Managing North American Major Professional Sport Teams in the New Millennium: A Focus on Building Brand Equity

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Following a decade that produced astonishing player salaries, continued player mobility, widespread corporate involvement, and skyrocketing ticket prices and broadcast rights fees, North American major league professional sport teams enter the 21st century encountering a number of significant challenges. An analysis of the aforementioned trends yields valuable insight into the future of professional team sport management in North America and leads to the identification of a primary concern of team owners and operators, that of managing the franchise’s brand equity. With team owners increasingly reaping profits from the long-term appreciation of the team’s value while continuing to lose money on a yearly basis, there will be an increased focus on strengthening team brands. This new focus will lead management to build and maintain brand equity through two primary means: the acquisition of assets and the enhancement of customer relationships. Each of these predictions is explained in depth in this paper and examples are provided.

Professional team management saw many changes during the 1990s, some of which were accurately predicted by Fichtenbaum, Rosenblatt, and Sandomir (1989) in the now defunct Sports, Inc. (e.g., increased dependence on sponsorship,

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increased private sector commitment in facility financing, escalating ticket prices). Now, already into the next decade, Fichtenbaum et al.’s work serves as the inspiration for this paper. While Peter Drucker suggests predicting the future can be pointless, he does acknowledge that we can prepare for the future by studying history to identify trends that have a high likelihood of impacting the future (Drucker, Dyson, Handy, Saffo, & Senge, 1997). For example, the recent merger of the New York Yankees and New Jersey Nets, and subsequent alliance with the Manchester United of The English Premiere League, represents the potential for a new business model focused on the accumulation of assets. This has significant implications for the future, as owners increasingly focus on the enhancement of franchise values. Therefore, based on Drucker’s thinking, we initiate our exploration into the future of North American major professional team sports. Specifically, we present this paper by drawing on both academic and trade writings to identify emerging trends that will impact the industry into the next decade.

Hereafter, we contend that 2000 to 2010 will be the decade in which team management activities evolve from a focus on winning as a means of realizing short-term profits to a focus on strategic management of the team brand as a means of realizing long-term appreciation in franchise value. Beyond the fact that each league produces only one champion per year, there are a variety of reasons that such a paradigm shift will occur. As the merger between the Yankees and Nets demonstrates, team owners are now beginning to focus on the accumulation of assets to increase the value of the team. In addition, brand management will be needed if major league professional teams hope to curb the trend of alienating the individual fan in the interest of courting corporate dollars.

To make this argument, we present this paper in four sections. First, we provide a brief analysis of the development of the North American professional team sport industry during the 1990s. This includes a selective look at some of Fichtenbaum et al.’s (1989) predictions. Providing a current assessment of the industry allows for the highlighting of several key factors that will influence team management into the present decade. Secondly, we describe the scope of professional team sport brand management. This includes not just a definition, but also a framework that identifies the two broad tasks that team sport brand managers will undertake. Third, we address the practice of asset acquisition and offer predictions on how that practice will evolve in coming years. Fourth, we offer predictions regarding how team managers will seek to maintain and further develop brand loyalty among their key constituencies.

**A Brief Review of the 1990s**

"How Golden the Goose" (Fichtenbaum, et al., 1989), appearing in the January 2, 1989, issue of *Sports, Inc.*, contained a number of accurate, albeit safe, prognostications related to the management of major professional team sports in the 1990s. In amazement of 1988 sale prices of $97 million (Seattle Seahawks) and $70 million (Portland Trail Blazers and Baltimore Orioles), the authors predicted sale prices of $300 million were possible. In reality, franchises appreciated
at an even faster rate. Daniel Snyder’s purchase of the Washington Redskins of the National Football League (NFL) for $800 million highlighted the fact that bids in the neighborhood of $1 billion are not far away. The price tag for an NFL expansion franchise, a property with lots of hope but limited real assets, skyrocketed from the $140 million paid for the Carolina Panthers in 1993 (Gorman & Calhoun, 1994) to the $700 million paid by Bob McNair for the new Houston team (Fisher & Ozanian, 1999), an appreciation of 400% over 6 years. In spite of the tremendous growth in franchise values, many teams lose money. According to Forbes magazine’s 1999 evaluations, 70 out of 116 teams lost money (Badenhausen & Secheri, 1999; Fisher & Ozanian, 1999; Ozanian, 1999). Thus, the 1990s were a time when owners were largely unsuccessful at increasing operating profits but were very successful at increasing franchise values.

The ability to construct a new stadium and/or control the revenues associated with the home stadium/arena was a major factor in both escalating franchise values and a team’s ability to break even. Forbes magazine, which provides annual valuations for all professional sport teams, values teams based on revenues and facilities (Badenhausen, DeCarlo, & Sicheri, 1998). With new stadiums providing enhanced revenue streams (i.e., through more luxury suites, better attendance at higher ticket prices, enhanced concessions deals, and more control over parking), it is not at all surprising that the 1990s also represented a time of unparalleled building construction. Howard (1999) termed this era the “Palace revolt,” referring to owners’ desire to mimic the financial success of the Detroit Pistons after moving into the Palace at Auburn Hills in 1988.

Fichtenbaum et al.’s (1989) prediction that owners would turn to privately financed stadium deals proved accurate as taxpayers rejected numerous opportunities to fund professional sport team facilities. This necessitated that private sources account for an all-time high of 54% of new stadium construction costs (Howard, 1999). In order to cover such costs, owners assumed unprecedented amounts of debt. This led to the use of personal seat licenses and naming rights as a means of securing loans from lending institutions (McCarthy & Irwin, 1998). In addition, professional teams have attempted to maximize the revenue from luxury suites (usually by building more) and increasing ticket prices (Howard, 1999). Luxury suites, leased for 3- to 10-year periods, mostly to corporations, greatly changed the face of the sales mission of the professional team sport organization. Given the revenue associated with these suites, the target market for sales and communication efforts of professional teams has shifted from the individual fan to the corporation.

Ticket prices also increased significantly to help cover debt. Ultimately, ticket-pricing strategies were less a function of supply and demand than they were of financial necessity. The cost of admission to a North American major league professional sporting event has risen at a pace two to four times the rate of inflation (Howard, 1999). While the NBA reported the highest average ticket price at $48.37 for the 1999–2000 season (a 108% increase since the 1991–92 season, “NBA Ticket Costs,” 1999), other leagues’ averages, with the exception of baseball, lag not far behind (Table 1). Such high prices restricted the demographic base of people
Table 1 North American Major Professional Sport Average Ticket Prices (1999–2000)

<table>
<thead>
<tr>
<th>League</th>
<th>Average ticket price</th>
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<tr>
<td>NBA</td>
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<td>NHL</td>
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attending, often resulting in the erosion of loyalty and increased apathy toward professional sport teams (Gorman & Calhoun, 1994; McGraw, 1998).

The rapid movement of players (through and as a result of free agency) may also have resulted in decreased loyalty. Fichtenbaum et al. (1989) were correct in their estimation that free agency would flourish during the 1990s. According to King (1999), free agency significantly enhanced player values through competitive bidding leading to astronomical salary growth evidenced by the 130% increase in the average salary paid to Major League Baseball players during the 1990s. Fichtenbaum et al.’s (1989) projection that by 2000 the average player salary in the NBA would be $2 million a year was not far off the actual figure of $2.5 million (1999–2000 NBA Preview, 1999). Further, the ability of teams to offer such high salaries led to decreased loyalty of players to teams, and teams to players. Shaquille O’Neal, who led the NBA’s Orlando Magic to the precipice of an NBA title, decided to leave Orlando for the Los Angeles Lakers, who agreed to pay him $120 million over 7 years (Samuels & Starr, 1996). With player salaries escalating out of control, ticket prices often rose concurrent with increases in team payroll. Free agency also led teams to be less loyal to players. In 1997, MLB’s Chicago White Sox, who were competing for a league championship, traded their best starting pitcher and best relief pitcher because they were afraid of losing the players to free agency when the year concluded and receiving nothing in return (Verducci, 1997). In both cases, these personnel moves represented lost hope for the fans in Orlando and Chicago and may have served to erode fan loyalty in these cities as well.

As the previous discussion demonstrates, the economic realities brought on by widespread new stadium construction and continued player mobility have led professional sports teams to increasingly shut out the traditional audience (individual ticket purchasers) of major league professional sports. This may have significant implications for the future. Dortch (1996) warned that if owners do not move fast to increase customer loyalty, a precious asset, as well as a lot of money, would be lost. However, what customer is Dortch referring to? Heading into the new millennium, it appears that major league professional sport teams in North America must deal with the task of satisfying a broad spectrum of customer or
stakeholder groups (fans, players, corporations, and media), who possess equally divergent and frequently conflicting values. For example, partnerships with corporate America and the broadcast media, who, in return for attractive mass audiences, underwrite a majority of the operational budget (Howard, 1999; Ozanian, 1999) and serve a vital promotional role, are crucial to the existence of major professional sport in North America. Yet, the media-dictated prime time scheduling often makes it impossible for young fans to see the conclusion of important contests. So how will the team sport manager of the 21st century react?

**The Focus on Building Brand Equity**

This brief review of the past decade suggests North American professional sport franchises will continue to be challenged by issues of profitability. As a result, the corporate involvement in sport and the focus of selling the sport product to corporations will not decrease. Further, the manner in which owners view their teams will continue to evolve. Given the rapid escalation in franchise values, a long-term focus on the appreciation of the franchise’s value, or equity, will increasingly dictate the actions of North American team sport managers. This will cause a shift in the way teams are viewed and managed.

Specifically, we contend that teams in this decade will increasingly be viewed as brands and managed accordingly. The goal of such efforts will be to build brand equity. According to Aaker (1991), “brand equity is a set of brand assets and liabilities linked to a brand . . . that add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customers” (p. 15). Jean-Noel Kapferer (1992) describes brand equity more succinctly: “Products are what the company makes; what the customer buys is a brand” (p. 2). The key for professional teams will be to differentiate their brand by developing and/or strengthening positive associations with team brands in the minds of their consumers. Shocker, Srivastava, and Ruekert (1994) suggest brand management must be viewed from a “systems” perspective that focuses on adaptation and responsiveness to competitors, customers, and past actions (p. 149). Adaptation and responsiveness will become the focus of professional teams because it will help owners satisfy the desire to increase franchise value.

While its origins can be traced back to 1931, the study and application of brand management theory became prevalent in marketing management during the late 1980s (Aaker & Joachimsthaler, 2000). In sport, though, managers have largely demonstrated a consistently myopic view that winning is the only means to generate equity (Mullin, Hardy, & Sutton, 2000). While it is not disputed that winning greatly enhances brand equity, and consistent losing detracts from equity, Gladden and Milne (1999) documented the fact that success and brand equity are distinct constructs that result in the realization of positive marketplace outcomes (e.g., merchandise sales). Thus, in this decade, sport teams will look to other ways to create brand equity for their respective sport teams. While success in competition is vitally important and can drive a brand, a broader, more long-term approach is needed in the present context. We have argued that the owner’s financial return is
not in short-term profits, but rather in the long-term appreciation of assets. Central to appreciation then is the enhancement of such assets. Brand management theory is well suited to this end goal, as it focuses more on the long-term development of a brand, rather than short-term profits (Keller, 1998; Shocker, Srivastava, & Ruekert, 1994). Further, mainstream marketing research has already demonstrated that brand-building efforts play a significant role in increasing the value of companies in a variety of industries (Aaker & Joachimsthaler, 2000).

Thus, the scope of our prognostications will focus on one central theme, brand management. We envision that during the early stages of the 21st century, team owners and managers will be charged with building and maintaining brand equity with the individual fans, corporations, and media outlets that are crucial to the success of sport teams. At the crux of these efforts will be strategic efforts to build relationships with these groups that result in brand loyalty. In their introduction to a special issue on brand management in the Journal of Marketing Research, Shocker et al. (1994) suggested “all levels of distribution and supply now see the importance of system wide coordination to improve operating efficiencies. The advent of the term ‘relationship management’ captures this new awareness” (p. 152). This view will be increasingly applied to strengthen team brands in this decade.

These relationship-building efforts will focus on two aspects that are consistent with the definitions of brand equity management set forth above. First, professional teams will focus on acquiring assets (thus creating additional channel relationships) that will enhance the equity of the brand by allowing it to better serve its varied customers in a cost effective and profit maximizing manner. To do this, we contend that strategies such as integration, strategic alliances, and mergers will be more common in the next decade. The second focus of this paper is on the individual fans of professional team sport. While a team needs corporations to purchase its luxury suites, the luxury suites are meaningless as hospitality tools if people are not interested in attending the games. Similarly, the corporations interested in sponsoring teams and media entities are interested in broadcasting games because of the audiences that team sport deliver. For these two reasons, the second prong of the team sport manager’s brand management efforts will be to increase their efforts to develop long-term relationships with fans.

**Building Brand Equity Through the Acquisition of Assets**

Acquiring assets will be a primary brand management strategy employed by professional teams in the future. As it relates to major league professional sport, it will increasingly appear that there is a great deal of truth in the axiom “there is strength in numbers.” Through the acquisition of assets, namely product offerings, sport managers will be able to more effectively integrate and bundle packages of inventory for corporate consumers (sponsors and advertisers). In addition, this will allow for the seasonal focus on different sport holdings by one single staff, as opposed to the past where one staff focused on one property. Taken together, the
bundling and increased operational efficiency will lead to profit maximization and brand equity through the achievement of economies of scale, particularly as it relates to corporate sales.

Thus, consistent with the view of Pitts and Stotlar (1996), we contend that North American professional teams will choose to pursue practices common among their chief competitors (in entertainment) and amass synergistic assets that not only enhance production, delivery, and consumption, but also the financial value of the franchise. These efforts will focus on asset acquisition through the following means: (a) integration strategies, (b) strategic alliances, and (c) mergers. The remainder of this section will illuminate how each will impact the future.

Integration Strategies

Integration strategies, or the acquisition of distributors, suppliers, and/or competitors (David, 1999) will continue to impact the major league professional sport industry (Stotlar, 1999). As predicted by Fichtenbaum et al. (1989), corporate ownership flourished during the 1990s. While other corporations claimed a stake in professional sport franchise ownership, media companies dominated corporate ownership in sport, which Ozanian (1994) attributed to the rapid escalation of franchise values. Mass media owners were focused on sport teams because it allowed them to acquire content for distribution. In turn, this gave the corporate owner more control over the production and distribution of the sport product. This allowed for operational efficiencies, such as the bundling of advertising inventory, which resulted in more attractive offerings for corporations, thus leading to profit maximization. Controlling interests in professional sport teams were attained by such mega-corporations as The Walt Disney Company (owners of ABC, ESPN, and ESPN2), which purchased a stake in the NHL’s Mighty Ducks and MLB’s California Angels (subsequently changing the name to the Anaheim Angels); News Corp. (owners of FOX and FoxSportsnet), which secured ownership of the Los Angeles Dodgers; and Time-Warner, which gained control of MLB’s Atlanta Braves, the NBA’s Atlanta Hawks, and the NHL’s Atlanta Thrashers through acquisition of Turner Broadcasting Company.

Integration strategies have also been increasingly popular among major league baseball teams. Purchasing ownership of minor league teams and then relocating these teams within reasonable proximity to the major league team creates a feeder system designed to nurture fan affiliation from the time a player is 18 through their major league career. This integration ensures that fans have a longer relationship with the organization to not only attend games, but also to view them on television, access their Web sites, and purchase merchandise and sponsors’ products. From a business perspective, integration provides packaging for regional sports channels and the reduction of travel costs because they can be shared throughout the system. For example, the top minor league affiliates (AAA) of MLB’s Cincinnati Reds (Louisville), Detroit Tigers (Toledo), Boston Red Sox (Pawtucket), Philadelphia Phillies (Scranton-Wilkes Barre), Montreal Expos (Ottawa), Seattle Mariners (Tacoma), Oakland A’s (Sacramento), Arizona Diamondbacks (Tucson),
and Colorado Rockies (Colorado Springs) are all within 125 miles of the major league city and represent integration opportunities.

Integration strategies will become even more prevalent for two reasons. The first is that the increased prevalence of Regional Sports Networks and their ownership of professional sports teams (i.e., Comcast Spectator and the Philadelphia Flyers and minor league hockey Philadelphia Phantoms) can greatly enhance the equity of team brands by broadening product offerings such that more diverse audiences are delivered. This will allow teams to bundle the consolidated property’s rights, ultimately increasing sponsorship fees, and in some cases media rights. In the case of the Philadelphia Phantoms, Comcast Spectator is able to broaden the audience it delivers by expanding beyond the typical corporate client that pays an average of $40 for a ticket to attend a Flyers game (Melvin, 1996) to a more middle-class or family-oriented fan that can afford to attend a smattering of Phantoms games less expensively. This strategy must be working for Comcast because it recently purchased three minor league baseball teams (Barbieri, 2000). Second, as is evidenced by the WNBA, with more team owners also owning their facilities, these owners will seek complementary programming for their facilities, which not only makes the facility profitable, but also delivers a broader and more diverse audience to sponsors. Integration will continue to occur this decade due to expansion of the WNBA, Arena Football League, and Minor League Hockey.

While integration appears to make conceptual sense, the actual implementation of such acquisitions will provide a challenge to sport managers of the future. Sport entities will not be immune to some of the typical problems that arise when corporations integrate. For example, integration often creates problems meeting capacity at each stage in the value chain (Thompson & Strickland, 1998). In the case of Comcast Spectator, the challenges of coordinating the sales of packaged inventory across two hockey teams and three baseball teams using one combined sales staff are immense. Thompson and Strickland (1998) also note how integration requires different business skills. As part of their burgeoning entertainment conglomerate, Comcast Spectator has also created public skating rinks called Flyers Skate Zones (Barbieri, 1999). In this case the business challenges of managing a skating rink are much different than those of managing a baseball or hockey team. Such problems have often led companies to consider strategic alliances and joint ventures rather than integration. This will be true in sport as well.

**Strategic Alliances**

Significant research and attention (Day, 1995; Hamel, Doz & Prahalad, 1989; Varadarajan & Cunningham, 1995) has been devoted to creating strategic alliances as a means to build competitive advantage. As we move to the next millennium, strategic alliances and joint ventures will play an important role in assisting teams to develop brand equity. In fact, of the three asset acquisition strategies mentioned in this paper, this one may be the most prevalent in the next decade. Varadarajan and Cunningham (1995) contend one of the motives of strategic alliances is to shape the structure of the industry. Already, there are two visible examples
of this. First, the NBA has entered into a strategic alliance with sports and entertainment giant SFX to promote the NBA's new minor league (Humbles, 2000). In doing so, the NBA is taking an innovative step to create formal synergies between sport and musical entertainment offerings. Second, the Los Angeles Dodgers (MLB), Kings (NHL), and Galaxy (MLS) and the Staples Center are proposing to form Fox One Integrated Sports Marketing Partnerships, a strategic alliance that allows for an umbrella sponsorship and media sales company controlling millions of dollars in sponsorship, signage, and advertising inventory (Rofe, 1998).

Fox One Integrated achieves typical objectives associated with successful strategic alliances. First, it broadens the product line and fills gaps in the existing product line of Fox Sports, the owner of the Dodgers (Varadarajan & Cunningham, 1995). Second, it enhances the efficiency with which resources are used (Varadarajan & Cunningham, 1995). By creating one sales entity, the need for individual sales staffs within each of the four entities is eliminated. Finally, this alliance allows the partners' strategic goals to converge while at the same time their competitive goals diverge (Hamel et al., 1989). Certainly, one of the strategic goals of each entity is to increase revenues. Through more effective bundling of packages for corporations, Fox One Integrated would definitely achieve this goal. Further, in only one case (that of the Kings and Lakers) is there a potential that similar consumer groups will be targeted. In the end, the relationships with corporate customers could be enhanced, thus contributing to the building of brand equity.

In the future, we agree with Lachowitz (2000) that strategic alliances will be broadened to include the sales of tickets. Lachowitz contends that “regional sports alliances” (p. 57) will begin to emerge in metropolitan markets. These alliances will serve to package inventory targeted to both corporations and individuals (i.e., tickets). In doing so, traditional non-users might be introduced to another team's product via a “sample” of the sport options in a market. Such alliances have been completed between two teams already (the NBA’s Toronto Raptors and the NHL’s Toronto Maple Leafs) but have yet to include more than two entities. Rest assured, such variations of the regional sports alliance will emerge in the future, for they allow for a broader population to be served, thus increasing and improving customer relationships between the fan and the team brand.

While strategic alliances will definitely become more prominent as a means of enhancing brand equity, some of the typical problems associated with strategic alliances will also occur. Day (1995) suggests the greatest costs associated with a strategic alliance are when the alliance fails to meet expectations and/or is dissolved for poor performance. While these alliances to sell broadcast time, sponsorships, and tickets may work for some markets, in others they will not be successful. This will be particularly true in situations where one entity in the alliance possesses more brand equity than its partners. Such a case might exist if the Oakland A’s and Oakland Raiders created an alliance. Largely based on their ability to attract audiences, the Oakland Raiders arguably possess a much stronger brand in today’s marketplace. As a result, if Raiders sponsorships were bundled with A’s sponsorships, prospective sponsors might not see the value of purchasing the rights
to advertise associated with both brands. In fact, according to Aaker and Joachimstahl (2000), a corporation would be wise to stay away from sponsoring a brand that did not provide associative brand image benefits. Another problem with strategic alliances is that organizational cultures may clash (Day, 1995). Using the Fox One Integrated example, the Fox Sports personnel, whom are accustomed to selling advertising time, may not be well equipped to effectively integrate sponsor benefits through each of the teams and the facility involved in the alliance. Thus, the sponsor benefits realized by the teams, particularly from a promotional perspective, might vary, thus creating resentment between the partners in the alliance.

**Mergers**

The recent formation of YankeeNets through the merger of MLB’s New York Yankees with the NBA’s New Jersey Nets, marked a departure from accepted practice into a realm of virtually uncharted reality and unlimited possibility. It represents a model whereby individual teams can merge to enhance each other’s operational revenue, while at the same time building brand equity. According to John Krimsky, President of YankeeNets, such a strategy will increase in the future out of necessity:

Mergers and strategic alliances have to occur. There are economies and opportunities that are enhanced by the ability to merge two or more properties into one entity. This new entity then has a more distinctive direction and focus as well as enhanced capabilities and resources. The result? More effective and creative possibilities for attracting and maintaining the fans’ interest. (John Krimsky, personal interview, August 31, 2000)

At the root of the merger was Yankees owner George Steinbrenner’s desire to create a Regional Sports Network and control the broadcasts of Yankees games (Akasie, 1999). While the Yankees, fresh off three championships in 4 years would provide programming for the spring, summer, and early fall, Steinbrenner needed programming for the late fall and winter. The NBA’s New Jersey Nets provided just such programming. A merger resulted, which provides synergies that can enhance the brands of both teams. First, it creates operational efficiencies. While each team’s on-field and on-court activities (including player personnel decisions) will be handled separately, the business and marketing operations will be handled by one unit (Bagli, 1999). This allows for the two-team entity to package the sale of local television rights, sponsorships, advertising, and luxury suites (Bagli, 1999). To enhance YankeeNets’ control over these activities, it plans to create a new television network that guarantees over $1 billion in rights fees over the next decade (Bernstein & Frank, 2000). In effect, by merging, the Yankees and Nets created an entity with enhanced equity due to the increased breadth of packages that can be offered to advertisers. In an effort to enhance equity further, YankeeNets purchased a stake in the New Jersey Devils professional hockey team and formed a strategic alliance with the Manchester United of the English Premier League to promote each other’s brands (Kaplan, 2000, 2001).
This merger has already intensified the discourse about synergies across professional sports in other markets. The NBA’s Phoenix Suns and owner Jerry Colangelo have intimated that they will be exploring similar initiatives involving the Suns (NBA), Diamondbacks (MLB), Rattlers (AFL), and Mercury (WNBA), and the America West Arena, all of which Colangelo already has some ownership or management stake in (Kaplan, 1999). Colangelo views this conglomeration as an asset that can be used to attract investors to help alleviate the debt he and his partners incurred when they purchased the Diamondbacks as an expansion franchise 4 years ago (Kaplan, 1999). Thus again, the bundling would help enhance the brand of these Phoenix area entities by providing a more attractive platform to corporate investors.

While YankeeNets provides numerous opportunities to enhance brand equity, the Yankees may not have selected the optimal partner. As a perennial champion, the Yankees have a high perception of quality and are certainly one of the top brand names in Major League Baseball. By contrast, the Nets have a history of poor performance, and it could be argued that they are one of the weaker brand names in the NBA. In the context of brand management then, does the acquisition of an inferior property decrease the prestige and image of the Yankees organization? According to Mahajan, Rao, and Srivastava (1993), when considering the addition of brands to a portfolio, companies must consider how the new brand will complement the existing brand in terms of growth potential, longevity, and performance. A more appropriate fit, that is a merger where the brand strength of the two entities would be more comparable, would have been between the Yankees and Knicks. However, given the fact that the Knicks (and Rangers) are owned by Cablevision, which operates the MSG Network (that televises Yankees games until the 2001 season), such a merger was not possible. The direct impact of taking on an entity whose image is different is yet to be seen.

Summary

Based on the recent efforts by major league professional teams (and/or their owners), we contend that the acquisition of assets, via integration, strategic alliances, and mergers, will be a primary tool utilized by sport managers to enhance the equity associated with their teams. While these efforts are not commonplace yet, they will be necessary if team owners hope to continue realizing appreciation in the values of their franchises. However, we also caution that such efforts will not be achieved without problems. Specifically, in acquiring additional assets, sport managers will need to overcome problems associated with the integration of inventories, personnel, and brand imagery.

Building Brand Equity
Through Customer Relationships

Much has been written regarding the need for professional sports to win back the consuming public. Escalating ticket prices, franchise relocation, and free agency all pose serious threats to the maintenance of a core base of consumers into
the future (Friedman, 2000; Gorman & Calhoun, 1994; Howard, 1999). While corporations, rather than individuals, purchase the majority of in-stadium/arena tickets, the individual sport fan is still vitally important to the team’s brand equity. The individual sport consumer influences both the corporate and media entities that are helping to underwrite sport. Without the large base of individual fans, there is no television audience for broadcasting entities. Similarly, without the large base of individual fans, teams would be much less attractive to sponsors as vehicles to target fans. We are already seeing hints of this. Target stores, a major sponsor of the NBA, recently announced that it will no longer sponsor the NBA because it does not reach Target’s core consumer anymore (Roze, 1999). Another reason teams may refocus on individuals is that they will be more recession/depression-proof than the corporation. Howard (1999) suggested the corporate consumer is not nearly as emotionally connected and involved with professional teams as the individual fan. Thus, in the advent of a recession, the hospitality budgets that finance corporate season tickets and luxury suites will be one of the first line items eliminated.

So, the question becomes, how can pro sport managers enhance relationships with individual fans? This question is even more perplexing given the fact that the glut of technology-based entertainment offerings (e.g., Internet, virtual reality games) will further compete for the sport consumer’s time and money (Wolf, 1999). In response, professional teams of this decade will focus on developing positive mental associations with their team brands as a means of fostering long-term loyalty. Such associations provide the basis for brand differentiation, ultimately leading to loyalty and brand equity (Aaker, 1991; Gladden & Funk, 2001). Keller (1993) suggests that there are three keys to forming brand associations in the consumer’s mind: strength, favorability, and uniqueness. Given its unpredictable and subjective nature, sport offers a very unique offering in the entertainment marketplace (Mullin, Hardy, & Sutton, 2000). However, sport teams have recently fostered unfavorable brand associations for a variety of reasons, including franchise relocation (or the threat of) and the trading of key players in order to reduce team expenditures. Out of necessity then, sport managers in this decade will both recognize and centralize their focus on building relationships with their fans as a means of fostering positive brand associations. In a recent interview, David Stern, Commissioner of the National Basketball Association (NBA) recognized the importance and simplicity of such a practice. In the interview, Stern admitted that the NBA had not been wise enough over the past 50 years to recognize the importance of creating dialogue with its fans (Genzale, 1999).

Specifically, we contend that teams will seek to enhance their relationships with individual fans by increasingly utilizing four broad-based strategies:

1. Developing an enhanced understanding of the consumer
2. Increasing the interactions between the consumer and the brand
3. Reinforcing and rewarding loyalty to the team brand
4. Consistent integrated marketing communication to reinforce key brand associations
Toward a Better Understanding of the Team Sport Consumer

Before teams can create or take advantage of the brand associations consumers have with their teams, they must first understand consumers' existing perceptions of their brands. As such, an important component of teams' efforts to build better relationships with their customers will be an increased focus on soliciting, listening, and responding to consumer needs. According to Keller (1998), "strong brands in the twenty-first century also will rise above other brands by better understanding the needs, wants, and desires of consumers to create marketing programs that fulfill and even surpass consumer expectations" (p. 633). In a time when the themes in political campaigns are dictated by market research results, it is amazing that the market research conducted by sport teams is not more sophisticated. Drucker et al. (1997) indicated that the dominant factor for business in the next decades will not be economics or technology but rather knowledge. For the major professional sport team of this next decade, the challenge is to learn as much as possible about their consumers. Forrest, Kinney, and Chamberlain (1996) have suggested that advertising agencies will evolve from working for advertisers to working with consumers in the future. For the sport manager, the task will be similar. Dialogue with customers is bound to increase after years in decline. Witness the owner's "batphone" employed by the Washington Capitals of the NHL to allow fans to lodge a complaint directly to the owner's box during a game (Raboin, 1999). It is not outside the realm of possibility that brand focused teams will poll fans prior to trading a popular player.

In the next decade, team managers will make better use of technology to garner a more intricate understanding of their consumers. The focus of these efforts will be to build detailed databases so that more personal interactions and appeals can be made. For example, the fan loyalty programs where consumers "swipe" their identification card at a kiosk every time they attend provide resources to build a database of people attending games (Malony, 1999; Mullen, 1999). While such technology is only starting to become prevalent, its use will be expanded such that the team will be able to track not only when someone attends, but where they park, how much food, beverage, and merchandise they purchase, and when they leave. While numerous retail organizations have been employing this technology for over a decade (e.g., grocery stores), teams are just now awakening to its utility. Similarly, teams will become adept at using their Web page to gather information about their consumers. While such research has methodological shortcomings, conducting consumer research over the Internet can be much more cost effective than traditional personal interviewing and telephone methods. Thus, both surveys and on-line focus groups (through the team chat rooms) will become an increasingly common practice among teams.

Increasing Consumer Interactions With the Team Brand

In addition to learning more about their customers in an effort to better satisfy needs, professional sport managers will also realize the importance of fostering
regular interactions between the consumer and their brands. The end goal of such interactions would be what Rozanski, Baum, and Wolfsen (1999) call “emotional loyalty." Such loyalty is formed in two ways: from a consumer’s personal relationship with a brand and through the formation of strong user communities around the brand. Sport is unique in that it allows for direct experience with the team brand. In this sense, sport has advantages over consumer products because it fosters more direct experiences, which are vital to brand building (Joachimsthaler & Aaker, 1999). For example, user groups associated with major league sporting events are easily created (through the attending or viewing experience that rarely occurs alone), thus satisfying needs for identification (e.g., Branscombe & Wann, 1991; Cialdini, Borden Thome, Walker, & Sloan, 1976; Mael & Ashforth, 1992; Sutton, McDonald, Milne, & Cimperman, 1997) and acceptance from a group of peers (Wakefield, 1995). As such, we suggest that teams will focus on the ease with which positive brand associations with a particular team can be created given a consumer’s willingness and desire to belong to a particular group. For example, given its affordability, interactivity, and efficiency, the Internet will be integral to fostering emotional loyalty by allowing for user groups (Migala, 2000). The Internet will help foster emotional loyalty by creating user groups. The Washington Capitals are already striving to form such groups by issuing each player a lap top computer and e-mail account through which they can respond to fans (Raboin, 1999). Such direct experiences are invaluable to the brand building process (Joachimsthaler & Aaker, 1999).

Central to the enhanced interactions found in user groups will be the ability of team marketers to involve players and coaches in these efforts. Today, given the ever-heightening media scrutiny associated with these figures’ celebrity, there is very little interaction between fans and players and coaches (Burton, 1999). Out of the necessity to build relationships in an effort to build brand equity, team managers will seek to alter this trend. One way this may happen is through providing players and coaches with an ownership stake in the team. Productivity and motivation among employees, whether it be players, coaches, or account executives can be effected by watching stock values rise and fall (Henry, 1999). Therefore, we speculate that player and coach contracts will offer a stake in ownership as an incentive. One outcome of this strategy is that players will pay more attention to fan interaction and personal appearances.

Product extensions using the team’s brand name will also be used to enhance consumer interactions with the brand. Consistent with owners’ efforts to integrate as a means of creating an entity with many complementary product offerings, we predict that teams will own and operate off-site viewing venues such as sports grills and theaters as well as merchandise outlets. In response to escalating ticket prices, Howard (1999) contends that those unable to afford a ticket will turn to sports bars for professional team sport consumption. Therefore, it makes sense that teams seize this opportunity to control the consumption environment and add to its asset portfolio in much the same fashion as several English Premiere Soccer clubs (Cowell, 1999). By controlling the consumption environment, the team will also be controlling and enhancing consumer interactions with the brand.
Integrated Brand Communications to Reinforce Positive Associations

Consistent with a focus on fostering positive associations as a means of building a strong relationship with consumers, professional team managers will also recognize the importance of taking a consistent, long-term approach to marketing their brands. According to Keller (1993), "marketers must realize that the long-term success of all future marketing programs for a brand is greatly affected by the knowledge about the brand in memory that has been established by the firm's short-term marketing efforts" (p. 2). This speaks to the need for a long-term vision to guide the planning of marketing activities. Consistent communication about the brand is also important to maintaining positive associations over time (Aaker, 1991; Schultz & Barnes, 1999). However, a main challenge to maintaining consistency for the sport team is the disasters that occur in the form of unexpected losing seasons, player misconduct and injuries, and coaching changes. The pro team will often react to such problems by amending their marketing communications in an effort to reduce the fallout from the problem. Instead of being reactive, pro teams will become more proactive.

According to Keller (1998) consistency over time refers to selecting numerous communication options that share similar meanings and options. The challenge for sport teams will be to identify the core values that the organization wants to promote and to communicate them throughout the organization and to current and prospective consumers. This need is already being recognized. The new president of National Hockey League Enterprises, Ltd. cited the need for more consistent communications about the NHL's core values (Bernstein, 1999). Several values that will emerge have already been discussed: a focus on creating a connection between the team and the consumers and an emphasis on rewarding consumer loyalty. Pro teams of the future will concentrate on communicating these core values and others across all marketing platforms including promotional events, advertising campaigns, community relations efforts, public relations efforts, and Web marketing.

As teams pay more attention to their brand's core values, the personnel side of the business will be impacted. For example, if a team brand is focusing on families, then the team will avoid signing or trading for players that have poor personal reputations. While winning is important, doing so at the expense of contradicting a key brand association is poor brand management practice. Thus, look for brand management efforts to impact the personnel side of professional association of the future. Such efforts have already been implemented in several instances. For example, when MLB's Los Angeles Dodgers employed starting pitchers from five different countries to start the 1998 season, it allowed them to court the various ethnic audiences in the Los Angeles area as well as international audiences, while cultivating an image of inclusiveness.

This emphasis on brand management practices will also lead teams to focus less on success when marketing their teams. While success may be fleeting, a focus on commitment to customers is not. For example, the Phoenix Coyotes gave away 16,000 tickets for their last exhibition game of the 1999 season to children in
the Phoenix area schools (Friedman, 1999). While this endeavor was estimated to cost the Coyotes $600,000 in lost revenues, it demonstrated their interest in the youth of the area thus fostering positive associations toward the team (Friedman, 1999). Such associations serve to differentiate the Coyotes (as charitable and caring) from the other professional sport offerings in Phoenix.

**Reinforcing and Rewarding Loyalty**

Much like any interpersonal relationship, people form relationships with brands. In order for these relationships to be long-term and positive, the brand must represent values that are meaningful to the consumer and must behave in a manner consistent with these values (Fournier, 1998; Kapferer, 1992). Such thinking clearly transfers to the professional sport setting. However, such a philosophy has truly only been adopted by minor league sport franchises (Arnott, 1998). Further, one such value that is very important to all businesses, but in particular to sport entities, is loyalty. Yet, professional team sport is one of the only business environments in which customers are forced to pay for the right to be loyal. While personal seat licenses have been invaluable as funding mechanisms for new stadium/arena construction, their impact on brand equity can be questioned. Brand loyalty provides an organization with protection against the competition and allows for reduced marketing costs (Aaker, 1991). By placing a premium on the right to be loyal, pro teams are instantly giving some of their most loyal consumers a reason to reconsider their commitment. According to this logic, what is a pro sport team brand saying to its most loyal customers when it asks them to pay thousands of dollars for the right to purchase season tickets? Does this serve to foster a lasting relationship? We argue that such a practice fosters both negative associations and increased expectation of value and therefore will decrease in the next decade. Sport teams are beginning to realize this. For the new football stadium in Houston, personal seat licenses are being sold on only 60% of all seats, thus allowing middle class fans to still purchase tickets (Lombardo, 1999a).

In the next decade, efforts to reward and recognize fan loyalty will become more prevalent. Already, through the fan loyalty card programs, teams are making more of an effort to recognize their patrons (Malony, 1999; Mullen, 1999). Such programs that attempt to reinforce and recognize loyalty will continue well into the future. In a further effort to inextricably connect fans with their favorite team, owners will increasingly offer ownership stock in their teams. Rather than forcing fans to pay for a personal seat license, teams will appeal to a broader spectrum of fans with stock offerings, where purchases are voluntary and symbolic. Interest among the general public appears high for purchasing a stake in a professional sports team as a poll conducted among citizens of a non-major league community revealed that 40% would be interested in purchasing stock of a professional sport franchise (Duval, 1997). Ownership of team stock will ultimately create a new and elite user group of highly committed and vested fans. However, teams will have to respond with recognition programs for the new owners if the stock offering is to successfully reinforce loyalty. Special access to players and coaches as well as
extremely regular communication with the team will be integral to rewarding the loyalty demonstrated by these groups.

Summary

The second major focus of team brand management efforts this decade will be focused on developing deeper relationships with customers. Ultimately, this will be accomplished by creating positive brand associations with professional sport team brands. Central to this will be understanding what consumers want from the team and then focusing on enhancing interactions between the consumer and the team brand as a means to satisfy consumer needs. Such a focus will allow teams to more effectively build and remind consumers of their positive associations with team brands. Additionally, the team's marketing communications will become more integrated as a means of further reinforcing such positive associations. Finally, such a focus will lead teams to actively seek ways to recognize and reinforce the loyalty that results from a strong relationship between the consumer and the brand.

Conclusion

While we acknowledge the folly of making prognostications for the future, this paper has attempted to study the recent history of major professional team sport in North America and utilize emerging research to provide some predictions regarding potential prevailing trends. In doing so, this paper has one overarching premise—that the business management of major league professional teams will become more strategic. Specifically, we contend that brand management will be the prevailing focus of sport managers. This is necessary because the focus of team owners is increasingly toward the appreciation of their asset, the franchise, over the long-term. Central to this is optimally serving all of the team’s customers in a cost-efficient manner.

Therefore, we suggest sport managers will employ brand management practices through two broad strategies: the acquisition of assets to enhance competitive position and the building of customer relationships to ensure long-term loyalty. The first strategy is more geared toward building the brand in the minds of corporations involved with sport. That is, through integration, strategic alliances, and mergers, franchises (or resulting conglomerates of team properties) will allow for the creation and sale of more attractive packages to corporations. The second strategy addresses what is increasingly becoming a serious problem in major professional sport—the defection of the "average fan." By focusing on building customer relationships, teams will seek to regain and retain brand equity in the minds of the individual fan. Not only will teams seek to know more about fans, but also they will seek to foster user communities and increase the number of interactions the team has in conjunction with the brand. Moreover, the team will strive to communicate core values so as to differentiate itself to this group over the long-term.
We offer these predictions for two reasons. First, brand management is increasingly discussed by sport managers (e.g., Alm, 1997; Lombardo, 1999b; Russell, 1999). Second, such practices are essential if teams are to thrive in the increasingly competitive entertainment marketplace. In fact, we suggest some teams may not succeed. For example, dwindling fan bases in Oakland (Major League Baseball) could force consolidation with the team in San Francisco that just moved into a new stadium. Further, such strategies have global implications as well. The YankeeNets organization’s strategic alliance with the Manchester United suggests that there may be few boundaries for these brand-based efforts in the future.

References

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