

Social Context Matters! – New Insights for Successful Sport Managers in Ticket Pricing

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During the last years, **fans protested** in different leagues against **ticket prices**, e.g. in football or basketball (Kaiser, Ströbel, Woratschek, & Durchholz, 2019). This shows that **managers misjudge** how much fans are willing to pay for tickets. So, how can managers avoid upsetting their most loyal customers with a misguided pricing policy?

Logic of Sport Products

In sport management, **willingness to pay (WTP)** is very often measured by directly asking respondents about their WTP for sport products. There are research articles investigating WTP for basketball (Drayer & Shapiro, 2011; Rosas & Orazem, 2014) and football games (Kemper & Breuer, 2015). Although there are many studies on WTP in sport management, most of them have the **problem of assuming homogeneous sensitivities** to price changes (Kaiser et al., 2019, p. 5), i.e. they do not take into account that potential buyers of sports products value them differently. In practice, we observe **heterogeneous price sensitivities**. To the best of our knowledge, only Theysohn (2006) and Kaiser et al. (2019) considered heterogeneous price sensitivities in WTP studies. Theysohn (2006) investigated WTP of reports on the internet and Kaiser et al. (2019) achieved a **higher practical relevance** of ticket price studies by applying a modern method of research, which is choice based conjoint analysis with latent classes.

In the study of Kaiser et al. (2019), ticket features such as seat categories, opponents and **prices** reflect preferences and serve **as segmentation criteria**. Figure 1 shows the spectator segments of a German basketball club as an example. You can see that **one third of spectators** are **extremely price-sensitive**. Some of them are fans who are ready to protest if prices are raised. However, approximately 10 % of the spectators prefer the best seat categories and do not care about ticket prices. Accordingly, a smart manager may **rearrange the arena capacity** in such a way that 10% is identified as the most expensive seat category. Yet, one third of the capacity should be allocated to the cheapest seat category. If the manager now **raises the price of the expensive seats** considerably and at the same time **reduces the**

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price of the less desirable seats, overall revenues can be increased without the fans protesting.

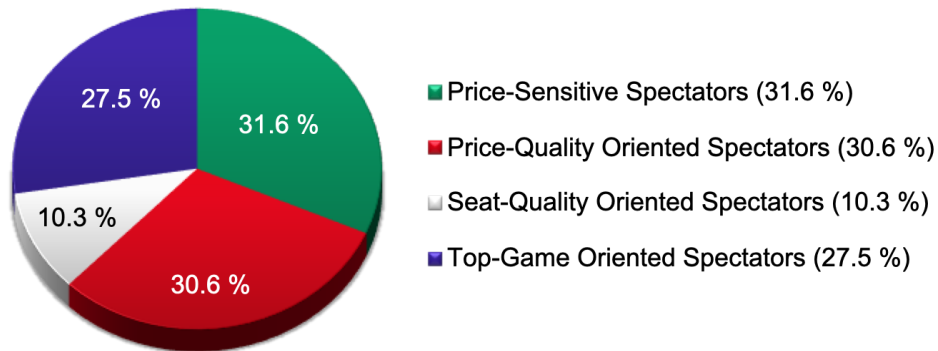


Figure 1: Spectator Segments of a Basketball Arena

In addition, **top match surcharges** can also be enforced, as illustrated in Table 1. Brose Bamberg was regarded as the top opponent and a surcharge between 23% and 31%, depending on the seat category, was considered appropriate. The research results on WTP reported in this paper have already been implemented successfully in practice.

	Phoenix Hagen	Brose Bamberg	Absolute Surcharge	Relative Surcharge
Cat. I	21,00 €	26,00 €	+ 5,00 €	+ 23,8 %
Cat. II	20,00 €	25,00 €	+ 5,00 €	+ 25,0 %
Cat. III	16,00 €	21,00 €	+ 5,00 €	+ 31,3 %
Cat. IV	16,00 €	21,00 €	+ 5,00 €	+ 31,3 %
Cat. V	14,00 €	18,00 €	+ 4,00 €	+ 28,6 %

Table 1: Basketball Spectators' Willingness to Pay for Different Opponents

Logic of Value Co-Creation

The study shown in Figure 1 and Table 1 (Kaiser et al., 2019) already suggests a transition to the logic of value co-creation because one could also interpret the **opponents as an indicator of the social context**, representing the unique links between the home team, the opponents, and the spectators. Nevertheless, the study still essentially follows the logic of sport products because the central assumption is that buyers' utility is drawn from the ticket features. But **what improvements** could be achieved by **consistently applying the logic of value co-creation to pricing policy**?

A consistent application of the logic of value co-creation has to include **indicators** of the social context that are not part of the sport product "ticket". In addition, **relevant social groups of potential buyers**, such as fan groups or accompanying persons, who are decisive for value co-creation when visiting a sporting event should be included. Co-created value is always value-in-context and can be understood as '**value-in-social-context**' because "social forces have a major impact on value cocreation" (Edvardsson, Tronvoll, & Gruber, 2011, p. 333). Spectators' **accompanying persons** are an important social force when spectators decide to attend a sport event and to buy a ticket. Although there are also other elements of the social context than opposing teams and accompanying persons, such as opponent fans or other spectators, it is necessary to break down the context in order to enable empirical research. Therefore, authors of the following study selected **value-in-accompanying-persons** as well as **value-in-opposing-teams** as two important sources of value-in-social-context (Woratschek & Kaiser, 2019).

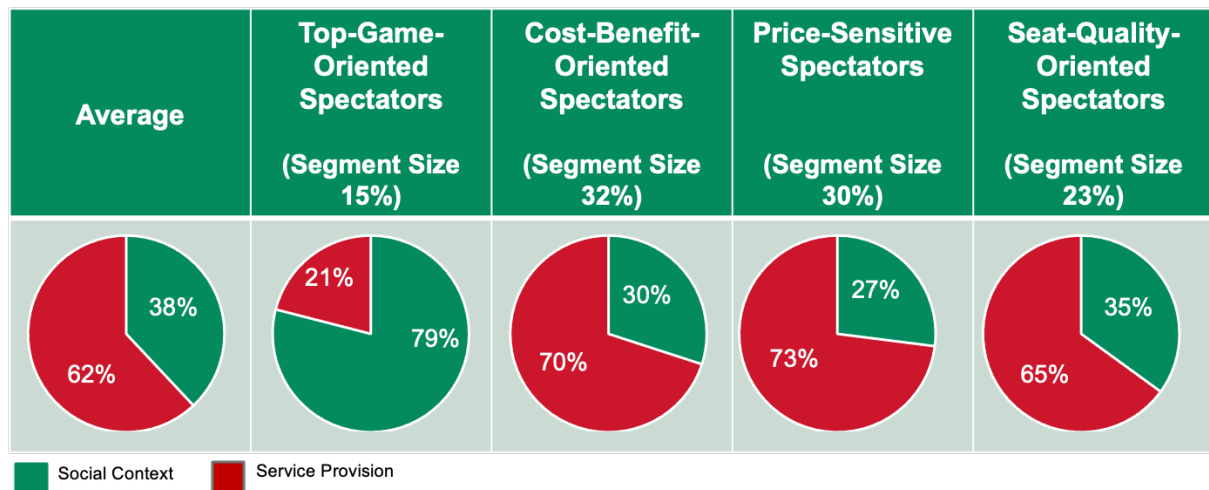


Figure 2: Expected Value Capture: Social Context and Service Provision

Figure 2 shows the relative importance of the social context and ticket features provided by the sport event organisation (service provision) for the **expected value capture (EVC)**. In this study, Woratschek and Kaiser (2019) assume that every buyer of a ticket for a basketball game weighs the ticket price, the seat category, the opponent and accompanying persons, i.e. make their **decision based on** the expected value they capture from the co-creation process. Two teams are included in the empirical study, a **football** and a **basketball** team. For reasons of simplification, only the results from **basketball** are shown, as the spectator **segments do not differ significantly** between the two. In basketball, on average **62% of the EVC** is determined by the **ticket features**, which are set solely by the sport event provider. On average, **38% of the EVC** results from the **social context**. It is also shown that the value-in-social context accounts for even **80%** of EVC for the **top-game-oriented spectator segment**.

Table 2 shows the **EVC** as a function of the accompanying persons in the form of normalised figures, i.e. a negative number stands for a relatively low value and a positive number for a relatively high value. The results clearly show that the **EVC with accompanying persons is always higher** than when going to the game alone. The greatest increase in EVC through accompanying persons occurs with top-game oriented spectators. It is also interesting to note that **most spectators prefer** to go to the game with their **friends** or, even more, with a **larger group** than with their spouses.

	Top-Game-Oriented Spectators (15%)	Cost-Benefit-Oriented Spectators (32%)	Price-Sensitive Spectators (30%)	Seat-Quality Oriented Spectators (23%)
Alone	-72.01	-32.53	-27.82	-25.17
Spouse	18.90	5.19	-0.40	12.42
One Friend	20.49	9.97	10.93	4.04
One Family Member	1.83	3.55	1.45	5.15
2+ Persons	30.79	13.82	15.83	3.56

Table 2: Basketball Spectators' Expected Value Depending on Accompanying Persons

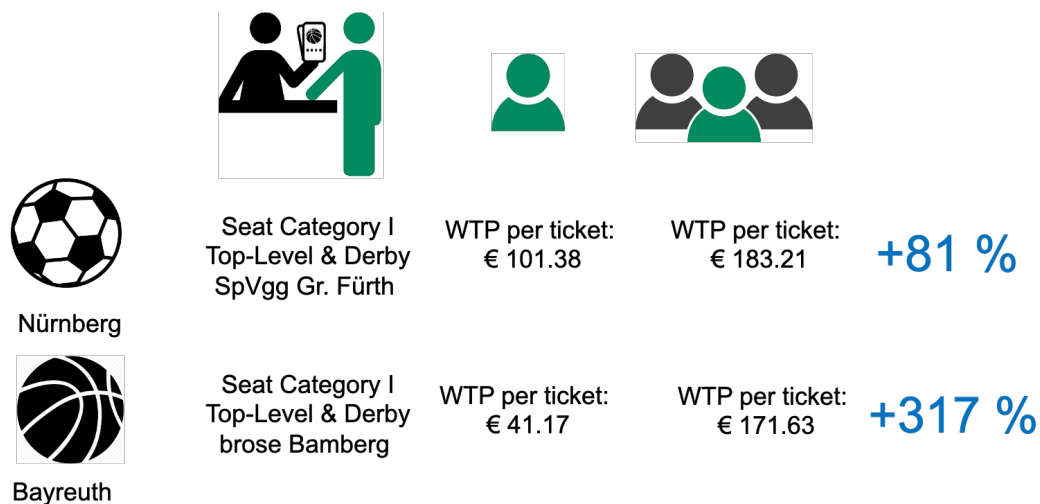


Figure 3: Increase of WTP Depending on Accompanying Persons in Football and Basketball

However, the study also contains results for football. Figure 3 shows a **comparison between football and basketball**. The WTPs for a ticket in the best seat category and for a top opponent are compared if you go to the game with a group instead of going alone. In this case, the WTP can be over **80% higher in football** and **over 300% higher in basketball**. These results clearly show that **social context matters in pricing**.

In general, the logic of value co-creation offers a broader perspective that leads to **new and relevant insights** in sport management. In contrast to the logic of sport products, it focuses on the **actual value-creating activities** that take place not only within, but **often even beyond the control of firms and organisations**. The results presented here show the mistake that is made in price management **when the social context is ignored**: the **WTP is massively underestimated**. In practice, this underestimation leads to **group discounts** that **cannot be justified** from a purely profit-oriented point of view, but for other reasons such as a better utilisation of arena capacity.

Video:

Please watch Prof. Woratschek's youtube channel „SMAB CLIP How well do you know your spectators?“, https://www.youtube.com/watch?v=g_iEjl1so4E



To put it in a nutshell:

1. **Fan protests** in different leagues against ticket prices **signal** that **managers misjudge** fans' willingness-to-pay.
2. Managers' mindset is traditionally based on the **logic of sport products, which may result in mistakes**, amongst others in pricing policy.
3. **Willingness-to-pay** research **often** makes **unrealistic assumptions**, for example, the assumption of homogeneous price sensitivities.
4. **Modern research approaches** allow for more **realistic assumptions**, such as **heterogeneous price sensitivities**, so that nowadays **willingness-to-pay** can be determined by experiments without directly asking for it.
5. **One third** of spectators is **extremely price sensitive**.
6. The **logic of value co-creation** suggests that the **social context should be focused** in value creation, which has not yet played a role in the research of willingness-to-pay.
7. Latest research shows that the **value-in-social-context** accounts for on average **nearly 40%** of the expected value capture of a sporting event.
8. In **basketball**, the value-in-social context accounts even for **80 %** of the expected value capture for the **top-game-oriented spectators**.
9. The **expected value capture increases** for all spectator segments when they are **accompanied by other persons**.
10. **Most spectators prefer** to go to the game with their **friends** or, even more, with a **larger group** than with their spouses.

11. In some cases, the **willingness-to-pay can be up to three times higher** if spectators attend the sport event **in a group** instead of going alone.
12. **Social context matters** in pricing.
13. Willingness-to-pay is **massively underestimated if** social context is **neglected**.
14. **Group discounts cannot be justified** from a purely profit-oriented point of view.

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