

A model for measuring value for money in professional sports

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Abstract. *Few to almost none sports teams measure the entertainment value they provide to fans in exchange of the money the latter ones spend on admission fees. Scientific literature oversees the issue as well. The aim of this paper is to present a model that can be used for calculating value for money in the context of spectating sports. The research question asks how can value for money be conceptualized and measured for sports marketing purposes? Using financial and sporting variables, the method calculates how much money, on average, a fan had to spend for receiving quality entertainment – defined as won matches – from his favorite team, during the last season of the Romanian first division football championship. The results only partially confirm the research hypothesis, showing that not just price and sporting performances may influence the value delivered to fans, but other factors as well.*

Keywords: sports marketing; football; value for money; fans; relationship.

JEL Classification: A12, D29, M31.

REL Classification: 5K, 14G.

Introduction

Relationship marketing has earned a well-deserved place in football management over the last couple of decades (Clowes, Tapp, 1998). The economic improvements in sports and the technological advances witnessed shortly have allowed football clubs to build on a more business-like approach (Conn, 1997). The emergence of narrow-casting technologies made it possible for clubs to dig into the liaison with supporters, changing the grounds of sports marketing. The aim of pricing, product or communication strategies in football is now to improve the tie between club brand and fan loyalty.

However, researchers and practitioners alike have been all but none interested in studying the “value for money” proposition football clubs make to their fans. Correlations between the money spent to buy and consume a sports offering and the value received instead have been largely ignored. The rationale behind this research paper is to develop a theory widely overlooked by sports clubs: linking monetary value and entertainment value in order to determine client satisfaction.

The purpose of this paper is to present a model for calculating value for money in the context of professional sports, also known as spectating sports. Although sorts of similar research have been carried out by foreign journalists – mostly concerning the English Football Premier League and the value its squads yield to ticket holders – few but none investigations have had a scientific character. The research question asks: “How can value for money be conceptualized and measured for sports marketing purposes?” In spite of existent overseas information, few investigations have concerned domestic sports, which makes Romanian professional sports a prolific and promising land for research. This research has chosen the teams of Liga 1, the top tier of the Romanian football league system, as cases based upon which the research question would be answered.

The objectives of the research are:

- a) Assessing the economic efficiency Romanian football clubs supplied their fans with during the previous season, by comparing cost and value of following matches from the stands;
- b) Creating a “league table” of the football clubs on behalf of the economic efficiency (value for money offered to fans);
- c) Finding out which club of the local football championship offered most value for the money fans spent on watching it play.

The research has the following hypothesis:

H1: Athletic success is directly proportional with value for money – the most successful teams offer the most value and will sit at the top of the table, while the

least successful teams offer least value. Else told, the sporting classification will place teams in similar positions as the value for money table will do.

For solving the purpose of the paper and for testing the hypothesis, a sports-specific “value for money” model will have to be presented. This will be done in the methodology section, which will be preceded by a literature review on the broader issue of “value for money”. After the results section, the paper will discuss and analyze the outcomes of the research, while, in the end, some conclusions and limitations will be introduced in order to set the grounds for further research.

Literature review

Relationship marketing, Grönroos (1997) believes has to offer long-term value to customers for satisfying their needs as close as possible. Value is one of the key concepts in business: a main concern of economists, in general, and marketers, in particular, is to supply their customers with value (Berger, Nasr, 1998). Thereby, value becomes a determinant of customer loyalty: the higher the value, the closer the customers may stand to the business (Parasuraman, Grewal, 2000). Increased competitive pressure in the last couple of decades made bidders consider their value proposition even more seriously for not losing their clients. The challenge nowadays is to match customer demands with highly valued offerings, which makes value to be also a performance indicator (Glimore et al., 1999).

Therefore, customer satisfaction through superior value is now closely linked to the entire economic effectiveness of the business. Offering Value for Money became an imperative for businesses looking to keep their customers (satisfied) and to maintain market share (Woodruff, 1997). Since value earned such an important place, the need emerged for a more accurate measurement of the value businesses delivered to the market. Hence the idea of Value for Money Assessment.

Value for Money is an all-embracing form of economic estimation (Robinson, 1993). Assessing Value for Money requires a correlative analysis of the cost that a customer has to support for buying a product and the quality he receives instead (Salize et al., 2009). For the analysis to find place, financial values have to be assigned to both intakes (cost customer has to bare) and outputs (benefits gained from consuming the offer) (Robinson, 1993).

Traditionally, Value for Money has been particularly linked to services suppliers, evidence that much of the existing literature on this topic stems from the healthcare industry (Pearson, Rawlins, 2005). Still, due to its munificent character, Value for Money has no comprehensive measurement methods, which

leaves researchers with space to design their own models. The models vary in depth, depending on the type of product used as reference.

In what concerns football, financial valuation studies have been usually carried out for clubs (Deloitte, 2013). Nevertheless, such studies scale the monetary value of football clubs or their brands, by assessing revenue performance (Deloitte, 2012). The analyses measure revenue streams and their total financial input to the accounts of the clubs. Although providing relevant information regarding the financial value of football clubs, these studies do not offer insights into the value supporters attain from following the matches of their favourite teams. Hence, value in football – also a service, like some researchers might argue (Desbordes, Richelieu, 2012, van Riel et al., 2013) – is mostly regarded from financial and accounting perspectives, but less with marketing purposes. A marketing Value for Money analysis model will most probably have to compare the cost of admission to the stadium (ticket price) with the benefits of delivery (benefits a fan gains from watching a football game, expressed in financial value). Assigning monetary values to sporting results helps identify which sports supplies bring most value to customers. In what concerns spectating sports – like professional football matches, that are produced by football teams and consumed by fans – a value for money analysis helps pinpointing which team of all the ones entering a competition offers the most value to its fans for the money they have to spend on watching the team's games.

Methodology

This study takes the form of a historical research, which aims at explaining existing conditions based on data about past events. For doing this, a Value for Money analysis model for professional sports settings has been designed. The model assigned monetary value to sporting results. This helped identify the football clubs that offered most value to their fans.

The aim of the model was to show how much money, on average, a fan had to pay for receiving entertainment from his favorite team during the last season of Liga 1. Sporting and financial variables were used in the research, respecting Robinson's (1993) suggestion that both inputs and outputs have to be part of the analysis. The sporting variables used were "matches won" and "goals scored", while the financial variable was the "average season ticket price" at a team. In what concerns the sporting variables, only positive variables ("matches won" and "goals scored") were taken into account, as fans pay to go to the stadium in order to see their team score and win matches; the study starts from the assumption that results other than victories – i.e. lost or undecided matches – do not meet the expectations of fans, hence, do not provide value to them.

Historical research tries to fulfill the research purpose through collecting and analyzing data already available in secondary sources. The two types of data needed here were collected from the world wide web. Raw data about the athletic performance was gathered from the standings presented by the official website of the Romanian Professional Football League, while data concerning season ticket prices was collected either from the official websites of the football clubs, or from the news in the local press.

After being collected and stored in Microsoft Excel worksheets, some of the data had to be rectified in order to match the designed model. Both sporting variables concerned only the performance on home ground: each of the teams used in this model played 17 matches on home ground. Away matches were excluded as season tickets are only sold for home matches. Matches won and goals scored have been chosen as sporting variables, as they are a measure of the entertainment value a football team offers: the more a team wins and the more it scores, the higher the entertainment value a fan receives from watching the team's games.

While sporting variables were used as given, financial variables needed several adjustments. The "Average season ticket price" variable was calculated as a means of all the season ticket price categories a team offered, excluding the VIP tickets. Only the standard ticket prices were used, which ment ruling out the special offers at reduced prices for pupils, students, or pensioners. The reason for removing VIP tickets and reduced tickets from the study was that these two variables could have easily distorted the significance of the market prices, being priced either very high or very low.

Then, a second adjustment was also needed: while some football clubs sold full season tickets, which ment they offered a price for the entire season, others, marked with (*) in Table 1, only sold half-season tickets. As the study concerned the full season tickets, for the clubs in the latter case, the price of the tickets was multiplied by two, so that it was brought at the same unit with the other clubs. The prices of the season tickets used the Romanian currency "Lei" and its monetary division "Bani", so that the indicators have been computed in the same currency.

Last but not least, a difficulty encountered was that four of the eighteen teams used in the study did not sell season tickets or did not provide information regarding the commercialization of these. The "Discussions" section of the paper first interpreted the results without taking the four teams into account. Nevertheless, an average season ticket price at the level of the entire league was then computed by using a means of the fourteen average season ticket prices in the league. An average season ticket price per league of 235 Lei resulted, and it was then attributed to and correlated with the athletic success of the four teams which did not sell season tickets (marked with ** in Table 1). Hence, those four

teams also entered the study, albeit the validity of their information is fully questionable.

After data was stored and adjusted, it was verified for one last time, and, as no errors occurred, it proved ready for being analyzed. Historical research interprets past information in order to supply “new understanding of the past and its relevance to present and future” (Cohen et al., 2005). A complementary goal is to provide solutions to existing problems or requirements. The relationship marketing with fans done by local football clubs is lacking quality, and this study identified a need of measuring how much value clubs offer to their fans. A model had to be created in order to provide an answer to this challenge. Using the “Average” function in Microsoft Excel, the model calculated how much money, on average, a fan had to pay to see a victory of his favorite team, during the 2012/2013 season of the top tier Romanian football championship. Moreover, a “money per scored goal” indicator was also computed, so that the paper worked with both a major (money per victory) and a minor (money per goal) value for money indicators, that, in the end, were averaged for a third indicator: “average value”. Nevertheless, the “money per scored goal” and the “average value” have been calculated more as to provide additional information. The main indicator used in interpreting the results was “money per victory”. Once the results of the computations have been displayed, the historical research finished by interpreting these results.

Results and discussions

Table 1 shows the results of the computations. The football clubs are displayed in ascending order, based on the “Lei/victory” indicator (money paid by fans to see one single unit of victory; hence, how much money on average fans had to pay to buy entertainment value). As can be seen, a couple of additional information were used. Eventhough the percentage of home matches won and the average goals scored at home were not regarded in the calculations, these statistics may offer insights to readers about the entertainment value of teams.

The research hypothesis is confirmed only to some extent. The standing showing the sporting results and the standing indicating the value offered by clubs for the money paid by fans to purchase a season ticket are partially correlated. The clubs placed at the top of the sporting standing offer the most value to their customers, while the bottom-clubs offer the least value. Nevertheless, exceptions can be found. The best Value for Money is offered by a club placed fifth in the sporting standing, while a team that finished third from bottom in the sporting league (Turnu Severin) offers the third-best value for money.

Table 1. Value for Money indicators for Romanian football clubs during the 2012-2013 season

Club	ASTP	%HV	HV	GS	Av. GS	Lei/goal (1)	Lei/victory (2)	Av. (1), (2)
Vaslui	163	12	70	33	1.94	4.94	13.58	9.26
Pandurii	175	11	65	40	2.35	4.38	15.91	10.14
Turnu Severin	107	5	29	20	1.18	5.35	21.40	13.38
Gaz Metan	200	8	47	26	1.53	7.69	25.00	16.35
Dinamo	250	10	59	30	1.76	8.33	25.00	16.67
Petrolul	290	10	59	35	2.06	8.29	29.00	18.64
CSMS Iași	150	4	23	15	0.88	10.00	37.50	23.75
Rapid*	320	8	47	23	1.35	13.91	40.00	26.96
Ceahlăul*	400	9	53	25	1.47	16.00	44.44	30.22
CFR Cluj	225	5	29	28	1.65	8.04	45.00	26.52
Oțelul*	346	7	41	19	1.12	18.21	49.43	33.82
U Cluj	331	6	35	20	1.18	16.55	55.17	35.86
Viitorul*	200	3	18	19	1.12	10.53	66.67	38.60
Gloria Bistrița	138	2	12	11	0.65	12.55	69.00	40.77
Average	235							
Steaua**	235	15	88	41	2.73	5.73	15.67	10.70
FC Brașov**	235	11	65	30	1.76	7.83	21.36	14.60
Astra Giurgiu**	235	10	59	42	2.47	5.60	23.50	14.55
Concordia**	235	3	18	12	0.70	19.58	78.33	48.96

Legend: ASTP = Average Season Ticket Price, in Lei; HV = Home Victories; %HV = percentage of home matches won; GS = Goals scored at home; Av. GS = Average of goals scored at home; Lei/goal = Lei paid on average to see a goal of the team; Lei/victory = Lei paid on average to see a victory of the team; Av (1), (2) = average of Lei paid to see a goal and Lei paid to see a victory; * Only sold half-season tickets; ** Did not sell season tickets at all; were made part of the study by using a League's average price which was applied to these four teams

The results show that FC Vaslui managed to offer the highest value for money during the last season of the Romanian football league. The team priced its season tickets well beneath average, the fourth cheapest in the league. It is interesting to note that the teams which have offered lower prices than Vaslui were the ones that have ended in the last three places of the table, being relegated at the end of the season (Gloria Bistrița, Turnu Severin and CSMS Iași). Vaslui offered a price similar to the ones used by the bottom-table teams, while finishing fifth, a top position: a low price was used at a relatively good sporting performance. As a matter of fact, Vaslui is the team with the second most victories on home ground in the league, which narrowed down the cost of an average victory at round 14 Lei. Hence, while monetary value was guaranteed from the very beginning, sporting value followed, the two creating a great overall value for money. Nevertheless, in spite of having such good price and product policies in their marketing mix, Vaslui only attracted an average crowd of 3,618 at the 17 matches played at home, meaning a filling ratio of just 24% of the stadium.

Steaua Bucharest and Pandurii Târgu Jiu did not only finish the season in the top two places of the table, but they also compete for the second-best "value for

money” bidders in the league, with a slight advantage of 0.24 Lei for Steaua. The fact that Steaua find itself in such a position should not surprise, as the team were crowned champions of the league, while managing the highest home victories percentage of all (88%) and a mean of more than 21,000 fans at home games. What’s more, it is widely acknowledged that the club enjoys the highest popularity in the country. However, Steaua Bucharest was placed in this study only on behalf of calculating an average ticket price at the level of the league, as the club itself did not market any season tickets at all. So, Pandurii Târgu Jiu might well regard itself as sitting right behind Vaslui. The team played its best season since it was established, in 1963. Solid investments in the playing squad, in the dugout and in infrastructure helped the team achieve an impressive footballing performance, all at a relatively low season ticket price (fifth smallest, following the one practiced by Vaslui).

A particular case is Turnu-Severin. Eventhough it played only for the first time in the top-tier of Romanian football and saw itself relegated at the end of the season, the team offered the third-best value for money in the league. This performance is due to a inspired pricing strategy. Having a small fan-base and a young history, and not one of the best playing squads in the league, the team priced its season-tickets corresponding to these realities, hence, low. At the other end, teams with similar backgrounds priced their season tickets relatively high, at an average between 200 and 235 Lei, which badly influenced their value offering.

Given the relatively fable spending power of Romanian consumers, the football clubs exceeding the average limit of 30 Lei per victory might need to undertake some changes in their marketing mix. A couple of ideas would be to either set lower season ticket prices (like Turnu Severin did), or improve game quality through optimal invetments in the playing squad (like Vaslui and Pandurii Târgu Jiu did). Such optimizations of the marketing mix might allow the football clubs to set season ticket prices better related to the conditions they offer.

Conclusions and further research

This study managed to offer an answer to the research question, to fulfill its objectives and to test the research hypothesis. It could even be said that FC Vaslui and Pandurii Târgu Jiu have sold the cheapest victories of last season’s Liga 1. Nevertheless, many issues remained undebated. The study only took into consideration the sporting results as the output variable for the money fans have paid to follow their beloved teams. Other factors that might have influenced prices and values, such as stadia facilities or performances in related competitions, have

been neglected. Moreover, the study failed to show whether there is any correlation between season ticket prices and fans' satisfaction. Further research might therefore take a closer look into these issues, in order to provide a more detailed picture of how Romanian football clubs offer value to their fans.

Another limitation of this study is that it was completed in the lack of comparable preceding research in Romania. The absence of resembling research papers did not allow comparing the findings of this study with similar content-related results. This negatively impacted upon the reliability of the findings. Moreover, the solidness of the analysis model might be questioned, as no similar designs have been attempted before this one. Last but not least, lacking evidence for some of the football clubs involved in the study did not permit having a complete picture of the exact value for money setting in Romanian football. Nevertheless, this paper is only an aborning research for the many others that might, hopefully, succeed.

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