USING DATABASE MARKETING TO BUILD CUSTOMER RELATIONSHIPS: OPPORTUNITIES FOR SPORT MANAGERS

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Context

Managers have recognized the importance of a marketing database in developing customer relationships and ultimately maximizing the lifetime value of their customers. Shani (1997) proposed a model that highlighted the critical importance of the marketing database for implementing relationship marketing in the sports industry. The marketing database provides the foundation that allows identification of unique segments and subsequent development of customised products and targeted communications. But subsequent research on database marketing in the sport industry is limited. The purpose of this study was to examine how far sport managers have embraced the use of marketing databases to drive marketing strategy, particularly in relation to customer retention and development. It uses case studies across major Australian sports, and identifies factors critical to the successful implementation of a database marketing strategy.

Methods

The literature has used the case study method to provide insights into the customer relationships of sporting organisations. For instance, Kelley, Hoffman and Carter (1999) traced the development and application of fan adoption programmes for a new sporting franchise, and Cousens, Babiak and Slack (2001) explored relationship marketing via the case of the US National Basketball Association. When the phenomenon under investigation does not lend itself to quantification and is difficult to study outside its natural setting, Yin (2003) recommended using a case study approach. In this study, the sporting organizations selected operated with a database in their general marketing operations, and were selected to provide elements of depth and richness in the data, from the Australian Football League (AFL), National Rugby League (NRL), National Basketball League (NBL), National Soccer League (NSL) as well as Cricket Australia (CA) and the Australian Grand Prix Corporation (AGPC).

Results

Relationship marketing is often considered to be an elaborate form of database marketing (Egan, 2004) and database marketing is the first level of relationship marketing (Brodie et al, 1997). Such a role was reflected in the case studies, where all organisations noted the sophistication and flexibility of their databases impacted significantly on the opportunities and objectives of their relationship marketing. The lack of a useable interface between their database and an external ticketing agency was of particular concern for the CA, AGPC and an NRL team which were all so hampered. The most advanced database appeared to be with the AFL team, which adopted a customised approach after years of *ad hoc* solutions. While the database was not fully integrated, it had opened up marketing opportunities such as a cash reward scheme for recruiting members. The inability of two NBL clubs and an NSL team to sustain a database was a barrier to their relationship marketing, the information serving only as a season listing of transactions and provided little flexibility or managerial reporting options.

Discussion/Implications

The literature and the current study identified several issues as critical to developing an effective marketing database. These include: a customer-oriented philosophy, senior management support in overcoming organizational barriers, a long-term orientation, measurement of the database investment, and customer privacy. If sport managers these critical issues when developing a marketing database, then there are significant opportunities to use it to build relationships with their members (notably season-ticket holders). Many sport managers face challenges in retaining and attracting new members. Building ongoing relationships with members can increase lifetime value, but should be targeted at those with the greatest potential, communicating, nurturing and rewarding accordingly. To identify profitability, managers need to consider not only customer spend but also aspects such as recency and frequency of attendance, and then weigh the potential revenues against the cost of managing that

relationship. For example, corporate supporters may generate larger revenues, but often incur significant costs. In addition, sports that appeal to families should ponder that the children may grow into fully-fledged members or supporters in future. Communications can be personalised, not just by name, but by membership type and activities of interest. Past support can be acknowledged and an effort made to ensure the relationship continues. People like to be thanked and to have their support recognised. Hardcore supporters of a team may not be concerned with the communication they receive, but those seeking more of an entertainment experience, expect value and want to feel good about their decision.

Furthermore, it is generally more cost-effective to 'win-back' a past customer or member than to cultivate a new one. The database can facilitate strategies to encourage membership renewal or ongoing attendance. A database is obviously a critical tool in monitoring membership status or attendance, and even flagging potential 'defectors' –as in a football club, identifying any decrease in the number of games attended, and having a strategy to prevent the termination of memberships. Opportunities exist also to offer more flexible ticket packages tailored to the individual (corporate or consumer), as well as running special events that would further involve members and cement relationships. The database can identify specific segments for promoting new products. In addition, merchandising opportunities and internet-based services can be more fully developed as organizations learn more about the interests of their supporters, and can select more effective media. In addition, the more committed, profitable existing supporters can be used (and rewarded) for acting as advocates in recruiting new supporters or members.

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