

Delivering Sport Events-The Arena Concept in Sports from a Network Perspective

Working Paper

Abstract

This paper contributes to the sport marketing field by analyzing the market situation in a network perspective. It also gives an idea of the relative positions of the organizations making up the network. When a sport club is delivering a sport event there is a complex set of actors that must interact and intervene with each other. Which those actors are and what they bring to the network depends on if you consider the network from a non-commercial sport point of view, or from a business and commercial point of view. In a traditional perspective the side of the network that is based on the non-commercial or sport side consists of actors that are volunteers and engaged in the team for the fascination of sport. This paper provides a unique insight into how a sports club have been able to use different resources to create a successful incubation from primarily being a non-profit organization. The arena concept has been an important part in building relationships with different business actors in relation to the surrounding actors and the community. The ARA-model provides the analytical tools for analyzing the actors, resources and activities for developing the marketing strategy for a sport club.

Keywords: Interaction, Sports Marketing, Value Creation

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INTRODUCTION

A sport organization, like for example a professional ice hockey team, meets today many challenges in relation to a competitive market. In order to survive in the long run as a successful team they need to attract customers, i.e. spectators and people buying their merchandise. The commercialization and increased competition has required new ways for organizing the activities undertaken, from being non-profit to become more businesslike, where an important aspect has been to attract sponsors for investing their money in the sport clubs business. One important aspect of this has been to get spectators to different events, instead of looking at the games in TV-broadcastings, or choosing competing events instead of visiting the arena.

As in all entertainment industry, like in most service industry in general, the place where the event takes place plays an important role in the users' experience of the event (see for example Bittner, 1992). Following this, an important challenge has been to attract new capital for the necessary investments in arenas and other facilities needed to create a competitive entertainment event. Due to these circumstances we have during the last decade been able to see a tremendous expansion in the construction and building of new arenas for different sport events. This has become necessary for competitive reasons both domestically, but also from an international competitive point of view. Since the beginning of this decade ten out of twelve first division ice hockey clubs have built own new arenas in Sweden. An important issue in this development has also been the sponsoring activities in relation to the investment decision, where the organizing firm is selling out, or contracting the arena name in relation to the sponsors' brand name. Besides focusing on sports events arena companies has also begun competing about artists coming to Sweden since the market is not big enough for all kind of events and some of them are losing money due to the competitive situation. This commercialization has also required that the clubs have to become more management oriented and the business needs to be more professionally managed. The prevailing situation and the development of the arena concept require a combination between sport, business and entertainment.

From a research point of view very little research has been done in relation to the arena concept. A number of studies have been devoted to how business organizations are using sponsoring as an important marketing tool and Fahy et al. (2004) has discussed how competitive advantage can be created by sponsorship. Corporate and brand positioning

related objectives are predominant goals in sponsorship arrangements and sponsorship has been found to be of particular interest for attaining brand awareness (Meenaghan, 1996; Hoek et al., 1997). The key intangible assets that are relevant in the context of sponsorship are brand equity and brand building (Fahy et al., 2004). Other scholars have studied the importance of event sponsorship as a value creating strategy for brands and argued the importance of adequate planning and integration of sponsorship with other corporate and branding efforts (Papadimitriou, 2008). On the other hand we have also found a research gap in how different business activities are integrated in the hub of the business network.

Based on this the aim with this paper is to investigate how the arena concept is used in sports marketing. In order to deliver the offering to the attendances there is a need for many different actors to cooperate. This is in line with the basic outlooks of the IMP-school that claims that most organizations are dependent on resources held by others, and in order to get hold of these resources companies need to interact with other actors (deBurca, 1995 and IMP, 1982). In order to increase the understanding of how this co-operation functions and how different actors participate in the creating value for the customers the classical ARA-model will be used. From this perspective a network is built up by three, to each other, related variables; *actors*, *activities* and *resources* (Håkansson and Johansson, 1992). In this, actor are central since they are the one who perform activities and control resources, and thereby must they, and the roles they play, be identified and understood in order to understand how services actually are developed. Applying a network perspective “...helps identify actor member’s resources and facilitates understanding of the development of relationships” (Syson and Perks, 2004, p. 263). According to the basic outlooks of the IMP-school most organizations are dependent on resources held by others, and in order to get hold of those resources companies need to interact in with other actors (IMP, 1982, Ford, 1997 and deBurca, 1995). Companies’ activities are therefore performed together with other companies and the resources and activities are co-ordinated through interactions between the companies. This interaction process takes place within the context of an ongoing relationship between the interacting companies, but also in the context of relationships to other actors that the companies have relationships to in some way (Turnbull et al., 1996).

THEORETICAL POINTS OF DEPARTURE

Sports marketing

Sports marketing are an area within the marketing field that has become of more interest among scholars due to its growing importance in the society (Shannon, 1999; Ngan et al., 2011). The research has been devoted both on the promotion of sport events and teams, as well as the promotion of other products and services in relation to sport events. From a business point of view the objective is to provide business firms with strategies to promote the sport, or to promote products and services via sport events. The primary sport product can be both tangible and intangible in nature. At the same time, businesses and corporate entities use sport as a way to reach their consumers and to sell their respective products and services. “They also utilize sport (specifically events) as a reward system for their employees” (Schwartz and Hunter 2008, p. 18). Sports marketing management need to be able to market products to both sides of this relationship. Another challenge is that individuals often have both positive and negative personal identifications with elements of the sport product. In a business context the manufacturer is normally considered as the expert of a product.

However, in sports the consumer believes they are the expert. Sports marketing research has basically been studied in three different dimensions.

The first is advertising in relation to sport and their sport associations such as the Olympics, NHL and Elitserien (Swedish Hockey League), which can be labeled 'marketing of sports'. Event sponsorship as a value creating strategy has been studied by Papadimitriou et al. (2008). The second is the promoting of products in relation to sport events such 'marketing through sports'. Ngan et al. (2011) have found that sponsors should pay attention to the perceived performance of the team they sponsor since there is an interaction between a team's performance and the stars in the team. The third is the promotion of sport in relation to the public in order to increase the participation at sport events, or other kind of arrangements. One research direction has been to study the nature of the product created by professional sport leagues (Mason, 1999). Several means are used such as sponsorships for the promotion of teams or athletes, TV and radio advertisement, advertisements in relation to the sport event and celebrations. Other means are billboards in the street and promotions and publicity during major sporting events.

Actors, resources and activities in a network

A great deal of today's value creating is done between businesses (and other organizations, i.e. universities) and between companies and customers. Most companies are dependent on resources held by other parties. To obtain access to these resources, companies need to interact within networks of relationships (Ford, 1997; deBurca, 1995). The point of departure for a relationship strategy is that there is a mutual benefit between actors, e.g. companies, customers or other organizations, but also that the developed dependencies tie up certain actors, e.g. customers and excludes others, e.g. competitors (Turnbull et al., 1996). A number of activities and exchanges occur between companies in order to utilize resources for value-creating purposes. According to Håkansson and Johansson (1992) a network is built up by three, to each other, related variables; *actors*, *activities* and *resources*.

Actors are those who perform activities and control resources. The *actors* play the crucial networking role because they perform the activities and control the resources Actors can be individuals or a group of individuals (an organization or a part of an organization). Actors can therefore be seen on different organisational levels. By engaging in exchange processes with other actors, relationships are created. Actors could therefore be seen as embedded in network of relationships, giving access to other actors' resources. One actor's control over a resource can either be direct through own ownership, or indirect by the relationship to another actor. By controlling resources and activities a company may not only gain access to important resources, the control could also lead to the development of knowledge that can improve the company's ability to achieve certain goals.

An activity takes place when an actor, or a number of actors, combine, develop or exchange resources by utilising other resources. Specific activities are combined in such a way that they form parts of different activity chains. Activities tend to be in the center of value creation by causing representatives from both sides to meet, i.e. customer and seller or other actors. Various forms of activities could be regarded as the core or that which truly is the value-creating mechanism. The activities could either be a transformation or a transfer activity. Transformation activities are carried out within the control of a single actor, and change or refine a resource by using other resources. Transfer activities involve the shift of

direct control from one actor to another. Activities are connected to each other, either direct or indirect, and constitute parts of activity cycles.

Resources can be divided into tangible and intangible resources. Examples of tangible resources are different types of physical assets, such as production equipment, component, and material. Examples of intangible resources are knowledge, skills, and routines. All resources, either tangible or intangible, are viewed to be heterogeneous. Resources are, as noted above, always under control of some single actor or jointly by several actors. One important aspect of a network is the exchanges that take place between the parties in the network, these exchanges could consist of:

- Product and service exchange, which is often the core of the exchange. The product or service involved is therefore likely to have a significant effect on the relationship as a whole.
- Information exchange; here are several aspects of interest. First there is content, which is of big importance (if it is technical, economic or other questions dominating), but the width and depth of the information shared are also of interest.
- Financial exchange works as an indicator of the economic exchange between the parties.
- Social exchange has an important role in order to reduce the uncertainty between the parties and the process of building trust between the parties.
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RESEARCH DESIGN

In order to fulfil the aim of this study we have used a qualitative method in the form of a case study. Secondary data and personal interviews were mainly used. We started with a study of secondary data in the form of market reports about the sport business in general, but also in relation to the case company. We also collected secondary data from the case company and from different web-pages in relation to sport activities. From these sources different statistical data could also be collected, but furthermore in the form of qualitative information about the sports arena. However, the secondary data was not enough to get a deeper understanding of the market situation for the arena concept. Therefore we contacted key personnel in the sport club and interviewed them consequently. Even though an interview guide was used the key informants were allowed to tell their stories freely and discuss the development of the arena concept over time. Field observations have also been an important input in the process.

FINDINGS and DISCUSSION

In delivering the sport event there is a complex set of actors that must interact and intervene with each other. This is clearly in line with the network view in which one of the central thoughts are that a great deal of today's value creating is done between businesses and companies and customers (Ford, 1997; deBurca, 1995). The sharing and combining of resources from several firms creates new opportunities for delivering value to the user (Jensen 2010). Which those actors are and what they bring to the network and what they gain from it depends on if you consider the network from a non-commercial sport point of view, or from a business and commercial point of view. In a traditional perspective the side of the network that is based on the non-commercial or sport side consists of actors that are volunteers and engaged in the team for the fascination of sport. Today, especially when it comes to professional sport there are difficulties to see this kind of actors alone since professional sport

has become business, i.e. the team and the sport event where the team are participating in has become big business. During the last decade we have been able to follow a tremendous expansion in the construction and building of arenas for different sport events.

This has also enabled the clubs to increase the turnover and the Swedish ice hockey league had a total turnover of 1.5 billion SEK in 2009/2010 (Sport & Affärer, 2010). The main contribution comes from increased incomes from TV broadcasting, increased sponsorships and incomes from ticket sales due to a greater interest for visiting sport events. The estimation of the sponsorship by ten of the twelve ice hockey clubs was 385.7 million SEK for the 2010/2011 season (Eklund, 2011). Besides delivering an offer to the sport event attendances, the arenas are complemented by other forms of business prospects such as offices, restaurants, gyms, health care and other business activities. In this study we have a particular interest of the arena in the marketing strategy. The arena (place) is the location for the distribution of the sport product and the target market.

This paper contributes to the sport marketing field by analyzing the market situation in a network perspective. By applying the ARA-model in comparison to a traditional marketing strategy model it reveals the connections and resources that are necessary in order for a sport club to create an exciting event for the audience. The ARA-model provides the analytical tools for analyzing the actors, resources and activities for developing the marketing strategy for the sport club. It also gives an idea of the relative positions of the organizations making up the network. As Wilkinson (2006) discusses, positions are constantly changed and re-established via the interactions that take place in the network. This includes different transactions, flow of knowledge, creation of necessary resources and bonds shaped and drawn upon by actors. The overall behaviors that emerge in the network shape its development and how it adapts to incidents in the environment, a necessity to consider for managers developing the sport clubs marketing strategy. In order to plan their sport marketing activities managers need to understand and consider which actors have the greatest impact on the actual network there are trying to manage.

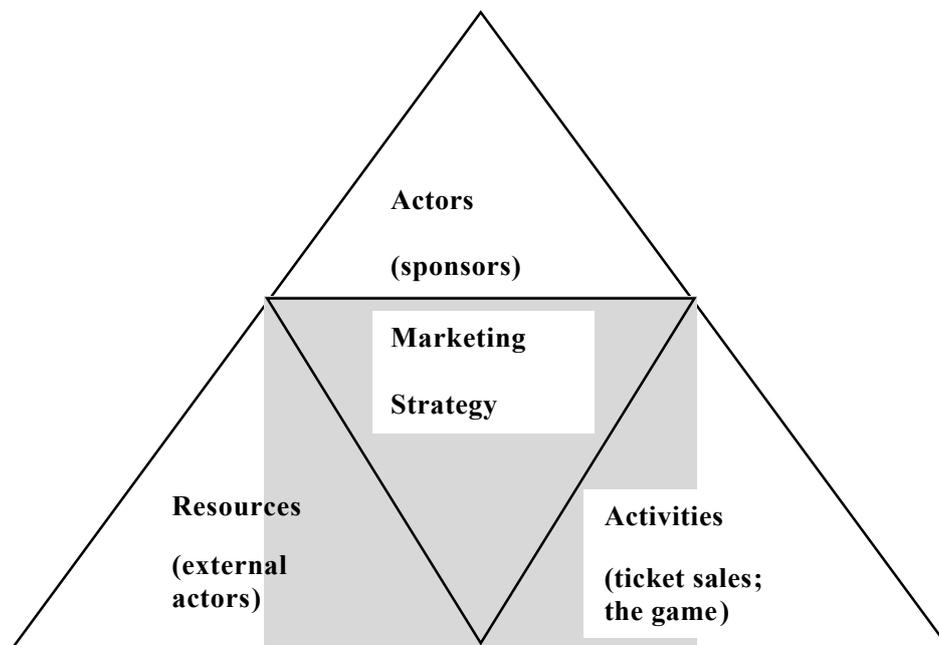


Figure 1: The ARA-model and the marketing strategy

Source: (Adapted after Ellis, 2011)

Activities

A business relationship can develop when a flow of exchange episodes occur between two or more actors (Håkansson and Johansson, 1992; Håkansson and Snehota, 1995). These activities increase when a relationship is developed and link a number of other activities between the actors (Håkansson et al., 2009). The activities can be of different kinds including technical, administrative or commercial activities which become linked to each other. Activities tend to be in the center of value creation by causing representatives from both sides to meet, i.e. customer and seller or other actors (Jensen, 2010). The linking of activities reflects a necessity for coordination to work properly and will also affect how and when the various activities are carried out. Every company and organization develops a form with a coordinated activity structure in order to function. In this context we have found that the sport organization has developed more activities for some time. This has been an outcome when the business has developed, but also become a necessity in order to meet new demands from the market. The different activities can be mapped in the following way.

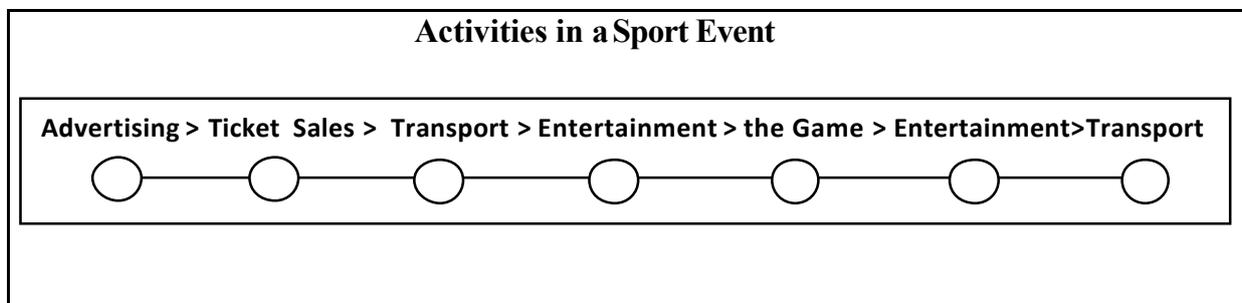


Figure 2: Activity links in relation to a sport event

Various forms of activities could be regarded as the core or that which truly is the value-creating mechanism. Specific activities are combined in such a way that they form parts of different activity chains (Jensen, 2010). Linking activities can be regarded as a way to create a unique performance. In this case the sport organization has developed its sport events from a non-profit organization to become a business with the help of many new activities. These are in the form of attracting new customer groups that previously has not been spectators by advertising (newspapers, TV-commercials and cooperation with different organizations). Attending a sports game has become more than the event as such. The possibility to buy tickets has been developed and customers can buy season tickets, order tickets over internet, via transport companies and at the event. A cooperation with transport companies has also increased the spectators' possibilities to reach the arena to the same price from surrounding cities. The sport organization has also increased its activities in order to build partnerships with sponsors, but even to develop relations with other organizations such as non-profit organizations, the community and the university.

The marketing offer to the sport event attendance

Information about the coming season and matches are announced on different web pages and in leaflets. The program is also promoted via TV-commercials and in newspapers.

1. The presumptive visitor can buy the ticket in advance via e.g. internet, or have already invested in a season ticket. Customers to sponsors can also be invited to the sponsor's lounge in the arena.
2. Before the game, the visitor can be transported by special buses to the arena, or visit a pub for a free transport to the arena.
3. During the game the spectator can be informed via a new media cube in the arena. A new system for Shop and Go is also tested. The spectator can also make bets during the game on an on-line system. Spectators can also have a seat in the restaurant, or the sauna during the game. In the breaks between the periods, spectators can buy a beer or soft drink in the pub.
4. After the game there is a presentation of a particular player.

Figure 3: The marketing offer

Resources

An ordinary business firm consists of a different assortment of resources such as manpower, equipment, knowledge, image and financial resources that sustain its activities. Business companies are therefore often complex resource units. In a relationship between two companies some of the resources that are necessary can be accessed and acquired by combining or sharing resources. A business relationship obviously makes it possible to get access to the resources of others for the company's own purpose and advantage. In this case it is necessary to create a resource base by building relationships with sponsors, external actors and the community (the arena). An important resource for the sports club has been the building of the new arena in September 2001. The arena was a necessity for attracting new customer groups, but also for attracting the sponsors, which have the possibility to rent a box in the arena for inviting and entertaining their customers. The new arena has also created new business possibilities for other activities such as attracting world artists such as Elton John, Dolly Parton and the ABBA show among others. The arena is an important resource for developing other business activities in competition with other arenas. For the sports club a main resource is the players, which can be traded depending on the type of the contract. From a marketing point of view intangible resources have become more important and a main sponsor has made a deal about the name of the arena. Success in sports is also improving the brand name of the club giving further possibilities for the sales of season tickets and different kinds of souvenirs.

Actors

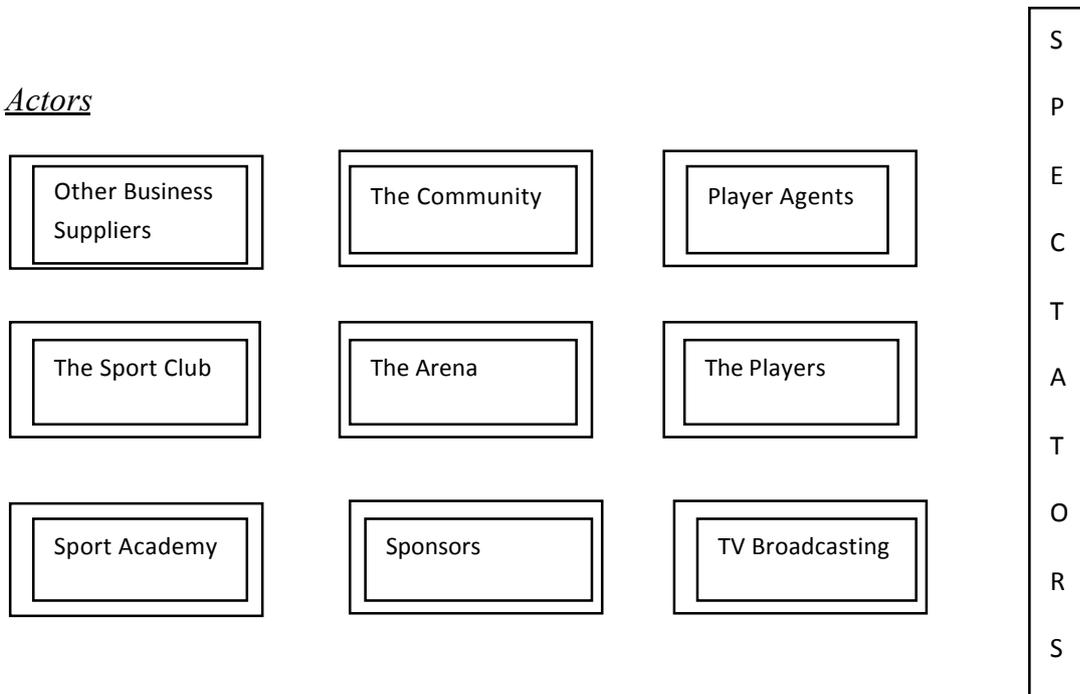


Figure 4: Actors involved in the sports event in relation to the arena concept

A business relationship is built by people and has in most cases a social dimension. People get to know each other and the interactions between them are important to build trust which is necessary for building a relationship between two organizations. What happens in a network comes from the behavior of individuals and what they bring into the relationship upon which they act, but individuals are not working in isolation. Their intentions and interpretations interact with others and their action becomes organized in the organization in relation to others. The sport organization has interaction with many other actors which can be summarized in the figure below.

The sports club has invested a lot of management activities to build up relationships with the different actors that are involved in the business network. This includes activities related to the community for building and financing the arena, but also to other business actors such as partners renting boxes at the arena. Another activity has been developing relations with main sponsors in the arena and sponsors supporting logos on the club dresses. Efforts have also been made to create relations with transport companies in other communities, but also to find new customer groups. The business network has even included new activities in relation to the sports club such as the sport academy and bringing in new businesses in the arena such as restaurants and the sales of souvenirs.

CONCLUSION

One important aspect is that the primary sport product can be both tangible and intangible in nature. In our cases there are obvious tangible parts in the arena, but the actual value-creation is created within the services capes, i.e. the value creation is intangible in its nature. The arena and the arena concept has become an important hub embedded in a business network of different actors, resources and activities. This has enabled the sports club to develop from a non-profit organisation to a new professional business constellation (see figure 5).

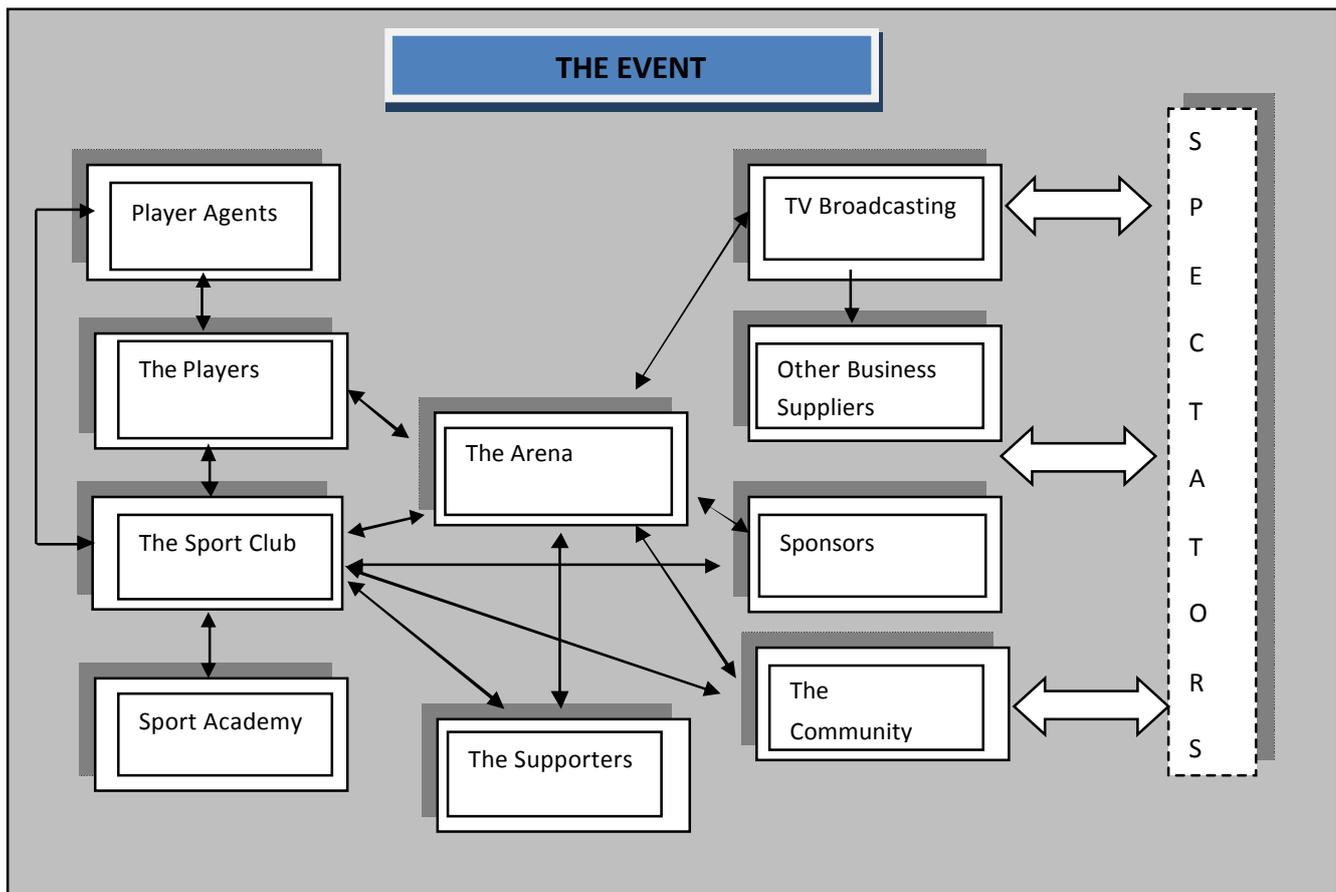


Figure 5: ARA-constellations in the sports event in relation to the arena concept

The arena concept has obviously been an important factor in developing and building relationships with different business actors in relation to surrounding actors, and the community for supporting the construction and building the facilities. Important external actors has been the community which could imagine the possibilities for marketing purposes of the city for attracting new citizens to move to the city and for companies to invest in new companies. The community has also a box in the arena for entertaining their business associates. A bus service has also been developed to arrange transports in relation to the game in the arena. Other important actors are also taking care of diverse services such as food and drinks before and during an event. Another important group of actors are the sponsors who are renting boxes in the arena for a general fee which also gives them the possibility to visit other entertaining activities than sport. A main sponsor has even bought the rights for the name of the arena which gives the company a lot of publicity in the media and in TV broadcasting. Other significant sponsors have their logos or band names in the arena or on the match suit which give them a lot of media coverage. The right to broadcast different events via e g cable TV are negotiated with the Swedish Hockey League and giving the sport clubs important financial contribution, but also a possibility for a bigger audience to watch the events.

The main income for the sport event is coming from the spectators that are buying season tickets (often companies), or via internet (e.g. internet booking via Ticknet) by reserving/buying tickets directly, or by visiting a sales outlet. Few tickets are bought at the arena in relation to an event. A fast and reliable internet booking capacity has become a necessity. The sport club are also working with their own internal communication people in order to serve the media and their web-page, web TV and diverse communication activities. All players are contracted for some period of time which creates a network for the players' agents and their associates either in Sweden, KHL (Russia), NHL (Canada), or in some other European country. The transition from a non profit organisation to a professional managed one has changed the core values within the organisation. The brand name has developed to become one of the most important core values in the sport club. The club are even developing a sport academy for education purposes taking advantage of the experience made within sport management. The transition to a professional organisation has been possible by the integration of external and internal actors' resources. This has required a new management skill linking different activities to a combined result in relation to the arena concept. Reaching good results in the league are also reinforcing the brand name. The core values are also manifested by sponsorships in relation to the arena. Other important core values are reached via the internet booking system for tickets. The arena concept has been a key ingredient driving the development from a non profit organisation to professional business. By applying the ARA-model in comparison to a traditional marketing strategy model it has been possible to reveal the connections and resources that are necessary in order to create exciting events for the audience in the arena. It has also revealed the relative positions of the organizations making up the network in relation to the sport club and its marketing activities.

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