

# CO-CREATION, IDENTIFICATION AND THE SERVICE-PROFIT CHAIN - THE CASE OF SPORT EVENTS

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## Abstract

In the sport marketing literature, fan loyalty and identification with the team are seen as the main determinants of fan behavior. Sometimes, the sport fans loyalty is increasing the worse the team is performing. Hence, in contrast to sport economic literature, satisfaction with the outcome of the game appears to have little or no link to loyalty, at least for some of the sport fans. In addition, loyalty of sport fans is fascinating because loyalty to a team is a highly meaningful concept for sport fans (Tapp, 2004). Customer loyalty is generally perceived to be one of the main drivers of profits. In service marketing, the concept of the service-profit chain is used to explain how a firm's operational resources are linked to marketing outcomes and financial performance (Heskett, Jones, Loveman, Sasser, & Schlesinger, 1994). Generally, it is assumed that a high level of perceived service quality makes customers satisfied. When customers are highly satisfied they turn into loyal customers and financial performance is increasing (Heskett et al., 1994).

In the past, some extensions to the service-profit chain have been discussed. In particular, identification, like satisfaction, has been found to be a facilitator of loyalty and has therefore been added as an alternative path in the service-profit chain (Homburg et al., 2009). However, past research suggests that identification is not only a driver of loyalty, but also positively influences customer satisfaction (McAlexander, Kim & Roberts, 2003). Furthermore, the idea of collaborative value creation for the benefit of the customer has been widely discussed in the last years (Vargo & Lusch, 2008). The notion of co-creation suggests that several parties combine their resources in order to create value. If other parties are also involved in value co-creation, management of service quality must include management of the relationships with

other parties involved in the co-creation process.

In this paper we suggest two extensions (see figure 1) of the conventional service-profit chain that account more effectively for the complexity of the factors that influence customer loyalty:

1. Identification with the team as a second factor – besides satisfaction – is included and its interrelationships with the other variables in the service-profit chain are assessed.
2. Service quality is split up into several dimensions contributed by different parties, in order to integrate the concept of value co-creation.

Two quantitative studies in two consecutive seasons (2007/2008 and 2008/2009) of the German football league (Bundesliga) were conducted to test the structural model. Our first sample consisted of 705 football fans, the second sample of 590 football fans. Subjects were included in the studies if they had visited football games during the previous 2 years. Measurement scales for all constructs were taken from literature or developed within a preliminary qualitative study. All items were measured on seven-point Likert scales ranging from "totally disagree" to "agree completely".

The measurement models provided a good fit to the data. The findings provide strong support for the proposed hypotheses (see table 1). In both studies, similar results were found indicating that they are consistent over time and across samples. All of the path coefficients (except H9 in Study 2) reveal the expected positive sign and are statistically significant.

In our study we added identification with a team to the basic service-profit chain and proposed both a direct effect on loyalty, as well as an indirect effect mediated by satisfaction. It was found that the effect of team identification on loyalty is much stronger than the influence of satisfaction. It could be shown that customer satisfaction and identification are not independent paths leading to customer loyalty and profits, because customer satisfaction also mediates the relationship between identification and loyalty. A second contribution of the study derives from the integration of the idea of value co-creation into the service-profit chain and revealing significant effects of the service quality dimensions contributed by different stakeholders on customer satisfaction. Finally, it emerged that identification exerts an influence on service quality, at least for some dimensions. Hence, it is evident that there are interrelationships between the conventional service-profit chain and the social identity-based service-profit chain (Homburg et al., 2009).

The findings of our study have various implications for managers. Most important, a sport event should not be seen as a product. It is a platform, where several parties (fans, spectators, businessmen, families, etc.) co-create value. Furthermore, identification is a dominant variable for the success of a sporting event. Managers should therefore carefully assess and communicate the values that the team brand can provide.

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