, from insurance services [car, home, travel] to savings, mortgages and loans.

The development of this area requires competences typical of the financial sector [service and financial conditions offered, reliability, accessibility, etc.]. Competitors are other financial institutions.

5.14 Bettings Area

It is a business area born in the Anglo-saxon countries. The offer consists in betting services over different sport events.

Main competences of this area include determining the right quotation, creating an atmosphere of uncertainty around the match and linking the team's and the betting organization's brand without creating suspects.

Competitors are other operators in the betting sector, linked to the sport sector as well as other types of lotteries [lotto, national lotteries, etc.].

6. Sports marketing becomes complex

Sport is nowadays an extremely complex phenomenon, where different competitive systems are contemporarily present. Each business unit requires different critical success factors and qualified and specialised competences.

While in the “ticket sales unit” the team is dealing with private people requesting entertainment and emotions, in the “sponsoring unit” companies and public institutions are the client having complete different needs.

The “TV & other media unit” and the “real estate unit” are governed by different logics and requiring different critical success factors.

Tables n.5 (part 1 and 2) show a comparative overview of the possible business areas of a sports club and summarize what has been in the previous paragraphs described.

In order to fully exploit its potentials, the sports club moves from a mono- to a multi-business organization. As a consequence, the marketing organization becomes complex and requires two different competences: specialisation and coordination.

Fig.5: Comparative overview of possible business areas for a sports organisation (part 1)

	Ticket sales	Trading	Sponsor & Adv	TV contents	Merchandising	Real Estate	Stadium
Type of demand	People	Other teams	Companies Public Administr.	Broadcasters	People Companies	Companies	Event organisers
Demand needs	Entertainment Emotions	Performance	Awareness	Audience	Fellowship	Commercial areas	State-of-the-art facility
Competition	Other sports Other forms of entertainment	Other teams	Other media	Other content: movie, news, show, etc.	Other producers	Other areas	Other venues
Critical Success Factors	Segmentation Saturation Total quality Pricing Communication	Scouting Negotiation Financial support	PR activities Quantitative analysis Promoter	Format Quantitative analysis Pricing	Choice of partners Distribution [e- commerce]	Relationship with PA Location of the area Financial plan Planning Choice of partners Pricing	Catchment area Price Quality of the facility Stadium organisation and event support
Approach	Emotional	Emotional / Rational	Rational	Rational	Emotional / Rational	Rational	Rational
Competences	Technical Marketing Communication	Relations Finance Organization	Relations Marketing Communication	Marketing Communication	Trade Marketing Communication	Building Finance Marketing	Organization Technical Marketing
Type of involvement	Autonomous	With players agents	With players agents	Autonomous	Autonomous	Autonomous	Autonomous / Joint

Fig.5: Comparative overview of possible business areas for a sports organisation (part 2)

	Players' Image	Youth Academy	Health	Tourism	Finance	Publishing	Betting
Type of demand	Companies	People	People – Athletes	People	People	People	People
Demand needs	Awareness – Exposure	To learn	Pysco-phisc rehabilitation	Trip – Visit	Financing	Information	Competences demonstration
Competition	Other testimonials	Other Companies	Other health centres	T.O. / Travel agencies	Financial operators	Other media	Other operators
Critical Success Factors	- Quantitative analysis - Promoter - Agencies	- Type of courses - Instructors - Location - Facilities	- Personnel - Equipments - Image	- Location - Packages - Brand / tribal - Pricing	- Services - Reliability - Brand / Tribal	Contents Distribution costs Choice of	- Distribution - Atmosphere - Realiability - Brand / Tribal

		- Brand			- Pricing	partners	- Quotations
Approach	Rational / Emotional	Emotional	Emotional / Rational	Emotional	Emotional / Rational	Emotional	Emotional
Competences	- Marketing - Communication	- Technical - Real estate - Marketing	- Medical - Paramedical - Communication	- In the tourism sector - Choice of the partners - Communication	- Financial - Choice of partners - Communication	Journalism Marketing Communication	- Statistics - Choice of partners - Communication
Type of involvement	Autonomous / With Agencies	Autonomous	Autonomous / Joint	Autonomous / Joint	Autonomous / Joint	Autonomous / Joint	Autonomous / Joint

Specialised marketing managers, internal or from third companies, will have to manage the activities of each area. In this way, specialization should lead to greater efficiency in performing the functions. Furthermore, responsibility for results will correspond to a manager's influence on results.

Nevertheless, the coordination of activities is essential for a successful implementation of plans and for the development of synergies between the club's business units. A corporate marketing function should be established, aiming at:

- performing services for the operating units [like media purchases, marketing research, planning assistance, co-marketing activities between different units proposal, other supporting activities],
- controlling the performance of operating unit marketing activities,
- developing the brand/s of the club.

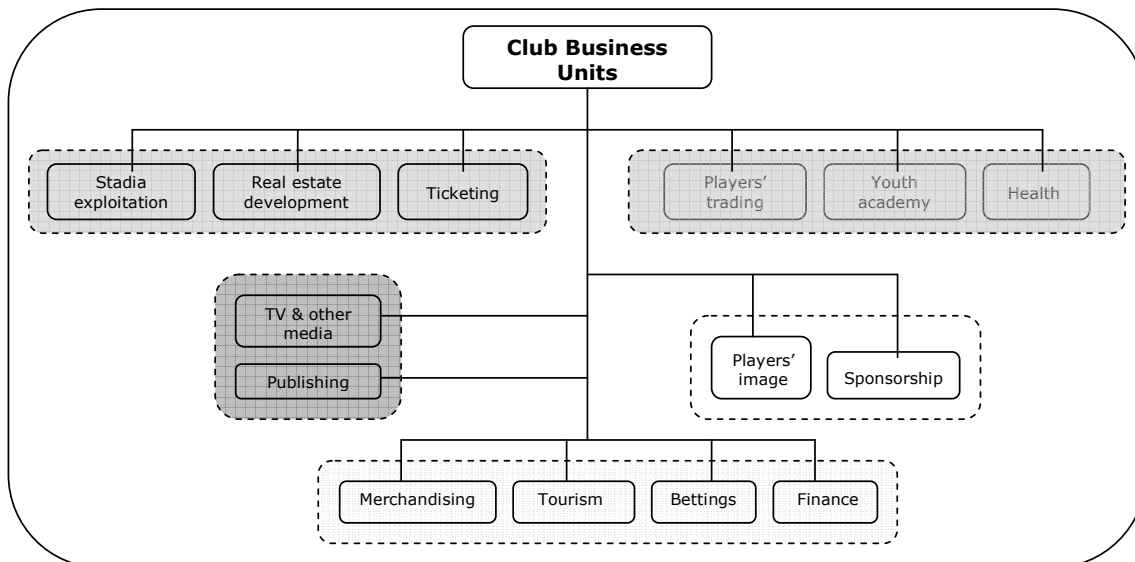
7. Specialization and coordination in the sports management

It is evident that the more specialized the marketing functions of each area become, the more coordination and communication are necessary. A managerial approach is required in order to find the right balance between specialisation and coordination – a traditional organisational problem already underlined by Lawrence and Lorsch in the 1970s –.

Many sports teams are essentially small organizations that need to adapt to a big-business environment. In this adaptation process, they should consider the sports team as the holding company. Its coordinating actions should be limited to the companies mission and strategic issues definition and to the managerial control, leaving operational control and power to the single units of the group.

Figure n.6 illustrates the club's company structure and the interrelation between the different business areas. The business units are grouped into sub-groups [which present a higher level of synergies].

Fig.6: Possible organizational structure for a sports club



This company structure presents a high degree of flexibility, allowing faster and easier adaptation to market changes. It also allows a transparent control of costs and profits generated by each business area. In this way, each business unit has to generate profits in order to sustain itself.

Additionally, a decentralized organisation gives the single companies the authority to develop, act and grow independently, without dealing with the complex structure of a large organization.

Finally, delegating responsibility and decisional power to the management of the operation companies will trigger a behaviour of entrepreneurship, making the management more involved and focussed on results.

The club's management should then be able to govern the group and coordinate the different business units. A detailed strategic plan should indicate the expected contribution of each business unit to the fixed costs coverage and profits generation.

Furthermore, the management should allocate coherently the resources available between the different activities, according to expected growth rates, cash flow analysis, risk analysis, competences and synergies that could be developed. The business portfolio matrixes available [McKinsey, A.D. Little, B.C.G., etc.] could help to identify the best mix in order to maximise the competitiveness of the group.

There should be also a coherency between the club's strategy and structure, the internal control system [in order to monitor the performance of each business unit] and the human resources [in terms of number of people available, skills and competences, shared values].

The need for specialised competences makes arise another traditional organizational dilemma: make or buy? Should sports clubs organize things internally or buy expertise from third parties?

Both the solutions present advantages and disadvantages. In the sports industry, teams tend to outsource specific activities to external, specialised agencies, taking the risk of losing control in areas that could become strategic for the club.

8. The fundamenta of the complex sports marketing

In this complex environment, sports clubs should base their marketing initiatives on their main assets. The most valuable asset of a sports club is the supportership.

The sports team's value is, in fact, very closely related to its popularity and fan base. Unfortunately sports has not been so successful in activating these relationships, converting the enormous latent interest into consumers. The challenge for the clubs is to convert this latent, passive interest into passionate, active consumption.

Technology plays also an important role in the sports industry. Sports clubs should use it properly in order to maximise broadcasting revenues. New technologies like Internet and mobile have demonstrated to be powerful tools for activating and developing a relationship with the fan base.

Diversification is possible and viable if the sports team has a strong, recognised brand and the new business is somehow correlated. Brands represent the tool through which a sports team

can develop and keep supporters' loyalty and they can create the competitive advantage able to increase actual and future cash flows.

Last but not least, internazionalization. As sports brands mature, they must expand into additional markets, in terms of overseas television deals, international sponsorship deals and grassroots programs designed to help their global branding efforts. Top European football teams are extending their game schedules and licensing efforts into Asia. Since 1999, the NBA had added nine foreign-language web sites to nba.com.

9. Conclusions

Sports are experiencing a period of particular development, moving from a mono- to a multi-business environment. The match remains the heart of the movement, but around it many different activities, with interesting potentials, could be developed.

The exploitation of the various businesses, if well governed and managed, would help teams to diversify their revenue streams, increasing and stabilizing their profitability.

Nevertheless, this more complex reality requires a more innovative approach in defining the various business areas. Furthermore, clubs must clearly identify demand needs and critical success factors for each area in order to fully capitalize from this exploitation.

The negative results of the majority of clubs, both on a professional and amateurial level, show that it is not easy to turn the extreme popularity of sports into positive economic results. The evolution of sports clubs, from a technical-focused organisation into a multi-business company, must be guided by a clear strategy. The interviews of various managers of sports organisations have revealed a situation where this evolution is perceived, but not governed.

The organisational structure should follow and support the strategic decisions taken. Merchandising initiatives, for example, can be either in-house done or outsourced to third parties. Both the solutions could be valid, if supported by an appropriate organization and integrated into a more systemic vision.

If it is true that sports organisations are moving to a multi-business environment, where various Strategic Business Units – characterised by different logics – can be identified, it is

then necessary that the structure should facilitate this evolution. However, the research highlights that nowadays the vast majority of the actors of this industry has a functional organisation, that leads to the under-development of many business opportunities.

The implementation of the functional organisation is justified by the intention of the ownership to centralise main activities and decisions, but this limits the possibilities to fully develop the potential of each business area.

Strategic decisions are affecting also the selection of the staff, both from a quantitative (size of the company) and qualitative (skills and competences required) point of view.

If the club decides to outsource the development of the merchandising business, it will need people to coordinate the different partners directly involved in the commercial usage of the team's brand, while in case of direct involvement an dedicated division, with specialised personnel, will be necessary.

In our opinion and implementing the model of the 7S, staffing, skills and shared value represent three key pillars of the necessary evolution that sports organizations need to take in order to remain competitive in the entertainment industry.

Sports organisations will also have to revise their investments strategies, by increasing the money invested in the new business areas and controlling those ones for the technical area, if they want to fully govern and benefit from this complex environment.

Sports rules didn't change a lot since its foundation. The industry, instead, has experienced a huge development that modern organisations will have to consider if they want to remain competitive.

These conclusions can be extended and applied also to the other European countries, although the research has focused its attention on the Italian market. However, a more formal comparison of the European countries would certainly help to highlight the different management practices and, in fact, it represents a further development of this research process.

(*) Sergio Cherubini has treated the 2nd, 3rd and 5th paragraph, while Andrea Santini the 1st, 6th, 7th. The 4th and 8th paragraph have been jointly prepared.

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