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Encouraging and Rewarding Customer Loyalty: Key Considerations for Sports Teams

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ABSTRACT

Sports is an ideal context to study loyalty because sports fans often transcend simple behavioral and affective loyalty and integrate their commitment to a team into their self-identity. Season ticket packages often serve as loyalty rewards programs, offering tiered benefits and perks to consumers in exchange for their level of patronage. This paper offers insights on the impact of various reward types on consumers' perception of their relationship with a team. Theoretical foundations and insights from sports marketing professionals suggest that those benefits that are exclusive to a team's season ticket holders and/or premium seat buyers, as well as social rewards that provide opportunity for interpersonal interaction and engagement with the team and other fans are among the most successful in signaling to fans that the organization values them.

INTRODUCTION

Consumer loyalty has been defined as “a deeply held commitment to rebuy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver, 1999; p. 34). In the context of sports, a tangible way of identifying such loyalty is customers who purchase season tickets and/or premium seats (e.g., suites).

A loyalty program can be “any institutionalized incentive system that attempts to enhance consumers' consumption behavior over time beyond the direct effects of changes to the price or the core offering” (Henderson et al., 2011; p. 258). Sports loyalty programs share commonalities with other loyalty programs in terms of tier structure/subgroup hierarchy, approaches to generating value for program members, and cross-promotional opportunities (Drèze & Nunes, 2009; Nunes & Drèze, 2006; Pritchard & Negro, 2001; Rufer, 2018). However, sports teams also

generate a psychological commitment, where they may become part of fans' social identity (Ellemers et al., 1999; Rees et al., 2015). Sports consumers experience high levels of loyalty towards their chosen team—to the point where their passion, investment, and loyalty can lead to irrationality in their consumer behavior (Bühler et al., 2006).

The focus of this paper is to gain understanding of how to best reward loyal, and valuable, consumers of sports teams. We do so by combining insight from practicing sports marketing professionals with previous research on loyalty and rewards. Therefore, the paper offers meaningful practical takeaways that can be used by sports organizations in multiple sports at multiple levels to encourage and reward behavioral loyalty from their fans.

INSIGHT FROM SPORTS INDUSTRY PRACTITIONERS

Experience surveys revealed insights from sports marketing professionals working for major US sports team franchises representing four different sports and four different markets. Experience surveys are used primarily in exploratory research with expert subjects who can offer insights on a topic that the average person cannot (Maestas, 2018). Experience surveys are a qualitative technique that balances a smaller number of responses (due to difficulty in qualifying and recruiting respondents) with richer data from every respondent (Maestas, 2018). Our respondents were representatives of teams in Major League Baseball (San Diego Padres), the National Football League (Los Angeles Chargers), the National Hockey League (Pittsburgh Penguins), and the National Basketball Association (Atlanta Hawks). Interviews were conducted via email. To provide some structure, the following key questions were asked:

- 1) How important is it to show season ticket holders and/or premium seat buyers that they are valued and appreciated?
- 2) How do the rewards offered to season ticket holders and/or premium seat buyers convey to them that they are valued?

Importance of showing loyal customers they are valued and appreciated

A season ticket or premium seat purchase is considered a high-involvement (McDonald & Shaw, 2005) and discretionary purchase for the customer that generates important revenue for the team. All practitioners recognized the significance of loyal customers (season ticket holders and premium seat buyers) and emphasized how important it is to show them that the team values them and appreciates them.

For example, Jeff Gould, Director of Premium, Membership, and Suite Sales at the San Diego Padres (MLB) stated that *“showing clients that they are valued and appreciated is one of the most important aspects of what we do. The organization can’t operate the way we want to (keeping Petco Park the best in the league, player acquisitions and contracts, etc.) without the support of our fans. We are not an expense of necessity, but one that is discretionary. Because of all that, we can never take our clients for granted, because they don’t have to work with us.”*

James Santilli, Chief Experience Officer at the Pittsburgh Penguins (NHL) echoed that sentiment: *“For NHL teams, season ticket holders are the lifeblood of the organization. Because the NHL doesn’t enjoy the huge TV deals of the other major sports, season ticket monies make up our largest revenue stream. We understand the commitment it takes to be a season ticket holder. We hope that our actions during the pandemic show them that we truly appreciate them and consider them an integral part of our organization, because, they are.”*

Brian Bracci, Sr. Premium Sales Consultant at the Los Angeles Chargers (NFL) also agreed: *“It is immensely important to make season ticket members feel valued and appreciated. Especially here in Los Angeles where we have such a crowded market. No one wants to be in a ‘one-sided relationship’ personally or professionally. When the relationship is mutually beneficial there is a much higher likelihood that that member will continue to stay committed to the team long term. We want to make sure that they feel that they are truly part of the team and Chargers family.”*

Special exclusive benefits to reward loyal customers

A key structural component of loyalty programs across various markets is their tiered, hierarchical structure (Drèze & Nunes, 2009; McCall & Vorhees, 2010). Such a structure is intended to offer more special rewards to the most loyal customers (in terms of volume and/or frequency of their purchase), which often create a special sense of status (Ivanic, 2015). People are innately driven to pursue elevated status and superiority (Anderson & Hildreth, 2016; Han et al., 2010), and are thus likely to desire elite status within loyalty programs (Drèze & Nunes, 2009).

David Elgin, Vice President of Analytics at the Atlanta Hawks (NBA) highlighted that *“it’s important to tier your benefits, amenities, and pricing to make sure that the value is strong when a season ticket member is considering an increase in number of events or ticket costs. By adding items like better per seat pricing, all-inclusive food and beverage, pre-loaded cash value on top of each ticket, free parking, membership only gifts, and exclusive membership events, we think we achieve that. Without those things, we are stuck trying to just push more games, which works for some basketball enthusiasts, but not for the majority of today’s consumers.”*

Reinforcing Elgin’s point, Bracci (Chargers) recognized that *“as sellers it’s our job to build rapport with our clients and find their “why.” Is it to spend more time with their clients, reward their employees, or just go to a game as a family? By finding these things out on the front end of the sales process we can create experiences and benefits that fit our members’ needs. When a benefit feels like it was made specifically for that person it is when it goes from a “nice to have” to actually moving the needle. One of the best examples of this was what the Chargers did with building out their Chargers Lux Program. The team did a great job of not only surveying their premium and suite holders, but truly listening to them to understand what was important to them. From the information we were able to tailor our benefits to provide increased value to our fans. We created a platform that allowed our members to access perks and experiences year-round which helps the Chargers stay top of mind with our members even in the off season.”*

Similarly, Gould (Padres) explained that *“many of our premium clients have the means to purchase or enjoy almost any experience there is. That can make planning events challenging. Last thing you want is to waste resources on something clients don’t want or execute an event in a way that makes them less excited to work with you. One rule of thumb I keep is how can we provide things they aren’t able to do on their own or wouldn’t do on their own. With that we think of events that are unique, not widely available, and something that creates relationships.”*

A key factor in rewarding loyal customers is benefit exclusivity (Sajtos & Chong, 2018). High-loyalty customers gain the ability to exclusive access benefits (Meyer-Waarden, 2013), which is critical in the sports team’s effort to communicate to them that they are valued and appreciated. Santilli (Penguins) highlighted several (discussed later in more detail) special *“gifts and experiences that were exclusive to season ticket holders and for the most part they were all a surprise.”*

Through a process called *integrated regulation* (Deci & Ryan, 1991), an extrinsically driven activity that is recognized can be translated to one’s sense of self to the point where the integrated action is fully authentic. Thus, an extrinsically motivated action, such as purchasing a season ticket for the sake of a net discount, can also be because of one’s emotional investment in the sports team and the personal enjoyment from watching them play. Gould (Padres) captured the significance of recognizing this: *“Our clients who work with us based on their fandom deserve TLC because they are investing so much in us, it is only right to invest back in them. In this COVID-19 era people are having to make tough decisions. We want to be an escape and something people enjoy in uncertain times. Because of that we need to make sure we earn their trust, and we do that through great events, experiences, and finding any way can to show that we care.”*

Typical exclusive benefits for season ticket holders across sports include special discounted food and merchandise prices, gifts, priority access for playoff tickets (if the team makes it to the playoffs), and priority access for tickets to other events in the team’s facility. Most notable however, are the benefits including unique and exclusive team-related experiences.

It is important to note that there is some risk in managing consumers’ expectations when the consumers have elevated status and are accustomed to special benefits (Fisk & Neville, 2011). Elgin (Hawks) acknowledged that *“it’s true, once you provide new benefits for a significant amount of time, it can become an expectation.”*

As a result, sports organizations need to be careful about how they reward their loyal customers without creating a sense of entitlement where the benefits do not feel as special. As Elgin (Hawks) stressed *“when we think about those benefits, we try to keep things fresh by continually tweaking our offerings not letting any benefits become stale. It could also work better to position some benefits as renewal incentives versus renewal gifts, to place a stronger emphasis on the commitment for the next year. We also consider tying them to dates to drive behavior. In real world discussions with our members, we empower our reps to use their best judgement on what ancillary benefits they should be utilizing, as everyone is different, and it’s the personal touches that help create the most committed relationships. Ultimately, we believe it’s about making sure*

the value proposition for membership versus just buying individual tickets is as favorable as possible.”

Social aspect of benefits

The positive social associations between the customers and the sports team are an important part of the intrinsic motivation for purchasing season tickets and/or premium seats. Research found that perceived social rewards within loyalty programs can lead to stronger *affective commitment*, or an intrinsic motivation to continue relations or exchanges with an organization (Melancon et al., 2011). These social rewards are critical to fostering an emotional connection between fans and sports teams, thereby creating personal justifications for those consumers to repurchase season tickets.

Our respondents highlighted how special the benefits with a social component are. For example, the Padres sponsored a fishing trip where they invited suite package buyers. As Gould (Padres) shared: *“At the end of the day, our clients want to hang with people just like them, so creating events where they can socialize provides a lot of value. That’s where the fishing trip came in. It’s something that’s difficult to do (people aren’t going to rent an entire fishing boat personally too often), and something people may have always wanted to do, but kind of intimidated by. Because we made it turn key for them the moment they arrived, even the most novice fisher found success and had fun.”*

Experiences that connect the team with the loyal customers became even more relevant during 2020 when, due to COVID-19, fans could not attend games and interact with the team in person. Santilli (Penguins) mentioned several such benefits the Penguins offered to their season ticket holders during COVID-19: *“We always strive to deliver value to season ticket holders and give them special experiences, and during the COVID pandemic, we had to find new ways to do both. Showing that we value our season ticket holders was even more important because their main benefit, seeing every home game in person, was taken away from them.*

We know that our season ticket holders truly value the interaction they have with our players. So, we immediately asked our players to pitch in and they didn’t hesitate. Early in the pandemic our players personally placed phone calls to over 400 season tickets holders. They didn’t call to ask them about an invoice or how likely they were to renew. No, they simply asked if they were doing ok, gave them some encouragement, and urged them to stay safe. A month or so later, another 66 season ticket holders, received a hand-written note from a Penguins player with the same message.

We have also continued to surprise season ticket holders at home, either by mail or special delivery from Iceburgh, our team mascot. Gifts included Home Watch Party Kits, complete with food, beverage and Penguins gear. A few even included a projector, big screen, tent, chairs, cooler and beer courtesy of our partner COORS Light. We also published and mailed two magazines and a Penguins calendar to their homes in recent months.”

Customer satisfaction

Special exclusive benefits, especially in connection to a shared experience with the team, create a special feeling of recognition for the loyal customers and likely cause increased satisfaction among higher membership tiers (Fombelle et al., 2015), all while encouraging lower-status members to engage in upward comparison and potentially increase the level of their own commitment to the team (Sajtos & Chong, 2018). Furthermore, public recognition for high-status members can lead to downward comparison, which consequently increases consumer satisfaction and positive associations for the loyalty program due to the sense of superiority generated from the recognition (Drèze & Nunes, 2009).

Offering specific privileges during the in-game experience to season ticket holders can enhance the experience and motivate fans to buy (or renew) season tickets. For example, Reese and Bennett (2013) studied a sample of 615 minor-league baseball fans—consisting of both season ticket holders and non-season ticket holders—and found that 37% of the season ticket holders attend events to take advantage of benefits afforded to them as season ticket holders (e.g. pre-purchase of tickets, season ticket holder discounts, etc.). More importantly, season ticket holders indicated an intent to repurchase, regardless of the team’s competitive success.

This idea was reinforced by the insight from the sports industry practitioners. Gould (Padres) indicated that *“we are not just a sports organization, but an entertainment and business tool”* to discuss the effect of these unique experiences was on loyal customers in terms of their satisfaction and willingness to renew their financial commitment to the team: *“For the group on that ship it was immense. One client met another at the event and closed a significant deal as a result. So many people sent thank you notes, and still reference that event to this date. Things like that, where our reps can build relationships beyond Padres baseball build trust. It cuts down on the amount of time we spend renewing and often opens up new sales opportunities.”*

Bracci (Chargers) had a similar take: *“This goes back to the importance of making season ticket holders feel valued and appreciated. Members are far more likely to renew when they feel that the benefits of their seats outweigh the cost benefits. These benefits also have an impact on new sales. For one, members are far more likely to refer their friends and family, but we also can use examples of these benefits to paint a picture of what that person’s experience could look like as a member of the Chargers.”*

CONCLUSION

Loyalty in a sports context can be transformative for a consumer, producing a deep emotional commitment and sense of self-identification with a sports organization. Loyalty among a base of dedicated fans is also critical for a sports organization to thrive. Thus, the ability to reward consumers in a way that makes consumers feel connected to and valued by the franchise is crucial. One way in which teams can show consumers they are valued is in the design of season ticket holder rewards. Existing literature and sports practitioners both support the notion that all rewards are not equally effective at delighting the best fans of an organization. Benefits that enhance an experiential and unique connection to the team are impactful and long remembered by fans. Additionally, rewards that provide opportunities for meaningful social interaction with

the organization may be critical to building relationships that can sustain challenges that range from a losing season, to an economic downturn, to a worldwide pandemic that completely prohibits consumers from attending live sporting events.

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