

Customer Relationship Management and Intercollegiate Athletics:
Opportunities and Benefits for Smaller Institutions

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Abstract

Customer relationship management (CRM) strategies have been proven of significant benefit to sports teams and organizations in their attempts to attract and retain fan loyalty as well as maximize profits. Single game and season ticket sales, merchandizing, sport and program information and communication, and athletic giving can each be increased through the adoption and utilization of CRM. Although primarily leveraged by professional sports teams and some larger (NCAA Division I) university programs, CRM strategies can also be of direct and considerable benefit to smaller institutions.

Customer Relationship Management

Customer Relationship Management or CRM, is a business enhancement strategy designed principally to reduce costs and increase profitability by establishing and building upon customer loyalty. CRM brings together information from various data sources within an organization (and where appropriate, from outside the organization) to give one, clear view of each customer in real time (Reinartz, et al, 2004). This allows employees who work directly with customers, in such areas as sales, customer support, marketing, and athletics, to make quick yet informed decisions on everything from up-selling and cross-selling opportunities to target marketing strategies and competitive positioning tactics.

Once thought of only as a business marketing software application, CRM has evolved into a customer-centric philosophy that can permeate an entire organization. There are three key elements to a successful CRM initiative: people, process, and technology. The people throughout a company-from the CEO to each and every customer service representative need to embrace and support CRM. An organization's business processes must be reengineered to support its CRM

initiative, often from the standpoint of, “How can this process better serve the current and potential customers?” Organizations must select the right technology to drive these improved processes, provide the best data to the employees, and be easy enough to operate. If one of these three foundations is not sound, the entire CRM structure and its potential benefits will be compromised.

Customer relationship management is also a strategy used to learn more about customers' needs and behaviors in order to develop stronger relationships with them (Verhoef, 2003). Good customer relationships are critical to business growth and success. There are many technological components to CRM, but considering CRM in solely technological terms is problematic. The more useful way to think about CRM is as a process that will help bring myriad pieces of information about customers, sales, marketing effectiveness, responsiveness, and market trends.

CRM is best suited to help businesses use people, processes, and technology to gain insight into the behavior and value of customers. This insight allows for improved customer service, increased call center/telemarketing efficiency, added cross-sell and up-sell opportunities, streamlined sales and marketing processes, improved customer profiling and targeting, reduced costs, and increased share of customer and overall profitability (Chen, I.J, 2003).

CRM and Athletics

Street & Smith's Sports Business Journal estimates that the total sports industry is a more than \$213 billion market including advertising, equipment, retail trade, and travel, to name a few categories. By comparison, banking is a \$266 billion business and transportation is a \$256 billion enterprise (Brown, 2003). Finding more effective and efficient ways to leverage fan loyalty helps sports teams, both professional and amateur, increase market share, and thus, maximize profits.

CRM and Intercollegiate Athletics

A national or conference championship, winning season, or a star athlete are often enough to maximize season ticket sales or draw a packed house, but most sports organizations and athletic departments are finding that they need help to keep filling the stands when team performance is less than stellar. In these tough times it takes more than foam fingers, coupons, or other promotion gimmicks to gain and retain fan loyalty. This is where customer service relationship strategy is most effective.

One of the principle goals of a sport organization is the generation of revenue. A sports organization can achieve growth through many different revenue streams. Among these revenue streams are multi-media rights, donations, ticket sales, television contracts, apparel, and concessions. The athletics conference or league typically controls television revenue, if there is any such revenue realized. Many schools outsource multi-media rights, concessions, and apparel sales to a third party. Ticket sales remain the dominant revenue stream over which a sport organization has direct control. As such, these organizations are consistently striving to increase season and single game ticket sales. Ticket sales also account for the dominant portion of both professional sport franchises and college athletic department budgets. In many cases, these sport organizations must handle information regarding thousands of season ticket and individual games ticket sales purchasers. Many have chosen to handle this information using database marketing techniques. Over time, CRM strategies have emerged to aid in this process.

CRM and Professional Athletics

For many professional teams, including the Arizona Diamondbacks, the Carolina Hurricanes, the Phoenix Suns, the Pittsburgh Pirates, and the San Diego Padres, the key strategy to obtaining and keeping fan loyalty is driven by customer relationship management. Many

teams have leveraged this technology to the benefit of not only fans, but for their bottom line – market share and organizational profitability.

In 1995, the San Diego Padres were one of the first professional teams to implement a CRM program and was the first to start a fan-loyalty rewards program. Since then, attendance has not dipped below 2 million per year, according to the Padres' manager of fan programs and new ball park technology. The Padres also have seen the average number of games attended by loyal fans increase to 10.7 per season in 2002, up from 6.5 in 1995. Recent trends indicated a similar growth trajectory.

As the economy began to decline from the recessions of the late 2000s, Padres' fans became the biggest fair-weather fan base. The novelty of Petco Park wore off and so did attendance but important information is gained through CRM about the fans that do show up to the games (Ball, 2010).

Through its fan/customer reward program, the Padres give fans a card to swipe at stadium kiosks. Those fans earn discounts on future tickets, food, beverages, and items from the team store. Discounts are dependent upon points accumulated by game attendance and specific purchases. In return, the Padres get detailed demographic information about fans, and can track spending habits at the game. As a result, the organization says it is able to deliver a more enjoyable fan experience, while attempting to increase its revenue.

The Padres database has approximately 185,000 members. Via its data collection strategy, the Padres also found that a significant percentage of its 681,000-strong fan base is just over the border, in Mexico. The Padres now offer a special reward card for residents of Mexico, and target Hispanic fans on both sides of the border with radio and television campaigns. On

average, the Padres get a 6 percent return for each email campaign it offers, which is twice what the team experienced using direct mail.

Although CRM is helping to increase revenue for some teams, many of those efforts begin strictly as a service to fans. Recently, the Suns began allowing its ticket holders to resell tickets via the team's Web site, where the team sold 60 percent of its mini-package plans in 2003.

Initially, some organizations are seeing only gradual changes, but for the Chicago White Sox implementing CRM has dramatically changed the way the team does business even though they have to continue to look up to their cross-town rival Cubbies. Now they are generating birthday, anniversary, and holiday cards that are automatically sent to season ticket holders.

The White Sox (who rank 17th in MLB attendance) use CRM in community relations, marketing, and suite-holder relations departments, and manages season ticket holder relationships by using CRM to transfer information stored in the Ticketmaster ticket sales system. Today there are more than 30,000 records in the main ticket sales database, and more than 100,000 in the direct mail database. The Sox' inbound and outbound call teams use these databases to solicit season tickets, group sales, company outings, suites, and events for the stadium party areas.

The CRM system also helps keep track of the thousands of lost items that are left at the stadium every year. Their CRM system now allows them to track the date an item was found, what it looks like, and where staff picked it up. The items are then labeled and stored in a bin. The White Sox estimate that since CRM deployed, their organization has been able to return 50 percent more items than in previous years.

The Carolina Hurricanes are also finding creative ways to capitalize on CRM. The Hurricanes are using wireless technology to boost fan interest in the National Hockey League

team. The Hurricanes (ranked 20th in NHL attendance) and the RBC Center are billed as the "home of wireless hockey." The program comprises wireless access to the team's Web site and an interactive wireless hockey game played during the live games from fans' personal PDAs or cell phones. Currently, Hurricane staff are working on bringing wireless prepaid parking and wireless order placement for in-seat food and beverages to the stadium and team.

Most organizations are willing to share their CRM strategies, because other sports franchises are not really their rivals for fan dollars. In fact, most cited television, movies, dining out, and other forms of entertainment as the biggest competition to filling the stands. Still many teams have yet to recognize and appreciate the unique fan and customer leverage that CRM can provide.

Benefits of CRM to College Athletics

CRM helps colleges and universities build databases about their customers that describe relationships in sufficient detail so that sales personnel can access that information to potentially match fan and customer needs with products offered, remind customers of specific ticket offers, and help the sport organization track what their customers have purchased. For most sport organizations, it starts with some simple questions: how do we increase fan attendance and revenue with the given budget that we have? Are we selling and servicing as efficiently as possible? How are we tracking sales leads? How can we convert single game ticket purchases into season ticket holders? How can we get those individuals holding season tickets or purchasing single game tickets in one particular sport to purchase tickets for other sports? How can we increase fan/customer purchases of athletics and/or university/college apparel? And finally, how

can we increase the number of single game and season ticket holders that contribute financially to the University's athletic department?

There are a number of important goals that would appear most appropriate for CRM utilization in college athletics. These include: identification of profitable/repeat customers; understanding online/offline customer behavior; increasing sales and affinity through real-time, one-to-one marketing campaigns; helping retain the "right" customers; helping increase fan loyalty and affinity; maximizing overall revenue generated per customer through all channels; and targeting and increasing value for sponsors through data mining.

Without question, the first step to increasing the fan base and elevating fan/customer loyalty is to understand more fully the needs and purchasing behavior of customers. This knowledge base will drive the strategies by which institutions move to address the increased ticket sales, loyalty, and economic activity.

CRM Utilization by NCAA Division I Institutions

Arizona State University (ASU) was the first major athletic department to embrace and successfully implement this strategy. ASU's CRM program, called the Devil's Domain (after the school's Sun Devil mascot), includes a Web site, a rewards program, screensavers with customized messages, discounts at the team store and on future ticket purchases, and coupons for free or discounted food and beverages.

A number of other large (NCAA Division I) colleges and universities constitute examples of how they are leveraging the technology to their advantage in value and profit maximization. Two are particularly noteworthy. In early 2011, the University of Denver partnered with a major CRM firm to implement ticketing, marketing, and fund raising solutions in their athletics

department. DU will be able to more efficiently cultivate new donor relationships, while providing important opportunities for online fundraising as well. DU plans to leverage the CRM system to help fuel athletic donation revenues as well. The University of Minnesota also has adopted a fully-integrated CRM focused on ticketing, game day information, fan/customer appreciation, and fundraising. The school's newly developed online portal will benefit fans directly with the following added features: complement the existing University athletics brand; integrated game day information; full access to manage their account online; full history of past purchases and donations; recommended purchases based on consumer behavior; and a full calendar listing of Golden Gophers games and events.

Given the sheer size of current and potential fan/customers for athletics programming at the larger colleges and universities, the scope and complexity of their administrative operations, and the potential economic benefits derived from increased attendance, merchandizing, and personal and corporate fundraising, affords the opportunity and benefit of employing full-scale CMS applications. However, the cost associated with software procurement, modification, and implementation is non-trivial, often extending into the several hundred thousand dollar range.

Potential Leverage by Smaller Institutions, Conferences, and Divisions

Many smaller institutions, conferences, and divisions simply do not have the critical mass in existing or potential fan base, nor do they have the resources (people, time, and money) to adopt, plan, and implement a comprehensive customer relationship management system. For many smaller institutions, individual and season ticket sales, apparel sales, individual giving to athletics (outright gifts, scholarships, operating support) are minimal.

Without question, an increase in the athletics fan/customer base as well as increase in existing fan loyalty can have significant benefit for the athletics department, the institution, and the communities in which the institutions are located. Many smaller institutions, both public and private, experience significant difficulty in balancing their athletics budget, particularly in tough economic times. Even modest increases in ticket sales can have a direct and positive impact on the athletic programs bottom line.

Increased season and individual game ticket sales can also have profound benefits on fan loyalty. When college athletic events become the marquee community “must attend” social events, the increased attendance leads to increased loyalty. Increased fan loyalty can and does result in increased giving to athletics departments and athletic scholarships. With even the most modest benefits derived from an appropriately leveraged Customer Relationship Management system, the local college team can become “our team”.

There is a substantial research literature which clearly establishes the direct economic impact that college athletics has on its surrounding community(ies) (Lentz & Laband, 2008). Particularly during home athletic contests, there is a direct economic benefit derived by hotel and restaurant sectors from visiting athletic teams, season and single game ticket holders, and students. The service industry, including gas stations, convenience stores, and local retail have also been shown to benefit. This issue is particular important for athletics programs located at smaller institutions as well as those schools located in smaller rural areas, where the institution is often the single largest economic driver in the immediate area.

There are elements of CMS that can prove inordinately useful to smaller athletic departments and their teams, including but not limited to; increased fan/customer loyalty through email and SMS marketing; increased student moral (including prospective students); athletic and

institutional branding and image enhancement; cross-selling to increase recognition and attendance at other college or university sporting events; up-selling to increase fan/customer engagement from individual/season ticket holder to athletics donor; and the integration of an athletics CMS with existing college/university donor database.

Leveraging the Power of Customer Relationship Management

Clearly, one of the biggest benefits to CRM is the ability for the organization to capture and strategically leverage data about current and potential customers. Having access to data allows organizations to improve their customer response by offering personalized and customized marketing campaigns (Neslin & Shankar, 2009). Personalization focuses on building a meaningful one-to-one relationship with each customer by understanding their needs and helping them satisfy those needs efficiently and effectively. Customization makes customers stakeholders in the buying process by giving them a proactive role in the product selection process CRM allows sport organizations to “design, deployment, and evaluation of channels to enhance customer value through effective customer acquisition, retention, and development” (Nelsin, Grewal, Leghorn et al., 2006, p. 70). This has allowed the organization to own the information that it spends money to generate.

The process in deciding whether or not to invest in a CRM initiative is significant; therefore it is essential that the organization as a whole has bought in to the idea of database marketing. Unlike some departments that operate autonomously, a CRM strategy relies on numerous departments being able to communicate to be effective.

This commitment is more difficult at the collegiate level than in professional sport organizations. A professional sports organization, which by definition is a for profit firm, can

hire a long-term employee exclusively to oversee the CRM initiative. This is more challenging within a university setting, where typically employees are more transient in nature. The employee hired needs to be able to bridge the gap between the technical aspects of the software and the sales related function of the system. In addition, the employee needs to have a key understanding of the main function of the system, which is to increase sales and service.

Ultimately, the organization needs to embrace an analytical approach towards attracting potential customers. The advancement of interactive technology, information processing, and CRM systems has made personalized marketing campaigns a tangible model for sport organizations to gain a competitive advantage in the marketplace. One-to-one marketing employs an extreme form of segmentation that creates a virtual dialogue where the customer touch points are two-way: I act and I expect the retailer to (re)act in a certain way (Adamson, 2008).

Implementing a CRM system is a long, potentially expensive, and challenging process. The organization needs to allot time to decide on a system, implement that system, and realize the rewards of this approach. Organizations need to take their time and make sure that they have a good understanding about the front end cost of CRM.

The marketing challenges that sport organizations face are still present. What has changed is the way these organizations choose to market their programs. Implementing a CRM strategy has allowed organizations to target specific fans within the marketplace that would be receptive to attending a specific sporting event. This allows them to better determine where to allocate their marketing dollars. However, a caveat is warranted; once a database is built, organizations can be tempted to overuse the system for short term sales gains by pushing too many offers and communication to fans (Knowledge, 2005).

CRM will also help sport organizations define their consumers' buying patterns. Understanding these buying patterns will be more important as organizations learn how to track the spending patterns of consumer auxiliary revenue such as concessions, parking, and merchandise. Thus, sport organizations can utilize CRM as the core database and move customers up the value chain.

Conclusion

Customer relationship management is an integral component of any administrative strategy in developing athletics program support and increasing revenues. From increasing ticket sales, merchandizing, and fan loyalty, to increased financial giving to athletics programs and student athletic scholarships, CRM can be of direct benefit to all sports programs, regardless of size, in obtaining their goals and objectives. The three most important considerations in adopting a CMS are the impact on people, processes, and technology.

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