

Loyalsticity – A Guiding Principle to Successful CRM for Sports Clubs

The days where high attendance and revenue for sports clubs were primarily driven by the performance on the playing field are coming to an end. Through successful customer relationship management (CRM) strategies coupled with modern technology, it is now possible for sports clubs to move away from this vulnerable situation where commercial success is tightly linked to performance on the field. Many clubs are on the journey towards this new situation as they are pursuing various “off the field” strategies ranging from online fan communities to loyalty programs – all in the pursuit of increasing and develop their spectator and fan base.

These initiatives, however, are often complex and it is therefore no surprise that many clubs today are hesitating to pursue larger CRM related investments. The complexity includes what, how, when and in what order to run various initiatives as well as how to interconnect these, a challenge not only sports clubs are faced with but a situation which has been a concern and issue for CRM activities throughout all industries.

In order to set a baseline and to provide guidance to sports clubs on their CRM projects and initiatives the concept of Loyalsticity is being introduced. This article will outline what Loyalsticity is, why it is important to a sports club, how to incorporate Loyalsticity in a club’s commercial strategy, and last but not least what benefits a sports club will realize by doing so?

What is Loyalsticity?

In the past, one could hear managers of sports club blame bad performance on the field on a club’s negative commercial results. Looking across the spectrum of sports clubs and leagues today, however, there is no clear correlation between performance on the field and commercial success. Take Germany’s biggest football/soccer club Bayern Munich, for example, who in 2006-07 had its worst season in a decade on the field but ended up with record sales figures. Look at Norwich Football Club who managed to increase not only their average attendances but significantly increase their season ticket holder base despite the fact of dropping out of the Premier League due to bad performance on the field! These are just two examples of how sport clubs through the right CRM strategies can manage to draw significant crowds and sustain or even increase merchandise sales during dips in performance on the field.

Common to all clubs is the fact that CRM is a “journey” and that there is room for continued improvement everywhere. Loyalsticity is a measure to be used for sports clubs to assess how reliant they are on success on the field versus being successful with their CRM strategies. Furthermore, Loyalsticity is also a guiding principle to what type of actions need to be taken in order to take the next step on the CRM journey and avoid wasting money and resources on marketing, sales and service initiatives that only yield short term effects and are not connected to the relationship creation or development with spectators and fans.

Loyalsticity is defined as demand (i.e. support for a team) based on performance of the particular sports club, see below:

$$\text{Loyalsticity} = \frac{(\% \text{ Change in Number of Spectators})}{(\% \text{ Change in Position in League})}$$

For illustrative purposes, the Loyalsticity of two clubs in the German Bundesliga, Borussia Dortmund and VfB Stuttgart, has been depicted below, which illustrates the performance and the attendance at home games over the past five seasons. It is clear to see from Figure 1 that not only does Dortmund have a higher number of fans but the effect of changes in performance on the field (whether negatively or positively) has a lesser impact on attendance and hence revenue linked to game day expenditure such as tickets, merchandise etc.

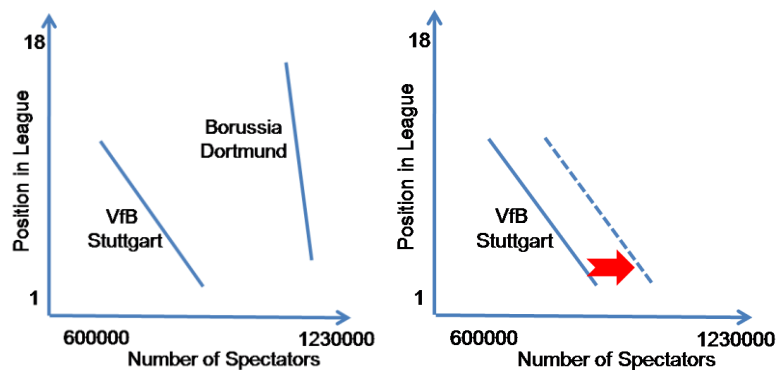


Figure 1 & Figure 2

Why is Loyalsticity Important?

Clubs like VfB Stuttgart are of course interested in increasing the number of spectators in the stadium as this has a direct impact on the commercial success of the club, and various conventional marketing initiatives could be executed to drive attendance up. Without using Loyalsticity as a guiding measure, however, a club like VfB Stuttgart run the risk of only moving their curve towards the right (see Figure 2), which is very costly and once the team does not perform well on the field the attendance will drop according to the slope of the Loyalsticity curve – or maybe even drop quicker because new spectators have still not developed a close relationship with the club and hence more likely to decrease or even stop their support during times of lower than expected performance.

The focus for a club like VfB Stuttgart must thus, instead of only moving the curve to the right, be on changing the slope (see Figure 3) as this will enable them to allow for the greatest possible long term returns of their current and future marketing initiatives (Figure 4).

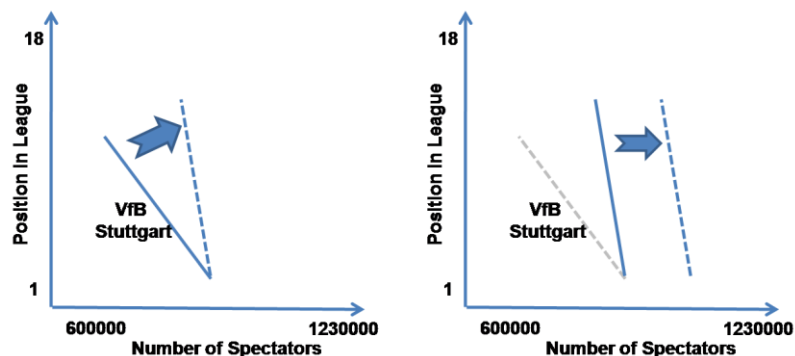


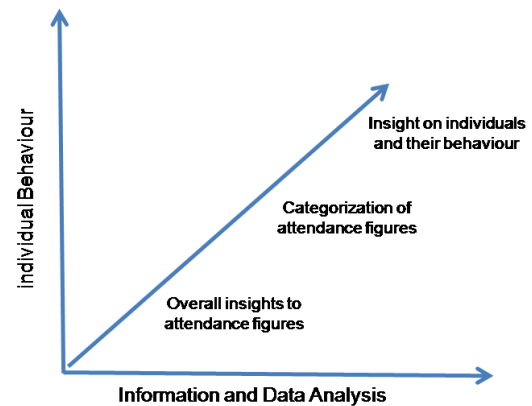
Figure 3 & Figure 4

How to apply Loyalsticity?

Measuring Loyalsticity is one thing, the key is to identify what will and can change the slope of the Loyalsticity curve. For a club like VfB Stuttgart it is essential to analyze and understand the data behind the Loyalsticity slope in order to take the proper actions. It is not a matter of doing what Dortmund has done because the situation VfB Stuttgart is in is different and needs different actions and initiatives. After having done the analysis, a club must decide how to “balance the field” between attracting new fans, maintain existing ones or even develop these so that they spend more money both at the games and elsewhere. For many clubs, increasing the number of season ticket holders is one way to lower Loyalsticity – overall it is a matter of engaging more closely with spectators both through thorough understanding of needs and expectations but also through offering them new and improved services.

Loyalsticity Benefits

Understanding Loyalsticity and thereby the behavior of spectators and fans, should be the foundation of any CRM strategy in sports. Sports clubs who can keep its supporters and fan base intact during dips in performance, and who can create a sustainable increase in its attendance during upswings or even average performances is a true winner in the world of sports today. Sports today is big business and a sound economy, including increased revenue and profits, is required to take on competition and to purchase the right players. Clubs who do not actively engage and include a guiding principle like Loyalsticity in the running of their business risk being overtaken by other clubs who do – first financially and subsequently on the sports front.



For more information and for a discussion around how to analyze, use and benefit from using Loyalsticity as a measure, please visit www.loyalsticity.com – here you can also find a link to the more elaborate article written on the concept of Loyalsticity.