

KASER & OELKERS

# Sports & Entertainment MARKETING

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# Sports & Entertainment MARKETING

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5E



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# Reviewers

---

## James Conklin

Business Education Teacher  
Sheboygan Falls High School  
Sheboygan Falls, Wisconsin

## Mark Drummond

Marketing Education Coordinator  
West Deptford High School  
West Deptford, New Jersey

## Marcus Ford

CTE Academy Specialist  
Westfield High School  
Houston, Texas

## Don R. Ide

Marketing Instructor / DECA Advisor  
Lynnwood High School  
Bothell, Washington

## Michael Murphy

Business Teacher  
Walpole High School  
Walpole, Massachusetts

## Christopher Young

Chief Program Officer, DECA Inc.

# About the Authors

---

**Ken Kaser** taught business and marketing courses in Nebraska and Texas high schools for 30 years. He served as the Director for the Event Management and Sales Certificate program at Conrad Hilton College at the University of Houston for 10 years. Currently, Ken is the Business Partner Liaison Specialist for Fort Bend ISD Career and Technical Education. He has authored or co-authored seven books; written national, state, and local curriculum; served in many professional leadership roles; created materials for national FBLA and DECA; and earned numerous teaching awards at the national, state, and regional levels.

**Dotty Boen Oelkers** is a sports and entertainment marketing author, educator, and enthusiast. Discovering, interviewing, and writing about the interesting people who market sports and entertainment is her passion. Dotty has written three books, co-authored one other, and contributed to numerous books. She began her career in retail management, is a former Marketing Education teacher and Career and Technical Education (CTE) Director, and has served as a consultant regarding CTE Administration in school districts across Texas.



This edition of ***Sports & Entertainment Marketing*** is aligned to Precision Exams' ***Sports & Entertainment Marketing Exam (416)*** under the Marketing, Sales & Service Career Cluster. This exam is validated by industry, allowing students to earn a certification that connects skills taught in the classroom to a future career for a successful transition from high school to college and/or career. Working together, Precision Exams and National Geographic Learning, a part of Cengage, focus on preparing students for the workforce with exams and content that is kept up-to-date and relevant to today's jobs. To access the corresponding correlation guide, visit the accompanying Online Instructor Companion website for this title in NGLsync or at [companion-sites.cengage.com](http://companion-sites.cengage.com). For more information on how to administer the ***Sports & Entertainment Marketing*** exam or to gain access to any of the 180+ Precision Exams, contact your local NGL/Cengage Sales Consultant. You can find your rep at [ngl.cengage.com/repfinder](http://ngl.cengage.com/repfinder).



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# Real-World Marketing Strategies; Real People & Events

**SPORTS & ENTERTAINMENT MARKETING, 5E** expertly introduces industry skills from market planning to promotions and selling with popular sports and entertainment industry examples as the foundation for learning marketing concepts. Crucial topics such as the channels of distribution, global issues, customer service, and economic principles make direct connections to real-life businesses, famous athletes, and celebrities. Students work individually and in teams to build an expansive marketing portfolio as they apply marketing functions to real-world scenarios and strategies from awards show nominations, to analyzing super bowl ads, to planning successful product endorsements. Chapter content, features, and critical-thinking activities lead students to analyze the merits of marketing roles from influencers to third party social media companies, as well as emerging strategies in social networking, data collection, fan engagement, and promotions. Features throughout the textbook encourage students to research, solve problems related to exciting industries, and present their findings via group projects and preparation for BPA, DECA, and FBLA competitive events.



What strategy can be used to raise the visibility of this extreme sport?



What is the role of MIS at a business?



How do copyright laws affect musicians?

This edition has been updated to NBEA standards, the Precision Exams Sports and Entertainment Marketing industry certification, and current CTSO performance indicators. Updates include timely analysis of the impact of COVID-19 and emphasize the need for managing through disruption and creative solutions. All figures and statistics have been updated to provide relevant information and examples of current marketing trends and strategies.

# Comprehensive Learning and Teaching Tools

## The Online Solution for Career and Technical Education Courses

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**MINDTAP** for *Sports & Entertainment Marketing*, 5th edition is the online learning solution for career and technical education courses that helps teachers engage and transform today's students into critical thinkers. Through paths of dynamic assignments and applications you can personalize, real-time course analytics and an interactive eBook, MindTap helps teachers organize and engage students. Whether you teach this course in the classroom, or in hybrid/ e-learning models, MindTap for *Sports & Entertainment Marketing* enhances the course experience with current news articles delivered by RSS feeds, digital portfolio instructions, and data analytics with engagement tracking as well as student tools such as: flashcards, practice quizzes, auto-graded homework, and tests. The **MindTap Progress App** tracks grades and student engagement.

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# The Main Event!

**WINNING STRATEGIES** begin each chapter and have been updated to highlight recent industry trends that have led to successful campaigns.

## Winning Strategies

### Entertainment Industry Trends

The entertainment industry depends on followers and fans to be successful. Technology has greatly impacted the entertainment sector, providing new media platforms, opportunities, and unique revenue models for leaders in the industry. In the last decade, consumer consumption of media and entertainment has drastically changed. Audiences no longer have to watch only what the entertainment channels are broadcast in real time. The capability to stream content offers users a vast selection of other options.

Today's entertainment customers can choose entertainment on demand—anytime, anywhere, at their own convenience. Many people prefer to download or stream TV shows and movies instead of watching live television. Netflix and Amazon Prime are examples of entertainment platforms that provide mini-home theatres for the audience.

The health care, manufacturing, and construction industries have been impacted by virtual reality. The entertainment industry has not embraced virtual reality in the same way and will be successful if consumers are provided with the content they seek. Marketing is required to promote and sell the latest entertainment trends and successfully determine preferred content demanded by consumers.

Technology has a huge influence on what drives the entertainment industry today. The latest technology has enabled entertainers and entertainment venues to identify and market content to the audience. For example, Spotify provides user engagement data so artists know who is listening to their music. Entertainers then have an opportunity to raise the “fan club” to the next level by engaging them in special offers promoting merchandise and local tours.

Music festivals satisfy the needs of passionate fans who want to experience live music in person. Virtual reality provides fans with the experience of a music concert in the comfort of their own homes.

#### THINK CRITICALLY

1. How has technology impacted the entertainment industry?
2. How does the entertainment industry use marketing?
3. How do companies such as Spotify help artists know who is listening to their music?



**JUDGMENT CALL** examines legal and ethical issues as they relate to the sports and entertainment industry.

### JUDGMENT CALL



NASCAR penalized Stewart-Haas Racing (SHR) and driver Kevin Harvick for having an illegal spoiler on the back of his car. The spoiler usually extends up from the edge of the trunk and is intended to “spoil” the flow of air on the car and improve the aerodynamics. NASCAR rules specify that the “spoiler must be exactly as supplied from the manufacturer.”<sup>15</sup> Harvick's penalty was a loss of his win of a race, loss of driver points, suspension of the crew chief and car chief, and fines of \$75,000. Harvick also lost his automatic spot in the final championship races. Greg Zipadelli, vice president of competition at SHR said, “We work tirelessly across every inch of our race cars to create speed and, unfortunately, NASCAR determined we ventured into an area not accommodated by its rule book.”<sup>16</sup>

#### THINK CRITICALLY

Should intentional violations of a sports' rule be strongly punished or do you think it is simply part of the sport? Explain your answer. What message did NASCAR send by strongly punishing a team that was intent on cheating to win?

**COMMUNICATION CONNECTION** provides an opportunity for students to enhance their written communication skills by completing a brief writing application with a marketing spin.

### Communication CONNECTION



Sponsorships for NASCAR and motor sports have changed dramatically and become more creative. Sponsors are no longer satisfied with only billboards at the races. They want to establish their brand and build relationships at the track that result in sales. Toyota becomes actively engaged with loyal customers by providing multiple levels of hospitality at the races. Toyota owners receive special parking by simply showing their key to gain entry. Other hospitality perks include light food and drink areas, driver meet and greets, special lanes for easier entry and exit from the track, and access

to special displays of passenger cars and trucks to examine up close. Toyota gathers information from existing and prospective customers that result in leads for potential sales.

#### Write Now

You are a marketer for the NASCAR organization. Conduct research about demographics for Toyota owners. Write a one-page paper explaining why Toyota should continue funding NASCAR sponsorships.

**SOCIAL MEDIA MARKETING** investigates successful social media marketing strategies and how they can be applied as part of a business strategy.

### Social Media MARKETING



According to a Pew Research Center survey conducted in 2018, a majority of Americans use Facebook (73 percent) and YouTube (68 percent). Snapchat is used by 78 percent of 18- to 24-year-olds who visit the platform multiple times per day. In the same age group, Instagram is used by 71 percent of Americans and 45 percent use Twitter. The typical American uses three out of eight major social media platforms including YouTube, Facebook, Instagram, Pinterest, Snapchat, LinkedIn, Twitter, and WhatsApp.<sup>4</sup>

All of these social media statistics provide marketers with valuable information. Marketers

understand the need to keep up with the latest social media trends to communicate with current customers and to generate new customers. Many marketers believe that Facebook is important to generate new leads. Marketers also use Google+ and are planning to increase their Google+ activities.

#### THINK CRITICALLY

Why do marketers need to understand how social media is being used by different consumer groups, such as males, females, teenagers, and adults? Give examples of three different social media strategies to reach three different target markets.

**BUILD YOUR PORTFOLIO (NEW!)** directs students to the artifacts they create in each chapter that can be added to a digital career portfolio.

### Build Your PORTFOLIO



Add one or more of the following items to your digital portfolio:

- An outline for a class presentation on crowdfunding vs. traditional funding of movies
- A letter to state legislators about amusement park safety
- A paragraph about Gina Rodriguez as a role model
- The *Extra Innings Project* risk assessment
- A list of ideas about how to improve the economic utility of a music concert
- A code of ethics for your school

# It's Show Time!

**OPENING ACT** introduces each lesson with an industry example of the skills learned in the lesson and offers cooperative learning activities.



## OPENING ACT

Media Rights Capital (MRC) is an independent film and television studio that produces creative premium entertainment content. MRC finances and produces films and TV series that some would consider risky. Its TV drama *Ozark* was produced as original content for Netflix and starred well-known actors, but it was not guaranteed to be successful. Mordecai Wiczky, MRC's co-founder, stated, "The only way to be successful is to be original. Playing it safe is the fastest way to ruin." Wiczky takes calculated chances and has a history of backing productions that more traditional film studios and TV networks reject.

**Cooperative Learning** Working in a group, research online what current films and TV shows MRC has financed and/or produced. How are the ratings of these shows? Are the films or TV shows attracting enough viewers to justify the money spent on the production?

**MATH IN MARKETING** includes an application activity with critical-thinking questions, requiring you to estimate, calculate, and perform other math functions.



## MATH IN MARKETING

Spotify is a digital music service that streams music to listeners and allows users to integrate their account with their Facebook and Twitter accounts. Spotify users can share music or playlists with friends, who can play them through their own Spotify account. At one time, Spotify paid the copyright holders from \$0.006 to \$0.0084 per play.

Mariah Carey's version of "All I Want for Christmas Is You" broke Spotify's single-day streaming record with almost 11 million listens on one Christmas Eve. The song was written by Carey and Walter Afanasieff and released in 1994. In the first 23 years after its release, the song earned \$60 million in royalties, which are shared by the record label, producers, artists, and the songwriters, but only earned a small amount in comparison for the record-breaking Christmas Eve on Spotify.

### DO THE MATH

1. Use a calculator to determine the total amount Mariah Carey and other rights holders would split for the one day of 11 million plays if they were paid at the top Spotify rate per play.
2. Calculate how much in royalties were earned per year in the first 23 years after the song released.

**TAKE A BOW** introduces students to people who have succeeded in sports and entertainment.

## Take a Bow



JONAH HILL

An excuse can be made for thinking of Jonah Hill as a funny side-kick in a teen movie, since he began his film career playing comedy roles. In reality, he is so much more. His career includes being nominated for two Oscars for best supporting actor, appearing in or having a voice role in more than 50 movies or short films, appearing in or having a voice role in more than 15 TV shows, and writing, directing, and producing films.

Hill's nominations for Academy Awards have come as a result of his roles as serious characters in *Moneyball* and *The Wolf of Wall Street*. Although he had been a highly paid actor, he was only paid \$60,000—the minimum allowed by the Screen Actors Guild—for his role in *The Wolf of Wall Street*, directed by Martin Scorsese. Hill debuted as a director for the movie *Mid90s*, for which he also wrote the script. The *Mid90s* story was about the relationship of a group of young skateboarders. Hill was credited with directing the young actors from the perspective of an actor. Many believe Jonah Hill is a talented entertainer who has not yet hit his peak. He will continue to grow as a writer and director, just as he has as an actor, and will evolve with the changing industry.

### THINK CRITICALLY

Why might Hill, who had been paid over \$3 million for previous roles, work for lesser pay? Do you think he benefited, in ways other than financially, from acting in the movie? What benefits might he have gained?

**EXTRA INNINGS PROJECT** provides students with a group project to apply skills learned to a real-world scenario.

## Extra Innings Project



Males ages 12 to 18 often favor extreme sports over more traditional sports such as football. Declining attendance at 2018 NFL games is a concern for the professional sport organization. You have been hired by the NFL to develop a marketing campaign to increase the interest of males in this age group. The NFL wants to capture this market to assure high attendance at games in the future. You have been asked to choose NFL players who will be good spokespersons to promote the NFL to young males. You must decide on a major national retailer to distribute the NFL sports gear to young males. The NFL has asked you to plan activities for males ages 12 to 18 to get them more involved with the NFL. The NFL will hold sports camps in major cities throughout the United States with professional football players making guest appearances at the camps. You must organize the campaign to allow 500 young males to attend each NFL game throughout the nation during the next football season. You can use the Internet to conduct research for this project.

**Work with a group and complete the following activities.**

1. Which NFL football players will you use for your spokespersons for the campaign aimed at young males? Why? Write a half-page proposal you will present to each NFL player you have chosen to be a spokesperson.
2. Create a brochure that advertises a summer NFL sports camp in a major city for males ages 12 to 18. Be sure to include all of the details.
3. Each participant at the sports camp hosted by the NFL will receive a sports bag with NFL merchandise. What merchandise will you include in the sports bag? Who are the sponsors of this merchandise? Why?
4. Outline the guidelines for the distribution of 500 tickets to males ages 12 to 18 for every NFL game during the next season. Be specific about who receives the tickets and why.
5. Design an advertisement and contest that will encourage males ages 12 to 18 to get more involved with the NFL.

**WINNING EDGE** prepares students for BPA, DECA, and FBLA competitive events.

## Sports and Entertainment Marketing Series Event



You are the athletic director for a major university that has a popular football team. Two of your job duties include stadium security and crowd control at the football games. The stadium always sells all 92,000 seats at home games. An avid fan (judge) has contributed large sums of money to the university's athletic department. He is very unhappy about the chain of events that evolved at last week's game and wants your explanation and reassurance to improve the circumstances for similar events in the future.

### Performance Indicators Evaluated

- Explain the nature of positive customer/client relations.
- Demonstrate a customer service mindset.
- Handle customer/client complaints.
- Follow safety precautions.
- Handle and report emergency situations.

Weather forecasts during last week's game predicted storms with severe lightning. Your university has strict policies of suspending a game during a severe lightning storm and removing all people in the stadium from harm's way. During the second quarter of last week's game, weather forecasts predicted a severe storm entering the area within 30 minutes. You decided to suspend the game and empty the stadium before the storm struck. You realized that it would take considerable time to move 92,000 fans from the stadium.

The lightning storm did strike and fortunately most people had already exited the stadium. The avid fan (judge) is upset that there was not enough room in the stadium for all the fans to take shelter. Some of them had to go to their vehicles for shelter and missed a major portion of the third quarter while returning to

the stadium. This fan has scheduled a meeting with you to learn more about the safety plan and evacuation process for the stadium. He is also interested in learning more about the stadium security policy and future strategies to ensure

fans' safety during severe weather conditions.

You will present information about stadium safety procedures to the fan (judge) in a role-play to take place in your office. You are concerned about maintaining a strong relationship with such a major financial contributor. The fan will begin the role-play by greeting you and asking to hear your ideas. After you have presented your information and have answered the fan's questions, the fan will conclude the role-play by thanking you for your work.

### Think Critically

1. What is an alternative for handling displaced fans during a suspended game due to bad weather?
2. How can stadium announcements be used to improve flow from the stadium during an emergency?
3. What strategy can be used in the future so all fans will receive the full value of their ticket during a suspended game due to bad weather?

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# What Is Sports and Entertainment Marketing?

- 1.1** Marketing Basics
- 1.2** Sports Marketing
- 1.3** Entertainment Marketing



# Winning Strategies

## Entertainment Industry Trends

The entertainment industry depends on followers and fans to be successful. Technology has greatly impacted the entertainment sector, providing new media platforms, opportunities, and unique revenue models for leaders in the industry. In the last decade, consumer consumption of media and entertainment has drastically changed. Audiences no longer have to watch only what the entertainment channels are broadcast in real time. The capability to stream content offers users a vast selection of other options.

Today's entertainment customers can choose entertainment on demand—anytime, anywhere, at their own convenience. Many people prefer to download or stream TV shows and movies instead of watching live television. Netflix and Amazon Prime are examples of entertainment platforms that provide mini-home theatres for the audience.

The health care, manufacturing, and construction industries have been impacted by virtual reality. The entertainment industry has not embraced virtual reality in the same way and will be successful if consumers are provided with the content they seek. Marketing is required to promote and sell the latest entertainment trends and successfully determine preferred content demanded by consumers.

Technology has a huge influence on what drives the entertainment industry today. The latest technology has enabled entertainers and entertainment venues to identify and market content to the audience. For example, Spotify provides user engagement data so artists know who is listening to their music. Entertainers then have an opportunity to raise the “fan club” to the next level by engaging them in special offers promoting merchandise and local tours.

Music festivals satisfy the needs of passionate fans who want to experience live music in person. Virtual reality provides fans with the experience of a music concert in the comfort of their own homes.



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### THINK CRITICALLY

1. How has technology impacted the entertainment industry?
2. How does the entertainment industry use marketing?
3. How do companies such as Spotify help artists know who is listening to their music?



## 1.1 Marketing Basics

### The Essential Question

What are the core standards of marketing for a popular sports or entertainment event?

#### LEARNING OBJECTIVES

- LO 1.1-1 Describe the four basic concepts that define marketing.
- LO 1.1-2 Explain the four elements that comprise the marketing mix.
- LO 1.1-3 Define the seven core standards of marketing and financing.

#### KEY TERMS

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



### OPENING ACT

Green Bay Packers quarterback Aaron Rodgers teamed up with State Farm insurance to produce a series of commercials indicating that there are two agents in Aaron Rodgers' life—his sports agent and his State Farm agent. The one who can help Aaron save money by combining his home and car insurance is the State Farm agent. The commercials include Aaron's sports agent bantering with Aaron and his State Farm agent.

Like a good neighbor, Patrick Minnis is there for his customers in Tempe, Arizona. Normally he is helping Arizonans with a flooded home or wrecked automobile. But in June 2018, Minnis was selected by State Farm Insurance to play the role of Aaron Rodger's agent. The commercials began airing in September 2018.

**Cooperative Learning** Work with a group to identify four advertising campaigns that feature celebrities or athletes. How have the campaigns influenced your thoughts about the products? Would you buy the celebrity-endorsed brands? Why or why not?

### What Is Marketing? LO 1.1-1

According to the American Marketing Association, marketing is “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”<sup>1</sup> Marketing is a highly visible business activity. Many individuals think of marketing as advertising. However, producing, distributing, pricing, and promoting are also essential marketing elements.

A simpler definition of **marketing** is the creation and maintenance of satisfying exchange relationships. This definition describes pieces of the entire marketing concept. *Creation* suggests that marketing involves product development. *Maintenance* indicates that marketing must continue as long as a business operates. *Satisfaction* implies that marketing must

meet the needs of both businesses and customers when exchanging products or services. Finally, an *exchange relationship* occurs when the parties involved (business and customer) both give and receive something of value.

## Satisfying Customer Needs

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



## Sports and Entertainment Marketing

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

### Intermission



*What is marketing?*

## The Marketing Mix LO 1.1-2

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

A **product** is what a business offers customers to satisfy needs.

*Production* is all of the activities involved in creating products for sale.

Products include goods, such as athletic shoes, and services, such as movie tickets. Providing entertainment can also be considered providing a service. **Distribution** involves the locations and methods used to make products available to customers. **Price** is the amount that customers pay for products. **Promotion** describes ways to make customers aware of products and encourage them to buy.



## TIME OUT

Ticket prices to attend a New York Yankees game range from \$50-\$250. Concessions for one person attending a Yankees game cost around \$50. Fans who drive to the game will pay around \$40 for parking. The cost for a family of 4 to attend a game can start at \$440 per game.<sup>2</sup>

## Marketing Mix Considerations

Marketers must carefully consider the many factors that affect the marketing mix elements. Product offerings for sports and entertainment must be evaluated and updated constantly. Individuals have many entertainment options for their limited discretionary income.

**Discretionary income** is the amount of money individuals have available to spend after paying for the necessities of life and other fixed expenses, such as housing and car payments. Entertainment options that are popular today may lose popularity next year. Choosing the right products to meet the needs and wants of the market is essential to the marketing mix. In addition, marketers must consider the quantities of the product to produce. Too much of a product could result in price markdowns. Too few of a product could result in lost sales.

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

Distribution involves transporting or delivering goods to final customers. Athletic uniforms arriving by UPS and turf for a football field arriving by semi-truck are both examples of the distribution function of marketing. Distribution of an event involves planning the location where the event will take place. A popular three-day outdoor concert event for country or rock music must be held at a location near the customer base and where nearby businesses, such as hotels and restaurants, can accommodate the needs of the fans.



What type of discretionary spending is represented here? What are some special challenges for the cruise industry?



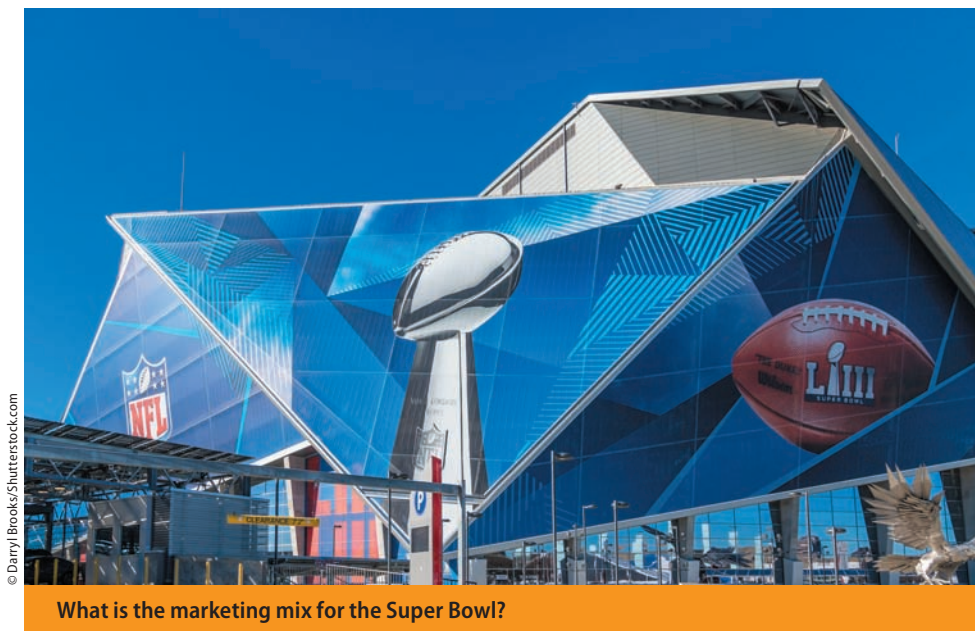
Promotion is essential to inform prospective customers about sports and entertainment events and products. Forms of promotion can range from television commercials and newspaper advertisements to in-stadium advertising through special offers on the back of ticket stubs and on giant video screens. Promotion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

## Marketing Mix Examples in the Sports Industry

There are numerous examples throughout the sports industry of the marketing mix at work. You need only look as far as your favorite sporting event to see all of the marketing mix components—product, distribution, price, and promotion.

**IT'S KICKOFF TIME** The Super Bowl is the sports event of the year. This billion-dollar event generates large sums of money from sponsorships and ticket sales. The *product* offered by the Super Bowl is the game matching the best teams in the AFC and NFC. The Super Bowl is usually sold out before the professional football season begins. Actual ticket *prices* range from \$2,900 to \$4,300, but individuals may spend thousands of dollars more on travel and hotel costs to attend the game. Major cities compete to host the Super Bowl because of the great financial benefits for the local economy as fans utilize the area's hotels, restaurants, shopping malls, service stations, and the hosting stadium.

*Distribution* involves selecting a host city that is easily accessible by the fans. It must be near an airport and major highway and have sufficient nearby accommodations to meet the needs of the thousands of fans that will pour into the city for the game. Other distribution outlets for the Super Bowl include television, radio, and ticket sales.



*Promotion* for the Super Bowl includes television commercials, newspapers, sports magazines, and related-product contests. For example, companies such as Coca-Cola and Doritos may conduct special promotional sweepstakes. Super Bowl sponsors spend big money to air commercials during the game, with one 30-second commercial costing more than \$5 million.

**MARCH MADNESS** March Madness is a major NCAA basketball event that occurs every year from the second week in March through the first week in April. March Madness takes place in more than 12 cities each year. The economic impact on the cities hosting the event spans hotels and restaurants to local businesses and attractions

Cities that want to host one of the tournament rounds must make a bid several years in advance. Hosting a round of March Madness provides positive branding and tourism revenue to each city. In 2018, San Antonio earned \$135 million from hosting the Final Four. Nearly 71,000 fans visited the city during the tournament, paying an average individual ticket price of \$212 per game. Since 2001, Dayton, Ohio has hosted the “First Four” portion of the tournament and has earned nearly \$80 million.<sup>3</sup> It is hoped that basketball fans who enjoy the host cities will tell their friends, resulting in additional future tourism revenue.

The *product* to consumers is college basketball, hotels, restaurants, airports, rental cars, apparel, and other activities that hosting cities use to attract fans. *Distribution* includes the host cities and local venues as well as ticket sales through various outlets.

*Promotion* plays a big role in college basketball. March Madness games are aired on CBS, TBS, TNT, and TruTV. These television networks gain exposure during the tournament. Celebrities are typically featured in commercials which are aired during the games. Additional promotions are sponsored by big names in the food industry. For example, Domino’s Pizza offered one of the largest March Madness Social Media Sweepstakes in history, offering over 20,000 prizes. The grand prize was a trip for two fans to the championship game. Reese’s and Applebee’s are two other major companies that used social media to promote their products with tournament-themed events. Businesses understand that basketball fans and casual observers fill out tournament brackets, selecting the teams they think will make it to the championship game. With that in mind, many businesses create promotions that incorporate March Madness brackets.

## Marketing Mix Examples in the Entertainment Industry

Many events take place in the entertainment industry. All of them benefit from the right marketing mix. A lineup of entertainment offered at the right location at the right price adds up to a successful event. The right promotion will make the event all the more successful.

**LET’S GO TO THE FAIR** State fairs are finding it increasingly difficult to compete with other sports and entertainment events. The *product* offered by a state fair must appeal to both rural and urban residents. State fairs



Why are livestock exhibits at a state fair popular for rural and urban target markets?

offer livestock shows, domestic and commercial exhibits, rides, and a wide array of musical and other entertainment. State fair planners want to offer a product that draws the maximum attendance and profit.

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

The success of entertainment events depends on *promotion* or communication to prospective customers. Advertisements on radio stations and in newspapers throughout the state are aimed at increasing state fair attendance. Television commercials are another option for promotion, but the cost in relation to the increased revenue they may generate might be cost-prohibitive.

*Distribution* involves location of the fair and the outlets where individuals can purchase admission tickets. Tickets can be purchased at the admission gate during the state fair or purchased in advance from the state fair business office or other ticket outlets.

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

**A CELEBRATION** Mardi Gras takes place each year the Tuesday before Ash Wednesday. Although celebrated across the country, Mardi Gras is a major event in New Orleans, Louisiana, where Louisianans and



their guests hit the streets for a day of fun and festivities. No two places celebrate Mardi Gras exactly the same way. In New Orleans, more than 60 parades roll during the two weeks before Fat Tuesday. Colorful boat parades and a wide array of family activities make Mardi Gras a popular event in the New Orleans area.

A wide array of entertainment *products* and *services* can be found during Mardi Gras, including parades, costumes, dancing, food, and music. New Orleans is the perfect location (*distribution*) for Mardi Gras activities for the whole family. *Promotions* for Mardi Gras can be seen in parades where cities advertise their upcoming events as well as on tourist websites. *Prices* for the various festivities will vary, but Mardi Gras can be an affordable event for the entire family.

## Intermission



*What are the elements of the marketing mix?*

## Core Standards of Marketing LO 1.1-3

The core standards of marketing are the basis of all marketing activities. There are seven core standards associated with marketing. They are channel management, pricing, marketing-information management, product/service management, promotion, selling, and market planning. In addition, financing plays a major role in marketing activities and is closely related to the core standards. Every marketing activity involves at least one core standard.

**CHANNEL MANAGEMENT** Determining the best way to get a company's products or services to customers is part of the *channel management* function. Television manufacturers such as Samsung sell their products through electronics retailers such as Best Buy. Samsung knows that shoppers go to Best Buy to purchase electronic goods and appliances. In sports and entertainment, channel management involves selecting the right location for an event and making tickets available through ticket sales outlets. For sporting goods, channel management involves getting merchandise to stores where customers can buy it.

**PRICING** The process of establishing and communicating to customers the value or cost of goods and services is called *pricing*. Prices assigned to sports and entertainment events and goods are directly related to consumer demand. Prices may be set high if the seller knows people will buy at the high price. Super Bowl ticket prices go through the ceiling because there are a limited number of tickets and an enormous demand for them. Prices may be set lower if the seller needs to sell a large volume of a product. Pricing policies are also based on the cost of producing goods and sports and entertainment events. If costs of production are not covered, the business will not succeed.

### Marketing Core – Career Pathways

Channel Management
Marketing-Information Management
Market Planning
Pricing
Product and Service Management
Promotion
Selling

**MARKETING-INFORMATION MANAGEMENT** Gathering and using information about customers to improve business decision making involves *marketing-information management*. Amazon is known for its customer service. Their success is based on putting the customer at the center of everything they do. Amazon's corporate culture is about listening to customers and advocating for them when there is a problem with a vendor's product or the delivery process. Amazon conducts an environmental scan to determine customer needs and carefully monitors customer behavioral patterns to maintain its customer-centric focus.

**PRODUCT/SERVICE MANAGEMENT** Designing, developing, maintaining, improving, and acquiring products or services for the purpose of meeting customer needs and wants are all part of *product/service management*. Many of these activities occur during the production process, often beginning with an idea for a new or improved product. Concussions and traumatic brain injuries suffered by football players are a major concern for the NFL, NCAA, and the U.S. Congress. The National Operating Committee on Standards for Athletic Equipment has spent more than \$10.5 million since 2000 to gain a better understanding of sports-related concussions. This research resulted in the development of materials for safer football helmets. Riddell (a major manufacturer of football equipment) is paying close attention to this research to help produce safer football helmets. Marketers must continually evaluate products to determine how well they meet customer needs.

**PROMOTION** Using advertising and other forms of communication to distribute information about products and services to achieve a desired

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## Social Media MARKETING



According to a Pew Research Center survey conducted in 2018, a majority of Americans use Facebook (73 percent) and YouTube (68 percent). Snapchat is used by 78 percent of 18- to 24-year-olds who visit the platform multiple times per day. In the same age group, Instagram is used by 71 percent of Americans and 45 percent use Twitter. The typical American uses three out of eight major social media platforms including YouTube, Facebook, Instagram, Pinterest, Snapchat, LinkedIn, Twitter, and WhatsApp.<sup>4</sup>

All of these social media statistics provide marketers with valuable information. Marketers

understand the need to keep up with the latest social media trends to communicate with current customers and to generate new customers. Many marketers believe that Facebook is important to generate new leads. Marketers also use Google+ and are planning to increase their Google+ activities.

### THINK CRITICALLY

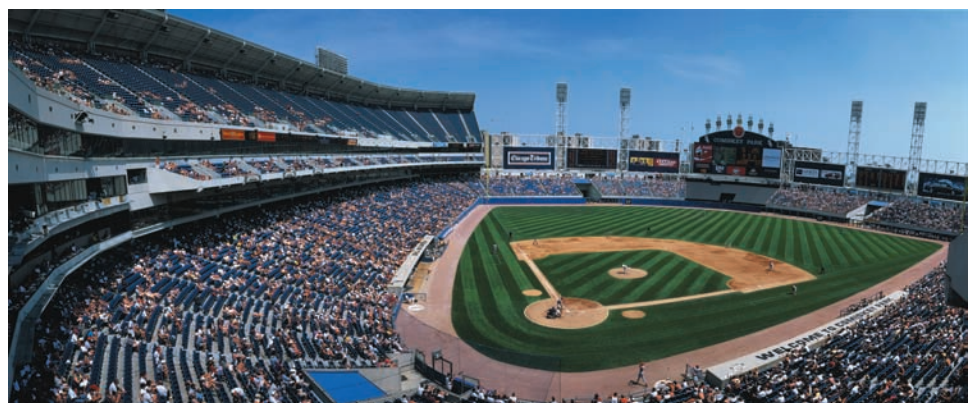
Why do marketers need to understand how social media is being used by different consumer groups, such as males, females, teenagers, and adults? Give examples of three different social media strategies to reach three different target markets.

outcome is *promotion*. For example, sports fans often use coupons on the back of ticket stubs after they attend a ball game. The coupons are used as a promotion and to entice fans into trying them at a discounted price.

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

**MARKET PLANNING** Analyzing markets that a company wants to serve and determining how to compete in those markets is the goal of *market planning*. The market planning process of a business typically results in a marketing strategy that can be used to enhance its sales. Sometimes professional sports teams make decisions to move to other cities. Such a decision is heavily influenced by financial benefits. In this case, the objective of market planning is to find the best location in which the target market has the financial resources to solidly support the team. Market planning will be influenced by the city or location that is willing to build a new facility with all of the latest technological advancements and required logistics to attract the target market.

**FINANCING** Without financing, the other core standards of marketing would not be as effective. *Financing* requires a company to budget for its own marketing activities and to provide customers with assistance in paying for the company's products or services. A company or organization can obtain financing from investors and sponsors. Sponsors spend a lot of money to promote their products during sports and entertainment events. Sponsorships range from millions of dollars for supporting college bowl games to as little as hundreds of dollars for sponsoring a Little League team. Customers receive financing in the form of different payment options, such as cash, credit, and installment payments. Customers are more likely to make purchases if they have payment options.



Joseph Sohm/Shutterstock.com

Who benefits from sponsorships at major sports and entertainment events?

## Intermission



*List and provide an example of each core standard of marketing for a sports and entertainment product or service.*

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## ENCORE



### Understand Marketing Concepts

1. What are the four basic concepts that define marketing? (LO 1.1-1)
2. What are the four elements of the marketing mix? Define each element. (LO 1.1-2)
3. What are the seven core standards of marketing? Which three standards involve management? (LO 1.1-3)

### Think Critically

Answer the following questions as completely as possible.

1. When you think of the term *marketing*, what comes to mind? Based on what you have learned, write your own definition of marketing. Provide an example of marketing that illustrates your definition. (LO 1.1-1)
2. How would you incorporate all of the marketing mix elements, including product, distribution, price, and promotion, for an upcoming school concert? (LO 1.1-2)
3. List and describe how the seven core standards of marketing were involved in one of your recent sports or entertainment purchases. (LO 1.1-3)

## 1.2 Sports Marketing

### The Essential Question

How is the economy affected by sports marketing?

#### LEARNING OBJECTIVES

**LO 1.2-1** Define sports marketing and its expanded popularity.

**LO 1.2-2** Explain the value of sports marketing to the economy.

#### KEY TERMS

• demographics • sports marketing • gross impression



### OPENING ACT

Successful college athletic programs, particularly basketball programs, earn millions of dollars for their schools. Recently, a national champion University of Louisville basketball program earned more than \$43 million in revenue with a net profit of more than \$41 million. Top basketball programs reward their coaches with high salaries, partly because top coaches attract the best talent. Winning games and championships results in more television revenue, increased ticket sales, and increased alumni donations. Many college basketball coaches are paid higher salaries than professional basketball coaches earn. In a recent year, salaries for some of the top college basketball coaches were as follows:<sup>5</sup>

John Calipari	University of Kentucky	\$9.28 million
Mike Krzyzewski	Duke University	\$7.05 million
Tom Izzo	Michigan State University	\$4.16 million
Tony Bennett	University of Virginia	\$4.15 million
Bill Self	University of Kansas	\$4.07 million

**Cooperative Learning** With a partner, discuss whether successful college coaches should earn such high salaries. What are the pros and cons of paying coaches high salaries?

### Why Sports Marketing? LO 1.2-1

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



## History of Sports Marketing

Sports marketing is not new. The first known athletic event that required paid admission was a baseball game in Long Island, New York, in 1858, where spectators were charged 50 cents. Sports organizers soon realized the financial potential of sporting events and professional athletes. Golfer Gene Sarazen signed an endorsement deal with Wilson Sporting Goods in 1923 that, to this day, is the longest-running endorsement deal in the history of sports. The original agreement was for \$6,000 a year plus an equal amount for travel expenses. Renewal took place every two years until Sarazen's death in May 1999. In 1949 Babe Didrikson Zaharias signed the first significant female endorsement with Wilson Sporting Goods for \$100,000 a year. Coca-Cola partnered with the Summer Olympics in 1928 and remains a sponsor to this day.

The first pay-per-view athletic event was a boxing match, the “Thrilla in Manila,” with Muhammad Ali taking on Joe Frazier in the Philippines in 1975. It was broadcast to 276 closed-circuit locations. Capitalizing on the popularity of sports, ESPN made its debut in 1979, offering advertisers a new way to reach their target markets. Today many high schools and colleges offer sports marketing programs—further proof of the impact of sports on today's society.

## The Goal of Sports Marketing

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

**NEW SPORTS, NEW OPPORTUNITIES** Sports marketers must continually search for new ways to appeal to customers. New sports markets offer new opportunities for endorsement and marketing. Creeking, base jumping, and ice climbing are several extreme sports gaining attention. Creeking is a form of kayaking that involves descending very steep low-volume whitewater. Base jumping, illegal in some countries, involves leaping from low altitude objects such as buildings or cliffs. Jumpers only have a few seconds to pull their parachute.

Reinventing a product or service keeps consumers interested. The same is true of the sports industry. New sports must be invented and other sports must be reinvented or updated to maintain fan excitement. Hybrid sports have been created to make traditional recreational activities more exciting. Skijoring is a sport that combines dog sledding and cross-country



### TIME OUT

ESPN's *College GameDay* has been on the air for more than 30 years. Lee Corso has been a commentator on the show since it began. Fans tune in to hear Corso pick which team will win the game. He wears the headgear or outfit of his selected winning school's mascot. This keeps fans tuning in, much to the pleasure of sponsors and advertisers.





©iStockphoto.com/anton5146

What strategy can be used to raise the visibility of this extreme sport?

skiing. A dog or team of dogs pulls a rider on skis. There are no harnesses to steer the dogs, so participants must teach their dogs basic dog sledding voice commands. Skijoring participants must purchase cross country skis and cold-weather booties to keep the dog's paws warm.

You have probably heard of mountain climbing, but what about ice climbing? Ice climbing is a sport where climbers use axes and crampons to climb frozen waterfalls and other ice formations. Some of the other more innovative new sports include mega ramp skateboarding, ostrich racing, underwater golf, and flyboarding.

The onset of new sports brings new opportunities for cable and network stations as well as sponsors and advertisers. Networks increase their viewership as extreme sports enthusiasts tune in to watch their favorite new sporting events. Sponsors and advertisers will be quick to follow, hoping to increase their customer base among their target market.

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

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

association with a sponsor's product, there is one more gross impression made on a potential customer.

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

## Intermission



*Why are gross impression and timing important in sports marketing?*

## The Value of Sports Marketing LO 1.2-2

Sports marketing is a multibillion-dollar global industry that has a huge impact on the economy. The popularity of sporting events affects individual and family budgets. Whether it's the family vacation centered around a soccer tournament for the kids or the Orange Bowl for a national football championship, large sums of money are spent on sporting events and related products. The sports industry has far-reaching effects on the automobile industry, as supportive parents buy and maintain minivans and SUVs large enough to transport families to various sporting activities and



**What merchandise related to this sporting event might consumers want to purchase?**



Sponsorships for NASCAR and motor sports have changed dramatically and become more creative. Sponsors are no longer satisfied with only billboards at the races. They want to establish their brand and build relationships at the track that result in sales. Toyota becomes actively engaged with loyal customers by providing multiple levels of hospitality at the races. Toyota owners receive special parking by simply showing their key to gain entry. Other hospitality perks include light food and drink areas, driver meet and greets, special lanes for easier entry and exit from the track, and access

to special displays of passenger cars and trucks to examine up close. Toyota gathers information from existing and prospective customers that result in leads for potential sales.

### Write Now

You are a marketer for the NASCAR organization. Conduct research about demographics for Toyota owners. Write a one-page paper explaining why Toyota should continue funding NASCAR sponsorships.

events. Think of the restaurants, hotels, and service stations that count on the business generated as a result of these events.

Sports marketing has created job opportunities ranging from parking lot attendants to marketing executives for professional sports teams. Stadiums and other entertainment venues must be built and maintained. Venues require building managers, lawn care professionals, security personnel, and maintenance crews. Athletes require trainers, handlers, and personal attendants. They also hire agents to handle publicity, personal appearances, and negotiation of contracts.

## Emotional Value

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

## So Many Channels

Marketers for the hundreds of television networks now available through cable and satellite systems must create marketing strategies to profitably capture the highest possible percentage of the viewing audience. Sitcoms that were once popular have taken a backseat to reality shows starring average, everyday people and costing little to produce. In recent years, shows such as *Game of Thrones*, *Stranger Things*, *The Walking Dead*, *Young Sheldon*, and *The Big Bang Theory* have taken the lead in television ratings. The networks must find the right mix of programming to reach audiences, attract sponsors, and maximize profits.

Sports programming has proven to be valuable. Sporting events such as the Super Bowl, college football playoffs, and March Madness attract the attention of large sports-minded audiences, which in turn, attract

high-paying promoters. Television networks pay top dollar to obtain exclusive broadcasting rights for high-profile sporting events in hopes of reaping financial benefits. Advertising during some of these popular sporting events can cost a company millions of dollars.

In recent years, streaming services such as Netflix, Hulu, and Amazon Prime have soared in popularity, turning into one of Americans' favorite ways to consume video content. The Nielsen Company uses expansive and representative panels of consumers to track their TV viewing behavior. Now the Nielsen Company is struggling with strategies to measure consumer viewing habits using streaming devices. This provides marketers with a detailed analysis of consumer viewing trends, habits, and demographic information. This wealth of knowledge allows companies to refine their marketing campaigns based on demographics and audience composition.

## Intermission



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*What is the value of sports marketing?*

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## ENCORE



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### Understand Marketing Concepts

1. What is sports marketing? (LO 1.2-1)
2. How is the economy impacted by sports marketing? (LO 1.2-2)

### Think Critically

Answer the following questions as completely as possible.

1. What is a gross impression? Give two examples of how gross impressions are used at sporting events. (LO 1.2-1)
2. Give an example of how timing is essential to selling related merchandise for a popular sporting event. (LO 1.2-1)
3. Name a sport (amateur or professional) that is played in or near your city. Describe how this sport adds economic and other value to your city or community. What businesses or individuals are affected by the sport? Describe how. (LO 1.2-2)



## 1.3 Entertainment Marketing

### The Essential Question

How has entertainment evolved over the past 10 years?

#### LEARNING OBJECTIVES

**LO 1.3-1** Explain entertainment marketing.

**LO 1.3-2** Describe the evolution of entertainment marketing.

#### KEY TERMS

- entertainment
- ratings
- entertainment marketing
- streaming media



### OPENING ACT

Television networks and their advertisers are very interested in the age and gender of the viewing audiences. The fate of television programs is based upon popularity, which is determined by the size of the viewing audience. Television networks used to want to attract viewers and consumers in the 18- to 49-year-old age group, but advertisers want to go where the viewers are. The number of young people who are watching network TV shows is decreasing, making that demographic group hard to reach through network TV. The decrease in young viewers has resulted in the median age of live TV viewing audiences for major networks to rise to 56.<sup>6</sup> Advertisers are interested in the demographics of viewing audiences because this information helps them determine if they want to air product advertisements during certain shows.

The size of the television market in different parts of the country also influences television programming. New York City has over 7 million homes watching television while Los Angeles has 5 to 6 million households. Advertisers can use this information to determine where to air commercials based upon the most profitable viewing demographics.

**Cooperative Learning** With a partner, identify three television shows and their target markets. Make a list of products or services that might be advertised during these shows. Discuss why the products' advertisers would be interested in sponsoring these programs.

### Entertainment for Sale LO 1.3-1

Today's consumers are looking for fun-filled activities that capture their interest and hold their attention. Various forms of entertainment can fill this void. Although entertainment is thought of as a way to relax, have fun, and enjoy time spent alone or with others, it is a major business sector. The entertainment industry has grown and evolved over the years and can be a profitable business. Various businesses operate in the entertainment industry and contribute billions of dollars annually to the U.S. economy.



What kind of entertainment events do you think visitors might attend near Times Square in New York City?

## What Exactly Is Entertainment?

**Entertainment** involves some type of performance or amusement that people are willing to spend their money and spare time watching. Entertainment can include sports or the arts and can be viewed in person or in broadcast or recorded form. A distinction often is made between sports and entertainment. The term *sports* is generally applied to games of athletic skill. Watching sports also can be entertaining, but the term *entertainment* is generally applied to movies, theater, music concerts, performances, and the fine arts, including the symphony, opera, and ballet.

Sometimes what qualifies as sports and entertainment is a matter of opinion. For example, professional wrestling has little resemblance to the NCAA's sanctioned sport of wrestling. Professional wrestling is an exaggeration of a real sport, but is it really a sport or is it staged entertainment?

## What Is Entertainment Marketing?

Because of commitments to work, school, home, family, and other activities, people have a limited amount of leisure time and money. Influencing how people choose to spend their time and money on entertainment is the purpose of **entertainment marketing**.

Entertainment marketing will be discussed in two ways. First, entertainment will be looked at as a product to be marketed. When trying to market entertainment as a product, marketers must convince consumers who have the financial resources how best to spend their free time. Second, marketing will be examined in light of how it uses entertainment to attract attention to other products. For example, W Hotels, a subsidiary



of Marriott, host music festivals, titled Wake Up Call, to attract its target customers. When the music festivals are scheduled, the hotel is totally booked with guests who want overnight accommodations and the music.<sup>7</sup>

## Intermission



*What are two ways of looking at entertainment marketing?*

## Evolution of Entertainment and Entertainment Marketing LO 1.3-2

At the beginning of the 20th century, the performing arts represented a major form of entertainment. Performing arts include live theater, ballet, opera, and concerts. Promotion of the event was limited to posters, newspapers, magazines, and word of mouth. To enjoy any professional entertainment, people had to travel to the theater, concert hall, or arena where community entertainment was focused. The shows were live, and the entertainers received instant feedback from the audience in the form of applause, boos, and even ripe tomatoes tossed at the performers to indicate displeasure.



The advent of moving pictures initiated the blend of technology and entertainment and added new dimension and depth to entertainment marketing. Technology distanced entertainers from their audience, first with movies, then with television and the Internet. The Internet has made possible the distribution of entertainment to the masses and to individuals. Entertainment, such as a movie or live concert, can be delivered to an individual by **streaming media** so that the entertainment is viewed or listened to as soon as it is received rather than after it has been totally downloaded on a device. The Internet also has added an instant feedback element to entertainment marketing. A media provider immediately knows demographic information, interests, and geographic information about the recipient of the media. Instagram, Twitter, Google+, and other social media sites also allow viewers to share their thoughts and opinions on television shows and other entertainment events instantly.

### The Beginning of Change

Louis Le Prince made the first moving pictures in Britain in 1888. The Lumière brothers were the first to present a projected movie to a paying audience in a café in Paris in 1895. Promotion of films quickly followed with the construction of movie theaters.

How has the distribution of entertainment changed over time?

The first movie with sound, *The Jazz Singer*, opened in the United States in 1927 in the few movie theaters that were equipped at that time to handle audio. Mickey Mouse arrived in 1928 in Walt Disney's *Steamboat Willie*. Ten years later, *Snow White and the Seven Dwarfs* became the first full-length animated film. In a masterful marketing move, Disneyland opened in Anaheim, California, in July 1955. A totally new approach to the marketing mix of entertainment was born with the opening of the theme park. The live arts and recorded arts were joined by an ever-evolving, technology-driven series of new media.

**THE EARLY DAYS OF TELEVISION AND MARKETING** When television began to arrive in great numbers of American homes, sports and entertainment marketers found a wide-open highway into the billfolds of consumers. Nine television stations and fewer than 7,000 working TV sets existed in the United States at the end of World War II. Over three weeks in October and November 1945, more than 25,000 people came to Gimbel's Department Store in Philadelphia to watch a demonstration of TV. That same year, the American Association of Advertising Agencies encouraged the start of television advertising. TV changed the marketing of entertainment in a profound way. Far more than newspapers and magazines had ever been able to do, the audiovisual "life" of TV advertising hooked the imagination of the viewer.

In 1946, NBC and the Gillette Company staged the first televised sports spectacular—a heavyweight boxing match between Joe Louis and Billy Conn. The program was a viewing success with an estimated audience of 150,000 watching on 5,000 TV sets, or an average of 30 people watching the fight on each set.<sup>8</sup>

**TELEVISION'S INCREASING INFLUENCE** Even in its simplicity, early television took promotion and advertising to a new level. Major national



## TIME OUT

Zenith Radio Corporation invented the first television remote control in 1950. Its invention was called "Lazy Bone." The remote was not wireless, but attached to the TV by a cable. Consumers were not fans of this remote control because of the bulky cable.



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Why is TV an important marketing tool?

## JUDGMENT CALL



Big-name companies pay millions of dollars to sponsor national and international entertainment events, such as concerts and movie premiers. However, even though a company may purchase the exclusive rights to advertise during an event, competitors can advertise on local radio stations, competing networks, and billboards. Fans soon become confused about who the real sponsor is. This deliberate confusion is sometimes called ambush marketing, guerrilla marketing, or stealth marketing. It takes place when organizations participate in events to some degree rather than sponsor the events. For example, Pepsi might pay to be the official sponsor of a summer concert series showcasing the top country performers. However, Coca-Cola can pay to display an ad outside the concert venue where the concerts are taking place.

### THINK CRITICALLY

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

corporations lined up to buy time and produce advertisements. The price of commercial time slots was tied to the **ratings**, or the number of viewers the programming attracted. The nine TV stations of 1945 grew to 98 stations by 1949.

On September 9, 1956, 82 percent of all television sets in the United States were tuned to *The Ed Sullivan Show*, a weekly Sunday-evening variety show. The big attraction was the highly promoted appearance of the future “king” of rock and roll, Elvis Presley. Later, in 1964, more than 60 percent of all U.S. viewers watched the television debut of The Beatles on *The Ed Sullivan Show*. Ed Sullivan set the standard for marketing talent to an audience of millions by using technology (the TV) for distribution of the product. The show shattered ratings records by appealing to a mass audience rather than focusing on a single demographic group. Advertising fees charged for the show reflected the high audience ratings.

Today it is difficult for a TV program to appeal to a mass market of viewers. Yesterday’s business model centered on TV shows watched by a mass market and paid for by advertising that interrupts the show. This will dramatically change in the future. Today, consumers have an almost infinite number of options for entertainment from which to choose, so smaller numbers are watching any one program. The most watched shows on traditional TV are being watched by viewers over age 50. This makes TV a good opportunity for businesses targeting older viewers. However, according to *The New York Times*, this presents a problem to advertisers hoping to reach millennials and younger teens. Spending for TV ads has dropped from a high in 2016 and the money is being moved to advertising on digital media, such as Google’s YouTube and Facebook.<sup>9</sup>

## Change Accelerated

Improvements in technology have changed the marketing of sports and entertainment dramatically by making distribution to the masses easier. What had been available to only a few is now available to many. Television

is considered a mature distribution medium, but the evolution from television to the Internet and smart, mobile personal devices has made entertainment products available to the world.

The Internet has become a key component that continues to evolve as a medium for delivery of sports and entertainment marketing. Consumers' interest in receiving sports, entertainment, or marketing information has kept pace with the increased speed and accessibility of the Internet.

When movies were first available via the Internet, it took time and patience to gain access. Downloading could take many minutes and the movie was not available to watch until the download was complete. Today, streaming media makes a movie instantly available on many types of devices as soon as it is accessed.

Smart phones have become the entertainment device of choice for many. Young children, elderly adults, rich and poor alike, own and use smart phones. With each new version of smart phones, additional apps (software applications) become available, some for free and others for purchase. The list of entertainment apps for smart phones continues to grow and makes entertainment available on demand. Well-known providers such as Netflix, Hulu, and Amazon Prime are competing to provide streaming entertainment to consumers. The competition for providing on-demand content at a reasonable cost will continue to grow with the addition of providers with known names such as Disney, AT&T, and Apple.<sup>10</sup>

## Take a Bow



JONAH HILL

An excuse can be made for thinking of Jonah Hill as a funny side-kick in a teen movie, since he began his film career playing comedy roles. In reality, he is so much more. His career includes being nominated for two Oscars for best supporting actor, appearing in or having a voice role in more than 50 movies or short films, appearing in or having a voice role in more than 15 TV shows, and writing, directing, and producing films.

Hill's nominations for Academy Awards have come as a result of his roles as serious characters in *Moneyball* and *The Wolf of Wall Street*. Although he had been a highly paid actor, he was only paid \$60,000—the minimum allowed by the Screen Actors Guild—for his role in *The Wolf of Wall Street*, directed by Martin Scorsese. Hill debuted as a director for the movie *Mid90s*, for which he also wrote the script. The *Mid90s* story was about the relationship of a group of young skateboarders. Hill was credited with directing the young actors from the perspective of an actor. Many believe Jonah Hill is a talented entertainer who has not yet hit his peak. He will continue to grow as a writer and director, just as he has as an actor, and will evolve with the changing industry.

### THINK CRITICALLY

Why might Hill, who had been paid over \$3 million for previous roles, work for lesser pay? Do you think he benefitted, in ways other than financially, from acting in the movie? What benefits might he have gained?

## Technology and Customer Feedback

The use of television, the Internet, smartphones, and other forms of technology by entertainment marketers to get instant feedback from customers has evolved over time. Two-way communication allows the entertainment company to gather information from the customer and use it to refine and improve the product—the entertainment. If dissatisfied with the product, customers can instantly communicate through instant messages, texts, email, blogs, Facebook, Twitter, and other social media sites.

Interactive TV shows allow viewers to create their own story or endings to the show. The marketing mix of reality shows is unique because the product is selected by the viewers using technology to communicate with the production company. Netflix has created interactive episodes of some of its most popular shows, such as “Black Mirror.” The Netflix original series interactive episodes allowed viewers to choose from a number of scenarios that branch off from the main story. In the past, television shows such as *Dancing with the Stars* and *American Idol* allowed audience members to participate by voting for their favorite contestants. Netflix is providing a much greater and more complex engagement with the viewers. HBO has also released interactive TV shows and more interactive shows are expected in the future.<sup>11</sup> The popularity of interactive content will be immediately available to the provider, who will have access to data about the consumers who are interacting.

### Intermission



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*Name two benefits marketers and advertisers gain from television.*

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## ENCORE



### Understand Marketing Concepts

1. What is entertainment marketing? (LO 1.3-1)
2. List four historical events that have had an impact on entertainment marketing and describe the importance of those events. (LO 1.3-2)

### Think Critically

Answer the following questions as completely as possible.

1. Describe an activity that you find entertaining. How would you use entertainment marketing to influence people to choose that activity? (LO 1.3-1)
2. Explain how the Internet has affected entertainment marketing. Predict how the Internet and social media will change entertainment marketing in the future. (LO 1.3-2)



# CHAPTER ASSESSMENT

## Review Marketing Concepts

1. What should be the primary focus of marketing? (LO 1.1-1)
2. What is distribution in relationship to marketing? (LO 1.1-2)
3. What activities are associated with product/service management? (LO 1.1-3)
4. What is the definition of *demographics*? (LO 1.2-1)
5. Explain why gross impressions are important for the success of sports marketing. (LO 1.2-1)
6. Explain the emotional value of sports. (LO 1.2-2)
7. Describe the purpose of entertainment marketing. (LO 1.3-1)
8. What type of technology provides entertainment marketers with instant feedback? (LO 1.3-2)
9. How is channel management associated with a professional sports team moving to another city? (LO 1.1-3)

## Think Critically

1. Working with another student, discuss how entertainment marketing changed after television became popular. Make a list of at least five changes since 1945. Share the list with the class. (LO 1.3-2)
2. Select a type of entertainment that you watch. Is the entertainment a product to be marketed or is it used to attract attention to other products? Defend your answer. (LO 1.3-1)
3. Using the Internet or sports magazines, find and briefly describe three popular new extreme sports. To whom and how are these sports being marketed? (LO 1.2-1)
4. Heavy Armour is a manufacturer of football cleats that wants to increase its market share. How can Heavy Armour market its products at sports camps to increase brand awareness and sales? (LO 1.2-1)
5. Compare the audience interaction of live theater to an interactive show where the audience can select the ending or story line. (LO 1.3-2)

## Make Academic Connections

1. **Math** You are a famous athlete whose image is on T-shirts produced by L&A Sports Products. You will receive 8 percent of the sales of these T-shirts. The T-shirts sell for \$32 at a major department store. During the first quarter of the year, 8,200 T-shirts were sold. Calculate your share of the first quarter's sales. If the sales remain the same each quarter, what would be your annual share of sales? (LO 1.2-2)
2. **History** You are an entertainment marketer in 1950 America. Your job is to promote a television show whose major sponsor is a new automobile from that time period. Research the types of television programs that were broadcast at that time. Write a one-page paper describing how you would use the new auto ads to promote your TV show. (LO 1.3-2)
3. **Technology** Go online to find the fan club of a favorite singer or band. Can you find examples of marketing and/or promotion on the website? Describe them. Are there ways you can provide feedback or talk to other fans? Explain how. As a marketer, what changes to the website would you suggest to make it more appealing to fans? (LO 1.1-1)
4. **Communication** Conduct research online about drive-in movie theaters. Your community has just opened a new, nostalgic drive-in movie theater. Prepare a sample billboard that advertises this new entertainment venue. Describe a special promotion to increase attendance at the drive-in movie theater. (LO 1.1-2)
5. **Geography** Many successful college football programs have fans who fill the stadiums during football season. Select a college football program that has sell-out crowds for all home games and then list the demographics of the city and state where the school is located. Could a professional football team successfully locate to your chosen city? Explain your answer with information about demographics for the city. (LO 1.2-1)
6. **Ethics** More than 100 lawsuits claiming negligence were filed by former NFL players, and additional lawsuits have been filed by former college football players. These lawsuits claim that the NFL and NCAA failed to implement reasonable rules and regulations that would protect players from devastating head injuries resulting in concussions and traumatic brain injuries. While the lawsuits are not an immediate threat to the existence of the NFL or college football, it will make it more risky and expensive for NFL owners and colleges to operate. How do you think these stakeholders (NFL owners and colleges) should respond to the issues surrounding the lawsuits? (LO 1.1-3)

## Extra Innings Project



Males ages 12 to 18 often favor extreme sports over more traditional sports such as football. Declining attendance at 2018 NFL games is a concern for the professional sport organization. You have been hired by the NFL to develop a marketing campaign to increase the interest of males in this age group. The NFL wants to capture this market to assure high attendance at games in the future. You have been asked to choose NFL players who will be good spokespersons to promote the NFL to young males. You must decide on a major national retailer to distribute the NFL sports gear to young males. The NFL has asked you to plan activities for males ages 12 to 18 to get them more involved with the NFL. The NFL will hold sports camps in major cities throughout the United States with professional football players making guest appearances at the camps. You must organize the campaign to allow 500 young males to attend each NFL game throughout the nation during the next football season. You can use the Internet to conduct research for this project.

**Work with a group and complete the following activities.**

1. Which NFL football players will you use for your spokespersons for the campaign aimed at young males? Why? Write a half-page proposal you will present to each NFL player you have chosen to be a spokesperson.
2. Create a brochure that advertises a summer NFL sports camp in a major city for males ages 12 to 18. Be sure to include all of the details.
3. Each participant at the sports camp hosted by the NFL will receive a sports bag with NFL merchandise. What merchandise will you include in the sports bag? Who are the sponsors of this merchandise? Why?
4. Outline the guidelines for the distribution of 500 tickets to males ages 12 to 18 for every NFL game during the next season. Be specific about who receives the tickets and why.
5. Design an advertisement and contest that will encourage males ages 12 to 18 to get more involved with the NFL.

## Build Your PORTFOLIO



Throughout this course, you will be asked to create items to add to your digital portfolio. For Chapter 1, create the following:

- An electronic presentation of the seven marketing core standards
- A mockup of an Instagram advertisement for a new line of athletic apparel
- A script for a television ad
- The brochure for the NFL sports camp created in the *Extra Innings Project* (above)

## Should College Athletes Be Paid?

The NCAA is a multi-billion dollar industry that generated over \$14 billion in revenue in 2017.<sup>12</sup> Data collected from *USA Today* and the Department of Education indicates that 27 schools earn at least \$100 million per year for their athletic departments.<sup>13</sup> Ticket sales along with television, radio, and Internet rights agreements are some of the largest revenue generators for college athletics.

### Athletic Scholarships

College athletes who earn full-ride scholarships are able to attend college at little or no cost. Tuition, room and board, books, and certain fees related to courses are covered. Full-ride scholarships are available to athletes who play head-count sports—sports considered to be revenue producers. Head-count sports for men include Division I football and basketball. Head-count sports for women include basketball, volleyball, tennis, and gymnastics.

Out of the nearly 20 million students who attend college annually, almost 70 percent must borrow money to attend. Typically, many college graduates will leave college with a diploma and the financial burden of college loan debt. On the other hand, most college athletes, unless they receive only a partial scholarship or have walk-on status, leave college with little or no debt. The NCAA created commercials to emphasize that most college athletes will be “going pro” in something other than sports. The message behind these commercials is

that getting an education should be their number one priority.

### Paying College Athletes

California passed a ground-breaking law that allows college athletes to earn money from their brand, image, and likeness starting in 2023. This law also reduces restrictions on athletes earning endorsement money. The NCAA Board of Governors voted unanimously to allow college athletes to be paid. This rule change will go into effect no later than January 2021.

Historically, the NCAA has been against paying college athletes for their performance or participation in college sports. This NCAA principle has dramatically changed with a new NCAA ruling that allows college athletes to earn compensation from appearing in commercials and advertisements. College athletes will also be paid for their likeness used in video games and on school merchandise. The most popular college athletes in high-income team sports are projected to earn more than \$160,000 per year.<sup>14</sup>

### Think Critically

1. What is the difference between an amateur and a professional athlete?
2. Will the new NCAA ruling assure all college athletes earn equitable pay?
3. What are some advantages and disadvantages associated with paying college athletes?
4. How might the new NCAA ruling change the nature of college athletics?

# Sports and Entertainment Marketing Series Event



The Sports and Entertainment Marketing Series Event consists of two major parts: a written cluster exam and a role-playing component. Participants are given a written scenario to review. They have 10 minutes to review the situation and to develop a professional approach to solving the problem. Participants may use notes made during the preparation time during the presentation. They are allowed 10 minutes to present their plan of action to the judge. After the participant's explanation, the judge can ask questions related to the scenario.

You are the ticket manager for a major university that has sold out the 92,000-seat stadium every home game since 1963. There are an additional 20,000 fans who would like to attend each home game. Current season ticket holders get the first chance to buy season tickets that cost an average of \$60 a game. Many fans will sell their tickets for higher prices to individuals who desperately want to attend a football game, even though ticket scalping is illegal. The athletic director (judge) wants the stadium to continue its sell-out status but has become

increasingly concerned about ticket scalping. The director is interested in giving more fans the opportunity to attend the football games.

The athletic director has scheduled a meeting with you to hear your

strategy for fairly distributing football tickets to fans and eliminating the illegal scalping of tickets. You must also present a plan to address the issue of high demand and low supply of tickets. You will present your plan to the

athletic director in a role-play that will take place in the athletic director's office.

## Performance Indicators Evaluated

- Explain the nature and scope of the pricing function.
- Explain the nature and scope of the selling function.
- Explain company selling policies.
- Discuss motivational theories that impact buying behavior.
- Demonstrate a customer-service mindset.

## Think Critically

1. How is supply and demand involved in this case?
2. Is there any strategy to stop the ticket scalping? Explain.
3. What is a long-term solution the university should consider, since there are 20,000 additional fans wanting tickets?
4. Why should the university conduct marketing research? Who should be surveyed?

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# Putting the Customer First

- 2.1** The Marketing Concept
- 2.2** Discover What People Want
- 2.3** Target Markets
- 2.4** Customer Service



# Winning Strategies

## Refreshing the Movie Theater Experience

Competition from streaming services such as Netflix has contributed to plunging movie attendance—at its lowest level in nearly 20 years.<sup>1</sup> To help turn those attendance numbers around, the movie industry is experimenting with new customer experiences to justify high ticket prices. Private settings, luxury service, immersive viewing, and sensory exploration are some of the latest strategies that movie theaters are implementing.



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Theaters offer individualized screenings for audiences who want to enjoy the latest film in a private setting. A small group of customers can rent a private screening room to watch a movie of their choice. The private setting service is offered by large, multiplex chains and intimate movie spaces. Private screenings are popular with companies that want to entertain clients, reward employees, and promote sales. Private theaters can also be rented out for private parties, such as celebrating a birthday.

State-of-the-art service is offered by a growing number of movie theaters. Luxury service includes reclining seats, along with food and beverage service from full menus served by a full waitstaff. Luxury service is targeted at an affluent demographic willing to spend extra money for a luxury experience. Upscale theaters charge \$14 to \$30 per ticket.

Immersive viewing provides a personal experience for movie goers. IMAX screens and domes combined with 4K resolution provide audiences with the ultimate viewing experience. Movie theaters will offer more than larger screens and higher resolution in the future. An audience may be able to connect to the movie and experience the story as a participant with the development of flexible screens, motion controls, and other technology. Orbi, a cinema-based experiment in Japan, provides the movie audience with a real-world setting through sight, sound, smell, and touch.

### THINK CRITICALLY

1. Why are movie theaters investing large sums of money to provide movie goers with new experiences?
2. Why should movie theaters consider the demographics of their audiences?

## 2.1 The Marketing Concept

### The Essential Question

What is the marketing concept for sports and entertainment events?

#### LEARNING OBJECTIVES

- LO 2.1-1** Explain the central focus of the marketing concept.
- LO 2.1-2** Explain the reasons for increased sports and entertainment options, and associated opportunity costs.

#### KEY TERMS

- marketing concept
- breakeven point
- productivity
- opportunity cost



### OPENING ACT

Each year advertisers spend more than \$12 billion to reach the youth market. Today's youth see more than 16,000 commercials each year.<sup>2</sup> Socially responsible advertisers know parents should be making the purchasing decisions, not young children who are motivated by the commercials they see.

Mars Chocolate made a global commitment in 2007 to not advertise snacks, food, and confectionery products to children under age 12. This commitment becomes more challenging with the expansion of digital channels and programming. General Mills made a commitment to ensure that their marketing messages are respectful and inclusive. The company will refrain from producing advertising that is vulgar, insulting, or demeaning. General Mills advertisements will not undermine the role of parents and family, or respect for community authorities. A "Responsible Marketing Council" has been established by General Mills to review all new product development plans and marketing strategies for products that will be marketed to children. Even though Mars and General Mills have shown social responsibility in their marketing efforts for children, there are many manufacturers who still focus their marketing campaigns toward children.

**Cooperative Learning** Work in teams and discuss advertisements for snack foods. Who is the target market? Should restaurants and food companies be concerned about the obesity trend among youth and its possible relationship to their products?

### What Is the Marketing Concept? LO 2.1-1

Marketing is an important business function. You participate in the marketing process as a consumer of goods and services. About half of every dollar you spend pays for marketing costs. Marketing costs include product development, packaging, advertising, and sales expenses.

The most important aspect of marketing is satisfying customer needs. Customers' needs should be the primary focus during the planning,

production, distribution, and promotion of a product or service. A business that keeps the focus on satisfying customer needs is said to be following the **marketing concept**.

## Maintain Relationships

The marketing concept requires maintaining important relationships with customers. Successfully managing customer relationships involves listening to customers' needs and carefully monitoring the latest consumer trends. Maintaining a successful marketing relationship requires effort. Each customer is unique and has different buying habits, requiring a unique marketing strategy. While some customers demand lots of attention, others prefer to be left alone until they make the purchase.

Customer satisfaction is the bottom line for maintaining successful marketing relationships. Price, quality, service, and the amount of enjoyment gained from a sports and entertainment event are factors that influence customer satisfaction. Sports and entertainment event planners are challenged to organize events that customers want and can afford. When individuals purchase goods and services, they expect value for the money spent. Because there is so much competition in the sports and entertainment industry, marketing strategies must include a customer service component that stands apart from the others. Customers who have a satisfying experience are less likely to take their business elsewhere.



What type of customer service results in repeat business?

## Intermission



*What is the most important aspect of marketing?*

## Increased Sports and Entertainment Options LO 2.1-2

Over the years, the high standard of living in the United States has resulted in more discretionary income for consumers. During prosperous times, the average consumer has more money to spend on sports and entertainment events and related merchandise. Increased consumer demand for sports and entertainment events typically results in higher prices and more competition. Competition in the marketplace results in more options for consumers and improved events and merchandise.

Marketing strategies must include monitoring the competition and consumer trends and making improvements that meet the latest customer



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## Social Media MARKETING



Celebrities are using social media to build their brand. When it comes to tweeting, celebrities are treating their fans like friends. Stars can talk to their fans in a relatively safe environment through the use of Twitter or Instagram. Fans love to communicate with their favorite stars, and when celebrities “keep in touch” through social media, they become even more beloved by their fan base. Fans like the authenticity of a tweet from their favorite celebrity; it makes them feel like the celebrity is talking to them.

Social media interaction can be negative, however. Some stars participate in Twitter fights

with distracters, or more vocal fans. Most stars do not engage in this, but those who do may have a marketing strategy in mind. Many celebrities believe that all publicity is good publicity, and a feud with a fan or fellow artist will get fans, magazines, and news shows talking.

### THINK CRITICALLY

Do you agree that all publicity is good publicity for celebrities? What might be the result when publicity comes from negative behavior?

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demands. In addition, marketers must be aware of the economy. When the economy is down, consumers have less discretionary income to spend on sports and entertainment events. During these times, it is more important than ever that businesses offer value for the money spent by consumers.

## Customer Focus

**Productivity** is the rate at which companies produce goods or services in relation to the amount of materials and number of employees utilized. Productivity has made impressive strides in the United States as well as in many other developing nations. Whether it’s the production of 5,000 concert T-shirts or 10,000 plastic promotional footballs for a professional football team, the product demands for sports and entertainment events can be filled quickly. But increased competition has forced businesses to focus beyond productivity to establish satisfying relationships with customers. Imagine being highly productive in manufacturing products that consumers do not need or want! Remember, the primary focus of the marketing concept is the satisfaction of customer needs.

Successful marketing strategies identify customer needs and ways to meet those needs by developing and marketing products that customers will view as being superior to other products. While it is important to maintain satisfying customer relationships, companies must also earn a profit. When marketing strategies do not focus on customer wants and needs, sports and entertainment events have disappointing attendance figures and stores have surplus merchandise, resulting in price cuts. The end result of not having a customer focus is a failed business.

Prospective customers must be offered the appropriate marketing mix—product, price, promotion, and location—to maintain satisfying relationships. Marketing success depends on offering the best product at a good price where demand exists. Customers learn about the products and services through promotion. Customers are the driving force behind the marketing concept.

## Weekend Sports and Entertainment Choices

Every weekend, there are numerous entertainment choices, ranging from community celebrations and concerts to a wide array of sporting events. The organizers of all of these events realize the intense competition for consumer dollars. They develop promotional strategies to catch the attention of consumers as a way to increase attendance. The bottom line is that these events must earn a profit. Event planners need to know the **breakeven point**, or the minimum sales required to cover all of the expenses of organizing, promoting, and running the event. Revenue earned above the breakeven point is all profit.

Many young families use their entertainment dollars to attend sporting events for their children. Cities of all sizes want to capitalize by hosting sporting events, whether it is a soccer tournament, a track meet, or a cheerleading competition.

Restaurants, hotels, motels, retail stores, and service stations all have an interest in locally hosted events.

Movie theaters are competing with businesses like Netflix, Hulu, and Amazon that offer streaming movies. DISH, DIRECTV, and other satellite and cable providers offer pay-per-view, high-definition movie channels that enable consumers to enjoy movies at home. Drive-in theaters that were popular in the 60s and 70s may be making a comeback in some cities. When traveling on Interstate 45 near Ennis, Texas, do not be surprised to see long lines of cars waiting to enter drive-in movie theaters where movies are projected on large outdoor movie screens.

Concert events are another way consumers spend their leisure time. In the midst of all the entertainment choices, concert organizers are challenged to develop creative promotional strategies to attract fans willing to pay \$25 to \$100 or more to see their favorite performers.

## Opportunity Cost

Car races, rodeos, craft fairs, and community celebrations are just a few of the additional sports and entertainment options for consumers. Factors that individuals consider when deciding to attend an entertainment event include convenience, enjoyment, price, and opportunity cost. **Opportunity cost** is the value of the next best alternative that you pass up when making



### TIME OUT

The average price for a movie ticket has risen to \$9.01.<sup>3</sup> Theaters add a surcharge on 3-D and IMAX tickets. Consumers are now reconsidering the appeal of attending a movie as an affordable night on the town.



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Do you think drive-in movies can compete in the entertainment industry? Why or why not?

a choice. The value is measured in terms of the benefits that you are giving up. For example, you may want to go to a car race and a music concert, but you cannot afford to do both. If you decide to go to the concert, the opportunity cost would be the car race. As a consumer, you must decide which opportunity you value the most. An increasing number of Americans are opting to stay at home during their free time rather than travel for a vacation. *Staycations* are typically less stressful, less expensive, and give families an opportunity to explore local events and support local businesses. Online and other forms of at-home entertainment will continue to grow because of these factors. The opportunity costs to these consumers include the value of the other entertainment options they are passing up to stay at home.

### Intermission



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*Explain the reasons for increased sports and entertainment options.*

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## ENCORE



### Understand Marketing Concepts

1. What is the central focus of marketing? (LO 2.1-1)
2. Why are sport and entertainment opportunities increasing? (LO 2.1-2)

### Think Critically

Answer the following questions as completely as possible.

1. Movie theaters face stiff competition from online subscription businesses and pay-per-view movie channels. How can a movie theater use the marketing concept to keep customers coming back? (LO 2.1-1)
2. Small, local sporting goods stores face stiff competition from large, national sporting goods chains and department stores. The competition makes it necessary to offer unique products and services. What could a sales associate at a local sporting goods store do to maintain positive relationships with the store's customers? (LO 2.1-2)

## 2.2 Discover What People Want

### The Essential Question

Why must sports and entertainment venues conduct research to keep repeat customers?

#### LEARNING OBJECTIVES

- LO 2.2-1** Explain the importance of understanding buyer behavior when making marketing decisions.
- LO 2.2-2** Describe three means of collecting marketing information for use in decision making.

#### KEY TERMS

- economic market
- comparative advantage
- rational purchases
- benefits derived
- emotional purchases
- patronage purchases



### OPENING ACT

The NFL draft and the search for corporate sponsorship have many similarities. Professional sports franchises scout college campuses to identify talented athletes and to determine if those athletes will be a good fit for the organization. Some questions that must be answered include the following: What is your performance history? Do you fill a team need? What values are important to you? Is there an opportunity to establish a mutually beneficial long-term relationship?

Sports organizations acquire quality corporate sponsors by evaluating the potential benefits of a partnership. Just like the relationship between the sports organization and a football player, the relationship between a sports organization and its corporate sponsor must be mutually beneficial for long-term survival. So, it is important to ensure that corporate sponsors are a good fit with the team.

**Cooperative Learning** Work with a partner. Assume you are part of a sports organization in need of a sponsor. Discuss how you would research possible sponsors. What information would you need to ensure a mutually beneficial relationship?

## Understand Buyer Behavior LO 2.2-1

An **economic market** includes all the consumers who will purchase a particular product or service. Two of the major goals of marketing are to determine what consumers want and how much they are willing to pay. To achieve these goals, marketers must understand the actions of consumers, including their spending habits and buying motives. This information enables businesses to better assist consumers in satisfying their wants and needs. By knowing their customers, businesses are able to respond to their needs more quickly.

Consumers today are much more mobile than ever before. Two major trends in 2019 included growth of streaming and mobile video and a



shift away from pay television. Sixty-nine percent of households paid for streaming video services on smartphones and tablets in 2019. Research suggests that American households have an average of three streaming video services.<sup>4</sup> Consumers can enjoy a whole world of movies, television shows, sports, music, and more on their mobile devices.

## Consumer Spending Habits

It is important to research the spending habits of consumers to maximize profits on items they purchase at sporting and entertainment events. The price fans are willing to pay for a ticket depends on their degree of interest, which may be influenced by the national importance of the event, the popularity of the participating athletes or celebrities, and the rivalry associated with the sports contest. Fans' degree of enthusiasm will also influence their willingness to pay high prices for team- or celebrity-identified clothing and equipment.

The price fans are willing to pay is also related to their perception of the benefits derived. **Benefits derived** refers to the value people believe they receive from a product or service. In college sports, benefits derived may include the enjoyment received from a good game and the feeling of pride when wearing a sweatshirt that shows off the team logo.

The global market has intense competition. Organizations must determine where they have a **comparative advantage**—the capability to produce products or services more efficiently and economically than the competition. When a company can produce a product more efficiently and

economically than others, it can pass along production cost savings to its customers in the form of lower prices. For example, a sports apparel manufacturer may have a comparative advantage because it produces its products in another country where labor costs are lower. This allows it to price its products lower than competitors do.

## Consumer Wants and Needs

Abraham Maslow was an American psychologist who is noted for his theory of the *hierarchy of needs*, which identifies five human areas of needs. Maslow's hierarchy is referenced frequently by marketers when studying human behavior in relation to customer needs and wants. Maslow theorized that people's most basic needs must be satisfied first and then their focus will progress to higher-level needs.

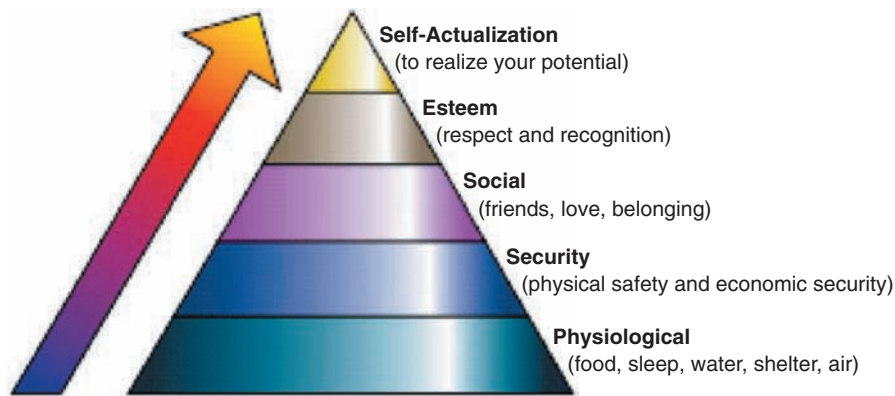


If a business has a comparative advantage, how does that affect consumers?

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The basic needs of food, water, sleep, and shelter are referred to as *physiological needs*. *Security* is the second level of the hierarchy—individuals want both physical safety and economic security. *Social needs* in the hierarchy include the desire for friends, family, and love. As individuals progress up the hierarchy, they focus on *self-esteem needs* to gain recognition and respect from others and feelings of adequacy and competence in themselves. The peak of the hierarchy pyramid represents *self-actualization*, or the realization of one's full potential and self-fulfillment. People are at different levels on the hierarchy at any given time, making it challenging to design effective marketing strategies.

When a major hurricane threatens a population, sports and entertainment events are not high on the consumer's priority list. The hurricane shifts attention to physiological and security needs. Games and sporting events are postponed while people take care of the more urgent issues presented by the storm. Lightning and severe storms will cause delay of games and evacuation of stadiums for safety reasons.



Maslow's Hierarchy of Needs Pyramid

**BUYING MOTIVES** Marketing research is conducted to determine why customers spend money on goods and services. Consumers make **emotional purchases** when they spend with little thought during emotional highs or lows. For example, when fans attend a concert of their favorite music star, they may be emotionally charged to pay top price for a T-shirt or the star's latest music release. When a team is on a winning streak and qualifies for a national or world championship game, fans are emotionally influenced to purchase high-priced tickets and merchandise with the team's logo.

**Rational purchases** take place when individuals recognize needs and wants, assess their priorities and budget, conduct research, compare alternatives, and then make purchases based on careful thought and sound reasoning. An avid runner makes a rational purchase when he or she shops around for the best shoes that provide support, shock absorption, flexibility, and durability. The ultimate goal of the purchase is to find comfortable shoes that will enhance the running experience and reduce the chance of injuries.

**Patronage purchases** are based on consumer loyalty to a particular brand or product. Tennis players may purchase Nike products due to endorsements by Serena Williams. Fans remain loyal to their favorite



## TIME OUT

Many top celebrity athletes make more money from endorsements than from playing their sport. The top five endorsement earners in 2018 were Roger Federer, LeBron James, Cristiano Ronaldo, Stephen Curry, and Tiger Woods.<sup>5</sup>

teams and players and purchase products directly related to them. Positive experiences with a particular brand will reinforce the consumer's loyalty. The consumer will continue to buy the brand with confidence and will be less likely to try competing brands.

## The Buying Plan

To increase sales, businesses must understand consumers' buying behavior. This knowledge is also used by businesses to develop buying plans. Retailers who sell popular athletic apparel have a limited budget. Sometimes they have to submit purchase orders for merchandise at least a year in advance. Thus, the retailer must develop a buying plan based on projected consumer behavior. Once the order has been processed and delivered, the retailer will receive invoices that must be paid. If a popular team goes on a losing streak, resulting in lower than expected related merchandise sales, the retailer will lose money on unsold inventory.

Projecting athletic merchandise sales and team success is a big risk that retailers must take. When the top two teams play for a championship, only one team will win. Retailers need to have merchandise related to the winning team ready immediately after the big event. To accomplish this, they may order merchandise declaring each team the champion. Then based on the outcome of the game, the merchandise for the winning team is sold while the merchandise for the losing team is counted as a loss for the retailer.

In addition to buying merchandise for resale to customers, businesses also buy merchandise for organizational use. College and professional sports teams must purchase athletic apparel for the players. New seats and scoreboards are purchased by stadiums. Movie theaters purchase popcorn machines and seats. Many theaters offer luxury seating for their deluxe screening rooms. Organizational purchases such as these are made with the customer in mind. Businesses want to make the customers' experience more enjoyable so that they become repeat customers.

## Intermission



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*What are the three buying motives and how are they different?*

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## Gather Information LO 2.2-2

Most consumers use the decision-making process to decide how to spend their money. The first step of the decision-making process is to recognize a need or want and an opportunity to satisfy it. Conducting research to get more information on a product or service is the second step of the decision-making process. Information should be collected on all alternatives. After conducting research, individuals evaluate their choices and then make a decision to purchase. The final step of the decision-making process is the post-purchase evaluation in which purchasers assess their level of satisfaction and the possibility of future purchases.

When consumers save money for a well-earned vacation, they conduct research to determine the vacation options that meet their needs. After

## JUDGMENT CALL



Major universities count on ticket sales to help meet their athletic budgets. Some college football programs have decreased the number of tickets available to college students to give major financial contributors the opportunity to purchase tickets. Athletic directors are finding it increasingly challenging to capture the attention and loyalty of younger alumni for purchasing college football tickets. In addition, season student ticket prices for home games are on the rise, ranging from \$10 to \$36 per game in the Big Ten Conference.<sup>6</sup>

Spring games on college campuses give excited fans the opportunity to see next year's players in action. A scrimmage is staged between the offensive and defensive players of the same team. Most spring games take place in April and have traditionally been free. Recently, the University of Nebraska's Red/White Spring Game has attracted more than 85,000 fans.<sup>7</sup> The athletic department began charging \$5, \$10, and \$15 per ticket for the game, earning between \$600,000 and \$850,000 in additional revenue.

### THINK CRITICALLY

Do you think it is right to charge college students high ticket prices to attend their own team's football games? Is it ethical for a college to charge admission to scrimmages? Explain your answers.

thoroughly considering the alternatives, they plan their trip. Post-evaluation of the vacation is important—consumers determine their satisfaction and adjust their strategies for planning future vacations.

Marketers must be aware of the consumer decision-making process. They often are involved in every step. A marketer can help a customer recognize a need for a product, provide information, assist with the purchase, and follow up with the customer after the sale to ensure satisfaction.

## Information Needed for Marketing Decisions

Marketing decisions are based on consumers and the business environment. Important factors to consider about consumers include demographics and shopping behaviors. Marketing research looks at how consumers spend money, including product and brand preferences and the frequency by which products are purchased.

The business environment has an impact on consumer purchases. Economic conditions influence how individuals spend their discretionary income. Consumers are more cautious about spending and more likely to postpone making large purchases during periods of economic uncertainty. The amount and quality of competition in the marketplace determine the number of good options available to consumers. Government regulations, laws, and ethical issues also influence how consumers spend money. Additionally, advances in technology have broadened the flow of information and means of acquiring goods and services by consumers.

Once marketers have fully analyzed their potential customers and the business environment, they are better prepared to select the right marketing mix that will motivate customers to buy. Products offered





Why do companies spend sizable amounts of money on marketing research?

must have features that meet consumers' needs and wants. They must be available at a price customers are willing and able to pay. Offering solid product guarantees, special discounts, and a variety of credit choices helps entice consumers to make purchases. The location of products and the services offered by businesses will also influence consumer purchases. Promotional methods and choice of media must be selected carefully to reach potential customers.

## Sources of Information for Businesses

To help customers with the decision-making process, it is essential to collect information about their needs and buying behaviors. Sources of information may be classified as internal or external. *Internal sources* of information about customer buying habits include a business's own customer records, sales records, production records, and operation records. Companies can look at their sales trends over past years as a starting point in determining future marketing strategies. *External sources* of information used by businesses can be obtained through government reports, trade and professional organizations, business publications, commercial data, information services, competitors' websites, and social media. Information from these sources gives decision makers a broader picture of what is happening in the industry and the marketplace.

Organizations often conduct research to learn more about consumer behavior. The data collected may be categorized as either primary data or secondary data. *Primary data* is obtained for the first time and specifically for the particular problem or issue being studied. Consumer surveys are frequently used to ask questions and obtain feedback on specific issues. Observing consumer behavior is another technique used to collect primary data. Security personnel may observe behavior of fans at a big sporting