

Five forces analyses of fulham football club marketing essay



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If existing competition is interpreted as simply emanating from other Premiership football clubs, then it is unlikely that customers will shift their support en masse to a competitor, such as London neighbours Chelsea FC. Despite the fact that some 'fans' do attend both grounds, football is one of those products, where, what Brassington and Pettit term 'competitive marketing', in which promotion deliberately compares products (i. e. a BMW with a Mercedes) is inapplicable. (Brassington and Pettit 2005: p. 306)

Threat of New Market Entrants

Similar considerations as above apply in this respect. There have been instances of new entrants competing for local market share, such as the case of MK Dons and Wimbledon AFC. However, that situation arose out of a particular set of circumstances, (i. e. control of business premises) rather than a straightforward competitive proposition.

Power of Suppliers

In common with all other UK businesses, Fulham FC will enter a new and more hostile environment in January 2011, when the VAT rate rises to 20 per cent. Fulham will also have to contend with inflation in its business-to-business transactions, i. e. those with building contractors, caterers, transport and hospitality service providers, insurers, utilities providers, communications and administrative contractors, security providers, and the police service.

However, the Club's principle 'suppliers' are its contracted players and there is little to suggest that they are prepared to reduce their fees, rather player wages increase year on year.

Bargaining Power of Buyers

This could be a major threat to Fulham FC, in the short, medium and long term. As discussed above, the impending introduction of VAT must be regarded as exerting a downward pressure on consumer demand.

Although it only represents a £0. 50p increase on a £20 ticket, the real effect of the rise upon actual consumer demand should be viewed holistically.

Fulham supporters will be paying 2. 5 per cent more for all of their discretionary living expenses, with a commensurate reduction in their disposable income. If buyers (supporters) stop coming to games Fulham FC will be forced to reduce prices.

Threat of Substitute Products

A major consideration for Fulham FC, substitutes from outside of football may become significant, especially if alternative sports and leisure offerings were available at a competitive price. This should be considered a proportionate rather than total threat; if, for example, a percentage of football supporters switched to an attractive new product, such as basketball, ice hockey, speedway, or similar, it could impact negatively on club revenues, rather than eliminating them.

1b – The Major Points for Consideration for Success in the Football Industry?

It may be argued that the most important point for consideration in the success of a football business is liquidity and/or capitalization. It is definitely the case that the best-financed clubs often have the most realistic prospects of winning major trophies.

In recent years such investment has become associated with the chairmanship of super-rich entrepreneurs such as Abramovich at Chelsea, and Fayed at Fulham. The latter's support of the club even included the opening of a concessionary outlet on the fifth floor of his Harrod's store in Knightsbridge. (Brennan et al. 2003: p. 229)

However, as the Financial Times indicates, dependence upon a wealthy benefactor implies contingent risks, especially if supporters are expected to replace such capitalization on the departure of the former. (Kavanagh 2010)

In May 2010, Fayed sold the Harrod's store to Qatar Holdings for a reported £1.5 billion. (Arnold and Rigby 2010) Earlier meetings between Fayed and Lakshmi Mittal prompted speculation that a sale of the heavily indebted Fulham club was immanent. (Smith 2005) The important point here is that, as elsewhere, Fayed's capitalization of the club is secured through debt, a liability which would remain, should he depart. (Buhler and Nufer 2010: p. 9)

2 – The cost of Premiership players is constantly increasing and yet Fulham must continue to purchase strong international players if it is to continually improve. Fulham's wage/turnover ratio is reputed to be around 120 per cent for the 2000 season. In what areas should Fulham Football Club focus its revenue generation activities so that it covers its costs in the longer term?

Brennan et al point out; the rationale of football's primary consumers (i. e. ticket-buying supporters) cannot be analyzed through conventional marketing considerations, since consumption of football is mediated through a variety of non-commercial criteria. Moreover, since the core product is the

game itself, Fulham cannot avoid investment in the requisite skills base.

(Brennan et al 2003: p. 229)

Since the Club cannot capitalize its skills-base (i. e. playing and managerial staff) to the extent of the top Premiership clubs, it must pursue the CRM (customer relationship marketing) strategy already adopted. As Brennan et al. express it,

‘...since marketers cannot influence the outcome of the game...emphasis should be placed upon...an offering that...extends to an overall package built around the game.’ (Brennan et al. 2003: p. 230)

However, as Hooley et al. indicate, effective marketing and segmentation can only succeed if there are commercially significant differences within the customer base. (Hooley et al. 2004: p. 271)

It cannot be assumed that Fulham’s 1999 market research – based on an 800-strong participant sample – provides enough data about these. (Brennan et al. 2004: p. 232). It should therefore commission contemporary market research within a larger sample, i. e. at least 5, 000 participants or 25 per cent of aggregate attendance. This data should then be use to

Concentrate on developing a CRM (customer relationship marketing) approach with existing customers, through personalized e-commerce, loyalty and reward schemes etc. Their continued support will secure a stable income in the long term, and this is vital, even if it is at a reduced level. As Christopher et al. indicate, in mature markets featuring intensifying

competition, existing customers imply less costs and are therefore more profitable to sell to. (Christopher et al. 2002: p. 46)

Hasten the development of its youth academy output and attempt, wherever possible, to engineer advantageous contractual conditions with players. This could also be used to enhance Fulham's Corporate Responsibility profile, in support of a cause-related marketing approach. (Pringle and Thompson 1999: p. xix)

Continue to develop the Fulham Business Club as a means of partnership and investment with local and national businesses. As the Club states

' The objectives of the business club are straightforward - to provide a framework for Fulham supporters in business to come together on a social and informal basis.' (Fulham FC 2010)

This should nurture what Buhler and Nufer term an industrial marketing perspective, '...concentrated towards strong, lasting relationships.' (Buhler and Nufer 2010: p. 22)

Concentrate on diversification - essential to club revenues, as Brennan et al indicate. (2003: p. 236)

Since 2009, Fulham FC has been in partnership with Fenway Sports Group, owners of the Boston Red Sox baseball team. This pairing was regarded by many as unorthodox; the Red Sox are a leading US baseball side, whilst Fulham, although in the Premiership, cannot be regarded as falling into the equivalent category in English football. This stands in contrast to the earlier

partnership between Manchester United and the New York Yankees.

However, a spokesman for the Boston team asserted that

‘ Craven Cottage is 150 years old and Fenway Park is almost 100 years old.

Both clubs have strong heritage and strong local ties in the cities in which they play.’ (Garrahan 2009)

The arrangement allows Fenway to benefit from the growing American interest in the English Premier League; it has even been suggested that Premiership games could be played in Boston.

Meanwhile, Fulham benefits from Fenway’s established marketing of sports in the US, a largely ‘ virgin’ market in comparison to UK/Europe. The important point here is that this partnership could yield valuable new market shares in the US if the Fulham/Fenway partnership succeeds, increasing revenue and profitability accordingly.

3 – Fulham has a relatively low fan base and a ground capacity that is currently hindered by the need to obtain planning permission approval. How important are the fans in the generation of revenue? Why couldn’t Fulham simply focus on television spectatorship?

Fulham’s ground capacity is low by Premiership standards, with a 25, 700 capacity, including provision for 6. 500 away fans. (Fulham 2010) However, an over-reliance on television revenues might expose the Club to a loss of revenue as prices rise. Even before the forthcoming VAT increase, British Sky Broadcasting has raised both the wholesale and retail prices. (Fenton 2010)

In addition from January 2011, pay-per-view subscribers will begin to pay VAT at 20 per cent. The precise effects of this are unpredictable, but precedents elsewhere suggest weakening consumer demand e. g. the German Bundesbank calculated that a VAT rise in 1997 depressed domestic private consumption by 0.5 over the succeeding decade. (Unattributed 22. 7. 10)

The important point here is that pay-per-view subscriptions nor match attendance represent a recession-proof source of income. On this basis alone, over-reliance on TV receipts is a risky strategy.

Also in football marketing generally, it is not the case – as Porter argued – that a

‘...firm gains competitive advantage by performing strategically important activities more cheaply or better than its competitors.’ (Christopher et al. 2002: p. 121)

Physical and televised spectatorship cannot be entirely divorced; there is a relationship between the two. Television spectators derive their appreciation and enjoyment of the game partly through the visual and aural stimulus of the crowd’s behavior at the ground, as well as the uncertainties inherent in the game itself. (Brennan et al. 2003: p. 230) Half-empty and quiet grounds, therefore auger badly for the uptake of pay-per-view. It must also be considered that even neutral supporters hold in high appreciation, highly charged grudge-match atmospheres.

It must also be remembered that, in the specific business scenario of English Premiership football, increased revenue is not the panacea which the question seems to suggest, since it would not necessarily lead to increased profits. Essentially, Fulham cannot escape the effects of what independent observers term the

‘dysfunctional business model’ of the English Premier League, in which ‘... clubs are continually driven to maximize wages rather than profitability.’

(Kavanagh 2010)

As the Financial Times reports, Premier League wage inflation during the 2008-9 season was 11 per cent; a £39 million increase in club revenues was dwarfed by a £132 million rise in total wage costs. At £1.3 billion, these accounted for 67 per cent of revenues. (Kavanagh 2010) What this means is that increased revenue, whether derived from ticket receipts or TV revenues, would undoubtedly be taken into account by player’s agents when negotiating future contracts and salaries. Therefore in relative terms, Fulham FC might be no better off.

Fulham might also realise profits through marketing the output of its youth academy. However, the professional services group Deloitte reported that transfer expenditure was down 22 per cent to approximately £350 million in 2010, compared to £450 million in each of the previous years. Moreover, much of the 2010 total (40 per cent) is accounted for by the £115 million of Manchester City. (Blitz 2010) As a Deloitte spokesman put it

‘...an absence of new owners and clubs striving to improve their financial balance has diminished the vibrancy of the transfer market.’ (Blitz 2010)
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It must also be borne in mind that Premier League rules now limit the overall size of first team squads to 25 players, of whom the overseas contingent must be no greater than 17. (Blitz 2010). To date however has had little impact on the domestic-overseas balance: accountants Grant Thornton reported that only 16 per cent of 2009-10 expenditure was on home-grown players, 20 per cent down on the previous years' figures. (Blitz 2010).

As one Financial Times commentator puts it

' Fulham have several advantages over Chelsea - their tickets are cheap and easy to get hold of, their ground is picturesque and closer to my house, and their supporters - unlike Chelsea's thuggish, hyped-up followers - are amiable and philosophical.' (Rachman 2009)

However, as suggested above, it is this exclusivity and character which may limit the ' scale ability' of the brand; if it starts trading down to a wider but less stereotypically ' Fulham' type of fan, its brand equity may be diluted. As Brennan et al. indicate

' The role of the brand is to act as an important link that brings the club, supporters and potential sponsors together. Building a brand that emphasises values is important to the supporters and other stakeholders alike...' (Brennan et al. 2003: p. 240)

Furthermore, there are inherent dangers in the categorisation of consumers into convenient segments. As Brennan et al. also argue

' Individualism is becoming increasingly important in society and paramount to one's sense of self...' therefore '...Classifying supporters on the basis of <https://assignbuster.com/five-forces-analyses-of-fulham-football-club-marketing-essay/>

their supposedly homogeneous behaviour may not serve any real purpose.'

(Brennan et al. 2003: p. 236)

As discussed above, contemporary market research data must be secured to establish a viable segmenting strategy in contemporary terms.

In conclusion Fulham cannot focus solely on television spectatorship as revenue generation is directly linked to the fans, an empty ground will lead to lower Television viewers and lower television viewers means less people likely to become Fulham ' fans' who aspire or wish to watch live games at Craven Cottage, Fulham's home ground, which in turn negatively affects all other revenue generating elements like merchandising etc.