Recovery Strategies for Sports
Marketers

UNPREDICTABLE INDIVIDUALS AND UNCONTROLLABLE EVENTS.

By Rick Burton and Dennis Howard
EXECUTIVE briefing

Marketers considering careers or already employed in sports marketing must be prepared for unexpected, often negative actions that jeopardize a sport organization’s brand equity. These actions tend to inflame public opinion or alter fan perceptions. Strikes, lockouts, illegal activities, poor performances, and misunderstood intentions commonly are found in the sports world. Additionally, these events tend to create an immediate economic reaction that can distract senior management and impede organizational performance. This article provides conceptual tools to better prepare managers for the inevitable recovery process.

While this article focuses on sports properties, it would be difficult to find any organization or sector that doesn’t periodically face uncontrollable and potentially calamitous service breakdowns. Marketing managers would be well served to develop recovery plans that anticipate “worst-case” or “what-if” circumstances.

In many areas of marketing, the topic of recovery marketing is limited to the hotel industry in which a hurricane destroys a popular tourist destination or, unfortunately, an airline suffers a fatal crash. For other marketers, it might be made familiar by an unforeseen consumer action such as the Tylenol tampering during the 1980s or interest in Nike Inc.’s labor contracts in the 1990s. The marketing department can even create the need for recovery strategies, such as when Coca-Cola Co. decided to modify the taste of its then 99-year-old product (Coke Classic), then created New Coke. Or when AB Volvo shot a television commercial touting its safety features but got caught rigging cars with special support systems during the advertising’s production.

Common among these instances was that the activity was unexpected and largely unpredictable, and in most cases, the history of the product’s marketing was relatively unblemished or unnoticed by the community at large. In the situations faced by Coke and Volvo, the product marketers were in control of their destinies.

Unfortunately, that’s usually not the case in the sports world. In fact, it’s only a matter of time before an unexpected “bombshell” is dropped on sports marketers’ laps. In the United States, sports is a crucial business industry—one that involves many unscripted moments. With the right strategies and tools, marketers can get through those moments, whether by creating a checklist, using a marketing approach that retains and possibly gains customers, creating an action plan, or offering service guarantees and incentives.

Unexpected Bombshells

There are too many examples of those unexpected bombshells to list, but a selection of headlines from the last couple of years alone provides context:

- “Will Conviction Send SLOC Sponsors Scattering for Cover?”
- “Fans Love This Game but Don’t Miss It”
- “Sprewell Chokes Coach”
- “Galloway Threatens to Sit Out Entire Season”
- “NBA May Be Forced to Cancel Season”

In the last headline, the situation involved the National Basketball Association’s (NBA) 1998 decision to lock out its players and suspend league play until an acceptable agreement could be reached with the NBA’s Player Association (NBAPA). This was the second time in less than five years that a major professional sports league decided it was better to figuratively “take its product off the shelf” and not sell any “product” than to resolve matters privately.

Unlike the NBA lockout which occurred at the beginning of the season, the August 1994 baseball strike effectively ended a particularly exciting baseball season so completely, that the World Series was not held for the first time when a regular season had been played. By some accounts, the lingering effects of that strike (and five other strikes or lockouts since 1972) still are being felt in the business community. In fact, major league attendance in 1999 was down 12% from prestrike (1994) levels.

Rick Welts, former chief marketing officer of the NBA, was quoted in the Seattle Post-Intelligencer in May 1999 after the NBA resumed playing as saying, the ‘98–‘99 season was the most difficult year the league had ever been through. “We had a real resolve,” Welts said, “that if we got it right, we would have an extended period of growth for the NBA. If we got it wrong, it would take a long time to get back.”

While the NBA ultimately was able to secure a hard salary cap plus a rookie salary scale, and resume their games, albeit three months late, league officials such as Welts were deeply concerned about how fans would react to a squabble among extremely wealthy players and even wealthier owners.
“There was a lot of residual damage,” Welts said to the Post-Intelligencer. “It’s like any other consumer product business—it can take years and years to come back. [For our part] we tried to learn from other sports about how to recover.”

In some ways, the same situation exists in Salt Lake City. Stung by global allegations that a biding scandal had taken place, the once-pure Olympic movement has been tarnished by fallout that seems to be less about athlete greed and more about influence, power, and “perks.”

For Dick Schultz, executive director of the United States Olympic Committee (USOC), the Salt Lake City bid scandal has created a firestorm of opinions put forth by official Olympic sponsors. One particularly vocal critic has been David D’Alessandro, president of John Hancock Mutual Life Insurance, who indicated his company had conducted three research surveys finding that 20% of the people interviewed had “lost faith in not only the Olympics, but in the companies that sponsor the Olympics.”

While Olympic officials vociferously challenged Hancock’s findings, the issue remained highly visible in the mainstream press. Additionally, the scandal emerged just at a point when the Salt Lake Organizing Committee (SLOC) and USOC needed to conclude their $1.34 billion in fundraising to underwrite the cost of staging the Salt Lake Olympic games.

“Hopefully, [these investigations] won’t refuel it,” said Schultz in August 1999, as court decisions were handed down. “This is kind of a new twist on old news. You don’t want to do something [wrong] that stirs people up again.”

In the case of sports, doing something wrong is why sports marketers dealing with professional sports franchises wipe their hands nervously whenever they talk about building an integrated marketing plan. How can you confidently integrate marketing strategies when you can’t control the most visible tactical elements (e.g., team performance, star players, the coaches, or owner)? Clearly, there are numerous uncontrollable variables, and many of them, when exposed in a negative light, are highly volatile as lead stories on the evening news.

Still, sports marketers must “create compelling exchange” daily and must be up to the task of addressing and recovering from acts of Congress to acts of criminal behavior. They must market their team or league after learning a star player has spent the afternoon practice strangling the head coach or after reading that the ego-focused owner has told a reporter he is moving the franchise to North Carolina if the city (and its taxpayers) doesn’t build him a new stadium.

Those team (or league) marketers may not fully control the product, pricing, or packaging, but they still must observe the laws of disciplined thinking, strategic positioning, fiscal responsibility, risk management, and bottom-line accountability.

In the case of Coca-Cola, risk was less on the soda maker giant’s mind, after the disastrous introduction of New Coke, than the “scientific approach” that allowed Coke executives “to look at data dispassionately” and “get on with trying the next experiment.” According to Sergio Zyman, Coke’s former senior vice president of marketing, “Being able to stand up and say, ‘That was a mistake and I want to correct it’ is more important and powerful than saying ‘I was right the first time and now I’m going to justify it.’”

Zyman wrote in his recent book, The End of Marketing As We Know It, (see Additional Reading, page 48) that “under the old rules, we would have been so committed to proving we were right [about New Coke] that we would not have been able to admit even the possibility that we had a real problem—or opportunity—on our hands.”

Naturally in hindsight, it’s possible to bravely assert that the big cola machine, which had nearly $19 billion in revenues in the fiscal ’98 year ending in December that year, was able to create new rules. What is more interesting, though, is the open admission that a problem actually existed.

Obviously, it’s not a simple case of words or semantics. Marketing of any kind requires attention to detail, situation analysis, clear objective setting, viable strategies, and exciting tactics. What makes sports marketing different from traditional consumer marketing is the comfort level the marketer develops with handling the unknown.

While a marketer at Coke, General Motors, or McDonald’s is intimately familiar with the product and may be brought up through a rigid system of “conservative” marketing dictums, the touchstone in corporate America remains that the organization controls the product.

Not so in sports marketing. Here, the players or participants control the action and frequently go in strange new directions on a moment’s notice.

Bernard Mullin, Stephen Hardy, and William Sutton defined sport marketing as “consist[ing] of all activities designed to meet the needs and wants of sport consumers through exchange processes. Sport marketing has developed two major thrusts: the marketing of sport products and services directly to the consumers of sport, and marketing of other consumer and industrial products, or services through the use of sport promotions.” (See Additional Reading, page 48.) They add that the term “sports consumers” covers a variety of involvement forms including “playing, officiating, watching, listening, reading and collecting.”

By some accounts, sports marketing might be viewed as no different than toy marketing or consumer services marketing in general. What makes sports marketing notable is its size, visibility and variability, and the passions it engenders among its targets, practitioners, and commentators. Also the age and maturity of certain leagues or sports, the saturation of the sports marketplace, and the substitutability of entertainment options set it apart.

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Want proof? Recently, the *Sports Business Journal* ran advertising that suggested the size of the U.S. sports industry exceeded $320 billion in revenues. By that tabulation, it would make activities involving sport (or physical participation), one of the largest industries in America and a significant driver in the nearly $9 trillion U.S. economy.

Naturally, experts have difficulty agreeing on what exactly constitutes the sports industry, but according to the advertisement, the categories covered included: sport product manufacturing, stadium construction, media delivery of sport, travel to sporting events, sponsorship, the staging of sports events, licensing of sport teams/products, and sports medicine.

Ultimately, however, we may be able simply to suggest that sports activities are consistently present in the United States, and many organizations either are employing sports imagery or have considered using it to sell more product.

One of the reasons for professional sports’ popularity is that it produces winners and losers, heroes and villains. Even when viewed as an individual exercise such as running or biking, sports produce emotions and performances that are frequently hard to generate in most other pursuits.

Thus, the marketing of sports involves unscripted moments, delivered by uncontrollable individuals. And sometimes, the outcomes are negative. Sometimes, the marketers wake up in the morning and realize they have a fire burning. Maybe a player got arrested. Maybe an advertisement using an unpredictable sports personality such as former Chicago Bulls basketball player Dennis Rodman inflamed a key demographic segment. Maybe the league’s players just went out on strike. Maybe a participant (or worse, spectator) was killed during the race. Maybe the hero missed hitting the winning basket and went ballistic with the media. Maybe the league or event’s TV ratings are down 40% over the previous year.

**What to Do?**

Like many forms of marketing, a simple checklist can be constructed to ensure that the marketers or senior executives involved think logically and functionally. Because time becomes critical in a negative situation, crisis leadership is significantly important. Here are some questions that can help shape many sports marketing situations:

- What’s the essence of the problem?
- How are our core consumer and fringe consumer bases likely to react?
- What contingency planning steps have been designed?
- Does our contingency planning address this “hot” issue?
- Has our public relations staff/agency/counsel been notified and briefed on an initial statement?
- Which senior executives should be involved with the creation of solutions?
- Are we overreacting? (Is it bad or really bad?)
- Do we anticipate a long term or short-term negative media reaction?
- Are we prepared to be honest and truthful (or will we run and hide until we develop an acceptable “spin”)?
- Are our frontline executives comfortable with negative attention?

On the surface, this approach seems to accentuate the negative, and in some ways, it must. This is because of the unique pedestal sports occupy. Sports tend to be a high-profile activity or occupation, and consumer and media sophistication is notable. Many average fans know about how much money a player or coach makes. They know win-loss records, shooting percentages, batting averages, and championship trophies delivered. They have a vague (but often false) sense, from advertisements and game broadcasts/interviews what a player or coach is like. They believe, in many ways, that they have seen most sports situations before.

Likewise, media are fully aware that any negative or questionable development is “news,” that the right unforeseen activity can and will sell newspapers and draw listeners or viewers. Unlike traditional consumer products, which may only be covered in trade publications, sport leagues, teams, and players are covered daily in most traditional mediums such as newspapers, television, and radio. This means, in many cases, editors or beat reporters, already familiar with the product (i.e., sports property) and players will be able to ask detailed and comprehensive questions immediately. To wit, the media will not need a “brush-up” period to cover the story. And just as the media can serve as a positive marketing arm, they also can become a negative marketing influence.

Despite this volatility, sports marketers can thrive and survive if they know what to do.

**Lemonade Out of Lemons**

Research shows that many dissatisfied clients can be retained if the right actions are taken. In fact, effective recovery efforts actually can result in higher levels of customer satisfaction. Recovery has important economic implications for almost all businesses.

But for professional sport franchises, most working on modest profit margins of just 3%, the economics of customer retention take on an even more critical monetary significance. Continuing to put fannies into seats is an absolute necessity for those sport properties most dependent on game revenues.

The National Hockey League (NHL), for example, receives 60% of its total league revenues from ticket sales. When you add in the average income generated from concessions, park-
ing, and other ancillary attendance-related activities, the average NHL team depends on live attendance for almost three-fourths of its gross revenues. While other leagues may not be as dependent on gate-related income as hockey, live attendance revenue streams are still crucial to the NBA (41%), Major League Baseball (MLB) (39%), and the National Football League (NFL) (29%). A disruption to that fan revenue can be felt immediately, according to the June 17, 1997 issue of Financial World.

The crucial economics of recovery marketing to sport franchises becomes even more evident when the prominence of repeat attendance is taken into account. Mullin and his associates demonstrated the potency of the "80-20 principle" to sports teams. In their analysis of season attendance at Pittsburgh Pirates baseball games, they found that indeed 80% of the increase in ticket sales from one season to another was produced by 20% of the existing attendees buying more tickets. The results indicate that teams must rely heavily on core customers, season ticket holders, to provide the lion’s share of critically important gate receipts. Even the defection of just 10% of these key customers could have a devastating effect on a team’s bottom line.

For an NBA team with 10,000 full season ticket holders, for example, the failure of 1,000 of the current fan base to renew could conceivably result in 41,000 fewer seats sold over the 41-game home schedule. With league averages of $42 per ticket and per capita expenditures of $8.25 for concessions and parking, 10% fewer ticket renewals potentially could cost an NBA team more than $2 million in lost revenues.

An Action Plan

Fortunately over the past 20 years, much has been learned about how to best retain customers in the wake of a service failure. Adapting services marketing expert Ron Zemke’s process for handling disappointed customers (see Additional Reading, page 48), we suggest five simple, straight-forward recovery procedures that should make a huge difference in overcoming fan disaffection:

1. Apologize to the consumers experiencing the service failure.
2. Make it personal.
3. Offer a value-added solution to the problem.
4. Alleviate the inconvenience by offering risk-reducing incentives (e.g., satisfaction guarantee) and/or rewards for repurchase (e.g., attractive branded gifts).
5. Follow up.

Consider how the NBA applied these steps to effectively recover from their potentially devastating 1998-1999 season-shortened lockout (see interview with Rick Welts, The NBA’s Recovery Marketing Program, on page 49).

As Welts describes, the league orchestrated a systematic campaign to overcome widespread fan disaffection. Key elements of the campaign included the crucial role players assumed in reaching out to fans through a much-publicized Valentine’s Day card promotion accenting the personal touch so important to successful recovery marketing.

The league’s proactive approach to recovering fan loyalty appeared to have some positive impact. Contrary to industry experts’ doom and gloom predictions that suggested an attendance drop of as much as 20%, by the end of the season the decline was a mere 2.2%.

According to the Sports Business Journal (May 10-16, 1999), almost 88% of all available seats were sold at NBA arenas this past season.

Many of the NBA teams supplemented the league’s recovery efforts at the local level. The Portland Trail Blazers, for example, mounted its own personal contact campaign in which 300 staff members from ticket clerks to Head Coach Mike Dunleavy began calling everyone of the team’s 16,500 season ticket holders the day the lockout ended. The 3-day calling campaign relayed a simple message to the TrailBlazer’s core customers, “We’re Back in Business and We Need You!”

Season ticket holders were personally extended the NBA’s offer of free admission to a team scrimmage or pre-season game. Both options sold out immediately. According to Dave Cohen, director of ticket sales for the Trail Blazers, the personal contact campaign and gift incentives "contributed significantly to achieving season ticket renewals that far exceeded our expectations."

At the season’s end, the Trail Blazers managed to sell 97.4% of the team’s ticket inventory, placing it well above the league average of 88%.

Incentives Work!

Management specialist Alice Kendrick has found that offering added-value gifts significantly enhanced customer retention and loyalty. While her research did not focus specifically on service failures, Kendrick’s work suggests that gift promotions may be particularly relevant in recovery situations because they serve as tangible atonement for the service breakdown.

Kendrick discovered that the provision of unsolicited gifts engendered substantial goodwill among existing customers resulting in greater purchase activity. Her findings may provide
a partial explanation, at least, for why the Trail Blazers’ season ticket renewal goals were realized so quickly. In the team’s tele-marketing campaign, in addition to conveying the Leagues’ offer of free admission to games and scrimmages, the Trail Blazers extended free food and beverage coupons to each of their fans. While the “treats are on us” gesture was modest in nature, according to Cohen, “it obviously meant a lot to our season ticket holders.”

Service Guarantees

Appropriately designed unconditional guarantee tactics have proven to be highly effective in a number of service contexts. Interestingly, there is only limited evidence of their use by professional sports teams. The NBA’s New Jersey Nets provide an example of one team that successfully initiated a satisfaction guarantee program. The Nets extended the guarantee offer to new corporate season ticket buyers promising that if the season tickets didn’t help ticket holders increase their companies’ sales, the Nets would refund the cost of the tickets ( $ 8,500 ) plus interest.

According to Jim Leahy, Nets vice president for ticket operations, “Everybody we issued that money-back guarantee to, renewed... the program helped the team generate $ 250,000 in new season ticket business.”

Recent work by McDougall and his associates suggests that a promise of complete satisfaction or a full refund would be most effective in attempting to win back consumer confidence. From a recovery standpoint, the extension of a guarantee not only appeases the client for the existing service breach but, at the same time, offers protection against any potential future service failure. In fact, research indicates that an appropriately designed and executed guarantee program should convey several messages crucial to effective recovery:

1. A genuine willingness on part of the company to redress the consumer’s problem.
2. The service provider’s commitment to quality and customer service.
3. The virtual elimination of any ( re ) purchase risk by consumers.

Summary

It would be naïve to imagine that the sports world will ever change so dramatically that unforeseen events would stop occurring. The beauty of sport, be it participatory or spectator-driven, is that every performance allows for the possibility of the unknown. That means, however, that marketers involved with sports must be fully prepared for sudden, unscripted activities or outcomes.

Sports, in almost all cases, require human involvement, and humans generate unexpected outcomes. Thus, greed, dishonesty, anger, failure to perform, and other human frailties can be logically projected to occur at different times in the course of a season or career. This is not to suggest that all athletes, agents, managers, or executives are morally or emotionally corrupted. It is rather to suggest that all humans are capable of actions that under certain microscopes ( media review, fan speculation, and so on ) will bring about a potential uproar. Managers in sports business are therefore wise to think about recovery strategies in advance and allow themselves the benefit of some preplanning. In the world of sports, the Boy Scout motto of “Be prepared” is particularly relevant.

Additional Reading


About the Authors

Rick Burton is the director of the James H. Warsaw Sports Marketing Center in the University of Oregon’s Lundquist College of Business. He’s also a senior instructor of sports marketing, national radio commentator on sports business, and consultant
for sports leagues and organizations including the National Football League, National Hockey League, Hong Kong Olympic Committee, Nike, and IMG. He started his career in Syracuse, N.Y., as a sportswriter before going into sports public relations, sports marketing, advertising, and product management for the Miller Brewing Co. in Milwaukee.

Dennis Howard is professor of sports marketing at the University of Oregon's Warsaw Sports Marketing Center. He is the former head of the graduate program in sport management at Ohio State University and is considered among the leading authorities on sports finance. Howard, who specializes in stadium financing and economics, has written three books and numerous articles in sport and leisure management/marketing publications. He has worked as a consultant for the National Football League.

Burton and Howard's last work for MARKETING MANAGEMENT, (V8, N1), was in the Spring 1999 issue when they wrote "Professional Sports Leagues: Marketing Mix Mayhem" and discussed life cycle issues relevant to professional sports.

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The NBA's Recovery Marketing Program:

An Interview with Rick Welts, former chief marketing officer of the NBA and current president of Fox Sports Enterprises

Conducted by Richard Burton and Dennis Howard for Marketing Management

MM: The NBA knew as the '98-'99 lockout proceeded that fans were being pushed away from the game. While that must have hurt people like yourself and NBA Commissioner David Stern—both of you had worked so hard to build the professional game—how did you start to plan the inevitable recovery process through marketing?

RW: Shortly into the lockout and before the beginning of the regular season, we began meeting to discuss what assets the NBA could bring to relaunching a season. Much of the attitude fans would have toward the NBA was going to be determined by when the season actually started and the atmosphere surrounding the completion of a new collective bargaining agreement. Because we had no way of knowing that, specific messages were not discussed, but rather we tried to collect and understand the tools which could be utilized by the league, teams, and players. Every department of the league had an opportunity to contribute.

Once it was clear that a significant portion of the season would be lost, we assembled a representative group of team executives—coaches, general managers, presidents, marketing and public relations people—and presented our best thinking about relaunching the NBA, if a collective bargaining agreement was reached. That group critiqued and improved our plan and added new elements, which strengthened it. The members of the group then became important leaders among their peers at the teams in making sure that everyone knew what had to be accomplished.

We all agreed that there was not a "marketing solution" to address the apathy, disappointment, or anger that fans had toward the NBA and its players for shutting down the league. We knew we had to take responsibility for the way fans felt about the work stoppage, and then invite fans back to the game in every way possible. The message had to be sincere and direct. Fans would view a "slick marketing campaign" as a sign that the league and the players just didn't understand the situation.

MM: You've talked before about how close the league came to losing the whole season. Were there two or more recovery marketing plans depending on outcomes? Explain your comfort level with having to fix the worst-case scenario?

RW: As the lockout continued, we had to face the increasing likelihood that the entire NBA season might be lost. So, while we had one group trying to plan a shortened NBA season, we also began discussing the issues that we would be facing if we lost an entire season. We got perilously close to that point—within a few days. Ownership was prepared to cancel the season if an economic system could not be agreed upon that would give well-managed teams the opportunity to earn some fair return on investment.

Our conclusion was that we had no brilliant ideas about how to miss a full season of NBA basketball and emerge in terrestrial shape. If anything, the more that scenario was contemplated, the more important a deal that would salvage the season became. The expected impact on both the league and its players of losing an entire year was a major motivation to get a deal...