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GOOGLE DOCS

I do not have a Google classroom; however, you can share Google Docs with me when you complete certain assignments, or you can email me your work any time before the due date of May 8th.

SPORTS & ENTERTAINMENT MARKETING

due May 8th

****This is very important to READ...**everyone who submitted the first packet failed to follow directions. I left specific assignments for you to do throughout CHAPTER 3. Nowhere in my instructions did I say to do the questions at the end of each section. Because of this, each of you have received an INCOMPLETE for the 5th six weeks. You will need to go back and do the work I assigned on the first packet, as well as the assignments I am giving you with this packet. All work will be due by May 8th. If you have questions, please contact me in my Remind class or you can email me at any time.

GO TO THIS LINK TO ACCESS THE FIRST PACKET (Chapter 3)

<https://www.reagancountyisd.net/o/reagan-county-isd/browse/112578>

NEW ASSIGNMENTS...

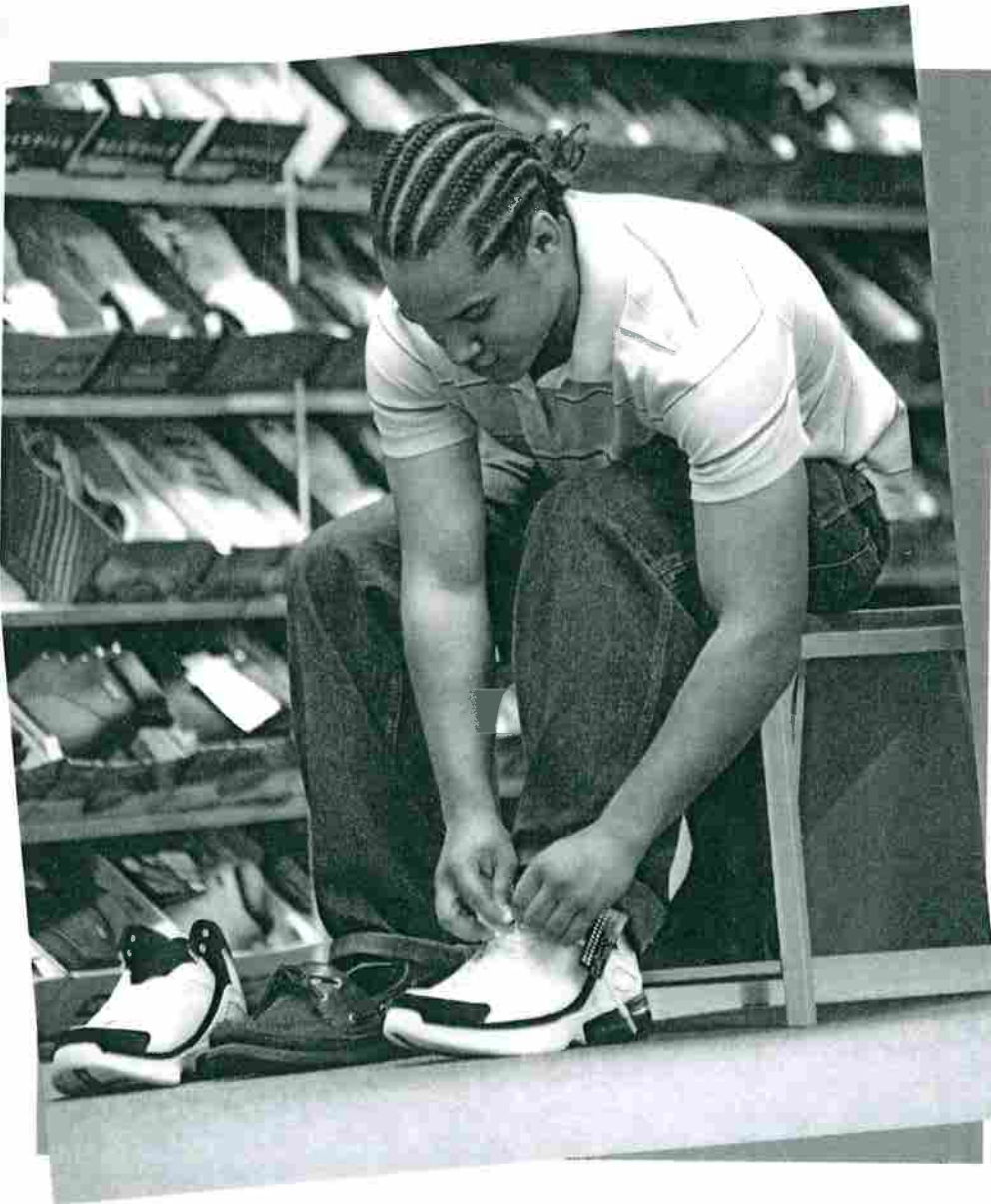
READ CHAPTER 6

- WINNING STRATEGIES PAGE 149
- OPENING ACT PAGE 150
- OPENING ACT PAGE 156
- JUDGMENT CALL PAGE 158
- SOCIAL MEDIA MARKETING PAGE 161 (TWO PARAGRAPH RESPONSE)
- OPENING ACT PAGE 163
- CROSSFIT – THE LATEST TREND PAGE 174

CHAPTER

6

THE PRODUCT IS SPORTS AND ENTERTAINMENT



- 6.1 The Product Mix
- 6.2 People Are the Product
- 6.3 Product Marketing Strategies

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Winning Strategies

Fame and Fortune Used to Benefit Others

Ellen DeGeneres is a popular comedian who got her start in stand-up comedy clubs. She began touring nationally in the 1980s and won the title of “Funniest Person in America” in a competition sponsored by the cable network Showtime. She can now be seen hosting *The Ellen DeGeneres Show*.

Ellen is also well recognized for her charitable work. In recent years, many charities have benefited from Ellen’s generosity of time, effort, and money. To help fund animal welfare charities, she hosted a 24-day charity auction on eBay with all proceeds going to the Humane Society. She also supports many other pet rescue and animal organizations through her charity work. In another effort to raise money, Ellen auctioned off clothing that she wore on her show and award shows.

Ellen also works with other celebrities to promote charities. She joined actor Ben Affleck to launch a “Small Change Campaign.” The campaign encouraged people to collect loose change, which would then be donated to Second Harvest hunger charity (now called Feeding America). The goal of Feeding America is to distribute food and other grocery products to millions of people who go hungry each day, while raising the public awareness of domestic hunger.

As part of her TV show, Ellen works with sponsoring organizations regularly to reward deserving viewers with donations to help pay for needed items such as school supplies and uniforms, college education, and cars. Fans of Ellen’s TV show can visit the show’s website to view “Ellen’s Organizations,” a listing of charities and organizations that Ellen supports. You can also follow Ellen on Twitter to learn more about her charity work.¹



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Think Critically

1. Why do you think celebrities such as Ellen DeGeneres feel the need to support charitable causes?
2. If you were to contact Ellen about a cause you’d like her to support, what would it be and why?

6.1 The Product Mix

The Essential Question

What are the components of the product mix for a sports or entertainment event, and how can the product for that event be enhanced?

Learning Objectives

LO 6.1-1 Define product mix, product extension, and product enhancement.

LO 6.1-2 List and describe the components of the product mix.

Key Terms

- product mix
- product extensions
- product enhancements
- product line
- brand
- trademark
- licensed brand

OPENING
ACT

While prize winnings at major golf tournaments continue to rise, the vast majority of money in the sport is still made off the course. In a recent year, the top 20 golfers made \$400 million through endorsements, licensing fees, and appearances. Many golfers made more money off the course than on it.

In a recent year, Yani Tseng earned \$3.5 million off the golf course and \$1.5 million on the course. Sponsors for Yani include Acer, Audi Taiwan, and Titleist. Phil Mickelson earned \$40 million off the course and \$5.3 million on the course. Phil's sponsors include Barclays, Callaway, and KPMG. The biggest winner was Tiger Woods, who earned \$9.1 million playing golf but earned \$77 million in his ventures off the course. Tiger's sponsors include Nike and Rolex. Female golfers also did well. Ai Miyazato earned \$4 million off the course and \$1.4 million

on the course, with Oakley and Bridgestone as sponsors. Golf equipment manufacturers know the importance of associating products with popular golfers.²

Cooperative Learning Do you think there should be restrictions for golfers or other athletes who earn money from corporate sponsors? Why are companies willing to spend big money on athletic sponsorships? Discuss your answers with a partner.

LO 6.1-1 WHAT IS A PRODUCT MIX?



Every product is a complex blending of tangible and intangible parts. *Tangible* parts are physical features that can be seen and felt. On an athletic shoe, tangible parts include the rubber sole, the shoelaces, and the color of the shoe. *Intangible* parts are the nonphysical features associated with services. For example, the features offered by an Internet service provider are intangible. When making a new product, decisions must be made about its **product mix**, which includes the product's final form and its assorted features. The brand name, the various products offered under the brand, and the packaging are also part of the product mix.

Product Extensions

Product extensions are items offered in addition to the product to make it more attractive to the target market. Product extensions may be in the form of guarantees, warranties, instructional videos, and even additional related products. Automobiles that come with 100,000-mile warranties appeal to consumers. They like the idea of not having to worry about unexpected major expenses should repairs become necessary. Instructional videos that are easy to follow and 24-hour toll-free help lines are other product extensions that are attractive to consumers. When a customer buys a new baseball bat from a sporting goods store, the sales associate might also suggest related products such as batting gloves and a baseball cap. These types of product extensions can improve the use of the original product, helping the customer get more value from his or her purchase.



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What types of product extensions might be added to help sell a car?

Basic vs. Enhanced Product

A **basic product** is one that meets the needs of a target market. **Product enhancements** are features added to the basic product to satisfy additional needs and wants with a single purchase. An automobile is a basic product that consumers need as a mode of transportation. But some consumers want more than just a basic automobile. They may want enhancements such as dual comfort controls, leather seats, cruise control, a power convertible roof, a GPS navigation system, and a more powerful engine.

Athletic shoes are a basic product constructed for support and safety to avoid injuries while playing sports. Nike has created specialized running shoes with air-cushioned soles and lightweight fabric. The added features to its **running** shoes increase the comfort and performance of runners. Some target markets want athletic shoes that serve multiple purposes. Cross-trainer shoes are enhanced running shoes that are good for walking, hiking, running, biking, and other amateur sports. The cross-trainer shoes satisfy several needs with one purchase.

Another **example** of product enhancement can be seen in a football stadium or basketball arena. The basic seating at a football game may be the bleacher seats in the end zone without back supports. Product enhancements would include individual seats with back supports located on the 50-yard



Although the base price for a luxury car may be advertised as \$38,000, this is unlikely the final price. Typically the car will sell for \$42,000 to \$46,000 due to the costs of enhanced features. For those customers who desire luxury, the extra costs may be worth it.

line or seats located in a climate-controlled suite. Fans who watch the games from suites can also enjoy personalized food service and other special comforts. All of these product enhancements help the stadium satisfy those fans who have additional wants and needs. For example, companies that want to entertain business clients may be the target market for stadium suites.

Consumers are now starting to see product enhancements at movie theaters. At newer theaters, families can go to a restaurant and see a movie all under one roof. Many theaters offer seat-side food and beverage service.

Product enhancements may be viewed as important by some but unnecessary by others. Although product enhancements add value to a product, they usually increase the price. However, in today's competitive market, it is important to give consumers options.



INTERMISSION

Provide three examples of a product enhancement.

LO 6.1-2 PRODUCT MIX COMPONENTS



In an attempt to satisfy customer needs, marketers must make many decisions about their product and product mix. Product mix includes the product line, packaging, and brand development.

Product Line

A **product line** is a group of similar products with slight variations to satisfy the different needs of consumers. The goal of the product line is to

achieve the greatest amount of sales possible by satisfying the needs of a diverse target market. The addition of items to a product line increases the satisfaction of individual customers. However, adding items to the product line increases the cost of manufacturing, distribution, inventory control, and other marketing activities. Retailers who sell extended product lines need more display space.

Soft drinks are a perfect example of a product line. There are several choices to meet the needs of different consumer tastes and diets. The Coca-Cola Company offers Coca-Cola Classic; Diet Coke; Caffeine-Free Diet Coke; Coke Zero with no



Why would a company offer a line of products to its customers?

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carbohydrates; and varieties of Coke with added flavorings, such as vanilla, lime, and cherry. A product line can also include a variety of product sizes. TV sets come in sizes ranging from 5-inch screens to 60-inch and larger screens.

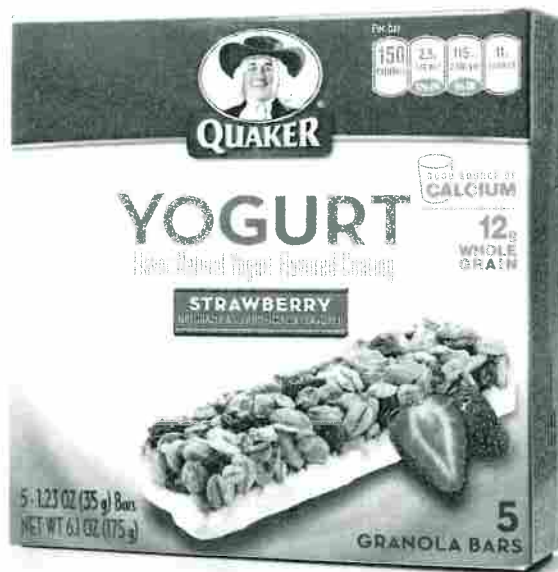
Product lines for travel can range from short weekend getaways to vacations lasting a week or longer. Central themes for vacations may include skiing, snorkeling, golf, and other related activities. Popular tourist resorts offer a product line with a wide array of activities, lengths of stay, and prices.

Product lines can also involve variation in the quality of goods sold. Airlines, for example, offer first-class and economy flights with a variation in quality. First-class passengers receive extra leg space, food service, boarding preference, and other benefits not experienced by economy passengers. For this reason, the price for first-class airline tickets is much higher than the price for economy tickets.

Packaging

Packaging is important. Ease of use, safety, security, attractiveness, accessibility, and the environmental friendliness of the package influence sales. Today's consumers are environmentally conscious and often prefer packaging that is recyclable. The package must also be convenient for consumers to handle. For example, some manufacturers of snack foods and beverages package their products in individual serving sizes. This makes a convenient snack or drink at sporting events such as a child's soccer game or Little League baseball game.

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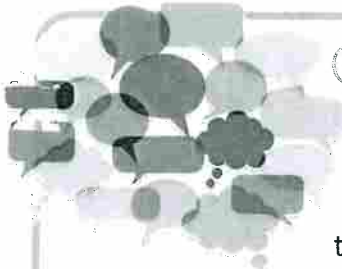


Why is packaging an important component of the product mix?

Brand

Brand is the name, symbol, logo, word, or design (or a combination of these elements) that identifies a product, service, or company. The brand represents the company's reputation for quality, reliability, and status in the marketplace. Target markets often associate brands with successful athletes and celebrities. For example, the company that makes Bounty paper towels has teamed up with Olympic stars to promote its product.

Trademarks and Licenses A trademark is the legal protection of words and symbols used by a company. A trademark makes it illegal for other companies to use a secured brand name. This extends to personal names as well. Colleges and college coaches are reaping additional financial benefits by trademarking their own slogans, names, or images on merchandise. The Ohio State University is making sure it benefits from



COMMUNICATION CONNECTION

Social media has made it easier for coaches at top athletic schools to communicate with high prospect players. The National Collegiate Athletic Association (NCAA) has set restrictions on the frequency and modes of electronic communications coaches can have with recruits. The NCAA currently allows basketball coaches to send unlimited texts and other forms of electronic communications, but texting has been banned in football recruiting since 2007.

Unlimited texting could be coming back to college football recruiting. According to a recent ESPN.com survey of more than 700 high school football recruits in the classes of 2014 and 2015, more than 91 percent of the athletes believed they should be able to text with college coaches.³

Write Now

Conduct online research and report on how social media is used to recruit high school athletes. How could aggressive recruitment strategies used by major colleges distract students from successfully graduating from high school? Would some colleges have an unfair advantage if the social media restrictions on college football recruiting were lifted? Write a one-page paper giving your opinion on these issues and others regarding the use of social media to recruit college athletes.

the popularity of its football coach by trademarking the phrase “Urban Meyer Knows.” Coach Dabo Swiney at Clemson University has trademarked his name, and Kansas State University has a detailed licensing agreement to use the name and likeness of football Coach Bill Snyder. USC Coach Steve Sarkisian has negotiated the right to approve all uses of his name, voice, signature, or likenesses. College athletes, however, cannot profit from the use of their names or likenesses on merchandise, such as jerseys or game programs, due to NCAA rules. All student-athletes must sign forms authorizing the NCAA to use their name or picture to promote NCAA events.

A **licensed brand** is a well-known name and/or symbol established by one company and sold for use by another company to promote its products. Organizations such as The Walt Disney Company sell licenses to other companies that allow them to use character names and images on clothing and toys. Licensed products from popular children’s movies are sold in department stores and fast-food restaurants. The organization that sells the license receives a percentage of the sales—usually 8 to 12 percent—of the merchandise bearing the licensed name or image. College and professional teams also license their names and mascot images for products.

Levels of Brand Recognition There are generally five stages of brand recognition. These include nonrecognition, rejection, recognition, preference, and insistence. During the *nonrecognition stage*, consumers are unable to identify brands. Although a new brand of athletic gear may be nice, it may not sell well because consumers do not know or trust the brand. *Rejection* occurs when a customer will not purchase a product

because of the brand. Consumers may reject sporting goods bearing brands known for poor quality or that have had recalls due to safety issues.

During the brand *recognition stage*, consumers know of the brand, but the brand has little influence on their purchases. Consumers view brands as valuable during the *preference stage*. They will purchase a preferred brand if it is readily available but may purchase another brand if it is not. *Insistence* occurs when consumers value a brand to the extent that they reject other brands even when the preferred brand is not readily available. They will go to great lengths to purchase the desired brand or will do without rather than buy a competing brand. Most consumers who drink cola insist on one brand over another—for example, Coca-Cola or Pepsi. Some athletes will wear only Nike shoes. Companies strive to reach the insistence level of brand recognition to develop consumer loyalty.

Many popular brand restaurants, gas stations, and hotels have highly recognizable logos. Individuals traveling on busy highways look for signs displaying these well-known logos. Travelers might drive a little farther knowing their favorite restaurant is located only a few exits away.



INTERMISSION



What are the components of the product mix?



ENCORE

Understand Marketing Concepts

Select the best answer for each question.

1. Which of the following is not a stage of brand recognition?
 - a. preference
 - b. introduction
 - c. recognition
 - d. rejection
2. Product extensions include
 - a. warranties
 - b. related products
 - c. instructional videos
 - d. all of the above

Think Critically

Answer the following questions as completely as possible.

3. Athletic shoes produced by Nike and Adidas are popular with runners. What product enhancements could these companies make to their running shoes to better satisfy runners and nonrunners? (LO 6.1-1)
4. List three brands that you like to purchase. Why are you loyal to these brands? (LO 6.1-2)

6.2 People Are the Product

The Essential Question

What is the bottom line for sporting events, and why are the costs so high?

Learning Objectives

LO 6.2-1 Define the bottom line for sports.

LO 6.2-2 Explain the high cost of sports and entertainment events.

Key Terms

- blue-chip athletes
- NCAA
- fringe benefits

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Look through any sports magazine, shop at any athletic store, or turn on any sports television channel and you will see the immense power of advertising in the sports world. Whether you see a tennis star wearing a sports company's products and logos or a racecar covered with multiple company names, you will understand that advertising is the fuel on which professional sports run. Millions of advertising dollars are spent every day by companies that want people to buy their products and to use their services.

Cooperative Learning Why are companies turning to the world of sports to help meet their promotional needs? How do companies decide which teams or individual athletes to sponsor? Work with a partner to create a list of ideas.

LO 6.2-1 THE BOTTOM LINE FOR SPORTS

Millions of dollars are spent on sports and entertainment events each year. Marketing strategies must attract the best blue-chip athletes for college and professional sports. **Blue-chip athletes** are high-prospect athletes who have exceptional athletic ability and who demonstrate good character and leadership qualities on and off the field.

The bottom line for sports is winning. The bottom line for business is profit. Winning teams generate profit for team owners, sports venues, and related businesses. Successful athletic teams depend on high-caliber athletes who can deliver top-notch performances.

Recruiting athletes is the most important element for the future success of college and professional teams. The recruiting process for college athletics is highly competitive. Coaches at major universities host football and basketball camps to attract the best high school junior and senior athletes. Athletes who attend these camps and make a positive impression on coaches have the inside track to athletic scholarship offers from universities.

NCAA Regulations

The National Collegiate Athletic Association (NCAA) is a voluntary organization through which the nation's colleges and universities govern their athletics programs. It regulates the college recruitment process and comprises more than 1,250 institutions, conferences, organizations, and individuals committed to the best interests, education, and athletics participation of student-athletes. The NCAA has four major goals: (1) to advance academics, (2) to provide opportunities, (3) to develop life skills, and (4) to enhance communities.

High school athletes can be offered athletic scholarships from major universities, but currently, they cannot be offered any additional financial rewards or other benefits to attend a university. Alumni and coaches who become overzealous in the recruitment process jeopardize the integrity of their university. Athletic teams are penalized and even placed on probation for recruitment violations. Recruitment violations may involve paying bribes to recruits, giving incentives to the families of recruits, and altering grade transcripts to make athletes eligible to play. NCAA punishments for recruitment violations can include the following:

- Limiting the number of scholarships offered
- Prohibiting post-season play
- Suspending players
- Forfeiting games
- Shutting down the school's athletic programs

Compensation for Athletes?

Since its inception, the NCAA has operated under the rule that student-athletes are amateurs and should not be paid for performing in their sports. The NCAA has punished teams that have illegally paid players and has suspended the players. At other times, it has taken away wins from the programs that have violated the rules.



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Why do some people think that an athlete who signs with a college team should get paid to play?

JUDGMENT CALL



Star players and schools have been penalized by the NCAA in cases where players and their families were influenced by agents while still playing college sports. Reggie Bush's legacy at USC (2003–2005) was harmed when the NCAA discovered that Bush and his family received cash and other benefits, totaling \$300,000, in violation of NCAA rules while he played for the Trojans. As a result of the Reggie Bush case, the NCAA banned USC from playing any post-season games for two years. USC was also required to forfeit 14 victories that Bush participated in, including its 2005 national title game victory in the Orange Bowl. Bush had to give up his Heisman Trophy that he earned during the 2005 season.

Think Critically

Do you think players and universities that violate NCAA rules are punished fairly? What can be done to ensure that athletes do not break NCAA rules?



Collegiate athletics has not always been a multimillion-dollar industry. Even today, most college sports programs lose money. NCAA Division I football and basketball, however, generate huge revenues. According to a *USA TODAY* report, the top 25 most prosperous college athletic programs had revenue ranging from \$82 million to \$164 million a year.⁴

Currently, athletes receive scholarships and grants for their college education but do not get paid to play. Between classes, practices, traveling, and games, they do not have enough time to work part-time jobs to earn additional income. Some of the best college athletes are tempted to sign multimillion-dollar contracts with professional sports organizations before graduating from college, making them ineligible to play college sports. In some states, proposals to pay college athletes have been brought before the state legislature.

A recent study by the Associated Press indicates that universities in six major athletic conferences spend \$100,000 per scholarship athlete each year.⁵ This amount is 6 to 12 times the amount spent on students who are not athletes. The National College Players Association and the Department of Sports Management at the University of Drexel study shows that the average football or basketball player who has an all-expenses-paid scholarship has \$3,000–\$3,222 in expenses for necessities not covered by the scholarship. In August 2014, the NCAA voted to allow colleges in the top five conferences (ACC, Big Ten, Big 12, Pac-12, and SEC) to pay players' cost-of-attendance (living) expenses. Some believe this extra perk is reasonable when you consider that the market value or revenue generated by each basketball and football player is calculated to be worth \$120,000.⁶



INTERMISSION

Why don't college athletes get paid for playing sports?

LO 6.2-2 THE COST OF SUCCESS



Major universities count on knowledgeable, skilled coaches to lead their teams to success. They also expect top-notch players to score victories for their school and attract fans and sponsors.

Event managers book popular entertainers to attract visitors to an event. The cost of attracting and keeping top performers in sports and entertainment can be very high.

Attracting and Keeping Coaches

Elite college football coaches have difficult, stressful jobs and are highly compensated for their work. The University of Alabama head coach Nick Saban will likely be remembered as one of the highest-paid NCAA football coaches in the country, with a contract that guaranteed over \$5 million a year before additional bonuses. When Alabama finished first in the Associated Press Top 25 poll in 2013, Saban was paid a \$200,000 bonus plus \$110,000 for making the BCS title game. Ohio State finished the 2012 season undefeated but was barred from participating in bowl games for breaking NCAA rules during the previous season. This did not stop Ohio State's coach, Urban Meyer, from receiving a \$150,000 bonus for finishing third in the Associated Press Top 25.⁸ Fringe benefits are incentives received in addition to a base salary. They may include bonuses for special accomplishments, medical insurance, a company car, and paid travel. In addition, top coaches may receive opportunities for endorsements, TV and radio shows, and other income-producing ventures.

Attracting and Keeping Star Athletes

Coaches are responsible for recruiting top athletes. Recruiting involves knowledge of personal selling, financing, and marketing-information management. Coaching staffs must have charismatic recruiters who can convince young athletes, and their parents, to commit to a university that may be located far from home. Honesty and integrity are two characteristics necessary to be a successful recruiter. College recruiters who emphasize the importance of the athlete's education gain the attention and support of parents. Athletes and their families like those coaches who take a personal interest in the well-being of their recruits. The recruitment process itself is expensive, and signing blue-chip athletes is hard work. Recruiters fly all over the country to market their universities to top prospects. They must maintain careful records on all of the prospective athletes and determine specific needs that must be met to close the deal.

The National Football League (NFL) requires players to wait three years after graduating from high school before they can apply to professional drafts. The National Basketball Association (NBA) requires players to be at least 19 years old and one year out of high school before going professional. Some college athletic conference leaders, however, are now saying that it does not make sense to force teens who don't want an education to go to college.

Jim Delany, Commissioner of the Big Ten Conference, does not believe that college athletics should be "minor league" testing grounds for professional sports. Professional teams are now aggressively recruiting a handful



In the United States, 45 million children ages 6

through 16 participate in youth sports. Of those participants, 20 million are involved in organized out-of-school sports and 25 million are involved in competitive school sports. On average, parents spend \$671 per child for sports participation. Twenty percent spend over \$1,000 per child for sports.⁷

of the top high school athletes. LeBron James was selected directly out of high school at the age of 18 by the Cleveland Cavaliers as part of the first overall pick in the 2003 NBA Draft. The current eligibility rules were put in place in 2005. NBA teams and major sporting goods companies are anxious to offer million-dollar contracts to young athletes. So when it comes to getting the best athletes, college coaches realize that they are competing not only against college rivals but also against professional teams. Recruiting top athletes is closely related to the economic concept of supply and demand. The supply of top-performing athletes is limited while the demand for those athletes is very high.

The likelihood of high school athletes making it to the college or professional level of play, however, is very small. Even though 58 percent of high school football and basketball players believe that they will get a college scholarship, 98 out of 100 high school athletes will never play collegiate sports of any kind. Less than one out of every 100 high school athletes receives a scholarship of any kind to a Division I school. Only 1 in 16,000 high school athletes attains a professional career in sports.⁹ For the 15,999 high school athletes who will never play pro sports, careers in related fields such as sports marketing are an option.

Paying the Price for Top Entertainers

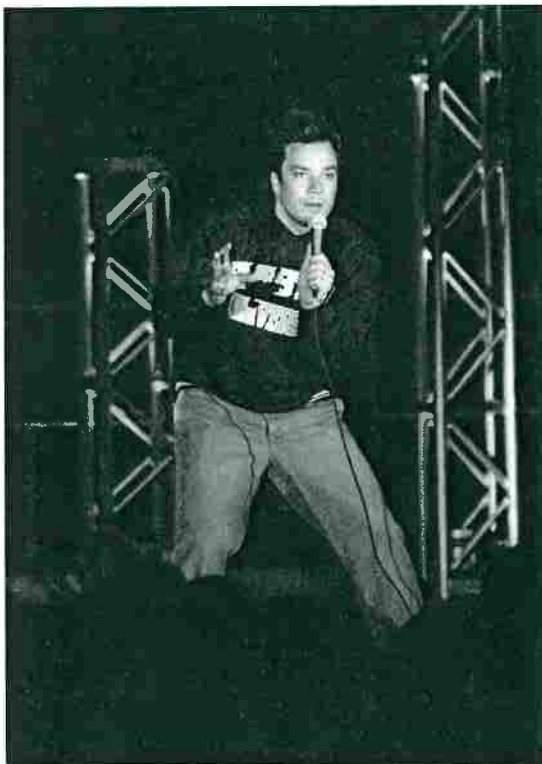
Concerts, rodeos, state and county fairs, and seasonal celebrations often feature top entertainers as a way to increase attendance at the events. Popular performers may charge organizations \$50,000 to \$100,000 for one performance. Event planners must determine whether the audience will be large

enough to cover the costs of the event. In small venues, it may be necessary to charge \$50 to \$150 per ticket in order to make a profit. Concerts held in large stadiums allow costs to be spread among a greater number of attendees, and thus ticket prices may be lower. Seats located near the stage are an option for those willing to pay higher ticket prices.

Like musical entertainers, celebrities starring in highly rated sitcoms demand large salaries. The sponsors of the shows pay the television networks to air advertisements, hoping to reach the large number of fans that tune in to see their favorite shows. The stars of the popular sitcom *The Big Bang Theory* were each earning \$350,000 per episode when, going into the eighth season, they began negotiations for \$500,000 an episode. These negotiations were similar to the demands of the actors starring in the popular 1990s sitcom *Friends*. The cast members wanted (and received) \$1 million per episode.

Marketing Women's Sports

Until recently, sports marketing had significantly neglected the women's sports industry. While many fans would tune in twice a year to watch events such as women's figure skating and women's gymnastics, these competitions were mostly amateur, with limited marketing appeal.



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How does the cost of entertainers affect the bottom line for an event?

Social media is used by many celebrities for self-promotion. Celebrities enhance their presence by providing daily tweets, status updates, and posted photos. They keep fans up to date by sharing activities, plans, and information about upcoming performances. Fans access information in different ways. For example, some may use Instagram while others use Twitter. Thus, market-savvy celebrities use multiple platforms to reach all of their fans.

Lady Gaga knows how to use social media effectively. She tweets hints, teasers, and riddles about upcoming albums, tours, and videos,

S Social M Media M Marketing

all to keep her fans guessing. Some tweets include information about the music creation process or offer photos of her personal life. When Lady Gaga tweets or posts a photo, she makes instant music news. Social media has

significantly contributed to Lady Gaga's mega-star status. Her concerts sell out as soon as tickets go on sale.

Think Critically

Go online to find out how celebrities are using social media sites. What kind of information do fans like to get? How can celebrities use social media to strengthen their popularity?

When the U.S. Women's Soccer Team won the World Cup Soccer Championship in 1991, it barely made the sports pages. Now the women on the U.S. national team are some of the world's most talented athletes, having won four gold medals at the Olympic Games. The goalkeeper for the 2012 Olympic team, Hope Solo, is one of the most recognizable and talented soccer players in the world. Solo's skills on the field have earned her major endorsements from Gatorade and Nike, as well as a competitor's spot on TV's *Dancing with the Stars*.

Women's National Basketball Association (WNBA) is drawing fans to arena seats and WNBA telecasts. The Chicago Sky saw a 17 percent increase in attendance, and the Phoenix Mercury experienced a 9 percent bump compared to the previous year's average attendance. Two of Phoenix's home playoff games averaged 9,560 fans, including 11,110 in attendance against the Los Angeles Sparks, for the team's best-attended first-round home playoff game in 15 seasons. In an attempt to increase attendance even more, Phoenix used unique marketing—it offered its male fans free tickets to home games. Excitement about the Phoenix Mercury also led to attendance records on the road. Opposing teams added courtside seats and increased ticket prices when the Mercury were in town. Due to this upswing in popularity, ABC Sports and ESPN agreed to televise WNBA regular-season and playoff games until 2022.

Salary Inequities Although women's professional sports are becoming increasingly popular, salaries are grossly unequal in comparison to male professional athletes' pay. The average annual salary of a WNBA player is \$75,000 to \$80,000, with top salaries around \$107,000. Rookie salaries start at \$37,950 for the four-month season, while the minimum salary for veterans with three or more years of experience is \$55,000.¹⁰ The salaries for the top 40 NBA players range from \$3.5 million to \$12.4 million per year.¹¹

Women's professional football attracts players from all walks of life. The 11-team Women's Professional Football League (WPFL) pays players only \$100 per game for the ten-game season that runs from October to early February. Each team roster has 40 players plus ten members on the practice squad. Unfortunately, only two of the original teams are still in existence and the continuation of the WPFL seems highly unlikely.

A Marketing Frontier The growing popularity of women's sports is adding new female fans, many of whom have been uninterested in traditional men's games. Marketers are taking notice of this growing fan base. Women have different interests than men. Creative marketers must come up with ideas for sports-related merchandise that will appeal to this category of fans. Those who do are sure to find this target market lucrative.



INTERMISSION



Why is the role of a recruiter so important to a team?



ENCORE

Understand Marketing Concepts

Select the best answer for each question.

1. Amateur athletes
 - a. are now being paid to play college games
 - b. perform on college teams
 - c. are represented by agents
 - d. can endorse products and businesses
2. The recruitment process to get top high school athletes to play at colleges
 - a. is highly competitive
 - b. is regulated by the NCAA
 - c. cannot include additional financial rewards
 - d. all of the above

Think Critically

Answer the following questions as completely as possible.

3. Do you think universities should pay their athletes? Why or why not? Do you think student-athletes should receive benefits (or perks) that are not offered to other college students? Explain your answer. (LO 6.2-1)
4. Choose a major university that is successful in football or basketball. Play the role of a coach recruiting a blue-chip athlete and compose a letter to encourage that athlete to attend your university. (LO 6.2-2)

6.3 Product Marketing Strategies

The Essential Question



Why are marketing strategies adjusted for different stages of the product life cycle?

Learning Objectives

LO 6.3-1 List and describe the stages of the product life cycle.

LO 6.3-2 Explain how products are positioned in the marketplace.

Key Terms

- product life cycle
- penetration price strategy
- skimming price strategy
- positioning

A recent ESPN poll indicated that soccer is the second most popular sport among Americans between the ages of 12 and 24 and the most popular sport among Hispanics. Soccer in the United States has 33 million devoted fans. The same study indicated that a record 7.2 million Americans ages 12 and over are Major League Soccer (MLS) fans. MLS has grown tremendously since 2000, when the league classified only 2.8 percent of Americans as fans and recorded the lowest attendance record in history, averaging about 13,700 fans per match.¹²

The United States has more soccer players than any other country. Currently, there are nearly 18 million official U.S. soccer players. Fourteen million (or 78 percent) of U.S. soccer players are under the age of 18. Recent data indicates that 284,000 boys and 209,000 girls are competing in high school soccer. The odds of a high school soccer player receiving a full scholarship to a Division I or II school is 1 in 90.¹³

Cooperative Learning Work with a partner and list three marketing strategies that could increase the popularity of soccer in the United States. What cities would be good locations to test the marketing strategies? Why?



LO 6.3-1 THE PRODUCT LIFE CYCLE



Every product has a life cycle. There are four stages in the **product life cycle**, including introduction, growth, maturity, and decline. Marketing strategies for a product will differ at the various stages of the life cycle.

Introduction Stage

Because consumer interest in products often declines over time, businesses must introduce new products to the marketplace. During the *introduction stage*, the product is somewhat unique in the marketplace and only one brand of the new product is available.



Scalping tickets is the act of selling tickets for a greater amount than the price printed on the ticket. Ticket scalpers can make large profits by selling tickets to popular sold-out sporting and entertainment events. Ticket scalping is illegal in many states.

New product development begins by finding ideas for new products. The ideas are screened to select the one with the greatest chance of success. Research is conducted to identify a target market and product mix. A financial analysis is completed to project production and marketing costs as well as potential sales and profits. The product is then developed and tested. Finally, the new product is introduced to the market. This involves coordinating and scheduling the activities of manufacturers, transportation companies, warehouses, retailers, and marketers.

To encourage customers to try a new product, businesses may use a price strategy. Common price strategies implemented during the introduction stage include skimming and penetration.

The **skimming price strategy** introduces new products at a very high price. Quality and uniqueness of the product are emphasized to justify the high price. Skimming results in higher profits for the company, but it encourages other companies that want a share of the profits to enter the market. Price skimming was used when flat-screen and plasma televisions first entered the market. Most of the flat-screen televisions could not be purchased for less than \$1,000. Increased competition from television manufacturers has resulted in much lower prices. A 32-inch flat screen television that once sold for more than \$1,000 can now be purchased for less than \$200.

The **penetration price strategy** uses low pricing to help capture a large market share early. A company may offer low introductory prices on a new product or service to help establish a customer base. Although this pricing strategy may result in lower profits, it discourages competition. A sport that is new to a city, such as ice hockey or roller derby, may offer low ticket prices as a way to draw in fans and compete with other attractions.

Growth Stage

The *growth stage* is the second part of the product life cycle. During this stage, sales of a product and profits increase. The target market knows

about and regularly purchases the product. Advertising during the growth stage focuses attention on customer satisfaction. Products in the growth stage may need to be modified and new models offered to maintain customer loyalty. Product extensions and enhancements are used to meet changing customer needs. In the growth stage, competition increases as competitors begin offering alternative products. During the growth stage of the reality show *American Idol*, numerous other similar shows popped up,



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What can a company expect to occur when a product is in the growth stage?

such as *America's Got Talent*. The success of *American Idol* made the talent show format appealing to television networks that wanted a share of the market.

The Maturity Stage

The *maturity stage* is the third phase of the product life cycle. Sales level off or slow down, and most of the target market has already purchased the product at one time or another. Price is an important factor during this stage because of increased competition. Sales prices may be offered. Marketing costs rise as promotions increase to fight off the competition and maintain market share. TV and radio commercials for products during this stage may actually make comparisons to the competition. For example, The Mall of America in Minnesota may run advertisements comparing its amusement park to traditional amusement parks. The mall may point out the advantages of visiting its year-round amusement park that also provides access to stores and restaurants under the same roof.

The Decline Stage

The final stage of the product life cycle is the *decline stage*. During this stage, sales decrease and may not generate enough revenue to justify continued marketing of the product. Companies have several choices during the decline stage. They may drop the product, sell or license the product to another company, discount the product, regionalize the product, modernize/alter the product, or recommit the product. During the decline stage of the product life cycle, marketers are forced to make tough decisions that will have a major impact on the future of the product and company.

Drop a Product To cut company losses, marketers may choose to drop a product entirely. Amusement parks are always under pressure to offer the most thrilling rides. Rides that were once standard at every amusement park, such as the giant slide, are often torn down to make room for rides that are more appealing to thrill seekers.

Sell/License Some companies choose to minimize losses during the decline stage of a product life cycle by selling or licensing the product to another company. The other company assumes the risk of marketing the product, but a license agreement allows the originating company to continue to receive a percentage of the sales. Clothing designers Missoni, Jason Wu, and Phillip Lim have made the bold decision to license lines of designer clothing for Target. This strategy of offering designer clothes at reasonable prices has been very successful. It also helps the designers reach a new target market.

Pricing **Discount** In the decline stage, companies often reduce prices so that the merchandise sells faster. The costs of developing the product have been recovered at this point, and promotional budgets will be reduced to keep costs down. The discounted price alone hopefully will encourage more consumers to buy the company's product instead of its competitors' product. The higher volume of sales



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Why are discounts offered during the decline stage of a product's life cycle?

may earn the company enough profit to continue offering the product.

Electronic gadgets come and go. New technology or new uses for technology can change the popularity of current products. When stand-alone GPS navigation devices hit the market, they were a must-have for many drivers. At that time, a GPS device could cost you a few hundred dollars. Today, most smartphones have built-in navigation systems, reducing the need for stand-alone units. Thus, some GPS manufacturers now sell their devices for under \$100.

Regionalize A business may choose to regionalize by committing its product to a geographic location

where it is the most popular and profitable. Manufacturers of ski equipment and clothing may commit their merchandise to Colorado and other popular ski markets to move merchandise during the decline stage.

Modernize/Alter The enthusiasm of consumers for a product may be re-ignited by modernizing or altering the product in some way. Products that are marketed as “new and improved” or “more effective” are examples of this strategy. Companies must project what alterations or modernizations will increase sales. Many new sports stadiums have been built in recent years to reignite fans’ enthusiasm for attending a game. The new stadiums include amenities that are more appealing to fans, such as high-definition scoreboards, spacious luxury suites, and more restrooms. Added attractions such as live music, restaurants, and hall of fame museums are also being offered as a way to bring in more fans.

Recommit A product originally may have been developed and promoted for a specific purpose. As sales decline, the product is *recommitted* when other purposes for the product are discovered. Aspirin was originally promoted as a pain reliever. Now it is promoted as a measure to prevent heart attacks. A bottled drink originally developed to recharge athletes on the playing field can also be promoted as a refreshing beverage for health-conscious consumers.

As another example, Facebook was originally marketed to college students. Teenagers in the 13- to 18-year-old age group recently accounted for only 10 percent of the Facebook population. Instead, teenagers and college students are now using Twitter, Instagram, and Snapchat to communicate with friends. Now that young people are using other forms of social media, Facebook may need to recommit its product to other age groups.

Facebook’s largest customer base is now 18- to 29-year-olds. Because users in this age group grew 74 percent in just one year, its members are referred to as Facebook super users. They use Facebook for networking,

chatting, and meeting other people as well as for posting text, images, music, and videos. Dedicated super users check their Facebook pages multiple times each day and frequently make posts using mobile devices.

Facebook users between the ages of 30 and 49 make up an interesting market segment within an aging population. Individuals in this age group keep in touch with their family members and friends through photos and social communication posted on Facebook. Statistics show that users in this age group are less likely to check their Facebook pages as frequently as those in their twenties.


Facebook is the third most popular site for individuals who are 65 and older. Those between the ages of 45 and 54 make up 12 percent of the Facebook population; individuals aged 55 to 65 make up another 7 percent.¹⁴ Both of these age groups provide growth opportunities for Facebook. Social media websites such as Facebook must monitor trends and recommit their product to different market segments when new products are introduced in the marketplace.



INTERMISSION

What are the steps in new product development?

LO 6.3-2 POSITIONING A PRODUCT

 Companies must decide how they will position their products in the marketplace. **Positioning** is a strategy used by a company to differentiate its products or services from its competitors' products or services. Companies can use various positioning strategies. Some companies position their products using price and quality. Other companies position their products based on features and benefits. Comparing a product to the competition's product to point out differences is another way to position a product in the marketplace. A company may decide to group its products together and promote the product line. The entire product line can be positioned by quality, price, and product features.

Company Positioning Strategies

Nike positions its products using brand recognition and status. Because of its many celebrity endorsements, Nike is associated with status. This helps create high consumer demand for its products. When a popular basketball star endorses Nike basketball shoes, it fuels consumer demand and drives up the price. Fans who want to imitate their favorite player have been

known to pay over a \$1,000 for a pair of Nike shoes that are in low supply because of high demand.

Luxury hotels position their products in the marketplace based on price and related services. Walt Disney World and Universal Studios sell family season passes to their parks in Orlando, emphasizing entertainment and price savings. Other sports and entertainment organizations may try to position themselves based on their safety record. A statement on the official website for Riddell, a U.S. sports equipment manufacturer, indicates that the company is committed to designing and manufacturing the most protective helmets for all football players. This positioning strategy can have a big influence on parents who need to buy football helmets for their children.

Universities may position their brand through involvement in sports. While all schools hope to win a national championship, only one team ends up with the number one ranking. Some universities are associated with athletic conferences that are noted for top football, basketball, and baseball programs. Other schools promote their academic accomplishments, integrity, and long-standing history. Prospective students may look at these factors favorably when choosing which university to attend.

TAKE A BOW *Maria Sharapova*



Maria Sharapova is a professional tennis player from Russia. Her career was thrust into the spotlight when, at age 17, she defeated Serena Williams in the 2004 Wimbledon final. Her successful tennis career has led to modeling assignments and endorsement deals. Well-known brands such as Nike, Porsche, and Canon understand the value of sponsoring the tennis star. She also has her own line of perfume and her own line of candy called "Sugarpova." Because of her worldwide popularity, Sharapova was hired by NBC as a correspondent for the 2014 Olympic Games. With all of her success on and off the court, it was important to Sharapova to help those less fortunate. In 2007 she founded the Maria

Sharapova Foundation, which includes a scholarship program for students affected by the Chernobyl nuclear accident in parts of Belarus, an area bordering Russia where she has family roots. A portion of the sales from her Sugarpova candy is also donated to her foundation.

Talent on the tennis court and business savvy have resulted in Maria Sharapova being one of the richest international athletes, earning \$29 million in a recent year from endorsements, winnings, bonuses, and appearance fees.¹⁵

Think Critically

To help raise money for the Maria Sharapova Foundation, create a television commercial (or other type of advertisement) to promote Sugarpova candy, featuring Maria Sharapova and another popular celebrity.

Individual Positioning Strategies

In today's competitive workplace, it is important to stand out from the crowd. One way to do this is to build your own personal brand that can help you position yourself in the workplace. Students can start doing this while in school. They can position their personal brands through their actions, accomplishments, and association with sports and student organizations. Students who participate in sports acquire many transferable skills. They learn to work as part of a team, develop leadership skills, and gain a sense of discipline. Feelings of competency and self-worth also grow. Students who join student organizations such as DECA, FBLA, and BPA position themselves as young professional adults who are learning about successful business strategies. This positioning strategy helps young people get noticed by prospective colleges and employers. Business leaders are aware of the objectives for DECA, FBLA, and BPA, and they are more likely to hire individuals who have demonstrated leadership skills in these professional organizations.



List three ways a product may be positioned in the marketplace.



Understand Marketing Concepts

Select the best answer for each question.

1. Penetration pricing is
 - a. used to attract a large share of the market early
 - b. used to discourage competition
 - c. a low-price strategy
 - d. all of the above
2. At which stage of the product life cycle do sales level off?
 - a. introductory stage
 - b. growth stage
 - c. maturity stage
 - d. decline stage

Think Critically

Answer the following questions as completely as possible.

3. Where would be a good place to regionalize the sale of cross-country skis that are in the decline stage? Explain your answer (LO 6.3-1)
4. How would you position a designer brand polo shirt at a university bookstore? (LO 6.3-2)



CROSSFIT—THE LATEST TREND

The latest exercise trends tend to come and go like diet fads. The popularity of aerobics, jazzercise, yoga, and Pilates has been surpassed by the popularity of CrossFit. A recent survey by the Los Angeles *Examiner* classifies exercise trends as:

- a general development or change in the way that people are exercising
- a temporary fad that is only popular for a short period of time

CrossFit involves using the top nine exercise trends in continuously varied workouts. High-intensity interval training associated with CrossFit includes:

- body weight training
- strength training
- exercise and weight loss
- functional fitness
- group fitness training

CrossFit is rapidly gaining followers. Participants are led through exercises by experienced fitness professionals. Personal training fitness programs are available for older adults.

Higher Risk=Higher Reward

CrossFit programs include short bursts of high-intensity exercises followed by short periods of rest for recovery. Many CrossFit participants prefer the varied workouts to those workouts devoted to a single activity, such as walking on

a treadmill or running. A major drawback for the CrossFit program is the high possibility of injury due to the fast-paced, high-intensity nature of it.

Fading Fast

Zumba is a Latin dance workout that includes interval-type exercise and resistance training. Zumba experienced rapid growth from 2010 to 2013. Because of its declining popularity, Zumba is now considered an exercise fad rather than a trend. Spinning was ranked in the Top 20 exercise programs in 2013 but has now dropped out of the rankings. Popular exercise boot camps also have dropped out of the Top 20 in less than two years. Exercise fads will continue to grow as more Americans look for ways to lose weight.

Think Critically

1. What makes CrossFit an appealing workout? (Conduct online research to learn more about CrossFit.)
2. Why are some exercise programs just a fad while others remain popular over time?
3. When promoting a new exercise trend, what would you emphasize to attract followers?
4. Are exercise clubs/gyms on the rise or decline in the United States? (Conduct online research to find statistics.) What do you think contributes to this trend?