Chapter 3
Customer Relationship Management

Marketers segment markets on the basis of demographic, geographic, psychographic, and behavioral variables. Individual customers with similar attributes and needs are grouped into segments. The firm targets those segments that best match the firm’s objectives and resources given the competitive environment, typically investing resources in mass media such as newspapers, magazines, radio or television.

While marketers of sports and entertainment work under these same basic principles, the process has shifted from relatively static marketing planning models (year-to-year plans) to include more dynamic customer relationship management (CRM) models that quickly adapt to changing customer states and behaviors that can result in day-to-day or even second-by-second adjustments. As teams understand that they can precisely tailor the marketing mix to meet the needs of the different target markets through interactive network programs, they can creatively produce more profitable results.

Precision marketing offers customized benefits targeted to specific individuals based upon personal characteristics collected through the organization’s customer database. For the purpose of sports organizations and sporting events, CRM seeks to achieve three goals through precision marketing:
1. Generate new fans,
2. Enlarge attendance and purchases of current fans, and to
3. Motivate and maintain current fan identification and passion.

Ideally, online campaigns targeting individual fans become viral in nature. Venture capitalist Steve Jurvetson first referred to viral marketing as “network-enhanced word-of-mouth.” If individuals receive electronic communications with obvious personal benefits, they will spontaneously pass the information on to others. The benefits of viral marketing may be economic, social, or emotional in nature. Combining all three provides excellent incentive to pass the message on to others. Attractive offers, for instance, often provide a price deal (economic) to enjoy a sporting event (emotional) with another person (social).

Viral Motives
What motivates people to forward emails to others? We all know people that forward so much garbage that we are forced to put them on our “blocked senders list.” We wonder what these people are thinking and what motivates them to send what they do. We hope that you are not one of these individuals, but if you are, you probably can’t figure out why no one ever replies to your emails. Or, defriends you on Facebook. Anyway, as we were saying, the reasons why we (the normal people) are motivated to engage in electronic word-of-mouth are:
1. Inclusion: We want to belong and connect to others and forward emails to stand out from others as a way to maintain (or add value to) relationships.
2. Distinctiveness: We want to distinguish or differentiate ourselves from others, so we seek ways to stand out—by forwarding emails which offer some economic, emotional, or social benefit to others in our network of friends.
3. Affection: We seek reciprocated love and warmth from others, and forwarding positively received emails to others suggests an altruistic (selfless) concern for others who might also receive it positively.
4. Control: We want to influence others, and forwarding emails is meant to demonstrate our value to others. In a positive sense, we are trying to make a difference, to help others as we have been helped.

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These motives emphasize the fact that people communicate information primarily for social and emotional benefits. Hence, if offers are principally economic in nature (e.g., price promotions), they may provide value for the individual—but the greater value is if in some way individuals can share the experience or the benefits with others in their social network and receive emotional payoffs in doing so.

Successful electronic messages must make a positive emotional connection including some element of surprise. In order to be worthy of forwarding, the communication or offer delivered by the team must in some way surprise, astonish, or amaze the recipient. In chapter 1, we discussed the emotional responses people have to places and circumstances, noting that fans are motivated by positive emotions such as excitement, pleasure, and relaxation. Excitement is closely related to surprise, in that the message arouses or stimulates the recipient in an unexpected, but pleasing way. The tendency is to think the purpose of communicating with fans is to inform them—which is important—but it is not by itself what makes a message worth forwarding to others.

Obviously, not all surprises are good—so care must be taken to make sure the message is received positively. A frequent form of surprise used by companies has been violent humor, such as these Ford spots:

- Pigeon: [http://www.youtube.com/watch?v=JGbJvqLoz3I](http://www.youtube.com/watch?v=JGbJvqLoz3I)
- Cat: [http://www.youtube.com/watch?v=5dzi_8Rscfs&feature=related](http://www.youtube.com/watch?v=5dzi_8Rscfs&feature=related)
- Car: [http://www.youtube.com/watch?v=AEJIKJaNFr8&feature=related](http://www.youtube.com/watch?v=AEJIKJaNFr8&feature=related)

Research shows that these types of viral messages can be effective if the justification for the violence and relatedness to the offer is high. So, you might develop a series of viral ads showing players meeting with violence in a humorous fashion, including an offer to attend the next game in hopes of seeing such exciting mishaps. Of course, for some sports such as hockey and MMA, this is pretty much the point of competition.

**Emerging Model of Electronic Communication**

Given the prevalence of mobile devices and streaming content, sports marketers must approach promotion planning from a different perspective than the traditional broadcast media (TV, radio, print) approach. Eric Fernandez, from the prominent media consulting firm MediaLink, offers insight into how to approach communicating with fans. MediaLink’s approach demonstrates the communication process as being:

1. Dyadic: fans interact in two-way communication with the team.
2. Collaborative: fans generate content (UGC = user generated content) within their social network or community of fans of the team.
3. Platform agnostic: fans care less about the medium of distribution (TV, PC, or mobile) and care more about the content. High quality video is the killer app.
4. Transparent: easy to use and fan-friendly such that fans can choose how to access content (TV, PC, or mobile) and receive equal quality across all platforms.
5. Community: fan interaction, communication, and content are encouraged. Social media connects fans, community, and the team.

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Manchester United offers one of the best examples of a team incorporating these dimensions. At [www.manutd.com](http://www.manutd.com), you can participate in discussion boards and fan polls (dyadic/collaborative), subscribe to MUTV to watch via mobile devices (platform agnostic/transparent), and find a local branch of supporter clubs (community). You might also want to conduct your banking or buy insurance through the team’s finance unit or acquire personnel services for your firm through the jersey sponsor Aon. No, we don’t understand the logic behind the title sponsor either, except that Manu gets £80 million and all 36,000 Aon employees get Manu team shirts. Fortunately, they are also doing their part to help global warming (er, climate change) by having all jerseys manufactured out of recycled polyester generated from up to eight water bottles. No, we are not making this up.
The Key to Successful Precision Marketing
The key to all network-enhanced precision marketing efforts is the quality of the customer information in the database. As sports fans seek to affiliate themselves in some way with the team or players, the organization has ample opportunity to gather customer-specific data. Every time a ticket to a sporting event is purchased, vital customer information can be obtained. As fans buy individual tickets, mini-packs or season tickets online, over the phone, or at the ticket office, the organization can gather information that will allow the organization to implement incentive plans that seek to convert these fans into even more passionate fans. As fans engage each other and the team in the community, fan polls and surveys can gather customer information, so that specific fan segments can be identified. With this information, fans can be rewarded and encouraged to maintain and enhance their passion for the organization, its team, and its players.

Through any means of customer contact, the organization must evaluate and search for ways to be market oriented. Market oriented organizations do three things effectively.4

1. Generate customer information
2. Disseminate customer information, and most importantly,
3. Respond to customer information in a way that meets customer needs and fulfills organizational goals.

Without relevant customer information, the organization is merely working from management’s intuition and experience. This can lead to ineffective management, inasmuch as professional sports organizations have traditionally been managed by individuals whose backgrounds have been:

a. a player (professional, collegiate or otherwise) who retires and aspires to work in sports management,
b. media or team employees without technical or business training, or
c. an individual whose father or other relative owns the team.

In any case, no matter the background or training, management requires knowledge of their customers that exceeds their own abilities to observe and analyze. Even relying upon open access to fans (such as team owners Mark Cuban of the Mavericks or Ted Leonsis of the Capitals) does not mean that management will make effective marketing decisions.

Before anyone can disseminate or distribute customer information to others in the company so that they can respond with appropriate marketing campaigns, the team must determine what kind of information they need.

Types of Customer Information
If you’ve been scoring at home, you will recall the five elements that lead to fan identification and passion: involvement, perceived performance, attractiveness, social prestige, and distinctiveness. If we know that fans with more positive attitudes regarding the team and players regarding these elements are more likely to attend games, consume media, and buy merchandise, wouldn’t it be nice if the team had this information about any prospective fan?

Predictive Data. Teams can develop a prospect scorecard by incorporating measures of these five trait dimensions leading to identification and passion and its three primary consequences of attendance, media, and merchandise. The screenshot of an online form provides a single-item measure of all of the 10 dimensions. If you completed these 10 questions about your favorite NBA team, what we know about you? What kinds of offers might the team send you based on this information? What could a salesperson know in advance when calling you?

Teams can compute scores based on such prospect scorecards (e.g., range 10 to 50 for our example) and design campaigns based on the passion level of the fan. For instance, offers for individual game tickets could be made to those with lower incomes and prospect scores between 15 and 30. Of course, any scores over 40 should be prospects for season tickets, assuming ample income and other appropriate demographics.

Descriptive Data. Teams commonly collect demographic and geographic information about its customers. The table below provides a list of these variables and examples of ways to efficiently measure them. For instance, we know that the average age for season ticket holders for professional and collegiate sports is approximately 42 years old. As you might guess, season tickets require higher incomes, so the income typically exceeds $75,000. Young children in the home suggest opportunities for multiple tickets to games, but are less likely for season tickets given the life stage of these parents. Few will buy more than single game tickets if they live beyond 35 miles from the venue. Conversely, those passionate fans living outside the regional broadcast area are good candidates for online subscriptions (e.g., MLB TV). Obviously, ownership of a smart phone makes them good candidates for mobile applications.
Teams may add other descriptive data that help them target more effectively and to enable them to represent their target audience to potential advertisers in sponsors. The table below displays summary information gathered by a professional sports team to promote themselves to advertisers or sponsors with an interest in traditional and social media.

Professional sports teams often are effective at collecting descriptive data in aggregate form—as seen in the Fan Profile example. However, fewer sports organizations effectively and efficiently connect the individual fan data into the customer database in a way that helps them manage customer relationships.

“Why?” you ask. While most people understand the value of good data, the difficulty of successfully implementing a CRM system still hampers many companies today. CRM is still in its infancy in the world of sports and major league franchises are only now beginning to harness the power of marketing on a one-to-one basis with its customers.

### Descriptive Data

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male/Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>Year of birth: 19 ___</td>
</tr>
<tr>
<td>Marital status</td>
<td>Married/Single</td>
</tr>
<tr>
<td>Homeowner</td>
<td>Rent/Own home</td>
</tr>
<tr>
<td>Children</td>
<td>Number of kids under 18 living at home? ___</td>
</tr>
<tr>
<td>Heritage</td>
<td>African-American, Caucasian, Hispanic, Asian, Native American, Other</td>
</tr>
<tr>
<td>Education</td>
<td>*High School or less, Some college, 2-Year Degree, BA/BS, Master’s, Dr/MD OR *Years of education completed: 0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18+</td>
</tr>
<tr>
<td>Household Income</td>
<td>&lt;$25,000, $25-49,999, $50-74,999, $75-99,999, $100-124,999, $125-149,999, $150k+</td>
</tr>
<tr>
<td>Vicinity</td>
<td>Miles you live from [venue name]?</td>
</tr>
<tr>
<td>Zip Code</td>
<td>Zip code [can be plotted to determine market penetration]</td>
</tr>
<tr>
<td>Email</td>
<td>Email you frequently check [make sure they must enter duplicate email for accuracy]</td>
</tr>
<tr>
<td>Mobile phone</td>
<td>What type of cell phone do you use most often: ___iPhone ___Blackberry ___Droid ___etc.</td>
</tr>
</tbody>
</table>

### Fan Profile

Based on survey of over 2000 fans attending games.

**Upscale**
- 23% have family income in excess of $150,000
- 30% have family income in excess of $125,000
- 46% have family income in excess of $100,000
- 63% have family income in excess of $75,000
- 82% have family income in excess of $50,000

**Male**
- 57% are male

**Young**
- 70% are in the 18-49 age group
- 82% are in the 18-54 age group
- 35% are in the 18-34 age group

**Going to the game—it’s a social and business affair**
- 98% attend the game with someone else
  - 28% use tickets provided by a company or associate
  - 45% are using tickets from a season ticket plan
  - 42% share the purchase of season tickets with someone

**Media Savvy: Watching and Listening and Following**
- 88% follow games on TV
  - 88% of avid fans watch 10 or more games on TV
  - 2/3rds of all fans watch 10 or more games on TV
- 50% listen to radio game broadcasts
  - 1/3rd of avid fans listen to 10 or more games
  - 1/5th of all fans listen to 10 or more games
- 33% follow on Facebook
  - 25% daily
- 8% follow on Twitter
  - 10% of avid fans follow on Twitter
- 78% visit Teamwebsite.com at least once a week
  - 37% daily
  - 92% of avid fans visit (55% daily)
- 45% read the Game Program
  - 60% of avid fans read
- 58% read the Metropolitan Daily News
  - 47% visit the paper’s website

*Avid fans attend 10 or more games*
The Goal: Real-time Connectivity

Anxious to reconnect with fans following the NHL lock-out, the Chicago Blackhawks turned to CRM solutions offered by GoldMine\(^5\) (see http://www.frontrange.com/). When fans visit the tickets section of the team’s website to make a ticket request, the fan’s contact information is downloaded into a CRM database and each fan is automatically assigned to a sales representative. The sales rep, in turn, can actually contact the fan in real time while the fan is still browsing the team’s website. Of course, even better would be an online chat with a sales rep, as offered by Website Alive (www.websitealive.com). However, the point is that through CRM you can achieve real-time results in a 1-to-1 relationship with a qualified prospect.

Again, imagine how effectively salespeople could interactive with and meet fans’ needs if they had information from the prospect scorecard and key demographic information at their fingertips. Interestingly, teams sometimes are hesitant to collect all of the information they need to serve customers effectively. However, it’s important to remember that these are typically passionate fans—and they have come to the website because of that passion. Research shows that if fans will just begin the sign-in process, they will typically complete it. Hence, an easy-to-start opening screen with basic information is essential. Teams may also choose to allow certain information to be optional. Less passionate fans may not complete the entire data sheet, and hence are not likely to be hot prospects anyway.

Implementation Issues

There are seven keys that will determine whether or not your sports organization will be successful implementing CRM.\(^6\)

1. **Commitment**: The senior executives of the organization must have buy-in for the CRM initiative or else it will falter when the process hits snags. And it will hit snags, as individuals from marketing, sales, information systems, and operations must work together to make the CRM program work effectively and efficiently. Without the backing of senior management, the project can get sidetracked or delayed as different units seek disparate goals. If you’re at the lower end of the organizational totem pole, be careful in volunteering to lead up the CRM initiative unless you know for a fact that the top management is in support of the effort.

2. **Hardware match**: The temptations presented to those given the responsibility for buying equipment, software and hardware for the CRM implementation may be too much for some to handle. First, the team may have an existing relationship with a key sponsor (e.g., IBM), but the IT people like Dell or Apple. Second, the needs and preferences of the IT people may not match the needs and skills of those on the CRM project team who will have to use the systems. So, if left up to the technology gurus, you could come up with a great system that others have difficulty actually using.

3. **Healthy data**: An early threat to the life of the CRM project is unclean data. Data may be collected in a variety of ways from a variety of sources. Dependent upon how the data is collected; the same customer could be identified as multiple customers based upon multiple transactions. For instance, a customer could buy a ticket at the box office, purchase a jersey on the team’s website, and complete a contest form at the game. All of these should collect vital data in the same format and customers identified in the same manner.

4. **Measurement expectations**: The allure of fantastic increases in productivity through CRM possesses some to set performance goals that are unrealistic. When finance wants to know what the ROI is on the CRM investment, be cautious of promising staggering returns. It is often difficult on the front-end to determine where the biggest paybacks will occur. So, manage expectations. Instead of offering over-the-

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top results, you are better off with conservative estimates. Then, when things do go well, expectations have been exceeded and everyone is happy. At least as far as CRM is concerned.

5. **Change management:** Assuming you have paid attention to the first four keys, you know that you have to have top management’s support to make the CRM initiative successful. However, just because they’re on board doesn’t mean that everyone else in the organization gets it. In fact, unless the mid-level managers and other employees who will actually be handling and managing the data understand the importance of the CRM effort, the system will not reach its goals. For instance, you will probably need to hold meetings with different department heads and relevant employees to sell the importance of the CRM program. It helps to bring good pastries and coffee to the meetings.

6. **Right people on the CRM bus:** Effective management of the CRM implementation requires the proper mix of talent from technical, marketing, database management, and analytics personnel. Difficulties arise if the project implementation team is imbalanced, with too strong of a presence from one of these functional areas. Similarly, even though the team might equitably represent each of these areas, the skill levels of the team members should be adequate and comparable for the tasks. If you are unable to get the people who can best perform the implementation tasks, you may as well not do the project at all. That may mean paying salaries above and beyond normal market levels to make sure the right people are on the bus—and are sitting in the right seats. You can’t go anywhere until the bus is ready to roll.

7. **Sell & sell again.** Once the CRM project takes off and people see its value, the tendency is to let the fervor cool down. Instead, CRM leadership must continue to sell the program, tooting its own horn, and documenting the successes. This means that you should plan out each year’s calendar with key events to get yourself in front of company decision-makers and opinion-leaders to update them on the progress of the CRM program. Once you get started, you have to keep the momentum of the CRM program going in order to stay on the cutting edge.

**CONCLUSION**

In order to effectively target precision marketing campaigns, teams must collect precise, reliable and valid customer data. The more precise the database, the more precise is the targeting. The result is less wasted effort by the organization and achievement of the CRM objectives of generating more fans, enlarging purchases, and maintaining identified passionate fans. For the fans, they receive information and offers from the team that are beneficial not only to themselves, but to others with whom they share the information and offers. Without precise customer information, fans experience confusion (“Why did they send me this?”) and waste effort viewing (and deleting) irrelevant emails or ignoring other poorly targeted media. Gathering predictive and descriptive customer data allows the sports organization to make effective pitches to those organizations seeking to sponsor or advertise with the team due to similar target markets. In sum, everyone wins with network-enhanced precision marketing.

Now that we have reviewed some of the conceptual nature of how sports teams can promote the team on a 1-to-1 basis with fans, we next turn to introducing more practical, experiential exposure to an online CRM system offered by Microsoft Dynamics.

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7. Otherwise known as “sandbagging.”
8. We suggest threatening to release their individual personal data to everyone on the internet unless they comply with your demands. On the other hand, this may also create what some would call a “negative workplace environment.” Consequently, you may do better with veiled threats of reading their personal emails through the new CRM system.