

Regional marketing of professional basketball clubs under the European League model: Findings from the German First and Second Division

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Aim of paper and research questions

The present paper addresses at least three substantial gaps in the existing literature: (1) It deals with revenue generation of European professional basketball clubs based on the German case. (2) It focuses on the local markets of the clubs including both attendance and sponsorship income because of the lack of national revenues from TV rights. (3) It considers as well the major as minor leagues under the European model of promotion and relegation. The major aim and research question of the paper is to ask and analyse to which extent the theoretically important construct of local “market size” is a statistically significant determinant of club budgets. Besides, the findings provide basic implications for effective strategic regional club marketing.

Literature review

Professional club team sport is the predominant research topic in sports economics and marketing (Andreff & Szymanski, 2009; Deloitte, 2008a; Desbordes, 2007; Downward & Dawson, 2000; Downward, Dawson & Dejonghe, 2009; Fort, 2006). But it is only lately that tentative contributions to European team sports beyond football came up, i.e. particularly basketball, ice hockey, and handball (Deloitte, 2008b; Klein & Kurscheidt, 2008; Primault, 2009).

Given the dominance of the NBA on the worldwide player market and thereby also drawing European fan interest, basketball in Europe has difficulties to compete against football and the other team sports on the continent (Primault, 2009). In the European context, the German Basketball Bundesliga (BBL) may be seen as a “growing force” (Primault, 2009: 534). Indeed, between 2005/06 and 2007/08 the BBL grew 37% in turnover but still is the economically weakest pro league in Germany with 46.7m € against the next best league with 74.6m € (handball) (Deloitte, 2008b).

Since the BBL heavily relies on local revenues from attendance (22.5% of total budgets) and sponsorship (70.6%) (Deloitte, 2008b), it is a good testing ground for the “market size” hypothesis in team sports economics which stresses the competitive disadvantage of small vs. big town clubs (Desbordes, 2007; Downward & Dawson, 2000; Downward, Dawson & Dejonghe, 2009; Fort, 2006). So far, the hypothesis has been scarcely tested empirically (Bravold, Pan & Gabert, 1997; Simmons, 2009; Winfree, McCluskey, Mittelhammer & Fort, 2004). Moreover, the entire literature had been restricted to the relationship between “market size” (proxied by population) and attendance, thus ignoring sponsorship income and rarely considering local competitors (Zhang, Smith, Pease & Jambor, 1997).

Research design and data analysis

The data collection is based on club and location data of all the teams in the German first (16-18 teams) and second division (two tracks of 16 teams each) of basketball in the two seasons 2005/06 and 2007/08. Apart from variables such as club budgets, attendance figures, and end of season table standings, the data set encompasses the population size, GDP, an index of socioeconomic strength, and proxies for competition (existence of a top-football club and team sports competitors) at the team locations. Since the basketball sample is part of a larger research (Klein & Kurscheidt, 2008), comparisons can be drawn to ice hockey and handball. The data analyses comprise comparative descriptive statistics and linear multiple regressions with club budgets as dependent variable.

Results

League averages show that BBL clubs are based in cities of around 380,000 inhabitants (roughly 80,000 lower for the second league). Also the BBL locations are on average wealthier by at least 5b € in GDP compared to the second division. While these findings are comparable to results on handball, the basketball clubs seem to be more competitive on the local level. A third of BBL teams face competition with top-football at their locations (a quarter for the second league). Yet, the average total number of relevant team sports competitors is only about 0.7 but still higher than in handball whereas ice hockey teams have to prevail against 1.2 local competitors on average. Controlling for other determinants, the multiple regressions however cannot detect “market size” and competition variables as being significant for budget generation. Only in one regression a low significance is found for the socioeconomic strength of the team location, but with an unexpectedly negative sign.

Discussion and conclusion

Pro basketball in Germany appears to be more competitive in its club marketing on the regional level than especially handball. But the clubs seem to have trouble to position against diverse substitutes in economically strong locations. From a strategic marketing perspective and anecdotal evidence, one explanation could be that basketball teams are most successful by adopting a distinct niche positioning which attracts premium clientele, among sponsors and spectators alike, in more or less average medium-size towns. Relative to handball, they apparently have more problems to establish a local monopoly in strong small up to medium-size cities.

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