

Scientific review

PRICING AS AN ELEMENT OF SPORTS ORGANIZATIONS' MARKETING MIX

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Abstract: The pricing as an element of the sports organizations' marketing mix must be observed in the context of three other elements: sports offer (products), distribution (location) and promotion. When setting the price for their sports offer (products), marketing experts in sports organizations need to consider the offer complexity as a starting point. In parallel, the view of sports audience (spectators, media, sponsors, advertisers, competition agents, etc.) should be taken into account in regards to the various levels of sports offer including: experience, event, result, image and brand. There are three methods for setting the price: internal, external and combined. The pricing is also affected by the ownership aspect of the sports organizations, which can be public and private, profit and not-for-profit, etc. There are various forms of showing prices in the sports market: tickets price, the price of player transfers to other clubs, the price of won trophy prizes, the price of TV broadcasting rights, sponsorship agreements price, the price of advertising space in sports venues, the price of transferring rights for using a sports brand, the price of membership fees, the price of instructor services, the training premises rental price etc.

Keywords: *pricing, marketing mix, sports offer (product), sports audience, objectives, factors and methods for setting prices*

INTRODUCTION

The pricing plays an important role in marketing, as the prices are the only instrument of marketing mix contributing to income generation, regardless of the type of organization. Prices are also specific are they are

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easiest to change, which is very important in the cases of the elasticity of demand in a market. The pricing should be discussed in the context of a marketing mix as a whole.

Generally, the pricing is determined by how much the buyers are willing to pay. Setting prices is a significant factor in the sports organizations' activities due to its effects on the income, and, in some cases, on the demand as well. The pricing as an element of the marketing mix of sports organizations must be observed in the context of other three elements of the mix: sports offer (products), promotion and distribution.

There are various forms of presenting prices in the sports market. Hence, for example, the spectators who are directly watching the sports events pay the price of the tickets.

Also, sportsmen, through the process of negotiations with their own club or another club where they wish to further pursue career, set the price (amount of the transfer or contract renewal) as an indication of their current value in sports.

Sports organizations or most successful individual athletes that have become the sports brands themselves owing to their greatest sports achievements and strong personalities may conclude licence agreements with the interested business organizations in order to transfer the rights of using their brand names in return for a specific pecuniary compensation i.e. the price.

The owners of gyms or fitness clubs charge the fee as a form of the pricing for the membership in the club, whereas at the same time they are paying the rental price for the premises in which they are carrying out their activities.

The prices of hiring a coach or instructor are different and depend on various factors, which must be covered by the sports organizations after the negotiations.

National sports associations often set the prices or amounts of the prizes for national teams or athletes who win medals in the major world or continental competitions.

Marketing experts in sports organizations have at their disposal several methods for setting prices.

The pricing method based on the internal factors relies on expenses as a starting point and searches for solution how to set the price so as to generate profit. This method is known as the "cost-plus" pricing. It is often used by the profitable sports organizations. Setting prices based on the value, i.e. quality of the offer of a sports organization is also a part of the mentioned method. It is particularly used by the sports organizations which have become the renowned sports brands. Their reputation and prestige enable attracting large sports audience and providing the best sports experience.

Opposite to the previous one, the pricing method based on the external factors relies on the analysis of the environment of a sports organization. The pricing corresponds to the existing sports offer (products) at the specific

market. In practice, there are several varieties of this method: defining the pricing range and determining the pricing based on competition.

Defining the pricing range is used in situations when sports organizations wish to attract segments of the sports audience that are price sensitive.

Setting the price based on the competition is used when a sports organization has strong competitors and the pricing is set so as not to allow that a part of the sport audience be “oriented“ towards other sports organizations i.e. sports events.

The third method, often used by the sports organizations is the combination of the previous two methods i.e. setting prices in view of both internal and external factors.

The pricing is not affected only by the quality of the sports offer, but also by two other elements of the marketing mix, i.e. promotion and distribution. The distribution i.e. the location where sports competitions take place can undoubtedly affect the prices set by the sports organizations. At the same time, effective promotional activities may create more favourable image of both the sports organization and its offer thus enabling setting the higher prices for its products.

Upon analysing the key factors, marketing specialists in sports organizations may choose a specific approach to setting prices based on several options. The basis for all options is the comparison of the specific price with the reference price (fair price, average price, typical price with the discount, expected price, etc.), as well as the assessment of the relation price/quality by the members of the sports audience.

The issue of setting prices in sports organizations was debated by renown authors from the area of sports marketing such as: Pope and Turco (2009); Mullin, Hardy and Sutton (2008); Pitts and Stotlar (1996). In our country, the subject was considered by M. Tomić (2010) and M. Gašović (2004, 2009).

1. THE PRICING OBJECTIVES IN SPORTS ORGANIZATIONS

As per Mullin et al. (2008, 178), when setting the prices of sports offer (products), marketing professionals in sports organizations must, as a starting point, focus on one or more of the following objectives:

- efficient use of resources (players, sports arena);
- fairness in terms of buyers' ability to pay a specific price;
- positive attitude of sports audience;
- profit;
- survival.

Efficient use of resources: some sports-recreational organizations or local communities possess their own premises (playgrounds, swimming pools, gyms, saunas etc.) or even entire stadiums or sports halls employing the appropriate staff. The possession of such significant resources, both human and material, requires their efficient use. This means that the sports premises' rental prices must cover all costs of their activities and enable generating certain profit.

Fairness: ability of the members of sports audience to pay a specific price, i.e. purchase power of the buyers interested in the sports offer and services as a reflection of the economic development of a society, the size and development of sports market, the region or town in which a sports organization is active. Of course, the entire milieu, generally speaking, will affect the level and objectives of the pricing policy.

Positive attitude of the sports audience: as the long-term top results of teams or individuals earn them highly positive reputation, higher prices will aim at obtaining the consent of the sports audience.

Profit: when setting prices, profitable sports organizations may include all costs, expected income, as well as the specific amount of profit. Not-for-profit sports organizations are subsidised by the state or other institutions, whereby subsidies also include tax facilities, therefore such organizations may set the prices that will cover only the costs of their activities.

Survival: one of possible objectives defining the pricing of the sports offer (products) of a sports organization is survival. Thus, tickets pricing and best players transfers are sometimes intended for collecting funds which will be used to hire new, young players and prepare the team for the next season for which a sports organization has higher ambitions in terms of results. In this case, the objective is to survive and support the team strengthening for future, better results and, of course, other objectives in pricing policies. Such sports objectives are often justified but, at the same time, questionable.

It should not be forgotten that the main objective of the pricing in not-for-profit sports organizations is generating income for the organization's activities and/or covering the costs of the carried out or planned activities. Also, the pricing is an important element in keeping precise records of sports activities and maintaining the control over funds flow and manner of use, this particularly having in mind the specific tax status and role of the mentioned organizations.

2. FACTORS AFFECTING THE PRICING IN SPORTS ORGANIZATIONS

Generally speaking, the prices are determined by what the buyers are willing to pay. When setting the prices for their sports offer (products), marketing specialists in sports organizations need to take the offer complexity

as a starting point. There should be taken into account the buyers' view on the costs and value, in parallel to the objectives of sports organizations. The pricing is also affected by the ownership aspects of the sports organizations which can be public and private, profit and not-for-profit, etc.

The nature of sports offer undoubtedly determines the price as an instrument of sports marketing mix. In particular, the pricing method for the sports organizations' offer is far more complex than the pricing method for the products or services related to sport (sports equipment, tools).

2.1. Internal factors affecting the pricing

The pricing method and the level of prices for the sports offer (products) of sports organizations or individual athletes depend on the various levels of the offer, starting from the hierarchy of values as per the members of the sports audience. The sports offer may be observed from the following five levels: sports experience, sports event, sports result, image of sports organizations or individual athletes, and sports brand (Mullin et al., 2008, 93-103).

The mentioned levels of the sports offer lead to setting prices based on the presented values. In this view, once the concept of fans paying the premium price for a specific sports event is accepted, the conclusion is that those persons on the occasion of purchase observe certain value that is very important to them. The presented value is largely used for marketing communications and requires that a sports organization is well acquainted with the target audience and the image of its offer. Therefore, a sports experience may be exploited by various instruments including the tickets for VIP boxes and exclusive lounges promoted as an original way of organizing business meetings or entertaining guests.

It is not difficult to understand that major sports events "raise" the price of tickets, TV broadcasting rights, advertising space in sports arenas etc.

Top sports results, as a second level of sports offer also bring more sponsors and enable achieving higher level of prices i.e. the amounts of sponsorship agreements.

In addition, top sports results over a long period of time also create a strong image of sports organizations directly affecting the level of prices of their sports offer.

Thus, the image, as a fourth level of sports offer, enables sports organizations to set higher prices for tickets, membership fees, seasonal tickets, player transfers, registration for competitions, TV broadcasting rights, sponsorships etc. However, even more important than that is the understanding that for such prices there is a consent or positive attitude of the entire sports audience.

This is very similar to the fifth level of the sports offer – sports brands and their effect on the pricing, especially the amounts acquired by the sales of licence rights to the interested organizations in the area of business.

In regards to the internal factors affecting the pricing, the focus should be placed on the effects of distribution as an element of the marketing mix. The location of sports venues (places), as well as their quality, equipment, lighting, environment, colours, music, signage, safety, additional services (VIP boxes, parking lots, car surveillance, seats comfort) certainly can affect the pricing. This means that specific categories of fans or users of recreational services will be prepared to pay higher price for the tickets, rental fees or membership fees because they receive the added value for their money.

The pricing of a sports offer may also be affected by the promotion as a fourth element of the marketing mix. It is known that the main purpose of the promotion is to present the sports offer to the sports (target) audience. By means of effective promotional activities over a long period of time, the positive image of the sports organization is created. In the short term, promotional activities create positive image of the abilities of the existing team, main players (stars), as well as the individual style of play, behaviour of players, coach and the management. All the abovementioned, both directly and indirectly, affects the pricing of the sports offer.

The costs made by the sports organizations are an inevitable internal factor in the process of setting the prices.

There are several types of costs, the main ones being the fixed and variable ones. The fixed costs refer to the ones that do not change regardless of the scope of activities. In sports organizations, such costs include salaries, rental fees, electricity bills, stadium maintenance costs etc. Regardless of the number of people attending an event or the number of sponsors giving donations, these expenses must be paid. Still, a part of the fixed costs paid by each person attending the event decreases as the number of the ones who buy the tickets grows. This has significant effects on the pricing, as shown in the example of marginal costs.

Variable costs are the ones that are proportionally affected by the sales of tickets and the increasing number of sports events. In sports organizations, there are additional costs including hiring of a part-time staff, procurement of food and drinks, and organization of additional entertaining programs.

By summing up the fixed costs and the variable ones at a specific level of tickets sales, the management of a sports organization may calculate the total expenses. It is possible, also, to calculate the average fixed costs by dividing them by the number of sold tickets. Average variable and total costs can be calculated in the same manner. Marginal costs are the ones related to providing an extra ticket and they are usually the same as variable costs.

There are also methods which can be used by sports organizations to reduce costs, especially when they are the organizers of sports events. One of the key methods is using the experience curve concept. The more experience

the organizers of sports events and the involved team gain, the lower the costs become. In addition, the experience curve forces the organizers i.e. marketing managers to make certain sub-contracts or franchise agreements for some elements of the event marketing program such as the sales of food and drinks, even the tickets sales.

2.2. External factors

Apart from the internal factors, the organizer of sports events should take into account external environment i.e. external factors. These include the nature of the sports market, the demand for sports experiences and the spectators' expectations.

In the sports market, monopolies are rather rare. A monopoly really exists in the sports car racing (Formula 1). Hence, for example, a potential competitor of Formula 1, CART, as per their agreement does not compete in the same market, except in Australia, North America and Japan. Being the main pillar of the sports offer in terms of organizing the European grand prix competition, Formula 1 is thus holding the monopolistic position. Where there is a competition with CART, the "duopoly" agreement is valid, meaning that both organizations charge premiums when hosting the events (Gašović, 2004, 156).

It is worth mentioning that not a single sports market can exist if there is no demand for the offer of the sports organization. The high demand affects the price only where there is some sort of price elasticity of demand. Thus, for example, increasing the ticket price by a specific percentage decreases the demand for them, i.e. decreasing the ticket price increases the demand.

The lower demand may be only a transitory phase until the spectators get used to the new price. This depends on the price expectations of the audience. The spectators' expectations may affect the price in the opposite way as well. Namely, the spectators are often discouraged by the understanding that the too low price means lack of the quality of a sports competition.

In regards to the prices of the competitors, they will have stronger or weaker effects depending on the type of sport and the image of sports organizations – competitors. When it comes to the clubs – local rivals, majority of their supporters is almost totally devoted to their favourite club; hence the competition prices do not determine who will watch the match.

However, a part of sports audience does not fully identify with a club, thus the ticket price will affect their decision. In addition, marketing specialists in sports organizations must take care about the extent to which other forms of entertainment compete with their offer.

3. SETTING PRICES FOR SPORTS EVENTS

The ticket pricing may be different not only depending on the sport in question, but also on the country. Marketing professionals in the sports organizations must set the ticket price ensuring its flexibility in an attempt to, generally speaking, reflect what the supporters can pay and also enable discounts or concessions for the financially vulnerable categories (pupils, students, unemployed etc.).

This is similar to the so-called discounted ticket prices. Thus, for example, big sports clubs (Mullin et al., 2008, 114) usually sell the tickets in one of following manners:

- at wholesale prices,
- for the whole season,
- at special prices for business companies,
- at lower prices for early purchases etc.

In regards to wholesale prices, discounts include:

- family packages,
- two tickets for one,
- reservations for bigger groups of people etc.

By means of discounts, sports organizations achieve several effects. Namely, in this way, they stimulate spectators to attend the games, thus enabling them to fulfil their social needs. For many spectators, the sports experience is something that should be shared with the family and friends. In addition, those families and friends are the potential future visitors of the sports events.

Season tickets represent a form of discount that decreases the overall inflow of funds over the season, but still provides higher and instant inflow of funds at the beginning of season. This ensures the income required for the operations of sports organizations and represents a very precise indication at the beginning of the season re the promotional activities that will guarantee future sales or initiate the increase of the ticket price in order to decrease the demand if the sports arena's capacities happen to be limited. For example, if 90% of seats for one game are sold out in the form of season tickets, the pricing of the remaining 10% should be set higher in order to achieve the maximal profits. In the opposite case, lower prices should be set in order to sell most of the tickets.

Business tickets are not limited only to the shareholders' exclusive boxes. Such tickets may also be sold within the sponsorship agreements or agreements with the suppliers of products and services for the sports events. In each of the above cases, generally speaking, the tickets will be sold per discounted prices. Finally, it often happens that the discount is offered for purchase of tickets through a specific distributor and much before the date

of the sports event. In the first case, it is the logistical tactics in order to decrease the costs of redirecting the traffic to the zone requiring fewer staff or to eliminate the jam in the zones of high traffic. In the second case, the focus is on financial tactics aimed at obtaining inflow of funds over the short period of time.

Naturally, the ticket price for major sports events (derby matches, decisive games, international games) must be higher as the elasticity of demand is higher, but with keeping the discounts previously mentioned. This is the way to ensure the fair access and to further strengthen the bonds between the most passionate supporters and their club or the national team.

Of course, other prices set by the sports organizations such as TV broadcasting rights, the sports arenas' advertising space, sponsorships etc. also depend on the economic situation in the specific country.

The competitors' ticket price shall have lower or higher effect depending on the sport and image of the sports organization - competitor. When it comes to the clubs – local rivals, most of the supporters are absolutely loyal to the favourity club, so that the ticket price does not affect the game to be watched.

However, a part of the sports audience does not feel that level of identification with a particular club and the ticket price will affect their decision. In addition, marketing specialists must take into account the extent to which the offer of their sports organization competes with the other forms of entertainment.

3.1. Interaction between the ticket price and the turnout

Attending a sports event is only one of the possible ways for people to follow the sports happening. Other ways include the conversations with friends following the event, reading the newspaper reports of the event, watching TV and videos etc. Here we consider only the attendance at a sports event as a form of fulfilling the need for entertainment.

When it comes to sports events, on the basis of the available data (Gašović, 2009, 134), the totality of the first experience is one of the most important factors in the future purchases of tickets. The main issue that the organizers of sports events face refers to the accurate identification of spectators' experience.

As per Pope and Turco (2009, 163), three authors, Kahle, Kambara and Rose carried out a study in order to investigate the mentioned subjects in the context of another consumer behaviour theory. It is a functional theory re the impact of attitude, suggesting the three specific motivation processes that affect the attitude and behaviour:

- Consent – the requirement for public aligning with the expectations of others, thus obtaining approval

- Identification – the need to maintain positive companionship with the others who are considered important by an individual
- Internalization – individuals accumulate same values that, in fact, define them.

The above authors have determined that the turnout at the event is most specifically affected by the internalization, followed by the self-expression and companionship. The two latter factors stem from identification and consent respectively. The internalization factor is strongly tied with the importance of involvement and is considered important in interaction of the spectators via the sport events' websites. Two other elements can happen only at the public places, thus they should not be expected in individual interaction via internet.

The mentioned study suggests that the turnout at the sports events and the related experience are based on the highly internalized elements of participation, the need to feel the full identification with the event or its part and to be socially encompassed by the event. It is known that a deeply involved, internalized spectator asks for more information about the sports event and its actors. In addition, it is known that the ones attending sports events due to the mutual consent are more sensitive to the group consumption, discounts or special seat offers. Finally, the spectators who feel the need for identification and self-expression are recognized as "fans" searching for diversity and their taste will move from one to another type of event (Kradi, 2007, 158).

The mentioned information provides the organizer of a sports event with an access instrument for attracting the primary spectators to events. In order to satisfy the spectators' need for information, a wide implementation of marketing communication should be encouraged including the newsletters, media releases and internet content. Such a specific spectator is attracted to that sort of activities and at the same time responsive to marketing communications. It is required to promote and visibly advertise the group discounts and the special seats offer. In addition, it is required to provide a wide range of other forms of entertainment so as to stimulate the category of those that identify themselves with the majority. Building on the abovementioned, the creative organizers of sports events may develop more comprehensive offer packages to best stimulate the main three categories of the spectators at the events.

CONCLUSION

Apart from the sports offer (products), distribution (location, venue) and promotion, the pricing represents a very important instrument of the marketing mix of sports organizations.

The very nature and complexity of the sports offer to a great extent determines the price as an instrument of marketing mix. In parallel, marketing

specialists in sports organizations need to understand the view of the target audience (spectators, media, advertisers, sponsors, agents, vendors) in regards to the value and expenses. At the same time, they need to be aware of the key objectives of sports organizations in order to be able to determine the adequate prices.

The pricing policy is certainly affected by the ownership of the sports organizations and by the profit or not-for-profit orientation.

In addition to the offer, other two instruments of the sports marketing mix have a significant impact on the prices. Thus, for example, the location of sports venues, their surroundings, safety, parking lots, signage, additional services, etc. certainly can affect the price of tickets for sports events. At the same time, the image of a sports organization built over the years is the result of the effective promotional activities, and as such, simultaneously, plays the role of a factor affecting pricing. On the other hand, the presentation of a concrete sports event, in particular, derby matches, the team abilities, main stars are the factors that affect the pricing in the short term.

Previous paragraphs suggest that the pricing needs to be discussed in the context of the sports marketing mix as a whole.

The key objectives taken into account by sports organizations when setting prices are: more efficient use of sports resources, fairness, positive attitude of the sports audiences, survival, profit etc.

The factors affecting the pricing in sports organizations may be internal and external by nature. The internal factors include, primarily, the value of the sports offer on one hand, and the costs of the performed sports-administrative activities, on the other. The external factors include the competition at the sports market, demand for sports events, and the expectations of the spectators.

The ticket price for sports events differ depending on the type of sport and the country. Marketing experts must set the ticket price ensuring flexibility so that, generally speaking, it is a reflection of what the sports fans can pay. The discounts are given to pupils, students, and unemployed persons. Other sorts of allowances and discounts are used for wholesale deals, season tickets, family and group purchases etc.

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