

# Identification of the strategic issues and problems essay sample

[Sport & Tourism](#), [Baseball](#)



The first issue for the Springfield Nor'easters was being a new minor league baseball team in an already troubling market. A minor league ice hockey team named the Falcons had already announced that unless the team sold 300 plus season tickets, they would be leaving Springfield. Another important issue for the Nor'easters was Larry's lack of sport industry experience and the length of time to develop a pricing strategy. Larry had 6 months to develop a pricing strategy for ticket and concession sales that would at least breakeven the first year. The city of Springfield had very little exposure to professional sporting events. Buckingham must be creative in order to create an awareness and loyalty of a minor league team.

Analysis and evaluation

Strength:

- Enter a marketing that is rising economically
- 60% of Springfield's families have children under the age of 18
- Sponsored by a major league team that will provide \$909, 500 for players' salaries, bats, and balls
- No leasing fees for the stadium
- Financial pledges totaling \$46, 000 from nearby colleges, restaurants and hotels due to the likelihood of increased revenues.
- Home to the Basketball Hall of Fame which is a major tourist attraction.
- A brand that has shown high support from the consumers

Weakness:

- Lost in higher earning residents which caused a 3. 6% drop in average wages
- 25% of the families live below the poverty line
- Economy has caused the Springfield residents to be very mindful of spending.
- Only 38% of the respondents consider themselves baseball fan
- 61% of the respondents indicated that they would not attend a game if a minor league baseball team came to the city.

Opportunities:

- Could be the only professional sports team in the city
- Target market makes up 60% of Springfield population
- Can create loyal

fans based on the entertainment experience and not the win-lost record of the team.

Threats:

- World class teams such as baseball's Boston Red Sox, football's New England Patriots, hockey's Bruins, and basketball's Boston Celtics.
- Local colleges affordable pricing at their sporting events.
- Unpredictability of the economy

What are main factors that Nor'easters should take into account in establishing a pricing policy?

There are two areas of pricing that will play a major role in achieving the breakeven goal. The Nor'easters will generate revenues based on ticket pricing and concessions. While establishing an appropriate pricing policy, Nor'easters must consider the attendance rates. It is highly likely that no-shows will occur which will have an impact on concession revenue. Concession revenues will be offset by the percentage of no shows as indicated in the case. Design a ticket pricing plan for the Nor'easters first season. Be specific and explain the assumption – especially assumptions of cause and effect – that underline your strategy. You must make calculations to reach an answer. If you use a spreadsheet to organize the data and make the calculations (which I recommend), submit your spreadsheet with your paper.

The first task to designing a pricing plan is developing a strategy for the breakdown. According to Exhibit 5 Survey Questionnaire and Response Distributions, 22% of people attending one game would pay \$14. This is a good starting price because over 80% of the respondents make at least \$22,000+. 34% of the respondents indicated they would pay \$12 for a multi-game package of 5 tickets. 28% of the respondents indicated they would pay \$8 for a multi-game package of 20 games. 20% of the respondents indicated they would pay \$6 for a season pass or 38 games. Based on this information,

the pricing has been set to \$14 for one game; \$12 for a package of 5 games for a \$10 savings; \$8 for a package of 20 games for a \$120 savings; \$6 for a package of 38 games for a \$304 dollar savings from the single ticket price.

The team has a total of 38 home games for the first season. The stadium capacity is 3600 seats for a total of 136, 800 available tickets. According to Exhibit 5 Survey Questionnaire and Response Distributions question 7, 21% would probably attend one game, 11% would subscribe to a 5-game package, 5% would subscribe to a 20-game half season, and 2% would subscribe to a 38 game full season package. By multiplying the respondent percentage by the total number of available tickets, one arrives at the amount of tickets that will be sold as illustrated on the spreadsheet. Using the pricing plan you have designed and given Buckingham's assumptions about concession sales, will the team reach breakeven in the first year? If not, what options does Buckingham have to reach his target?

In order to reach the breakeven point, concession revenues must meet or exceed \$351, 975. As illustrated on the spreadsheet, there are a percentage of people that purchases tickets that will not show up. This percentage is broken down by ticket sales. It is agreed that people who purchase one ticket will have a 100% show rate; 97% show rate of people that purchase the 5 ticket package; 95% show rate of people that purchase the 20 ticket package; and 90% show rate of people that purchase the 38 ticket package. According to the Exhibit, 11% of the respondents will spend \$5, 45% will spend \$6-\$10, and 36% will spend \$11-\$14. To arrive at an amount, we will take the spending percentages and the dollar amount or mean of the range multiplied by the amount of people attending.

Based on this calculation and some

assumptions, the Nor'easters will be able to breakeven and make a small profit of \$119, 112. These calculations are based on an assumption that 38% of Springfield is baseball fans that would attend as indicated on the surveys. It was also assumed that tickets would be purchased on a first come first serve bases to avoid over selling an event. The only exceptions are the season ticket purchasers whom will have the option of choosing the grandstand seating.

Recommendations:

It is recommend that the Nor'easter choose the pricing plan set forth in the price listing chart attached. This strategy would maximize ticket sales and generate over \$600, 000 in ticket revenue. As a strategy to quickly sell tickets, the multigame packages should have a deadline associated with them. For example, creating an ad that states we have a limited amount of discounted packages available. Using the art of taking something away or given the appearance normally creates a sense of urgency.

The Nor'easters should partner with some local vendors to increase the entertainment experience of the fans. Promotional giveaways like t-shirts, hats, and key chains on certain days can be used with rival/high profile opponents. It is crucial to create the entertaining experience because the other part of the revenue is concession sales. The Nor'easters need to focus on increasing the attendance of the season ticket holders. The strategy here is the use of the grandstand seats (under the roof). Season ticket holders will have the option of selecting their seasonal seating when the 38 game packages are purchased. This should increase the 90% show rate which directly affects concession sales.