

Fan Loyalty in Football - Assessing the Life-Time Value of a Football Fan

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Abstract

British football has become big business. It can no longer be considered as just a past-time and is now a multi-million pound industry which contributes significantly to the UK economy. Yet it remains that only 10 clubs in British football remain profitable. For football clubs to be profitable they need not only be successful on the pitch but realize the importance of their fans as a revenue stream.

The purpose of this paper is to investigate how life-time value (LTV) models developed for relationship marketing purposes can be adopted by football clubs to realize the importance their fans have on sustainable revenue streams and long-term financial success.

The Football Industry is becoming an increasingly important player in the UK Services Sector contributing £2.1 billion in 2006 – which account for over a quarter of the total revenue from football in the whole of Europe (Deloitte's Annual Review of Football 2007). From this £2.1 billion the English Premier League contributes £1.9 billion which is evidence of the power the 20 premier league clubs has over the rest of the Football League. This is mainly due to an over-reliance on revenue direct from television contracts and although the forecasts are for continued growth in the industry, football clubs (especially the clubs competing in the lower leagues) need to look at ways to maintain and increase their customer base.

Football is no different than other businesses in the way it needs to implement strategies to retain its current customers as to minimise the costs of attracting new customers, and to keep those customers satisfied so that they become loyal advocates of the club. Mullin(2007) states that customer retention maximises the customer's lifetime value to the organisation.

In order for a team to be able to create services that are going to develop into relationships and lifetime value it is paramount that clubs are frequently updating their databases in order to try and segment the fan base. It is important that the loyal/committed fans are contacted via email/phone/letter etc. about promotions such as money off season tickets etc. On the flip side of this there are fans that just buy merchandise and go to maybe 1-5 games a season. These fans need to be informed of promotions such as price cuts on shirts/merchandise, stadium tours etc. by segmenting the fans, football clubs are more likely to bond with and create more life-time value customers that will stay loyal and feel well treated by the club.

Tapp and Clowes (2000) reflected that "Russell (1997) scanned crowd size data back to the inter war period and found that in general, most sides see support rising and falling

in more or less direct correlation to their success on the field. Exceptions to this include Newcastle United, Sunderland and more recently Manchester City. Data based on crowd totals are likely to be a misleading indicator of misleading loyalties, but we can deduce that a significant sector of supporters are not sticking with their teams through thick and thin"

The presentation will aim to examine how the ageing fan-base in British football and the increase in popularity of other sports has affected, not only attendance at football matches, but also emphasized the importance of relationship marketing strategies. As such, the presentation will examine lifetime value models in marketing and assess the relevance and applicability to English football. The presentation will conclude by identifying the implications of lifetime value for academic researchers and practitioners.

This paper is preliminary research which will lead into a large scale, longer-term thesis.

The research paper will strategise how clubs, and indeed leagues, can use the typology of fans, and with primary research taken from actual football spectators, will try to formulate an equation to put a figure on the lifetime value of a football fan. This will be dependent on various elements including age that fan first started supporting club, number of games attended per season, amount spent on merchandise.

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