

BUSINESS MODELS IN A NEW MEDIA CONTEXT: COMPARING FOUR U.S.-BASED SPORT LEAGUES

Elena Radicchi, University of Florence, Italy, radicchihome@freemail.it

INTRODUCTION

The economic dimension of sport has increased over the past years. Sport is not just an important social activity, but even a business phenomenon since sport became a strategic content for the new media diffusion as well as a promotional tool for other companies (media, industrial companies, sport equipment suppliers, service providers, etc.) (Zagnoli and Radicchi, 2006). Furthermore, new media such as broadband Internet, mobile phones, digital TV, PDAs, etc. have changed the way in which sport can be produced, delivered and consumed (Santomier and Shuart, 2006), and have a considerable influence on the sport enterprises' strategy and organizational structure (Westerbeek and Smith, 2003).

Despite economic literature is focusing ever-greater attention on the managerial aspects of sports organizations (Andreff and Staudohar, 2002; Chelladurai, 2001; Foster et al., 2006; Mahony and Howard, 2001; Slack, 1997), there is a lack of previous researches specifically aimed at analyzing the sport enterprises business models in the light of new media. This research work can be therefore considered a first exploratory attempt (Yin, 2002) of applying the conceptual tool of the business model (Ostenwalder et al., 2005) to sport leagues in order to understand the way they do business and create value in a context driven by new media.

The hypothesis that in the contemporary era there is a significant relationship between sport enterprises and new media diffusion is made in this research. The purpose of this paper is to study the business models of four U.S.-based major sport leagues -Major League Baseball, National Football League, National Basketball Association and Major League Soccer-, related to the new media diffusion and adoption. The aim is to understand whether different organizational assets and business models can be affected by the ways through which the leagues, given their specific characteristics in terms of resources and capabilities, governance models, developmental stage of the league, etc., attempted to meet the opportunities and challenges offered by the new media introduction and globalization.

The analytical contributions identified in order to obtain the conceptual tools useful to create the theoretical framework in which setting the business models of the selected U.S. major sport leagues include:

- the literature related to the business model concept (e.g., Ostenwalder et al., 2005; Pateli, Giaglis, 2003; Porter, 2001);
- the Resource Based View (RBV) approach (e.g., Barney, 1991; Grant, 1991; Prahalad and Hamel, 1990);
- the recent U.S.-based research and literature regarding the integration of new media into the sport industry (e.g., Beech, Chadwick and Tapp, 2000; Gellatly and Lambton, 2001; Gillis, 2006; Santomier and Shuart, 2006);
- the service management literature that has analyzed the role of new media in service distribution (e.g., Fry, 2005a; Voss, 2003).

METHODS

A qualitative approach was used to explore, clarify, and determine the business models of the selected U.S. major sport leagues. The research methodology is based on a multi-cases study analysis (Yin, 2002) supported by multiple sources of evidence including:

- Interviews: open-ended questions were asked to key executives (international business, multimedia services, sales and marketing, etc.) of each of the leagues studied;

- Analysis of the sport leagues' balance sheets, financial data and official reports and documents;
- Access to “open sources” such as the leagues' official websites and other reliable sport related sites;
- Data and information gathered using secondary sources, mainly technical reports, relatively current sport journals and magazines and an international database such as Sporting Business Research Network (SBRNet).

RESULTS AND DISCUSSION

Following a firm specific approach, an analysis of the selected U.S. sport leagues indicated that the business models adopted by each league are unique in terms of organizational structure, strategic assets acquisition, and new media capabilities development. The particular characteristics of each league (specific resources and capabilities, history, ownership structure, etc.), together with the specificity of their sport and their developmental stage, contributed to determine different organizational forms, and variable boundaries of the leagues' business:

- the Major League Baseball (MLB) was able to properly respond to the technological complexity of the new media era developing strategic new media capabilities through the creation of a business unit which deals specifically with the management of the league's interactive media (internal growth) (Jozsa, 2006);
- although the National Football League (NFL) recognized the strategic importance of the new media, the league did not yet developed core new media competences. Internet contents are produced and managed in outsourcing by a leading sport media company;
- the National Basketball Association (NBA) has a marketing oriented business model (Rifkin, 1997). In order to achieve the goal of globalization, over the past years the league concentrated its efforts to specifically promote the international “stars” players (Hausman and Leonard, 1997) who have come into the NBA, through strategic partnerships with TV networks and global sponsor;
- the Major League Soccer (MLS) is a start up (Haas, 2003). In order to increase soccer popularity in the United States, the acquisition of international soccer champions has a strategic value for the league.

The case studies fully confirmed the hypothesis that new media play an increasingly critical role in influencing and shaping the business models of the professional sport leagues. New media offers new opportunities to reach consumers, increase revenues, and create value. In order to stay ahead of the complex, ever-changing new media curve, and exploit the opportunities to increase their strategic economic value, the selected sport leagues adopted different business models that primarily differ in the way each league developed specific competences related to new media.

REFERENCES

- Andreff W. and Staudohar, P. (2002), “European and US Sports business models”, in Barros C., Ibrahim M. and Szymanski S. (ed), *Transatlantic Sport: the comparative economics of North American and European Sports*, Cheltenham, Edward Elgar, pp. 23-49.
- Barney, J.B. (1991), “Firm Resources and Sustained Competitive Advantage”, *Journal of Management*, 17(1).
- Beech, J.G, Chadwick, S. and Tapp, A. (2000), “Emerging trends in the use of the Internet. Lessons from the football sector”, *Qualitative Market Research: An International Journal*, 3(1), February, pp. 38-46.
- Chelladurai, P. (2001), *Managing Organizations. For Sport and Physical Activity*, Scottsdale, Holcomb Hathaway.
- Foster, G., Greysier, S.A. and Walsh, B. (2006), *The Business of Sports. Text & Cases on Strategy & Management*, Thomson South-Western.
- Fry, A. (2005a), “The sports channel revolution”, *SportBusiness International*, October, pp. 48-50.

- Gellatly, A. and Lambton, D. (2001), *Sport and Wireless: how the mobile Internet is changing sport*, Research Report, Sport Business Group.
- Gillis, R. (2006), *The Future of Sports Marketing*, Sport Business Report, SportBusiness Group.
- Grant, R. (1991), "The resource-based theory of competitive advantage: Implication for strategy formulation", *California Management Review*, 33, Spring, pp. 114-135.
- Haas, D.J. (2003), "Technical Efficiency in the Major League Soccer", *Journal of Sports Economics*, 4(3), pp. 203-215.
- Hausman, J.A. and Leonard, G.K. (1997), "Superstars in the National Basketball Association: economic value and policy", *Journal of Labor Economics*, 15(4), pp. 586-624.
- Jozsa, F.P., Jr. (2006), *Baseball Inc. The National Pastime as a Big Business*, McFarland & Co.
- Mahony, D.F. and Howard, D.R. (2001), "Sport Business in the Next Decade: a General Overview of Expected Trends", *Journal of Sport Management*, 4.
- Ostenwalder, A., Pigneur, Y. and Tucci, C.L. (2005), "Clarifying business models: origins, present and future of the concept", *Communication of the Association for Information Systems*, 15, May.
- Pateli, A. and Giaglis, G. (2003), "A framework for understanding and analysing e-business models", *Proceedings of the Bled Electronic Commerce Conference*.
- Porter, M.E. (2001), "Strategy and the Internet", *Harvard Business Review*, March.
- Prahalad, C.K. and Hamel, G. (1990), "The core competence of Corporation", *Harvard Business Review*, May-June.
- Rifkin, G. (1997), "How the National Basketball Association put the bounce in basketball", *Sport+Strategy*, Third Quarter, pp. 74-85.
- Santomier, J. and Shuart, S. (2006), "Sport New Media", *Forthcoming*.
- Slack, T. (1997), *Understanding Sport Organizations. The Application of Organizational Theory*, Human Kinetics, Champaign.
- Voss, C.A. (2003), "Rethinking paradigms of service – service in a virtual environment", *International Journal of Operations & Production Management*, 23(1), pp. 88-104.
- Westerbeek, H and Smith, A. (2003), *Sport Business in the Global Marketplace*, Palgrave Macmillan, New York.
- Yin, R.K. (2002), *Case Study Research, Design and Methods*, 3rd ed., Newbury Park, Sage Publications.
- Zagnoli, P. and Radicchi, E. (2006), *Sport Marketing. Il nuovo ruolo della comunicazione*, Franco Angeli, Milano.