

## Selling to Visiting Fans at the Expense of Home Field Advantage

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After eight years on staff, Katie Harris was recently promoted from director of ticket operations to a new position as associate athletic director at Montgomery University (MU). Several months into her new position, Katie is faced with a difficult challenge. Several thousand fans from conference rival Bucks State College (BSC) attended a men's basketball game at the 15,000-seat MU Convocation Center. The large presence of BSC fans did nothing worthy of ejection, but was able to negatively impact the experience for many MU fans. MU's high profile men's basketball coach contacted the director of athletics requesting if something could be done to reduce the impact of visiting fans. Though the coach understands that dealing with opposing fans is part of sport, even on a team's home court, the environment has become a distraction for coaches, players, and many significant athletic department donors who pay premium prices for season tickets. The coach received complaints from numerous supporters indicating that unless something is done they are considering canceling their season tickets. Though complicated by logistics, financial, and legal consequences, Katie has been asked to research the issue and share recommendations for policy development.

### Ticket Operations Case Study

Katie Harris has been the director of ticket operations at Montgomery University (MU), a private Division I athletic department, for the last 8 years. Her outstanding performance recently resulted in a promotion to associate athletic director. Due to her expertise in ticketing, one of Katie's responsibilities as associate athletic director will be overseeing ticket operations at MU.

Katie has seen several significant changes in the discipline of ticketing since she broke into the field as an intern. One of the significant changes has occurred in the area of technology. What used to take a large staff months to accomplish can now be completed in a matter of days with state-of-the-art ticketing software and fewer employees. The emergence of ticketing software has also allowed fans greater access to tickets. Fans no longer need to drive to a box office to purchase tickets. Tickets may be purchased online, transferred via smart phone, or printed at home.

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Some new arenas can even scan ticket bar codes right from emails on a cell phone at entrance gates. In addition, tickets that sometimes went un-used may now be re-sold and redistributed to other fans sometimes only minutes before a game.

Another significant change is the increase in attendance by visiting fans. Historically, some institutions have a history of bringing large groups of fans to away athletic events (Perry, 2011). However, since the introduction of technology into ticketing, and more convenient and efficient access to tickets, fans from many more teams now travel to away games. Visiting fans sometimes rival home fans in terms of attendance, eliminating what is normally considered a home field advantage (Housenick, 2012). At some institutions, a large number of tickets would not be available for visiting fans. However, during the last several years, with attendance down, MU has averaged approximately 7,000 fans per game for men's basketball games at the 15,000-seat MU Convocation Center. Such attendance figures provide a significant number of tickets per game for visiting fans.

Two months into her new position, MU hosted conference rival Bucks State College (BSC) in a men's basketball game. The distance between BSC and MU is approximately 300 miles, normally a five to six-hour drive. Not only did BSC bring approximately 2,000 fans to the event, but through the secondary ticket market, several of BSC's most outrageous fans were able to secure seats a few rows behind the MU team bench. The section behind the MU team bench is typically reserved for the most loyal MU fans that pay large sums of money to support the department of athletics. The fans did nothing worthy of ejection, such as fighting, using profanity, etc., but were still able to negatively impact the experience for most MU fans in the section and provide an emotional boost for their team.

An investigation revealed that a donor with season tickets behind the MU team bench gave his four tickets to a friend for the game against BSC. The friend had someone cancel at the last minute and sold the extra seats to a ticket broker several hours before the game. The BSC fans were able to purchase the tickets through a ticket broker for \$100.00, which is above the face value of the ticket. BSC fans in the arena were inspired by the fans behind the MU bench to be as loud as possible and were effective in eliminating MU's home court advantage. BSC won the game in overtime triggering hundreds of phone complaints the next day about the BSC fans. In addition, MU's high profile men's basketball coach contacted the director of athletics asking for something to be done about visiting fans. Though the coach understands that dealing with fans from opposing teams is part of the mental nature of sport, the heckling has become a distraction for coaches, players and high profile athletic department donors who pay premium prices for season tickets. The coach has received complaints from some of these supporters who are so annoyed by the heckling, abundance of visiting team attire, and volume of visiting team fans that it is negatively influencing their fan experience. Some are considering moving their seats, while others are considering cancelling their season tickets for the following year.

A meeting of senior athletic department staff was scheduled by the director of athletics to discuss the situation. At the meeting, Katie explains the logistical difficulty in limiting visiting fans from purchasing tickets. She also explains several other important facts; the positive financial impact visiting fans have on the budget and the potential legal ramifications of targeting visiting fans for seat relocation. With an average ticket price of \$25.00, the roughly 2,000 visiting fans generated approximately \$50,000 in additional ticket revenue, not to mention any associated increase in ancillary revenue such as parking and concessions. Legally, Katie is not sure that relocating fans because of what they are wearing or whom they are cheering for is within the scope of the department's authority legally. The director of athletics asked Katie to research the topic to determine how other sports organizations deal with these issues, as well as any financial, legal or customer service consequences and/or recommendations in regard to policy development. When her research is complete, Katie was asked to present the department with recommendations on the best course of action to resolve the situation to the satisfaction of all parties involved.

## Discussion Questions

How are tickets distributed for seats behind the home team bench?

Does the department have any policies in regard to the resale of tickets or reseating fans?

What is the process for distributing tickets to visiting fans?

What are the financial consequences of losing the support of long-time athletic department donors?

What are the financial implications of limiting the sale of tickets to visiting fans?

How do other athletic departments and sport organizations handle situations such as this?

What is more important, revenue from the sale of tickets to visiting fans, or more empty seats but a home court environment?

What are the legal implications of limiting the sale of tickets to visiting fans or relocating visiting fans at sporting events?

Montgomery University is a private institution. Does that allow the school more or less authority to change ticket locations based on fan affiliation?

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## Appendix A

### 2012 New England Patriots Ticket Back Language

#### Ticket Back Terms and Conditions

This ticket (and all season tickets, where applicable) are non-transferable revocable licenses. The Stadium (defined as Gillette Stadium, The New England Patriots, NPS LLC, and the issuer of this ticket) reserves the right to revoke such licenses, in its sole discretion, at any time and for any reason. The Stadium may refuse admission to, or eject, any ticket holder without refund if the holder fails to comply with any applicable rules or terms, or is deemed to be disorderly. Inappropriate behavior and/or abusive language may result in ejection (without refund), arrest, forfeiture of season ticket privileges, and other legal action. Purchase of season tickets does not entitle purchaser to renewal in a subsequent year. The holder of this ticket voluntarily assumes all risks of property loss and personal injury incident to the game, concert, or related events. To the extent permitted by law, the ticket holder irrevocably waives all rights of whatsoever nature against the NFL, the Stadium, other participating clubs, and their affiliates and each of their employees, servants, agents, independent contractors or representatives (together, the "Released Persons") and releases and discharges the Released Persons from all claims, liability, costs, expenses, damages or losses (whether direct or consequential and whether arising under statute, from negligence, personal injury, death, property damage or otherwise) arising from or in connection with the game, concert, or related events (including parking for the same) or the venue or any service provided or anything sold there, notwithstanding that it may have been caused by the negligent act or omission on the part of any of such Released Person(s). **ANY PERSON NOT LICENSED PURSUANT TO M.G.L. c. 140, § 185A RESELLING THIS TICKET, AND ANY PERSON SO LICENSED RESELLING THIS TICKET ON AN AUCTION WEB SITE OR IN VIOLATION OF APPLICABLE LAW, IS SUBJECT TO LOSS OF TICKET PRIVILEGES.** Tickets resold in violation of these prohibitions are subject to cancellation without notice or refund. This ticket cannot be replaced and will not be honored if lost, destroyed or stolen. No person, regardless of age, may enter the Stadium without a ticket, and re-entry is prohibited. The Stadium expressly prohibits the use of tickets for advertising and promotional purposes (including contests and sweepstakes or other trade purposes). The ticket holder will not transmit or aid in transmitting any description, account, picture, reproduction, or other depiction (including text, data or visual) in any media now or hereafter existing, of all or any part of the football game or related events to which this ticket admits holder. Patrons may not bring certain items into the Stadium. See [www.gillettestadium.com](http://www.gillettestadium.com) for a complete list. Patrons and their belongings will be subject to search upon entering the Stadium, and prohibited items may be confiscated. The holder, by entering the search area at the Stadium entrance, consents to such searches, and by tendering this ticket for entry, waives any claims against the NFL, the Stadium, other participating clubs, NPS LLC, and their affiliates and agents. Failure to consent to such searches will result in denial of entry into the Stadium. The holder grants permission to the NFL, the Stadium, other participating clubs, NPS LLC, and their designees to use the holder's image, likeness and/or voice in any media now or hereafter existing in connection with any broadcast (live or recorded) or any other transmission or reproduction of the game, concert, or other event, in whole or in part, and for any other purpose whatsoever, including commercial purposes. Dates and times of games, concerts and other events are subject to change by the event organizer. All sales are final. No refund will be provided if the ticket holder cannot attend.

## Appendix B

### 2009 All-Star Game Ticket Back Language

#### **IMPORTANT: THIS TICKET IS A REVOCABLE LICENSE; USER ACCEPTS RISK OF INJURY**

By use of this ticket, the ticket holder agrees that: (a) he or she shall not transmit or aid in transmitting any information about the game to which this ticket grants admission (the "Game") including, but not limited to, any account, description, picture, video, audio, reproduction or other information concerning the Game (collectively, the "Game Information"); (b) the Office of the Commissioner of Baseball or Major League Baseball Properties, Inc., as applicable, is the exclusive

owner of all copyrights and other proprietary rights in the Game and the Game Information; and (c) the Office of the Commissioner of Baseball, Major League Baseball Properties, Inc., Major League Baseball Enterprises, Inc., Major League Baseball Advanced Media, L.P., The MLB Network, LLC, the Major League Baseball Clubs (including, without limitation, St. Louis Cardinals, LLC) and each of their respective agents, players, officers, employees and owners (collectively the "MLB Entities") and certain sponsors and licensees of such MLB Entities shall have the unrestricted right and license to use his or her image, likeness, name, voice, comments or other proprietary or public rights and that of any minor accompanying ticket holder in any broadcast, telecast, photograph, video, audio sound, audiovisual and/or other recording taken in connection with the Game or other transmission, distribution, public performance, or reproduction in whole or in part of the Game, for all purposes, worldwide, in perpetuity, and in any and all media now or hereafter known, without compensation. The rights granted herein to the MLB Entities are assignable. Ticket holder is subject to the rules and policies of Busch Stadium which are posted at [www.allstargame.com](http://www.allstargame.com) and [www.stlcardinals.com](http://www.stlcardinals.com). Ticket holder may not bring cans or glass bottles into Busch Stadium. By using this ticket, ticket holder consents to allowing the MLB Entities to inspect their person and any bags, clothing, or other articles and acknowledges and agrees that ticket holder may be denied entry to or ejected from the Game and/or Busch Stadium if ticket holder is in possession of any item or object that the MLB Entities deem potentially dangerous, hazardous, inappropriate and/or potentially injurious to other patrons. By tendering this ticket and entering Busch Stadium, ticket holder consents to security searches and waives any related claims that ticket holder might have against the Entities (as defined below).

The MLB Entities reserve the right to terminate the license granted by this ticket, with or without cause, by tendering to ticket holder the purchase price printed on this ticket. The MLB Entities reserve the right, without refund of any portion of the purchase price, to revoke the license granted by this ticket and refuse admission or eject any person who appears intoxicated or whose conduct is deemed by the Office of the Commissioner of Baseball to be improper, disorderly or unbecoming or who uses vulgar or abusive language.

Ticket holder assumes all risk associated with the purchase of this ticket from anyone other than the Office of the Commissioner of Baseball, St. Louis Cardinals Baseball, LLC or their designated agents. This ticket may not be used for advertising, promotion (including contests and sweepstakes), or other trade or commercial purposes without the express written consent of the Office of the Commissioner of Baseball. This ticket is valid only for the date and time specified on the ticketface.

No offer to resell or resale of this ticket is permitted, subject to applicable law, via the Internet or any other interactive media, except through the Official Website of Major League Baseball ([www.mlb.com](http://www.mlb.com)) or any other website authorized by MLB Advanced Media, L.P., without the prior written consent of the Office of the Commissioner of Baseball. Furthermore, no offer to resell or resale of this ticket is permitted to the extent prohibited by any applicable federal, state or local law or regulation. Any resale referenced above will invalidate the license granted by this ticket. This ticket may not be resold or offered for resale on the Busch Stadium premises, and any person who sells or offers this ticket for resale at any price on the Busch Stadium premises will be removed from the premises and may be prosecuted.

#### **WAIVER AND RELEASE OF LIABILITY**

Ticket holder recognizes that his/her attendance at the Game is voluntary and may result in personal injury or property damage. By use of this ticket, attendance at and/or observation of this Game or other baseball event held at Busch Stadium and participation in attractions offered at the Game or other baseball event held at Busch Stadium, the ticket holder acknowledges and assumes all risks and dangers incidental to the Game and the sport of baseball (including all warm-ups, practices and competitions associated therewith) whether such risk or danger occurs prior to, during or subsequent thereto, including specifically (but not exclusively) the danger of being injured by thrown bats, or fragments thereof, and thrown or batted balls, thrown, dropped, or launched items and projectiles, other hazards or distractions and any incidents or accidents associated with crowds of people, and agrees that the MLB Entities; Major League Baseball licensees, sponsors, vendors and all of their successors and assigns; all other Major League Baseball related entities; Busch Stadium and the owner thereof; all other parties holding an interest in Busch Stadium; and all employees, partners, members, directors, officers, agents, representatives and independent contractors of such entities (collectively the "Entities"), shall not be responsible for any personal injury, property damage, or other loss suffered as

a result of participation in or attendance at and observation of this Game or other baseball event held at Busch Stadium and/or resulting from the negligence of the Entities. Ticket holder further releases the Entities from and against any and all claims which ticket holder or any minor(s) accompanying ticket holder has or may have for invasion of privacy, defamation, violation of any right of publicity, or any other cause of action arising out of the production, reproduction, distribution, transmission, publication, public performance, broadcast or exhibition of advertisements, promotions, content, programs and/or materials in which recordings or photographs of ticket holder or any minor(s) accompanying ticket holder from the Game appear.

**BY ATTENDING THE GAME, TICKET HOLDER IS DEEMED TO HAVE GIVEN A FULL RELEASE OF LIABILITY TO THE ENTITIES TO THE FULLEST EXTENT PERMITTED BY LAW.**

**IF THE TICKET HOLDER IS A PARENT OR GUARDIAN ACCOMPANYING A MINOR OR MINORS TO THE GAME, BY ALLOWING THE MINOR(S) TO ATTEND THE GAME WITH THE TICKET HOLDER, THE TICKET HOLDER IS DEEMED TO HAVE GIVEN ALL OF THE FOREGOING GRANTS OF RIGHTS, RELEASES AND WAIVERS ON BEHALF OF SUCH MINOR(S). IF THE TICKET HOLDER DOES NOT WISH TO OR IS NOT AUTHORIZED TO GRANT SUCH RIGHTS, RELEASES AND WAIVERS ON BEHALF OF THE ACCOMPANIED MINOR(S), THE TICKET HOLDER SHOULD IMMEDIATELY ACCOMPANY THE MINOR(S) OUT OF BUSCH STADIUM.**

**ENTERING THE PLAYING FIELD, DISRUPTING A GAME AND/OR ATTEMPTING ANY PHYSICAL CONTACT WITH A GAME PARTICIPANT IS A CRIME PUNISHABLE BY FINE AND/OR IMPRISONMENT. VIOLATORS WILL BE PROSECUTED TO THE FULLEST EXTENT OF THE LAW.**

**NOTICE (for All-Star Game only)**

Retain possession of this RAIN CHECK and attached coupon until the Game has been played.

The RAIN CHECK and coupon are good only for this particular Game and no part of the purchase price will be refunded by reason of the failure of the ticket holder to use them for this Game.

Should the game not progress to or beyond a point of play constituting a regulation game under Official Baseball Rule 4.10 after the ticket holder has been admitted to Busch Stadium, this RAIN CHECK with the coupon attached will admit the ticket holder to the Game when played.

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**NOTICE (for All-Star Workout Day and All-Star Sunday)**

Retain possession of this ticket until the event designated hereon has been conducted. The ticket is good only for this particular event and no part of the purchase price will be refunded by reason of the failure of the ticket holder to use it for that event.

Should the event designated hereon be cancelled in its entirety, a refund will be issued according to procedures and policies that the Office of the Commissioner of Baseball and the St. Louis Cardinals shall announce at their sole discretion and as shall be set forth at [www.allstargame.com](http://www.allstargame.com).

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**NOTICE (for All-Star Workout Day only)**

A portion of the proceeds from this event will be donated to Major League Baseball Charities and Cardinals Care.

## Capital University's Dilemmas: Contemplating Diversity and Legal Ramifications in Decision Making

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*Keywords:* Diversity; human resource management; intercollegiate athletics; sport law; facilities; North America

### The Dilemma

Capital University (CU) is an institution that receives significant state support. Consequently, as resources become limited in a difficult economy, CU is facing greater scrutiny and accountability for its actions. CU's athletics department, in particular, is feeling the pressure of the extra scrutiny as the media continues to highlight the mishaps and failings of the department. Issues surrounding athletics compliance and the department's overall level of inclusiveness have been frequently front-page news and receive top billing on the nightly local newscasts in Forest Ridge. Dr. Cathy Clinton, Athletic Director of CU, is typically an autocratic leader and decision maker, however at this time, she feels that a more participatory approach to addressing these issues will be in the best interest of the department. As a result, Dr. Clinton has decided to develop a team of her athletics employees to address whether or not to hire another compliance administrator and how to respond to the department's overall level of inclusiveness. (See Figure A for CU's CU's non-discrimination statement.)

**CU's non-discrimination statement**

Capital University prohibits discrimination in employment, educational programs, and activities on the basis of race, national origin, color, religion, sex, age, disability, veteran status, sexual orientation, gender identity, or associational preference. Capital University is committed to providing equal opportunities and equal access to University facilities. For additional information contact Capital University Office of Equity and Diversity, 555-433-9000.

**Figure 1** — CU's non-discrimination statement.

### A CU Overview

CU is a state university of 17,500 students located in Forrest Ridge, Montana. The Forrest Ridge community is a vibrant area of 75,000 with a surrounding region population of 500,000. Although the region is currently experiencing a difficult economic period, residents are optimistic about the long-term future. The area is currently being developed as the technological and medical hub of Montana, which, with time, will presumably boost the local and surrounding economy. Additionally, CU will open a medical complex that will house new medical and dental colleges along with a biotechnology in 2016. This expansion is expected to boost CU enrollment to 20,000 by 2018, and augment Forest

Dr. Stacey R. Altman and Dr. Mark Moore are associate professors of kinesiology at East Carolina University. Dr. Melanie L. Sartore-Baldwin and Dr. Stacy Warner are assistant professors of kinesiology at East Carolina University.

Ridge's population to 95,000 by 2025. In addition to CU the region is home to Helena State, a NCAA Division II football power, and Riverview Community College that is considering starting a football program at the junior college level.

CU has 15 women's and 13 men's sport programs competing in Division I (D1) of the NCAA. (See Figure B for CU's athletics' mission statement.) Sports have been played at CU since 1917 and the university has been an NCAA member since 1950. CU's football team did quite well last year; the team went 10-2. Consequently, there is a positive atmosphere under the leadership of the current football coach who has an aspiration of moving the program into the FBS as a member of Conference USA. Prior to the coach's arrival in 2010, the Mountain Lions averaged seven wins per season. By far football has center stage at CU while the other sports are mediocre at best. There is a culture within the athletic department that seems to accept that football, and then men's basketball are the only sports that matter and mediocrity in every other sport else is acceptable.

**Capital University Mission Statement**

Through a commitment to academic pursuits and nationally competitive sports programs the student-athletes, coaches, and staff of Capital University strive to bring positive recognition to the University. The mission of the Department is to 1) sponsor a broad-based program that provides educational and athletic opportunities that allow student-athletes to develop and 2) to serve the interests of the University and region by enhancing its diversity and quality of life. Through its self-sustaining athletics program, the Department seeks to provide students, faculty, staff, and alumni a valuable shared experience consistent with the goals of the University.

**Figure 2** — Capital University Mission Statement.

In July of 2009, Dr. Clinton became Athletic Director at CU after 15 years as the head women's basketball coach of the Lions. She has a doctorate in physical education and coaching theories. She is still learning about many of the human resource management and legal issues involved in administrating the department, however she has been proactive in attending professional meetings and conferences to gather information. Dr. Clinton has a staff that has seems fairly willing to learn and consult in order to advance the department. For example, her marketing staff was deliberate in their approach to the mascot/logo change in 2010. (CU athletics' were previously referred to as the "redskins"). While she is concerned that about a couple members of the staff that continually voice a perspective that diversity has the potential to diminish group cohesion; overall, she is confident that involving more of staff in the decision-making process will lead to positive change. One of the primary decisions that Dr. Clinton needs to make is how to deal with the lack of inclusiveness and diversity that has seemed to be a detriment to CU's athletics department. Dr. Clinton, with assistance from her staff, must decide on whether or not to hiring another athletics administrator is the best solution to addressing the current compliance and inclusion issues facing CU.

### ***Will Another CU Athletics Administrator Help Address Compliance and Inclusion Issues?***

Due to a hiring freeze at CU, it has been difficult to acquire faculty and money to support academic endeavors. During the 2011-2012 academic year, there was a 12 percent state budget cut and more cuts are expected in the next fiscal year. While acknowledging the difficult economic situation, CU's Athletic Department would like to hire an administrator to complement its compliance staff. Currently, John Jurist has his hands full with what might considered traditional compliance issues (APR calculations, compliance with NCAA recruiting rules, student-athlete eligibility, etc.). CU would like to hire someone to assist with NCAA compliance issues and also to help address legal and ethical aspects related to employment issues. Athletic Department staff members have brought forth numerous informal complaints and one official grievance related to discrimination based on sex and disability. The grievance was investigated by CU's Office of Equity and Diversity and while, legal requirements appear to have been met, Dr. Clinton is still concerned. Her concern is, of course, complying with legal requirements, but also ensuring that the department's work environment reflects a valuing of inclusiveness. The potential new hire would be charged with providing educational and strategic planning advice related to diversity for the department. Mary Barker, the spouse of men's head basketball coach, has



been performing many of these responsibilities on an interim basis during the past year. Mr. Jurist would like to transition her to the full-time position; however, he is concerned because he has heard of a possible health concern Mary may have, the budget situation and the fact that numerous boosters are calling for Coach Barker's resignation at the end of the season. Coach Barker has been linked by the local media to major recruiting violations involving junior college players during the past season. John Jurist conducted a brief investigation and found nothing that indicated that violations have occurred. Jurist suspects that the boosters are fueling the rumors in hopes that Coach Barker is forced out. While Coach Barker has always been beloved by his players, the boosters on the other hand have always seemed to vocally oppose his coaching style. Considering that he is one of the few coaches at CU with a winning record and a few conference championships to his credit, thus far, Dr. Clinton has ignored the boosters clamoring for his resignation.

Jeff Adams, the Chair of the Board of Trustees, communicated through the media, that this potential extra compliance position with a special emphasis on diversity-related issues is not needed. Mr. Adams indicated that CU has demonstrated its commitment to diversity through the appointment of Dr. Clinton (a female) as the Athletic Director. He also emphasized that his status as a recovering drug addict further supported CU's commitment to staff diversity. Mr. Adams expressed concern that the new position would add to the layers of administration within CU's Athletic Department, thus potentially causing the department to be a likely target for budget cuts. Mr. Adams concluded by pointing out that while the university had recently paid large sums to settle two employment discrimination cases (that occurred outside of the athletics department) and that the institution would likely be investigated for Title IX violations related to their faculty recruitment procedures, such incidences should not impact future hiring decisions. Against the backdrop of this information, in a recent article in the Daily Ledger, CU's President stressed that Dr. Clinton and her staff would have final say on whether or not the second compliance/diversity specialist position will be filled.

In addition to the issues already identified within the university, Dr. Clinton also relayed to her staff that the athletic department is being sued by advocate rights groups under the Americans with Disabilities (ADA) Act for not providing proper accommodations for an athletics department staff member; there is not a wheelchair accessible entrance into the building that houses the athletic department offices. Joe Ponders, University Attorney, informed her that it is not an issue since the building was built in 1960 long before the enactment of the ADA.

There are no easy answers for Dr. Clinton and the CU athletic department staff. Should CU hire another administrator to ensure diversity issues are being promptly addressed? How should CU respond to the lack of access for wheelchair users into the athletic department offices? It is clear that well informed and thought out recommendations that meticulously consider diversity and various legal matters need to be made.

## Management and Diversity Courses

After successfully completing the case, students will be able to:

1. Convey the importance of discussing diversity-related issues in the context of sport organizations.
  - a. Discuss the management of diversity and articulate how effective diversity management is created.
  - b. Demonstrate an awareness of how diversity management relates to organizational effectiveness.
2. Identify and discuss issues or actions that conflict with equitable treatment, non-discriminatory practices and policies, and anti-discrimination laws.
3. Articulate the importance and objectives of diversity training, and identify the elements effective training program should include.
4. Discuss the importance of perceived fairness in the workplace; and how it relates to organizational effectiveness.
5. Evaluate employee-hiring practices and identify the key steps in the hiring process.<sup>1</sup>

For instructors who plan to emphasize diversity management related issues, Cunningham (2008), Cunningham and Shilbury (in press), and Fink, Pastore and Reimer (2001) would be appropriate prerequisite readings to assign to students before charging them with analyzing the case. These readings would aid students in providing a comprehensive

foundation from which to discuss diversity in intercollegiate athletic department staffing. Instructors could then lead a discussion, grounded in the case that factors in more specific circumstances (e.g., the potential hiring of a Mary Barker) and that requires students to think about other theoretical concepts and skills that would be appropriate. Moore, Konrad, and Hunt (2010) and Cunningham and Sartore (2010) should be considered as supplemental readings for instructors that wish to focus more on the importance of managing staff diversity within sport organizations. Sartore and Warner (2012) would be an ideal reading to promote greater discussion on how socially just decision-making within athletic departments impacts student-athletes.

The hiring and employment practices mentioned in the case should also raise questions in students' minds about the legal requirements involved in these and similar circumstances. The potential hiring of Mary Barker is one example. Cunningham (2011) could serve as a key supporting reading for lessons focused on the legal aspects of hiring, as well as serve as ancillary reading for lessons focused on issues related to diversity and hiring practices. In the context of a legal aspects course, the information on employment law as presented in Sharp, Moorman, and Claussen (2010) is likely to be received well by instructors and students that want to understand application for strategic business advantages. Additionally, many practitioners find governmental agencies websites and industry publications useful resources (see Appendix A). A discussion of the protected groups (e.g., race, sex, and religion) and not protected (e.g., weight and sexual orientation) by anti-discrimination law can further be informed by Sartore and Cunningham (2007) and Cunningham, Sartore, and McCullough (2010). If an instructor is working with graduate students, s/he may challenge them to go even further and consider the distinctions between Title IX and Title VII and what the application of each in hiring contexts has yielded historically. Swaton (2010) notes the high burden on plaintiffs in Title VII and that may be useful for future managers to understand, however instructors should anticipate some resistance to her explanations for the lack of women in leadership and decision making roles in athletics.

Another circumstance that should initiate students' consideration of diversity management and legal requirements is Mr. Jeff Adams' attempt to base decisions on misinformation (i.e., the notion that having a staff member that struggled with drug addiction or having a female in a leadership role would permit the institution to claim it has a diverse staff). Strategies for interacting with Mr. Adams to better inform him and others may also be discussed. The resources previously mentioned as well as the literature related to communication in diverse groups and about diversity would be helpful (e.g., Dumas, 2008). These ancillary materials would likely point students to very specific strategies. For example, after reading Dumas, (2008) students may better understand whether telling Mr. Adams a story from their own life related to diversity would be helpful in interacting with him or other groups within the organization. Again, the expected specificity may depend on the level of student involved<sup>2</sup>. However, instructors might anticipate that most students would suggest many options for productive group interaction related to diversity that are based on antidotal information. Thus instructors may want to consider receiving those suggestions in advance to be better prepared for the class time they have allotted for the activity.

Sample assignments may include:

Drafting a report that contains a recommendation as to whether or not to hire another administrator to oversee various compliance issues. The report should be easily understood by any person reading it and should include citations to articles (of a credible type) and legislation/regulations that provide support for the recommendation.<sup>3</sup>

Having mock committee meetings in groups of four-five students to prepare the report described in assignment #1 or to produce a press release that addresses the commitment of CU to fairness and equity. Students could elect a chair and learn elements of running a meeting and develop communication skills related to discussing what might be perceived as sensitive topics. Since numerous issues related to discriminatory practices (e.g., ADA violations, employment discrimination, and questionable hiring practices) were observed in the case, instructors could ask students to review the Equal Employment Opportunity Commission (EEOC) website, [www.eeoc.gov](http://www.eeoc.gov), prior to preparing the press release. CU's non-discrimination statement is included in Figure A.

Conducting an Internet search to discover whether any current NCAA member institutions are confronting similar issues as those facing CU. If so, which issues seem to be the most pervasive? (*Issues such as diversity management, employment discrimination, risk management and ADA compliance under Title II should be identified and discussed.*)

Interviewing a sport leader who is a member of a protected class (e.g., race, sex, and religion) about her/his career and the challenges they encountered. The students could be asked to reflect on this assignment. For instance, students could be asked if the assignment provided a change in his or her outlook on staff diversity.

Assignment and/or discussion questions may include:

The case describes Dr. Clinton as an autocratic leader and decision maker. Yet in the case she chooses the participatory decision-making approach. What are the advantages and disadvantages to Dr. Clinton adjusting her leadership and managerial approach? *(Potential advantages should include increased employee motivation, enhanced creativity and improved organizational effectiveness. Possible disadvantages that might be anticipated as responses from students could include a lack of employee preparedness, organizational instability and suitability of the approach for this particular situation.)*

List all the types of diversity (surface-, deep-level, etc.) discussed in the case.

What are the specific historically disparaged social groups identified in the case and how are they significant in discussions of diversity and sport? *(The instructor could begin by summarizing the diversity types and then initiate a follow-up discussion of how the types relate to the "CU" case.)*

List all discriminatory practices that were evident in the case?

How would you go about addressing each of these issues? *(The professor could establish discussion groups to examine specific types of discrimination and then progress to a class discussion on how CU should address the discriminatory issues.)*

If Dr. Clinton determined diversity training was needed for her staff, how might she go about gaining support for such an endeavor? *(Answers will vary, however, this will likely provide instructors with the opportunity to discuss issues related to the use of diversity training as a form of professional development.)*

How would you classify Mr. Adams' attitudes toward diversity issues? Is his outlook negatively affecting CU's inclusionary efforts? If so, how would you go about addressing Mr. Adams' comments? *(Group work could be used to examine attitudinal and inclusive issues; an instructor led class discussion should follow to address how Mr. Adams' comments should be handled.)*

What are the "pros" and "cons" of hiring an additional compliance and diversity specialist? *(Responses will likely focus budgetary, equality, NCAA regulatory, staff diversity and student development concerns.)*

Given the economic realities, as well as ethical and legal considerations, how would you justify the hiring of a compliance person? Is Mary Barker an asset or liability to CU? If Mary Barker adequately performed the job duties during the past year should she be promoted to the compliance position? Why or why not? *(Responses will vary, but the status of Mary Barker could be determined using a benefit-cost analysis that would appropriately weigh the priorities of CU Athletics. Additionally, the legal requirement of conducting a meaningful search process that includes the recruitment of a diverse and qualified applicant pool that will be truly considered can be noted here. Instructors may share the training materials that they are given in order to serve on a search committee at their respective universities or even arrange for students to complete mock-training modules if they are online or otherwise readily available).*

## Sport Law

After successfully completing the case, students will be able to:

1. Analyze a set of facts and determine the actual legal cause of action and considerations related thereto (including potential claims, defenses and risk management techniques).
2. Demonstrate the ability to communicate important legal considerations to others.
3. Demonstrate an understanding of concepts related specifically to claims related to employment practices (the Americans with Disabilities Act, Title IX, Title VII, ADEA, worker's compensation and state employment law).

Instructors of sport law courses would find this case particularly useful for examining legal issues related to hiring practices and the equitable treatment of employees. More specifically, instructors can use the case as a guide to introduce students to federal and state employment law such as the ADA, ADEA, Title IX, Title VII and others as time and expertise permits. Instructors who want to provide a comprehensive view of the application of these laws could

assign readings from textbooks such as Sharp, Moorman, and Claussen (2010) and Cunningham (2011). Both could serve as a key supporting reading for lessons focused on the legal aspects of hiring and issues related to diversity and hiring practices.

Greater attention to specific legal considerations involved in employment contexts (addressing disparate treatment or impact related to people in a protected class or not in a protected class) can be found in recent articles as well. For instructors wishing to generate more in-depth discussion, Staurowsky and Weight (2011), Heckman (2011) and Swaton (2010) discuss sex discrimination as it relates to Title IX and Title VII and would be excellent prerequisite readings for students. Drew (2001) addresses the intersection of religious freedom and sexual orientation in public employment contexts and includes discussion of a case in which an employee opposes certain aspects of diversity training. Instructors may also want to direct students to position papers/statements distributed by interested and credible parties. For example, The National Council on Disability provides an analysis of U.S. disability laws and how they compare to international conventions. Moore, Konrad and Hunt (2010) discusses the legal issues related to the conditions of employment of individuals with disabilities and could be considered as an ancillary reading. Clearly, the extent to which some or all of the potential legal issues raised is dependent upon the learning outcomes the instructor chooses to address and emphasize.<sup>4</sup>

Sample assignments:

Ask students to search LexisNexis Academic-Legal Research and identify three cases relating to hiring discrimination in sport. Student could be assigned a one to two page summary about how the facts of these cases have similarities and dissimilarities to the CU case.

Ask students to review the Equal Employment Opportunity Commission (EEOC) website, [www.eeoc.gov](http://www.eeoc.gov), and the Department of Justice's Title IX website, <http://www.justice.gov/crt/about/cor/coord/titleix.php> and perhaps scan the Title IX Athletics Investigator's Manual (1990). Students could then be asked to prepare a press release that addresses the commitment of CU to fairness and equity in the hiring process. The release should provide a concise summary of the related laws in a manner that would allow all athletic departments' stakeholders to understand the legal requirements. Asking students to include a contact person (perhaps in the students' institutional Equal Opportunity Office or similar entity) for further information, would serve as reminder that knowing the office/personnel that can be most helpful in particular situations is important knowledge for any sport manager. Instructors should either confirm the students' previous exposure to writing press releases or be prepared to provide examples and some instruction on the process of writing that type of publication.

If an attorney from the university's legal office or a local attorney that practices in the area of employment law is willing and able to take part in the class, have students create and conduct an interview with them based on the case.

Ask students to conduct an audit of the employment conditions for individuals with disabilities within a sport organization. Students could be asked to assess the organization's practices as well as physical environment for ADA compliance and write a two to three page report communicating their findings. Credible web resources that might aid in the recommendations section of the report would include: <http://www.ada.gov/> and <http://www.access-board.gov/>. The instructor could have subsequent class discussions to compare and contrast the analyses to the CU scenario. Discussion questions may include:

1. What are the five titles of the ADA and which are most often involved when litigation is related to a sport or recreational setting/organization? *(After students identify Employment, Public Services, Public Accommodation, Telecommunication, and Miscellaneous as the five titles, instructors can use the "CU case" to facilitate student discussion on the common titles involved in litigation related to sport.)*
2. Can laws and organizational policies reduce stigmatization against underrepresented employee groups? *(Class discussion should start with the CU case then the instructor can encourage conclusions to be drawn and supported by real-life examples.)<sup>5</sup>*
3. Given the visibility and public's identification with sport organizations, should sport organizations be more proactive than other types of organizations in promoting an inclusive work environment? What evidence of a commitment or resistance to inclusiveness have you seen in the sport organizations you have been involved in?

4. What strategies might Capital University's athletic administrators adopt in working with stakeholders (e.g., a corporate sponsor that has a history of poor race relations among employees; donor that makes disparaging remarks) that may not be as familiar or supportive of adherence to legal requirements? (*Discussing communication strategies such as informational sessions, white papers, press releases and updates would be appropriate. Instructors might use correspondence from an athletic director on a particular topic to begin the discussion. For example, many athletic directors have written "letters" to fans regarding sportsmanship. Instructors could ask students whether using a similar approach to legal requirements related to employment practices/attitudes toward decision making within the organization would be effective. They could then discuss what other types of communication (e.g. mission renewal events, newsletters) would be helpful in establishing a culture where responsiveness to legal requirements and a proactive approach to inclusion is viewed as an appropriate way of doing business.*)
5. In formulating the various components of an organization's diversity management plan, several different experts and resources are often relied upon. For the legal issues raised in the case study, describe the experts and resources you might rely on as a practitioner. (*Attorneys, organizational policies, professional handbook and professional association websites would be considered as appropriate sources. Having students submit potential resources and then as a class, evaluating the usefulness of the information/source would be worthwhile. Increasingly, sport employers are reporting that students are able to find information, however are not always able to evaluate the credibility or discern the weight the information found is to be given. Instructors would likely find this discussion question ideal for addressing this issue.*)

## Notes

1. See <http://www.ncaapublications.com/p-3968-best-hiring-practices.aspx> for a practical guide from an organization familiar to most students. The instructor may also note the involvement of NACWAA and the BCA.
2. The literature related to group interaction when diversity management is involved is expansive. Identifying strategies based on empirical evidence must be weighed against the time for the decision and for the purposes of the case study, the time available for the exercise.
3. If the instructor chooses to use a specific institution rather than CU, they may choose to direct students to <http://opc.ed.gov/athletics/> for some data related to numbers of employees and how those employees identify in terms of gender or ethnicity or to search the institution's website to see if a recent report (e.g., <http://ualr.edu/accreditation/index.php/home/self-studies/ncaa-self-study/>) is available. The instructor may choose to discuss open records legislation at this time to remind students that certain meeting minutes, reports, etc. may be available to the public (and therefore press).
4. While it is unlikely that instructors will be able to require or assign the ancillary reading that could be useful in understanding the legal aspects related to all the potential employment issues, instructors may wish to emphasize the topics that are most pertinent on their campuses or the those that their students have had little exposure to. For example, Claussen (2010) considers whether a language proficiency test is appropriate to administer to employees (proxy for discrimination based on race/ethnicity, Puhl and Heuer (2012), Schallenkamp, DeBeaumont, and Houy (2012), and Sartore and Cunningham (2007) provide insight into weight discrimination, the need for legal protections related to obesity, and public opinion on the matter. Trumble (2007) would take students into the area of what may seem like obscure state legislation (genetic testing of employees in sport) but may provide the instructor the opportunity to make the point that consulting legal counsel for further guidance is often necessary when you are considering implications.
5. Note that the CU'S former mascot name is "the Redskins". The use of the "Redskins" moniker can be used as an example to get the discussion started. The instructor can refer to the NEA position statement and the NCAA regulations related to mascots and how those regulations may affect the stigmatization of employees and patrons of Native American ethnicity. Further, a great many scholarly works have addressed the topic of Native American mascots and American Indian imagery. For example, Staurowsky (2011), Brown (2002), and Davis-Delano (2007) are all excellent sources for exploring Native American mascots from various vantage points.

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## **Appendix A: Governmental Agencies Websites and Industry Publications Useful Resources**

Equal Employment Opportunity Commission (EEOC)

[www.eeoc.gov](http://www.eeoc.gov)

Department of Justice's Title IX

<http://www.justice.gov/crt/about/cor/coord/titleix.php>

U.S. Department of Justice- Americans with Disabilities Act

<http://www.ada.gov/>

United States Access Board – A Federal Agency Committed to Assessable Design

<http://www.access-board.gov/>

Office of Postsecondary Education of the U.S. Department of Education Equity in Athletics Disclosure

<http://ope.ed.gov/athletics/>

Example of NCAA Self-Study

<http://ualr.edu/accreditation/index.php/home/self-studies/ncaa-self-study/>

## **Season Ticket Holder No-shows: An Attendance Dilemma at Mississippi State Baseball Games**

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The Mississippi State Bulldogs baseball team has enjoyed strong fan support over the years as the Bulldogs play in front of sold out crowds each time they take the field. The problem is not the ability to sell tickets, but the high frequency of “no-shows.” Ticketing Director, John King, must consider the big picture when formulating a plan to solve this problem. There are many areas within the athletic department that contribute to this problem, and can help “right the ship” as John described it. The goal is to solve the problem with frequency of attendance at home baseball games from multiple aspects. Many areas within the athletic department factor into this process: 1) fundraising and development, 2) ticket office, 3) marketing department, and 4) promotions department.

It was a warm spring day in Starkville, Mississippi when newly hired ticket director John King was taking in the sights and sounds of his first Mississippi State baseball season opener. John was well aware of the culture of South-eastern Conference (SEC) baseball and was excited to have a job in such a prestigious conference. The game was sold out and John was anxious for the season to begin. Gates opened an hour before the first pitch and fans slowly began to trickle into the stadium. The third inning rolled around and, to his dismay, the stadium was not as full as he had hoped. John didn't let the empty seats concern him as he was pleased with the revenue generated from all the season ticket sales. John did not begin to realize the issues created by the empty seats until he walked around the stadium and noticed the short concession lines and empty merchandise lines. Over the past few years, Mississippi State baseball has been sold out of chair back seating, also known as reserved seating, but the games have not been well attended. After seeing how deserted the concourse was, John quickly realized that despite the revenue from season ticket sales, Mississippi State University (MSU) was missing out on maximizing its profits. John knew it was time to find creative ways to fix this problem and wanted his staff to have the same urgency. Revenue was not his only concern, John wanted to reinstall the culture he expected from an SEC baseball game and he knew he could not do it alone.

The next day, John called a meeting to discuss the attendance issue with his staff. As the meeting progressed, one of his staff members mentioned they had heard quite a few fans complaining about wanting to sit in the chair back seats, but there were no reserved seats left for purchase. Another staff member not only confirmed hearing similar comments about the empty chair back seats, but also mentioned multiple fans complaining about the empty parking lots they walked through to get to the stadium. These fans were not pleased and somewhat confused as to why they were not able to park in the nearly empty lots right outside the stadium. John knew it was time to take this feedback from the fans in attendance and fix these problems, before it was too late . . . but how?

### **Background**

Traditionally, Mississippi State fans are proud of their team and support what has historically been a successful baseball program throughout the years. In fact, with a school record 37 home games scheduled in 2012, the Bulldogs increased

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their win total at Dudy Noble Field (DNF) at Polk Dement Stadium to 998 victories. The Bulldogs not only have a tradition of winning, but a tradition of impressive paid attendance figures. The largest NCAA on-campus crowd ever recorded is owned by the bulldogs (14,991), which occurred on April 22, 1989 versus the Florida Gators. The baseball team has eclipsed the 200,000 mark in paid attendance at DNF five times in the past 10 years, including a school record 233,015 in 2003. MSU has hosted two crowds in excess of 14,000 fans, and has played in front of 25 crowds of 10,000 or better. DNF has the prestige of claiming 15 of the top 25, including the entire top nine, on-campus crowds in college baseball history. This includes an impressive nine crowds that exceeded 12,000. However, despite the impressive paid attendance numbers, the actual attendance numbers have been alarming.

## Problem

Decades ago, short-term thinking created lasting negative effects. The decision to maximize ticket revenues has stifled current surpluses. Theoretically, a sold out crowd equates to the maximization of ticket sales and in turn, overall revenues. However, this specific situation has many variables that factor into the equation, most notably, the issue of no-shows. In the 2011 season, only 23% of season pass account holders had their tickets scanned for over 50% of the games, while 11% of ticket holders never attended a single game. Obviously, revenue from tickets sold is important, but when those ticket holders are not attending games it is impossible for MSU to generate ancillary revenues and maximize overall profits. This is because tickets to the game represent not only entry to the game itself, but also access to concession and merchandise stands (Marburger, 1997). If fans holding the tickets are not attending, they are unable to purchase ancillary products at the game and are preventing others from doing so as well (assuming the tickets go unused). Thus, the need to solve the core problem: no-shows.

Currently, John King acknowledges the profit maximization quandary created by no-shows and understands the following circumstances also factor into the problem of no-shows in the grandstand. The four issues associated with no-shows are: 1) Left Field Lounge, 2) Lack of quality game day promotions, 3) Issues with Ticket Advance, and 4) Lifetime/Memorial seating. While investigating each of these areas, John comprehends the broader picture—donations into the Bulldog Club from season ticket holders. The donation variable strongly impacts the number of options John has to solve this problem. Donors' wants and needs are of utmost importance to the athletic department and the university. In all four issues, the donors have strong opinions and are reluctant to change.

While donor opinions weigh heavily on the situation, so do the wants and needs of the coaching staff. The coaching staff identified issues they felt caused the problem of no-shows which includes: 1) lack of home field advantage, 2) poor atmosphere in the grandstand, and 3) overall game pace. While the coaching staff understands revenue provides them with the necessary resources to win, they also want opponents to face an intimidating atmosphere at DNF, just like the Bulldogs experience at other ballparks around the SEC. To accomplish this, it is important to fill the seats closest to the infield with spectators who are enthusiastic. With a capacity of 15,000, DNF has the potential to fulfill what the coaching staff envision. The seating area capacity is approximately 7,200 (4,316 chair back seats; 180 skybox seats; 2,700 bleacher seats) and has been at full capacity for regional and super regional games in the recent past. Beyond the outfield fence there are nearly 75 renewable season parking passes for three rows of "rigs" which are predominantly trucks, motor homes, and trailers. This area is affectionately known by MSU faithful as the Left Field Lounge. While administrators have proposed many ideas to improve the seating in Left Field Lounge, the fans known as "Lounge Lizards," insist the setup and culture remain the same. Due to the high volume of donors in Left Field Lounge, administrators have decided to respect the wishes of the Lounge Lizards.

## 2011 Baseball Attendance Recap

This is based on 1,947 baseball account holders and whether at least one of their tickets were scanned for game entry. Percentages are based on 30 total games. Three games were rainouts or turned into a double header. Again this is reserved/paid season ticket holders only.

Percentage of games	# Accounts	# of Games	
95 to 100	18	29-30	
90 to 94	28	27-28	
85 to 89	16	26	9 accounts scanned for every game
80 to 84	50	24-25	
75 to 79	33	23	
70 to 74	40	21-22	
65 to 69	35	20	
60 to 64	69	18-19	Only 23% of season ticket holders are attending more than 50% of the games
55 to 59	52	17	
50 to 54	108	15-16	
45 to 49	48	14	
40 to 44	131	12-13	
35 to 39	73	11	
30 to 34	147	9-10	
25 to 29	90	8	
20 to 24	232	6-7	
15 to 19	108	5	
10 to 14	240	4	
5 to 9	114	2-3	182 account holders didn't attend any games
0 to 4	315	0-1	
1947			

### Left Field Lounge

Mississippi State faithful have enjoyed Bulldog baseball games from the Left Field Lounge since the 1960s. During this time, Left Field Lounge has evolved into one of the best traditions in all of collegiate sports. This tradition has been recognized by Sports Illustrated (2003), when the magazine rated Left Field Lounge the “#1 place to watch college baseball” and included Left Field Lounge among the 100 Things You Gotta Do Before You Graduate. In 2009, the Left Field Lounge earned the title The Country’s Best Tailgating Experience in All of Sports (ESPN Magazine, 2009). John King states the most unique aspect of Left Field Lounge is that, “it is the only venue in collegiate or professional sport where you can bring in your own food and grill it yourself” (personal communication, July 26, 2012). To tailgate during the game, fans purchase a parking spot from the athletic department that gives them the right to park a rig, with bleachers attached to the top, for the entire season. Activity in Left Field Lounge begins a full week before baseball season begins. “Dudy Gras,” a time honored tradition in Starkville, is a parade of rigs that will be parked in Left Field Lounge. Owners of these rigs throw out Mardi Gras beads and candy during the parade through downtown and the Cotton District on their way to park at DNF for the season (Eddlemon, 2012; Hudson, 2010). Anyone who has ever played at DNF, or attended a game in Left Field Lounge, can attest to the impact the passionate fans in Left Field Lounge have on the game.

### Home Field Advantage

From Dudy Gras to Left Field Lounge, the culture of Mississippi State Baseball has a profound impact on the game day experience. Over the years, opposing outfielders have found DNF to be an intimidating place to play as MSU has enjoyed a respectable amount of success, in terms of attendance, in the outfield seating area. The fans in the outfield tend to get rowdy with an adult beverage, known as “baseball water” or “lounge water,” in hand and enjoy razzing the opposition. In recent years, the culture of Left Field Lounge has flourished while interest in sitting in the grandstand area has faded.

## The Dudes

The coaching staff wants to revive the atmosphere in the grandstand area, as they believe increasing fan density in the grandstands will have a similar impact in the infield. The coaches expect an increase in enthusiastic students in the grandstands will help contribute to the game day experience, thus improving the fan experience and creating a home field advantage. Previous research supports the coaches' theory as Smith (2005) identified numerous reasons to expect the home crowd to have an effect on game outcomes, even an influence on officials' or umpires' decisions.

The benefits of these potential advantages are so appealing to the coaching staff that they take matters into their own hands. The coaches elected to target the student body of over 20,000 to become potential seat fillers with the intention of increasing actual attendance at home games. The baseball coaches created a student organization called the "Dudes," which is named after former MSU legend Dudy Noble. This specific student organization was introduced in the spring of 2012; over 1,000 students attended one of two meetings and received a free Dudes t-shirt. During this meeting the importance of student's enthusiasm at games was stressed, as the purpose of the Dudes was to get more students into reserved seating and improve the atmosphere in the grandstand.

Despite having every reserved seat sold out each year, the grandstand is rarely close to full capacity. John King believes this is due to various reasons which include: 1) travel distance, 2) hotel cost, and 3) time for season ticket holders (STH). Most STH's purchase their seats to have them for Super Bulldog Weekend, various SEC weekend series, and potential regional and super regional games hosted at DNF. Unfortunately, only 20% of season ticket holders participate in the Dudes program. Currently, the majority of the student body views games from Left Field Lounge, which is detrimental to creating the desired noise level around the grandstand area.

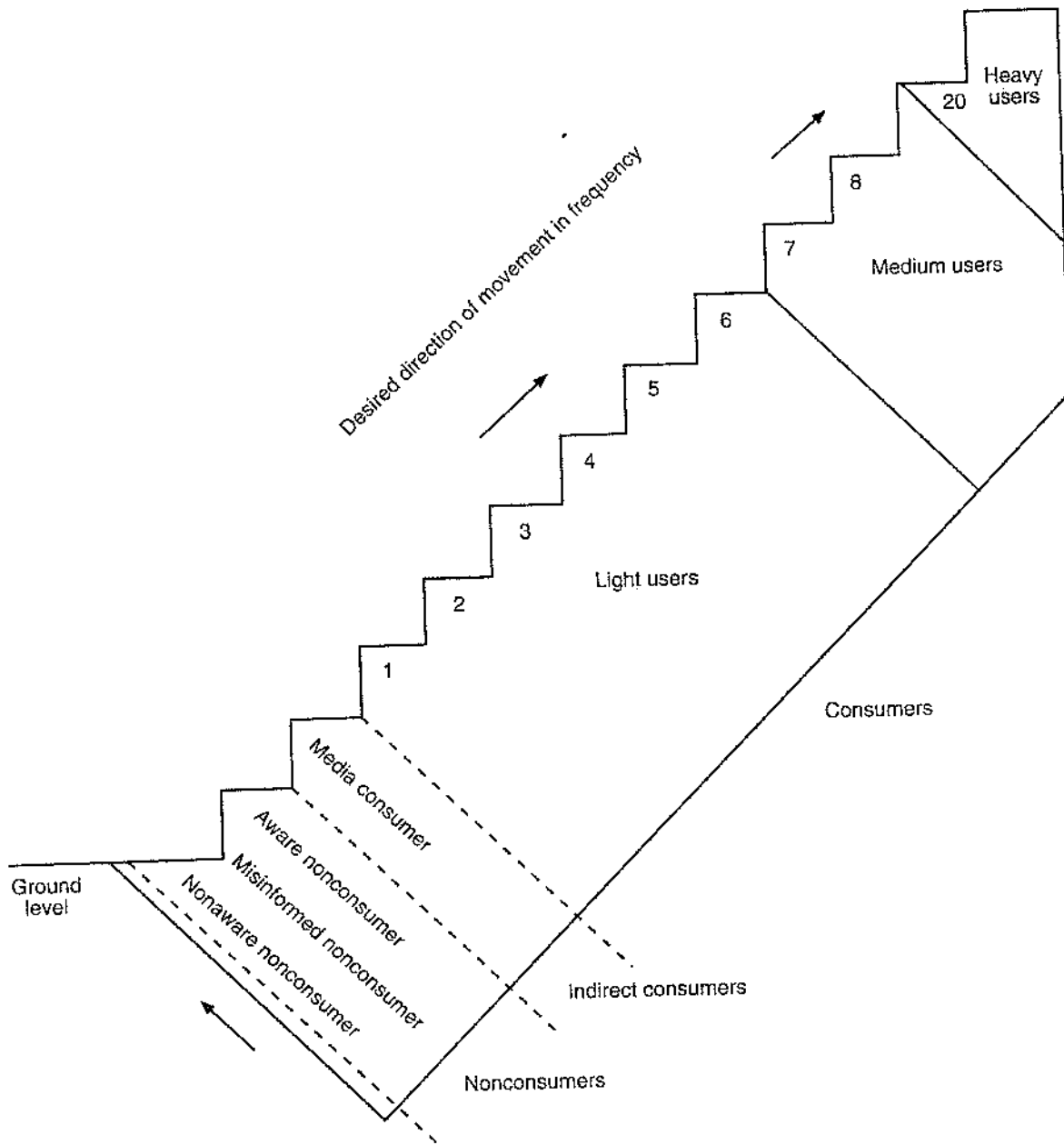
One of the challenges with creating the Dudes was not to upset the heavy user STH's. More than likely, the STH's who attend on a frequent basis are also valued donors to the Bulldog Club. With that in mind, there are several different chair back seats located throughout the grandstand seating area marked specifically for the Dudes. The marked seats signify STH's who allow members of the Dudes to occupy their empty seat, when the STH's are not in attendance. If the STH were to show up, the student sitting in the seat is expected to greet the STH by thanking them for participating in the Dudes program and move to another seat with the appropriate sticker on the back of the chair. Loyalty to the STH's and their commitment to the program remains paramount along with respecting the culture of Left Field Lounge. The difficulty is finding a balance, as the purpose of the Dudes is not to move all of the students from the outfield into the grandstand, but to implement The Frequency Escalator Theory (Mullin, Hardy & Sinton, 2007).

## The Frequency Escalator Theory

Adapted from Bill Giles' "staircase" model, Mullin et al. (2007) adjusted the staircase into an escalator to illustrate a smoother progression of involvement and commitment from fans. The intent is to move consumers up the escalator, from the lowest level (nonaware, nonconsumers) to the highest level (heavy users) by increasing their attendance and participation. Consumers may have a slow progression up the escalator with stops on various levels, or they could quickly ride to the top and be a heavy user. While attracting new customers is important, this theory emphasizes the importance of increasing fan involvement and commitment. Customer retention is highly valued in this model for a variety of reasons, from word-of-mouth marketing to defraying the cost of recruiting new customers. This theory allows the athletic department to focus not only on finding new users but to increase the frequency of attendance of current users. The 2011 Baseball Attendance Recap data file helps indicate where users are on the escalator and methods, such as game day promotions, help fans become more involved in the game.

## Game Day Promotions

One way to increase fan involvement at the ballpark is through game day promotions and other attractions. Small portions of marketing and promotional strategies have begun to focus on entertaining fans at the game. Use of the new high definition video board, new sound system, and on-field promotions need to improve along with the quality



Reprinted, with permission, from B.J. Mullin, S. Hardy, and W.A. Sutton, 2007, *Sport Marketing*, 3rd ed. (Champaign, IL: Human Kinetics), 43.

of nonconference opponents to create an exciting and appealing environment for spectators. While previous research on game promotions has shown a positive effect on attendance when implemented (Boyd & Krehbiel, 1999, 2003), McDonald and Rascher (2000) identified an issue in Major League Baseball (MLB) where too many promotions potentially have a negative impact on attendance. More recently, Boyd and Krehbiel (2003) alluded that promotions have a negative effect during rival competitions. It would be good idea for the marketing and promotions staff to consider implementing more interactive promotions throughout the game to keep fans occupied, especially during lulls in the game (e.g., pitching changes and minor rain delays). While promotions do not speed up the game, they may have a positive effect on how people view the pace of the game and have an overall impact on the game day experience.

## Game Pace

The coaching staff strongly believes the slow pace of the game is another challenge they face. With only spurts of action at a time, the coaches feel it is important to create a social, yet energetic, atmosphere at games. Most baseball games can last from three to four hours and college baseball teams will play between 30 and 40 home games a season in the SEC. The high amount of home games potentially influences (positively and negatively) the number of times a fan will be tempted to attend a game. In the sport of football, fans only have four to seven opportunities to watch their team play at home each year. While the length of football season is comparable to baseball, the MSU baseball-coaching staff strongly believes the game of football itself is full of action and entertainment for fans. However, studies indicate an average football game only has 11-min of actual play (Biderman, 2010). The coaching staff also believes most fans can watch MSU baseball games on the Internet or on television, which decreases the chance of fans attending the game. Once again, it is important to note, extant research does not coincide with the coaching staff's beliefs.

## Ticket Advance

As the Director of Ticketing, John King does not have much control over marketing and promotions or the pace of the game. What he does have control over is the seldom-used Ticket Advance system. Ticket Advance is designed for season ticket holders to sell their tickets to fans interested in reserved seats. However, this system has failed to gain traction with MSU fans as many have found the system to be frustrating. To use Ticket Advance, a fan is required to have a "Dog Tag" number. The Dog Tag is an identification number linked to every ticket/donation account. To obtain a Dog Tag number, a person must be a current Bulldog Club member, season ticket holder, Maroon to the Max subscriber, or someone who has registered for a camp. Only season ticket holders can sell their seats on Ticket Advance. People who purchase the tickets on Ticket Advance are not permitted to then resell the tickets again on the system. In an attempt for the athletic department to track customers, they are alienating many potential customers. New customers are not able to use Ticket Advance without registering for a Dog Tag number. The other issues with Ticket Advance are the complexity of the system and lack of marketing by the athletic department. Many fans are unaware of Ticket Advance and many, who are aware, do not know how to use it and claim the system is not user-friendly. The most common issue is with the portable document file (PDF) print out of the tickets itself. When fans are not careful, they may close down the window before printing their ticket. If this happens, they are not able to print the PDF tickets they just purchased without calling the ticket office and having the seats reauthorized.

John King is aware of the Ticket Advance issues fans experience along with the technology gap that exists between the older generation of fans and the younger generation. These gaps play a role in the success and shortcomings of the Ticket Advance system. Despite this technology gap, it is important to note that 80% of MSU baseball STH's have an e-mail account.

## Lifetime and Memorial Seating

It is also believed that the generation and technology gaps carry over into the "Lifetime" STH's. Lifetime STH's have played a significant role (positively and negatively) in season ticket sales at MSU. In the past, "Lifetime Season Ticket" plans were created to increase capital through donations and ticket sales. Lifetime seating, which has also become known as "Memorial" seating, was created as a form of a Personal Seat License (PSL), to allow fans to have name plates on their seats. According to John King, the memorial seating aspect of lifetime seating has become detrimental to actual attendance at baseball games. As STH's pass away, their survivors have continued to purchase the seats as a memorial to their loved ones, since Lifetime season tickets can be passed down one-time to a family member. However, despite communication from the athletic department, most of those people appear to be unaware the nameplates were removed years ago when the stadium was renovated and new chair back seats were installed.

## Conclusion

John King is not the only person within the athletic department watching this situation closely. The Director of the Bulldog Club and the Head Coach would like to see the situation improve. With the baseball team's on field performance improving, it is important for MSU to recuperate the atmosphere of their home games by discovering ways to increase the number of spectators in the grandstand area. Increasing actual attendance in the grandstand area should not only improve the atmosphere for the team, but also for the fans. The athletic department believes that when fans enjoy the atmosphere, the frequency of fan attendance increases along with the likelihood of those fans spending more money at the ballpark. In turn, the Bulldog Club hopes that an increase in consumption and satisfaction will also equate to an increase in the level of donations.

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# Appendix

## Mississippi State University Stadium Seating Chart

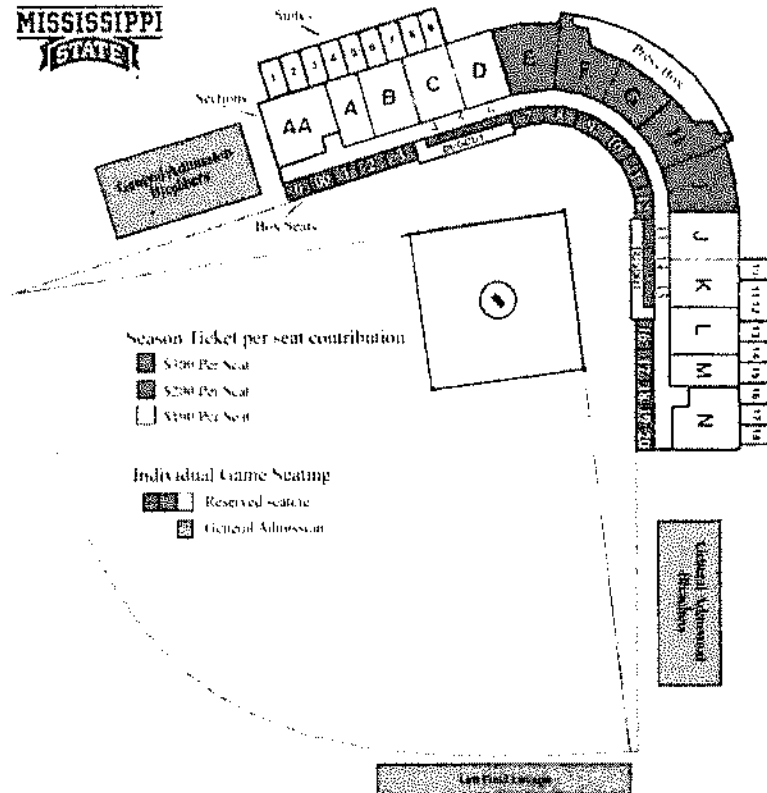
### Season Ticket Pricing

Reserved = \$200/seat plus donation per seat

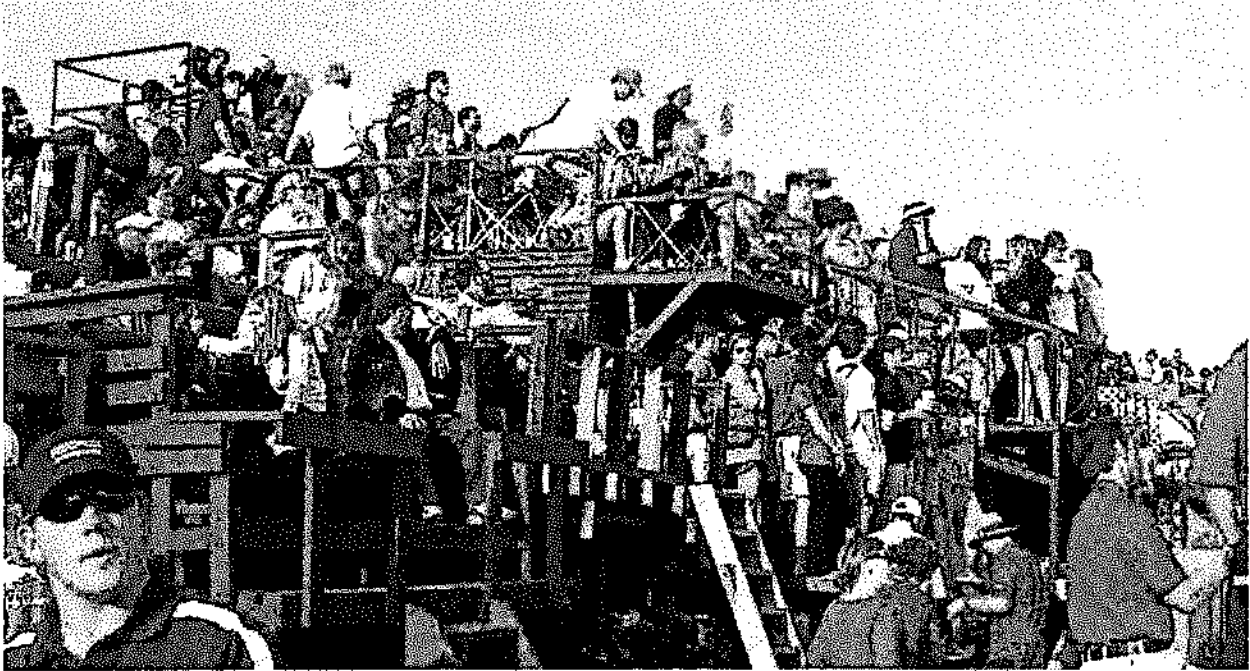
- Donation range: \$300/seat, \$200/seat, and \$100/seat depending on location of seat.

General admission = \$180/ticket

Left Field Lounge = \$180/rig plus \$175 donation per rig



## Left Field Lounge



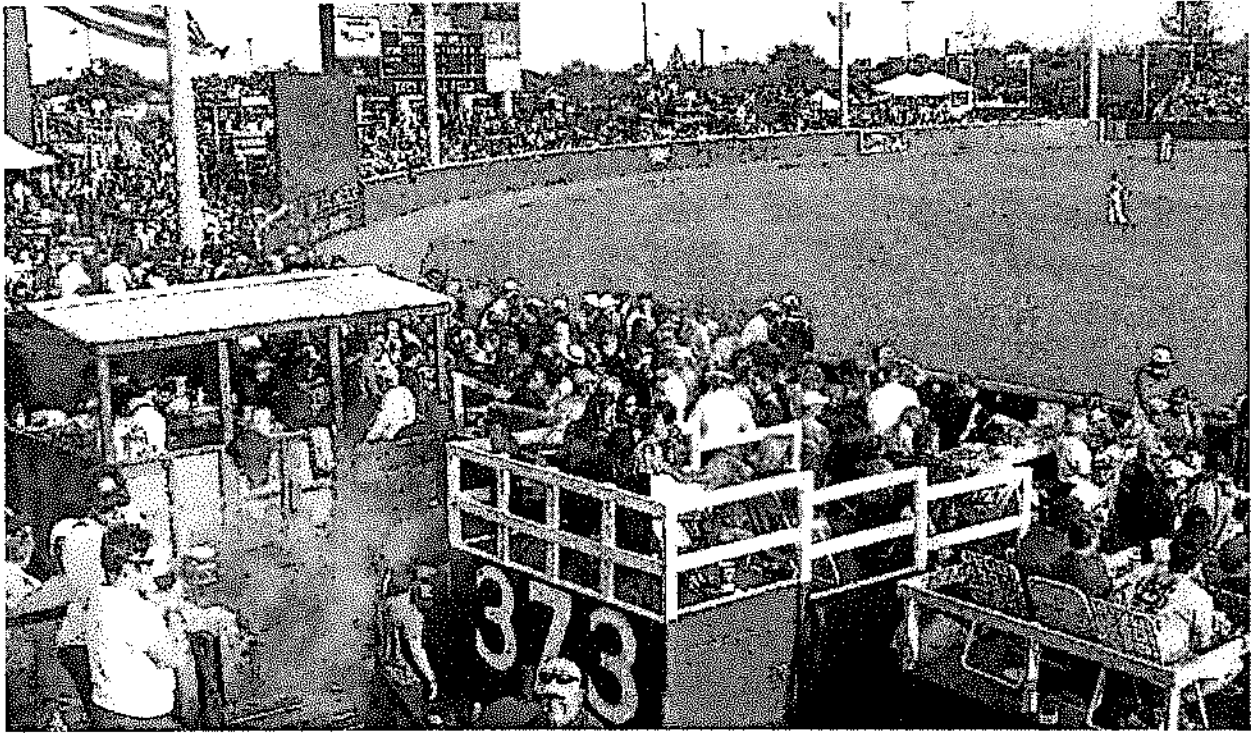
**Figure 1**— Close-up photo of Left Field Lounge during Super Bulldog Weekend (SBW). SBW is the same weekend as the spring football game. Photo courtesy of Bill Simmonds.



**Figure 3**— The photo depicts how the grandstand seating area is rarely as full as Left Field Lounge. Photo courtesy of Bill Simmonds.

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**Figure 2—** Photo of the entire outfield area. Over the years, Left Field Lounge has spread to the entire outfield. Photo courtesy of Bill Simmonds.



**Figure 4—** Bulldog fan grilling in Left Field Lounge while there are many empty seats in the grandstand (see top right). Left Field Lounge is known as the only place in the nation where fans can cook their own food and enjoy their own beverages. Photo courtesy of Bill Simmonds.

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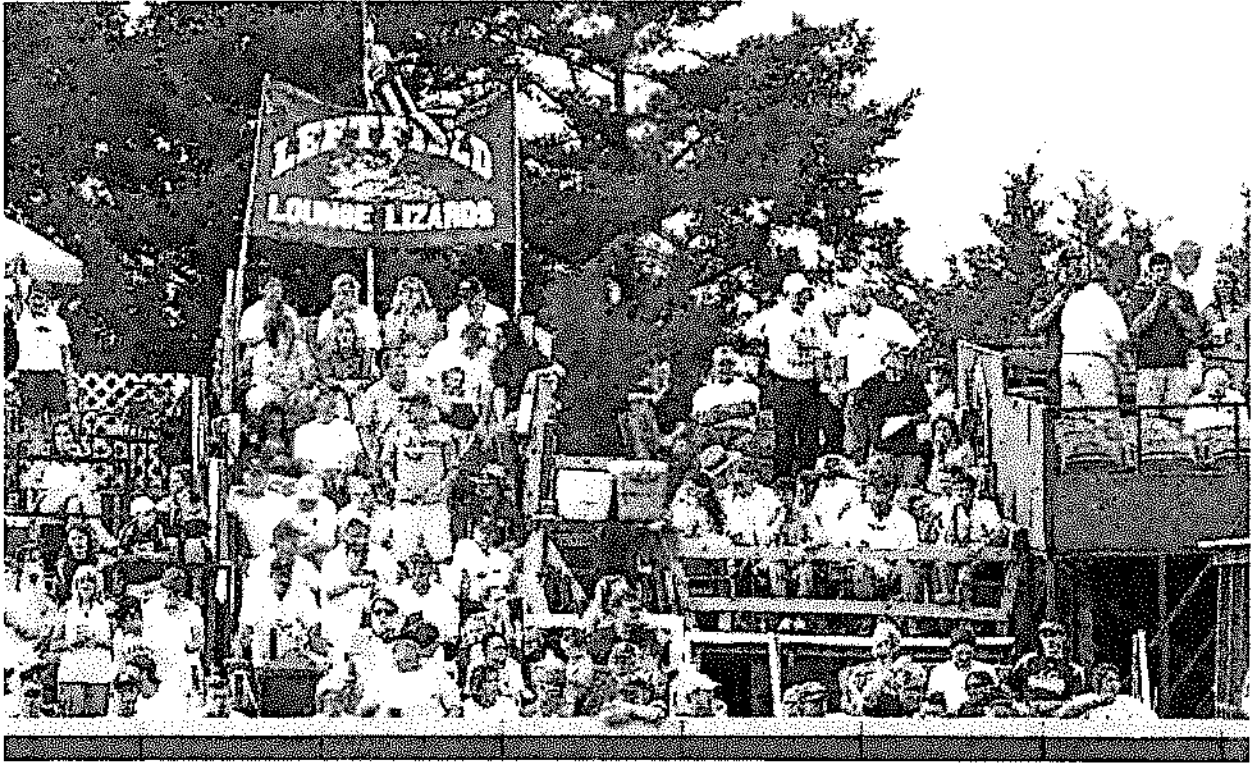


Figure 5— Photo of the “Left Field Lounge Lizards.” Photo courtesy of Bill Simmonds.

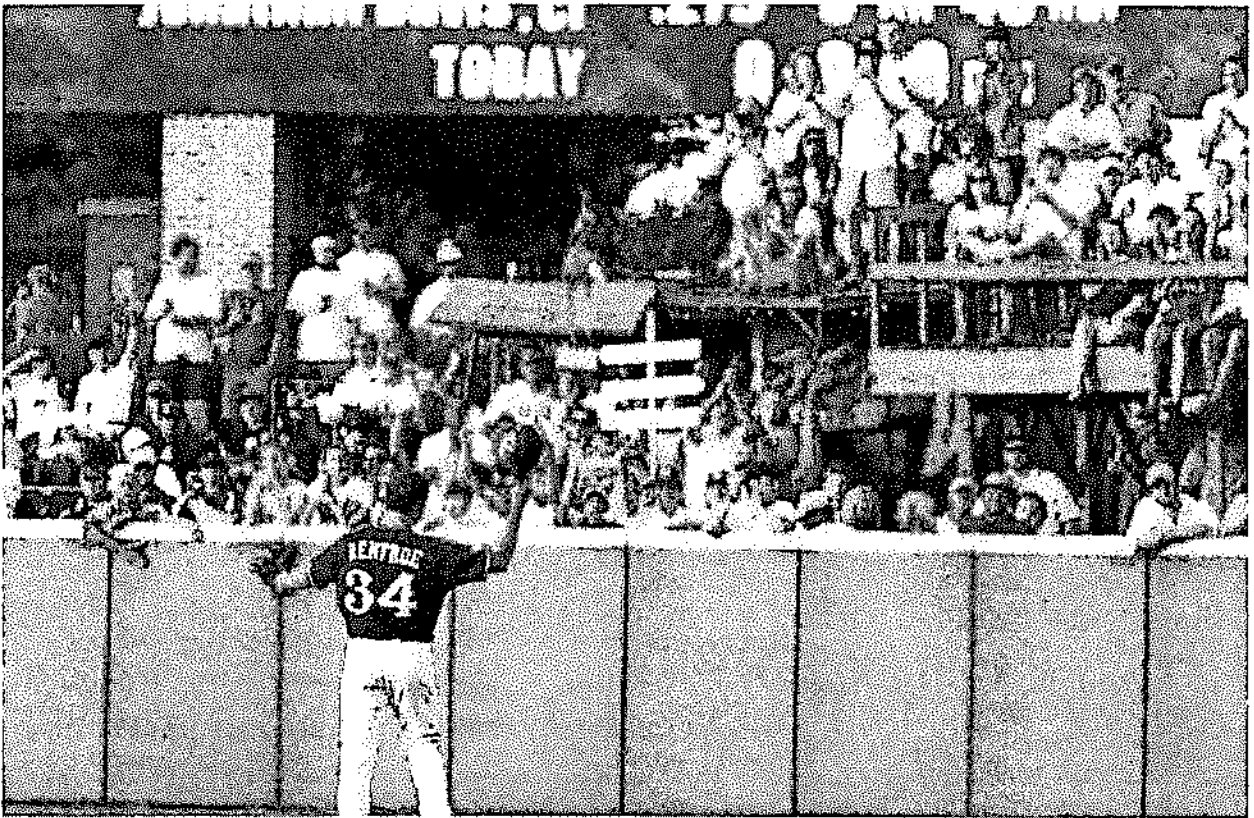
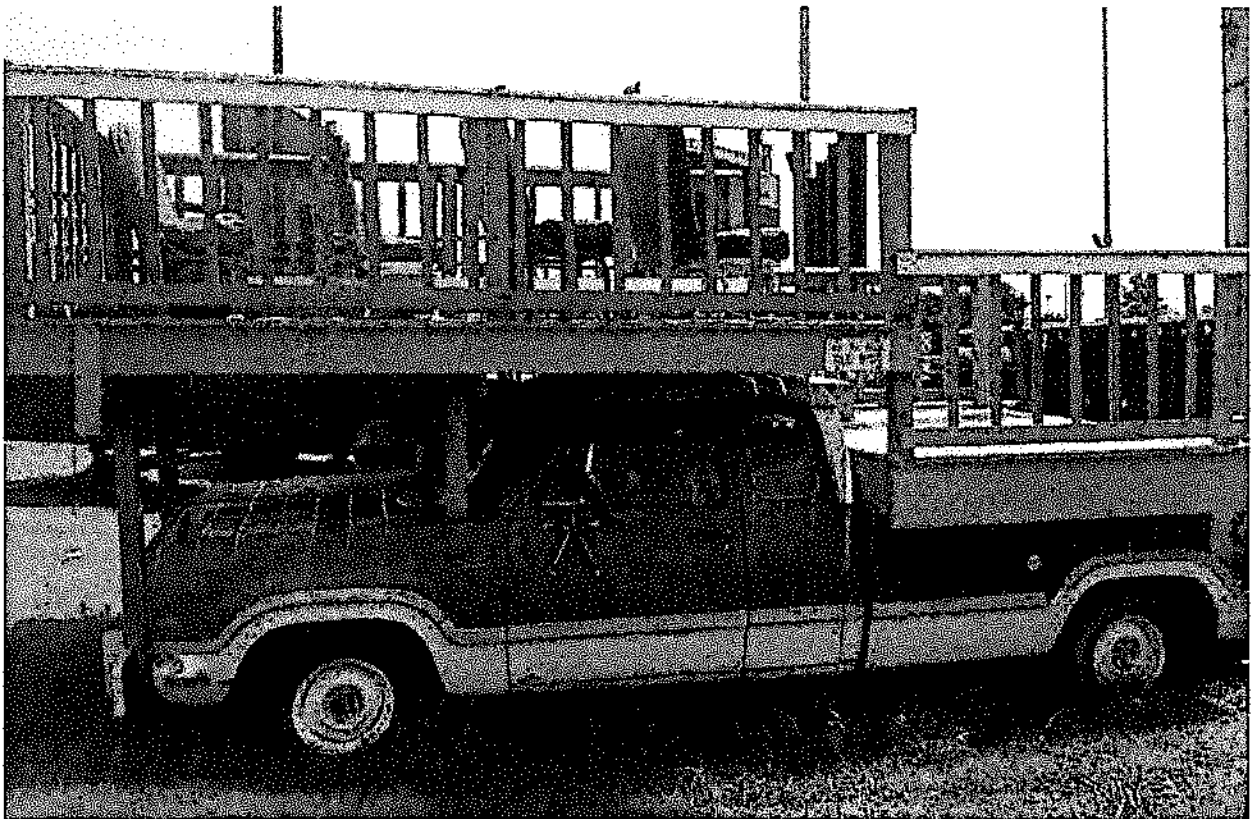


Figure 6— The photo depicts the atmosphere of Left Field Lounge and the interaction between fans and players. Photo courtesy of Bill Simmonds.



**Figure 7**— An elevated rig in the back row of Left Field Lounge. Photo courtesy of Bill Simmonds.



**Figure 8**— Side view of a front row rig in Left Field Lounge. Photo courtesy of Bill Simmonds.

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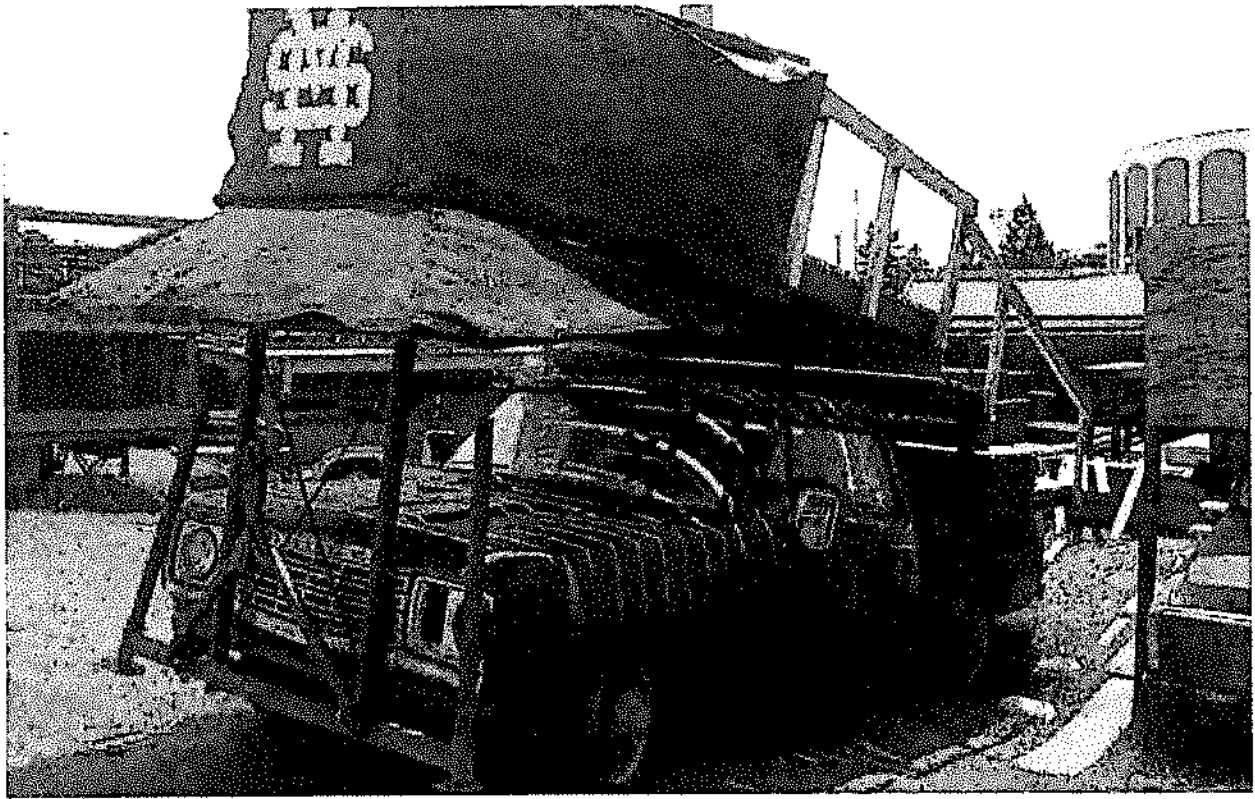


Figure 9— Creative rig in Left Field Lounge. Photo courtesy of Bill Simmonds.

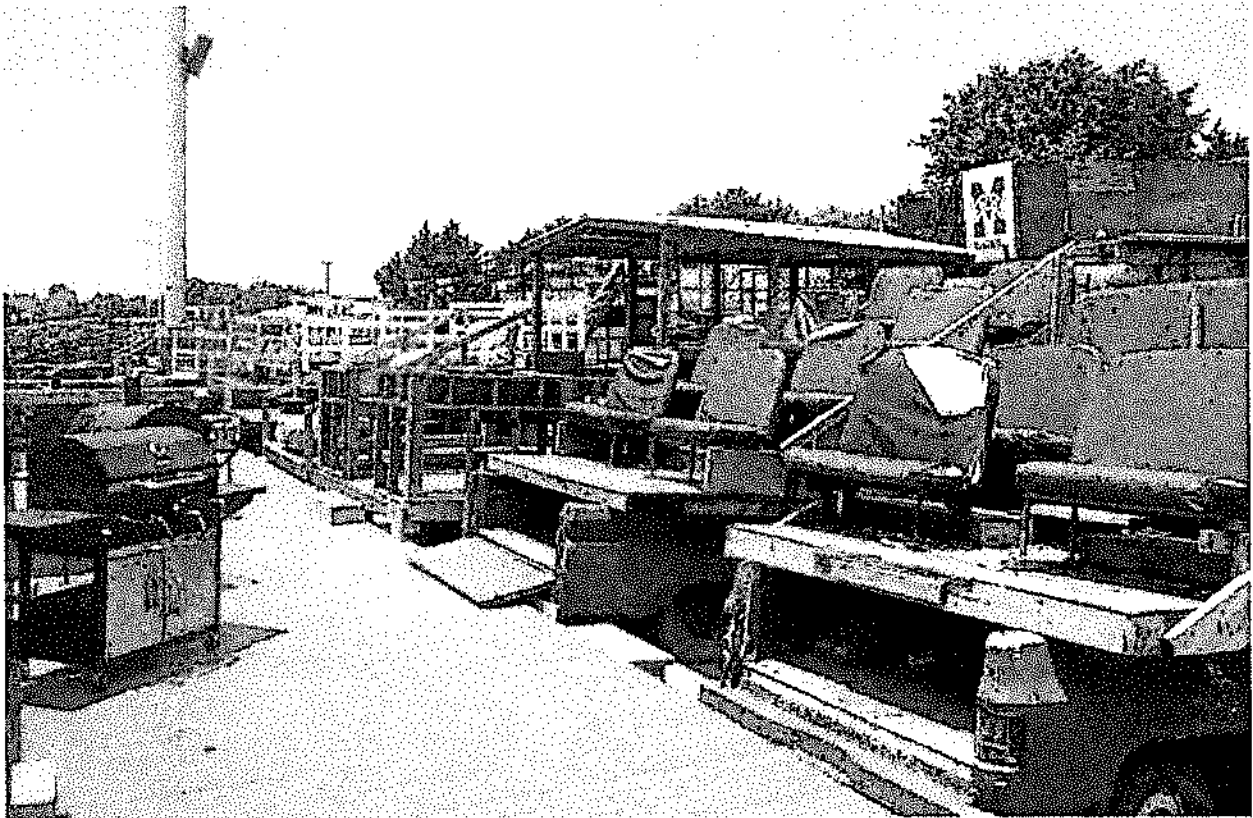


Figure 10— Side view of front row rig seating in Left Field Lounge. Photo courtesy of Bill Simmonds.

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**Figure 11**— Backside view of front row rigs in Left Field Lounge. Photo courtesy of Bill Simmonds.

## 2011 Mississippi State Baseball by Zip Codes

**2011 Mississippi State Baseball by zip code**  
 Based on paid reserved seating only  
 Minimum of 10 customers in a zip to be listed individually

City/State	Zip	# Customers	# Tickets
STARKVILLE	39759-39760	463	1008
COLUMBUS	39791-39795	181	265
JACKSON	39201-39236	67	183
MADISON	39110	67	158
TUPELO	38801-38804	52	147
BRANDON	39042-39047	54	141
MERIDIAN	39301-39365	33	91
MISSISSIPPI STATE	39762	28	89
WEST POINT	39773	34	83
PHILADELPHIA	39350	26	82
LOUISVILLE	39333	27	73
RIDGELAND	39157-39159	29	70
LAUREL	39440	11	56
VICKSBURG	39180	18	50
CANTON	39046	17	45
EUFORA	39744	20	45
GREENWOOD	38930	15	44
GREENVILLE	38701-38704	13	37
KOSCIUSKO	39090	14	36
FLOWOODPearl	39232-39208	14	35
GRENADE	38901-38902	16	34
CLINTON	39056	15	33
PONTOTOC	38863	10	29
INCHWOLA	38751	11	26
ACKERMAN	39735	10	19
ABERDEEN	39730	10	16
Rest of Mississippi		346	923
Alabama		44	97
Tennessee		34	78
Louisiana		10	27
Georgia		11	23
Texas		8	16
Florida		6	12
Arkansas		5	10
New Mexico		2	8
South Carolina		2	6
Virginia		2	5
Kentucky		2	4
Ohio		1	2
Nebraska		1	2
Oklahoma		1	2
Colorado		1	2
Arizona		1	2
North Carolina		1	2
<b>Total</b>		<b>1595</b>	<b>4118</b>

Faculty/Staff tickets 540  
 Total number new or paying per year donation 41  
  
 Public reserved 3578  
 Total number new or paying per year donation 320  
  
 Total orders 1595  
 Ordered online 175 or 11%  
  
 Phone and mail 1420 89%

## **Sport Licensing and Internationalization: A Case Analysis of the Reebok Bike Business**

**Mark Hecox**

Southern New Hampshire University

Reebok officially entered the bike business after 15 years of deliberation and strategic re-tooling. This case presents a situation that considers how the process of internationalization may be impacted by various factors both internal and external to the firm. The analysis examines multiple marketing elements, including brand position, product development, distribution channel, pricing, promotion, and operating model. The focus of decision making in the case centers on the use of licensing and determining possible alliance partner structures as possible solutions to enable Reebok to enter the global bike business successfully. Specific internationalization elements explored include mode of entry, foreign market selection, cultural influences, supply chain, operating model, and licensing strategic alliance partner strategy. This case provides an ideal opportunity to explore and analyze why and how a sport enterprise might want to internationalize its business and the potential role sport licensing might play in the process.

*Keywords:* sport licensing, internationalization, alliances, sport marketing, bike industry, marketing strategy, Reebok

### **Background**

Since the late 1980s, Reebok<sup>1</sup> has been a powerhouse in the global fitness market. With its rise to dominance in the early 1990s under the leadership of Paul Fireman, Reebok became a multinational sport enterprise and innovative leader in the athletic footwear industry. When step aerobics launched a new fitness fashion craze, Reebok captured the marketing opportunity by creating products that met and exceeded the needs of fitness enthusiasts worldwide. With the advent of the Princess Aerobic shoe, Reebok found itself on top of the fitness world (Reebok, 2012). During this time, the company strategically evaluated other product and marketing options that could both extend and reinforce its fitness brand positioning in the minds of existing consumers and open opportunities to reach new sport consumers.

In the late 1980s, Reebok began dabbling in the competitive cycling market by creating small sponsorship programs. Specifically, they launched the Plymouth-Reebok cycling team and promised to follow up with Reebok cycling performance product (cycling shoes, apparel, and accessories) (Olson, 1987). This effort primarily targeted serious performance cyclists served by the independent bicycle dealer (IBD) distribution channel and sought to create a relationship with this market. This positioning was different than Reebok's strategy to focus on the fitness and health club consumer rather than the sport performance consumer, which was Nike's primary positioning. After a lackluster product development execution, Reebok failed to deliver an authentic, innovative cycling shoe. This shortfall of product development and delivery diminished Reebok's credibility among serious cyclists and IBD retailers, resulting in a loss

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of momentum for its bike initiative with the trade and consumer segment. Despite these setbacks, Reebok continued to keep the cycling market on its strategic radar screen. Considered a fitness activity by many Western cultures, cycling consistently presented itself as something consumers felt made sense for the brand. Reebok continued to feel this product category was a natural brand extension.

However, Reebok's brand strategy took several turns during the 1990s into the early 2000s as they attempted to chase Nike's "performance" positioning; this led Reebok to experience a significant downturn in its global business and competitive position. Bikes were not a strategic priority for the company during this period. In addition, company management had wrestled with significant decisions regarding internalization of certain businesses and operations. Despite a period of time during the early to mid-1990s where Reebok internalized some of its fitness equipment production, the company declined to internalize noncore footwear and apparel business. They were not willing to bear the risks and, in some cases, were willing to give up the rewards. The operating philosophy/model helped shape and dictate strategic options.

In 2003, Reebok was growing its fitness equipment business globally and was gaining significant momentum and brand success. Several European markets began asking the question, "Are there any Reebok bikes in development?" (Mastro, 2006). Reebok once again began to seriously examine the global bike market and, in concert with its fitness equipment partners in Europe, explored options. At this time, it had begun to find very significant success using a licensing business model to address external, nonfootwear, and apparel market opportunities. In fact, Reebok had developed a multimillion dollar brand licensed business that included fitness equipment, sports clubs, eyewear, watches, and other selected brand licensed product categories,<sup>2</sup> which was separate from its licensed apparel business with the NFL. It had developed the internal capacity and competency to operate a sophisticated licensing function and essentially enter strategically targeted, noncore businesses using the licensing model.

## Internationalization: Theoretical Background

It is helpful to understand a few of the basic concepts related to firm internationalization. The decision process of why and how a business may want to expand internationally may be influenced by many factors. First, *internationalization*, as defined by (Beamish, 1990) is "the process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future, and establish and conduct transactions with other countries." Internationalization theory and research may be categorized into three distinct schools of thought: the economic school comprised of foreign direct investment (FDI) theory; the behavioral school supported by "stages" theory; and the relationship school, derived from network theory (Coviello, 1999). These theories provide key reasons why a business might want to expand internationally; these key reasons include reduction of costs, expansion of market potential, access to new markets, increased sales, enhanced competitive advantage, and access to new technologies.

How a company chooses and performs activities related to an expansion may be explained by the "stages" approach. This approach suggests that a firm will progress through distinct stages of international involvement within a particular market. For example, it will first begin to export, then increase its commitment to the next level based on the accumulation of market specific knowledge. The "process" orientation looks at the operating firm as it learns from the internationalization process and focuses on the firms' development of this knowledge. It suggests that as firms operate in international markets, they acquire experiential knowledge that affects the mode choice of other international market entry decisions. For instance, if a firm becomes accustomed to using licensing as a first step, it may continue this in other markets. Therefore, the selection of the method may be influenced by other market entry decisions and experiences and is not only dependent on the accumulation of market specific knowledge as in the stage theories (Clark, 1997).

Reebok operated in over 120 countries worldwide and first needed to decide which geographic markets might make sense for it to enter with bikes. It had to consider several selection criteria, including targeted bike segment demand and market potential, available retail/distribution partners, product service options, trade restrictions, Reebok global branding priorities, and cultural factors related to bike riding.



Second, Reebok needed to decide the best operating structure for alliance partners who would handle the development, products, warehouse, service, and marketing of Reebok's bike program. Consideration of the specific geographic markets dictated some of these decisions. Additionally, competitive forces and market-specific factors contributed to the shaping of the partner structure.

Third, as a result of Reebok's core competencies in product design and marketing, the company needed to decide how it wanted to contribute to the development and execution of these valued chain activities. Strategically, they wanted to make sure that the product design and branding (as well as the marketing messaging and promotion) aligned with the current global brand strategy and that the product incorporated critical design elements that would allow consumers to perceive the branded bikes as having the look and feel of Reebok (Reebok International LTD, 2005a, p. 5) This might necessitate that the company become intimately involved in the bike product development process. As management developed the business plan for this business, they created strategic goals that included enhancing the Reebok global branding strategy for active and fitness lifestyle products, establishing and strengthening sporting goods retail partner relationships, and generating income back to the company's bottom line.<sup>3</sup>

## Analysis

Generally, there are three major markets within the bicycle industry: the mass market with unbranded low price models, sporting goods with low to middle price points, and some branded products and IBDs with higher-end, performance branded product (Figure 1).

During the last few years, the market has changed considerably. Sporting goods stores have developed a "store within store" concept with the advantage of retailing quality brands such as Schwinn, GT, and Cannondale. As a result, sporting goods stores have seen significant growth in their market share (Townley, 1998).

Quality brands are traditionally sold through the IBD. These brands are opposed to moving to sporting goods stores. However, the majority of consumers do not recognize niche brands such as GT and Cannondale. In Europe, there are in excess of 140 bicycle brands; in the U.S., there are over 60.

The majority of consumers are not prepared to shop in IBD stores. The one-stop sporting goods stores are rapidly growing as they meet the majority of consumer's requirements. The global bicycle industry, including bicycles, parts, and accessories, is estimated to have total retail sales in excess of \$20 billion. The bicycle manufacturing segment of the industry produces approximately 100 million units per year (Townley, 1998).

U.S. BIKE MARKET SHARE MASS MERCHANTS VS. SPECIALTY RETAILERS, 1998 (BIKES 20-INCH AND ABOVE)				
	Mass Merchants	Specialty Bicycle Retailers	Full-Line Sporting Goods/Other	Total
Total Unit Sales	6.8 million	3.4 million	950,000	11.2 million
% Unit Sales	61%	30.50%	8.50%	
Domestic/Import Ratio	18%/82%	23%/77%	20%/80%	
Average Unit Value	\$100	\$355	\$260	
Annual Retail Dollars	\$680 million	\$1.2 billion	\$247 million	\$2.1 billion
Major Retail Outlets	5 large retailers that do 60% of mass-merchant total, or 36% of all retail sales: Wal-Mart Toys 'R' Us K-Mart Target Sears Roebuck & Co.	7,100 Specialty Bicycle Retailers	30 full-line sporting goods retailers, including: The Sports Authority Champs Sports Jumbo Sports Sport Mart Big 5 Sporting Goods Academy Corp.	

(Source: The Bicycle Council, National Bicycle Dealers Association, Jay Townley & Associates)

Figure 1 — U.S. bike retail market structure (Reebok International LTD, 2005a).

## Product

Reebok considered many factors when developing its bike product strategy. First, it examined potential market segments based on various consumer criteria. It considered usage, cultural setting, price, style preferences, branding affinity, place of purchase, technical trends, and other key influencing factors. In addition, Reebok had to consider the broader brand strategy, and how the product would support those goals. As such, the company considered focusing on midrange bikes in key consumer bike segments. Three broad activity-based segments (Terrain-Active, Urban-Active, and Lifestyle-Active) contained six potential Reebok bike product market segments: mountain bike, hybrid, BMX, freeride, leisure, and recreation. These segments represented a significant unit volume opportunity, as well as provided good alignment with key consumer groups important to the overall Reebok global brand strategy (Figure 2).

Reebok sought to be on trend with product for all key bike categories under its brand, including cycling accessories (Reebok International LTD, 2005a). This meant connecting authentically with the user experience in each of the target markets selected and understanding the product experience that was critical to the user. For example, within the BMX target market, Reebok needed to consider the different styles of use and settings which in turn led to specific features at certain price points. BMX riders knew what was real and what was just posing. In addition, Reebok considered creating “high-end Super Hero” authentic bikes that were performance-oriented and could be used by endorsed athletes in cycling events. These models were for marketing purposes only and would not become part of the mainstream product line or production. These models were intended to be used for in-store display and athlete marketing programs (Reebok International Ltd., 2005b).

Reebok was considering a “take down” feature strategy for each of the product lines being developed for the six selected target markets. The bike designs would utilize high-performance features found on high-end authentic performance bikes usually found in IBDs. To accomplish this economically, the sport company needed strategic manufacturing partners with scale economies who had cost structures that would allow these features to be introduced into mid-range price point bikes. The key product point of difference would be combining consumer relevant high-end technical innovations with a Reebok brand bike design aesthetic (Reebok International LTD, 2005a). These key

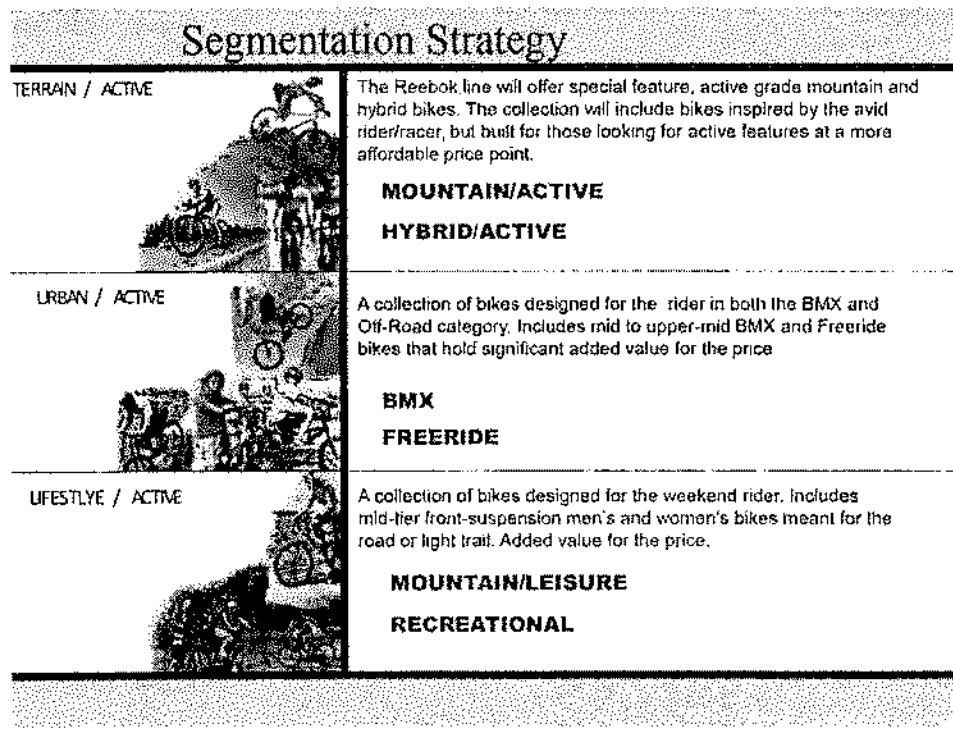


Figure 2 — Reebok bike product segmentation (Reebok International LTD, 2005a).

technologies/features would be infused in the design of Reebok bikes and positioned at the mid to upper price points for the sporting goods store channel. The decisions related to this approach would also shape other key decisions that needed to be made, including whether to use a retailer direct, distributor, or manufacturer based supply model.

### **Place: Geographic**

Reebok needed to consider which geographic markets and distribution channel(s) it would target. Given the company's global operations and presence in the global footwear and apparel markets, it had to narrow down the number of potential bike markets it would seek to enter in the first few years. Would it go after the countries with the greatest populations, like China and India, who presented enormous bike unit volume sales? Perhaps, but there were several issues with these markets, including culture differences, directly related to why people chose to ride bikes and how much they are willing to pay for them. For example, in China, most bikes are sold for commuting purposes and retail price points are very low. The typical bike consumer is seeking a very basic bike without many performance features. This did not align well with where Reebok's product strategy was headed. In addition, despite a growing number of middle-class consumers in China who could afford higher-end bikes, the activity of bike riding was not really considered for fitness, entertainment, or racing among the general public. As such, sales and market potential might be very limited in China initially, despite the fact that China is a critically important market for Reebok. Reebok would perform due diligence on the bike market in the U.S., Canada, UK, major EU markets, Russia, Japan, China, Mexico, and Brazil and would consider consumer input on brand expectations, product, and price points.

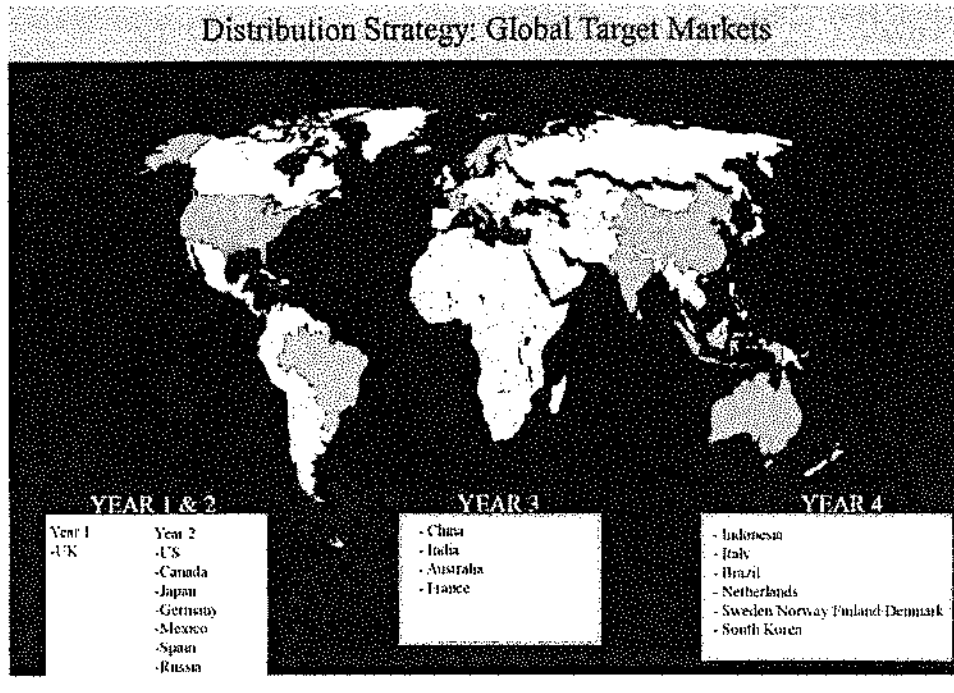
### **Retail Distribution Channel**

Based on the previous experience of the IBD market failure with the Plymouth-Reebok cycling team program, Reebok needed to evaluate other distribution channel options. By this time, the company's U.S. footwear and apparel business had been in significant decline, and the company's management had begun to focus on the sporting goods channel as a key area of potential growth and brand recovery (Reebok/Adidas Group, 2006). Reebok's footwear and apparel business had lost shelf space to the competition in this retail channel. Management felt it was a priority to re-establish a brand and product presence within these key sporting goods retailers. Since the Reebok footwear and apparel businesses were the key drivers of overall brand strategy, senior management felt strongly that any new product introduction opportunities that might interest sporting goods retailers should flow into this channel to support the broader strategic goals of Reebok (Frascotti, 2005). As such, Reebok could focus on the sporting goods channel globally, where consumers were seeking higher quality but affordable branded product. Interestingly, there was also a strong case made for considering upper mass merchant retailers like Target stores in the U.S. This resulted from a successful, although limited, licensed Reebok fitness equipment program at Target (Olson, 2005).

Another factor influencing channel decisions was the choice of the "entry mode" used to enter these international markets, which in turn was directly influenced by its choice of operating strategy. If Reebok decided to internalize this business, that might dictate several options including foreign direct investment, joint venture, sales subsidiary, or acquisition. If Reebok decided to take a less involved path, it had options like export or licensing. To some extent, the choice of distribution channel influenced this decision as well.

Retailers were cautious about which suppliers they would partner with, seeking only those who could provide a high level of delivery reliability and who could help minimize customer service failure risk. Historically, many retailers had very negative operating experiences (and economic losses) resulting from bike suppliers who missed order deliveries or failed to provide product support and customer service (Grey, 2004). As a result, many retailers spent significant resources finding and establishing reliable bike supplier networks and were very leery about giving up or leaving their current supply chain networks even if a new and exciting brand showed up. In general, this led to retailers requiring new bike suppliers to utilize the retailer's supply chain infrastructure in order to reduce their risk.

Multiple forces such as channel partner preference, brand priorities, and senior management's reluctance to invest significant capital into noncore businesses, impacted Reebok's market selection decision making for its bike business. The company's bike business management team considered several international markets priority one. They included the UK, U.S., Canada, Mexico, Germany, Spain, Japan, and Russia (Figure 3).



**Figure 3** — Reebok bike distribution.

Together, these markets represented a total of approximately 29,000,000 bikes sold per year. Approximately 6%–8% was sold through sporting good channels representing approximately 2,300,000 bike unit market potential for this channel (NBDA National Bicycle Dealers Association, 2010).

### Price

Reebok examined the bike market and discovered that it is generally a low profit margin business when compared with the athletic footwear and apparel business. As such, Reebok realized that in order for it to successfully develop this business globally, it could not follow the same business model it followed for its core footwear and apparel business. With tight margins at retailers (25–40 points), bikes were considered a tough product category for both the retailer and the supplier, and many sporting goods retailers were experimenting with their own private label brands in order to try and increase their margins (Grey, 2004). Sporting goods retailers had developed their “own brand” programs with large bike suppliers seeking economies of scale opportunities. As such, Reebok was faced with considerable margin pressure within its bike value chain. This led Reebok to strongly consider a retailer direct licensing strategy, rather than a distributor driven strategy. With a distributor model, there was an additional layer of cost that needed to be included.

Reebok next considered what key retail price points were needed in each bike product category. First, it needed to assess consumer needs and their perception of value with certain features and benefits of the product. Market research was performed to gauge the value contributions of various product features across the range. Based on this, Reebok and its design partners would develop a range of product that sought to meet the key retail price points and cost targets (Bikes, 2005). Generally, the Reebok bike range started at \$199 retail for an opening price point BMX bike and went up to \$999 retail for a high spec mountain bike. Most of the range was between USD \$300–\$600. Reebok also considered the various accessory products associated with cycling, and these offered significantly better margins, but the total dollar volume was low.

The next issue Reebok needed to address was the margin it wanted to earn. If the company decided to use a licensing model, the “margin” would be in the form of a “royalty” paid directly to Reebok by the licensee for the rights to use the brand trademark on bikes. Reebok typically received a fairly standard royalty rate on all of its other licensed products; however, with the extreme margin pressure from this product category, retailers, distributors, or manufacturers were

not as willing to absorb the brand licensing royalty costs. Reebok would need to consider taking a slightly reduced fee to enable their partners to generate their needed margins and help support the incremental start up investments of the Reebok bike brand entering this product category. Reebok believed that as the business became successful, it might be able to increase royalty rates back to its standard level.

## Promotion

The primary objectives of the Reebok bike marketing communication and promotion program were the following (Mastro, 2005, pp. 13–18):

1. Generate consumer and trade awareness that Reebok had successfully entered into the global bicycle business in a credible and authentic manner.
2. Create compelling Reebok bike visual imagery for use (in-store, online, and other promotional opportunities) by exclusive retail partners and Reebok's global marketing regime.
3. Enhance Reebok branding initiatives globally.

Tactically, Reebok might focus on developing the necessary marketing tools (visuals with key cycling athletes and related materials) to enable retail partners and other communication providers to successfully deliver the Reebok bike story to consumers. Retail partners in each market would be responsible for many of the local marketing activities to support sales Reebok, and its local footwear distributor would selectively support these activities. Reebok considered investing some of its bike income to support the deployment of the Reebok bike global marketing program and rely on local Reebok footwear/apparel distributors for some key local marketing initiatives.

Specific promotional elements might include the following (Mastro, RBK Bike 2007 Product Marketing Communication Strategy, 2005):

- Develop a compelling “Reebok Bike Story” that would lead with a product focus and be supported by key Reebok cycling and performance athletes who tell their story.
- Create a Reebok-BMX/Freeride demo team that could support imagery needs and perform on a tour to support key retail partner locations in major cities around the world.
- Seek to use a combination of conventional and nonconventional bike marketing approaches to distribute and communicate the story.
- Internet: Set up and utilize Reebokbikes.com.
- Athlete endorsement: Reebok would identify and establish a marketing relationship with up to 5 (3 male, 2 female) of the top developing BMX/Freeride athletes and develop a credible BMX demo team.
- Sponsorship: Consider a modest relationship with the X Games.
- Print: Develop Reebok bike ads and feature them in selected BMX publications, key web sites, and the new Reebok magazine. They would feature existing Reebok athletes, as well Reebok bike athletes.
- Cross-promotional: Cross-promotional opportunities with local Reebok footwear/apparel distributors in each market and targeted retailers.
- Reebok would develop a 3–5 minute “underground” video using Reebok cycling and/or other Reebok “performance” athlete(s) to be used for internet-based marketing initiative to core BMX/Freeride/Mountain target markets.
- Reebok-BMX exclusive launch parties with key athletes, celebrities, and press. These events would initiate Reebok's PR effort. Timing would tie-in with key retail partner launches.
- Reebok Air Show tour: 15 cities (tie to retail partner rooftop location). Look into a possible NBA/NFL halftime show tie-in.
- Develop signature Cruiser (Lowrider) model for Reebok entertainers. Placement in music videos, commercials, and ads.
- Work with West Coast Choppers or Orange County Choppers to create a Reebok Lowrider episode.
- Utilize EA Sports relationship to incorporate product into video games.

## Internationalization and Operating Strategy

Given the global nature of the bike business and Reebok's worldwide athletic footwear business, the company viewed its foray into the bike business from a global execution perspective. However, Reebok was faced with a set of critical decisions. First, if it chose to use licensing as a business model and internationalization mode rather than purchasing a bike company or creating significant foreign direct investments, Reebok was still faced with a strategic alliance partner/licensing partner dilemma. Reebok needed to determine the nature and mix of alliance partnerships in order to achieve its global bike business goals (Reebok International LTD, 2005a). Factors that would influence this included partners capable of delivering a successful Reebok bike business, able to provide superior in-store technical product service, level of local support from Reebok footwear and apparel distributors, quality of sporting goods retailers in the specific market, and any trade barriers for bike product category. Should it attempt to go retailer direct licensing, or should it seek out a bike manufacturer or bike distributor partner who then sell and market to the various sporting goods retailers being targeted?

### Entry Mode Choice

There was a desire by Reebok's senior management team to minimize financial and operating risks related to this business (Fraschetti, 2005). Because the bike business was not a core business directly related to the footwear and apparel business, Reebok did not want to invest heavily into capital assets related to it. Hence, this essentially removed several operating options for Reebok in both its domestic and international markets. Yet, as the company recognized the global potential for its bike business and based on feedback from multiple markets around the globe, it considered how to internationalize the business rapidly. In order to achieve significant global market penetration, Reebok considered a few different operating schemes. While the initial test market might use a direct to retail licensing model, certain markets indicated a need for alternative models (Reebok International Ltd., 2005c). These included an approach utilizing a bike distributor (as licensee) or using a bike manufacturer (as licensee). Each of these presented unique challenges for Reebok. Reebok's possible selection of licensing as a branding model and internationalization mode raised several questions and issues with respect to how Reebok would construct its license partner/strategic alliance global structure.

### Option 1 – Retailer Direct Licensing

Reebok could develop exclusive territory retail partnerships (licensees) with leading sporting goods bike retailers in key geographic markets. These retailers needed to provide superior in-store customer service by offering technical bike assembly and warranty support to Reebok bike customers. Through its bike market research, Reebok determined that a bike consumer's product and brand experience satisfaction was heavily dependent on having the bike assembled properly and having in-store warranty support (Grey, 2004). The selected exclusive retail partner would be responsible for customer service including warranty and technical set up. Replacement/warranty parts would be supplied directly from the bike factory to the retailer.

Reebok's international footwear and apparel distributors would be closely involved with identification of potential retail partners. They would support gathering of market specific information, participate in key account presentations and would help co-ordinate retailer level marketing activities related to the Reebok bike business. However, a central issue remained: Which bike factory would be used? Would Reebok's existing approved bike factories be used for production or would the retailers' current supply chain bike factories? To protect its supply chain relationships and minimize delivery risk, retailers may insist Reebok use one or more of their existing bike factory suppliers for all or part of the Reebok bike orders (Grey, 2004). This had implications beyond just inconvenience for Reebok. First, if a retailer's bike supplier factory were used, Reebok needed to carefully manage product approvals with the retailer and factory. As a condition of the Reebok brand license agreement, the firm retained all product and branding approval rights related to the bikes and retailer's use of the brand in various marketing communications activities. As a result, Reebok faced some potentially uncomfortable situations.

On the one hand, Reebok was in the business of selling footwear and apparel to the retailer and at the same time would be determining product approvals of the retailers' bike factory. This set up a potential conflict whereby the retailer could exert control over Reebok by threatening to withhold footwear orders until Reebok approved a bike product request that may otherwise not approve. For example, if the proposed bike did not meet Reebok's product standards or if the factory itself was violating any of its human rights requirements, Reebok would withhold final approval.

A second potential implication of using the retailers' bike factory is related to the retention of product design rights (intellectual property [IP] rights). The intended primary product development and design as well as the management would be driven and directed by Reebok and its approved manufacturing/design partners (Reebok International Ltd., 2005c). Reebok would actively engage the process and deploy design resources for the development of certain Reebok bike innovations. Reebok's bike business management team would actively solicit and pursue new product ideas and technologies from around the world, working closely with internal and external design resources, to formulate key Reebok bike product innovations for commercialization. Reebok wanted to keep control over the intellectual property rights associated with these bike designs (Frascotti, 2005). It sought to use these designs globally and needed control over the rights to do so. However, if the retailer's supply factory was involved, it would be more difficult for Reebok to retain IP rights and control how and where its proprietary bike designs may be used. Additionally, if retailers felt they contributed meaningfully to the design process, they may also want to have control and ownership over the designs. Despite clauses in the standard Reebok license agreement that granted all design rights back to the firm from a licensee, Reebok anticipated that retailers may want to change this.

### **Option 2 – Bike Distributor Licensing**

Reebok might consider developing a license partnership with a specific bike distributor in a particular geographic market or region (Reebok International LTD, 2005a). This distributor relationship, as a licensee, would consolidate some of the key value chain activities previously discussed. The distributor might be responsible for sourcing (via Reebok approved factories), logistics, warehousing, fulfillment, and customer service support. Depending on the nature of the retail account base, the bike distributor may conduct all or some of the key sales and marketing initiatives in concert with Reebok headquarters and local Reebok footwear and apparel distributors. Bike distributors often carried many different bike brands and often specialized in specific distribution channels. They may have many factory and retail relationships at any time. Distributors typically worked on 20–30 point margins and provided limited marketing support. Their knowledge of the local market and retail environments was typically high. Depending on the nature of their existing business and bike brands carried, there were significant variations in the distributors' ability and experience capacity to offer sophisticated brand management. Under this model, Reebok would license its brand rights to the distributor and the distributor would pay Reebok a royalty. The distributor would source bike production from its factories (Reebok having approval rights of product and factories), and sell and distribute Reebok bikes to one or more retailers in its territory. This option adds another layer of cost.

### **Option 3 – Manufacturer Direct Licensing**

Reebok could also develop a direct licensing relationship with a key global bike manufacturer who would act as a master licensee and global partner. This scenario may offer Reebok instant global distribution coverage. Given the bifurcation of the global bike business into either mass merchant low- to medium-end price and distribution or higher-end price points through IBDs, there may be few global manufacturing bike suppliers available from which to choose. Bike manufacturers present challenges on several levels. First, they may have their own brands that they are trying to develop and not want to create additional competition for themselves. Second, bike manufacturers may funnel their key product innovations into their own brands before considering a licensed brand. Third, a manufacturer may not be able to or want to spend incremental margin on a licensing royalty in an environment of low margins. Fourth, the bike manufacturer may not understand or use licensing as a marketing tool. However, using a single manufacturing relationship might offer Reebok significant control over its IP rights and bike designs. The manufacturer may be more

willing to offer the latest innovations to the Reebok bike product collection if it feels Reebok is a committed, long-term partner. Reebok may benefit from global volume economies of scale and become more cost competitive. Reebok may also be perceived as more stable in the eyes of retailers who want reliable supply chain partners. These issues present both challenges and opportunities for Reebok as it seeks to achieve its bike business goals.

Reebok identified several potential critical success factors (Reebok International LTD, 2005a, p. 18):

- The Reebok bike collection would need to have consistent high quality product throughout the range. The Reebok bike business management team would actively engage with bike factories producing Reebok product and closely monitor quality by creating a monthly feedback system with each retailer and/or distribution partner(s).
- Retail partners for each geographic market would offer a high quality technical set-up and warranty service function. It was imperative that the Reebok bikes be assembled by a qualified bike technician prior to consumer use to ensure a consistent quality Reebok bike experience.
- Reebok would closely monitor and interact with the selection process of key retail partners in target markets in concert with Reebok local footwear and apparel distributor and potential license partners.
- Reebok would require a consistent and ongoing product development and continuous improvement function with its strategic bike partners to ensure quality compliance, innovation activity and brand execution alignment
- Reebok would require direct manufacturing agreements with each bike factory to ensure human rights standards and quality control criteria are in compliance.

## SWOT ANALYSIS- REEBOK BIKES

### Strengths

- Rbk & Reebok brand possesses positive brand momentum
- Successful retail market test confirms positive translation of Reebok brand to the bicycle product category in the UK
- Reebok Bike line is functionally and cost competitive with competition
- Scope and depth of Reebok Bike collection (bikes, accessories, proposed helmets) provide retailer broad bike solution options and product platform for future growth.

### Weaknesses

- Reebok currently relies on license retailer and bike factory partners for product design and innovation
- Reebok Bike collection lacks a signature "Functional Innovation".
- Reebok Bike line lacks innovative graphics & aesthetic design distinction/identity.
- Reebok Bike business lacks an integrated bike marketing plan by geographic market designed to align and support specific retail partner.

### Opportunities

- Current "Bike Brands" (Schwinn/Mongoose) in Sporting Goods distribution channel are migrating to lower-end mass distribution and Target
- Sporting Goods channel of distribution for bikes lacks a strong consumer brand
- Sporting goods retailers are seeking brand and product differentiation for their bike business

### Threats

- The Sporting Goods channel's bike business is under competitive and margin pressure from mass market players like Wal-Mart (SG only represents 10-12% of total unit sales).
- Overall US bike industry unit sales are flat to slightly declining - all bikes/all distribution, represents a saturated market
- Cycling participation is down to 42MM from a high of 59MM in 1992
- Sporting Goods retailers entrenched with key supplier base (Pacific Cycle, 27% market share)

Figure 4 — SWOT Analysis (Reebok International LTD, 2005a).



## REEBOK BIKES

### VISION

Reebok bikes are recognized as innovative, authentic and high quality by consumers worldwide.

### MISSION

Reebok creates and delivers innovative, authentic and high quality bicycles to consumers through leading sporting goods retailers around the world.

### POSITIONING

Reebok celebrates authenticity and individuality in the sport of cycling through performance and style.

Figure 5 — Mission Statement (Reebok International LTD, 2005a).

### Notes

1. The author of this case was an executive at Reebok for over 10 years within the new business and licensing group. He was responsible for the global development of the company's bike business and draws on his direct experience for the development of this case. Certain information derived from reports has been changed to insure that no confidential information has been used or revealed in the preparation of this case.
2. For additional information regarding the NFL Licensing alliance, see "Sport Marketing Association 3rd Annual Conference, Strategic Alliances in the Sport Industry: A Case Review of Reebok International and NFL." Presentation & Book of Papers, November, 2005.
3. See Figure 4 for a SWOT analysis and Figure 5 for relevant Mission Statement for the company's bike business.

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