Luxury Suites in Professional Sport: Perceived Reasons for Corporate Ownership

Peter Titlebaum, University of Dayton
Heather Lawrence, Ohio University

The professional sport luxury suite industry in the United States represents approximately $600 million (ALSD, 2009; Howard & Crompton, 2004; Lee and Chun, 2002) of the $425 to $450 billion sport industry (Plunkett, 2008). Given the importance and size of this industry segment, surprisingly little is known about luxury suite customers. The purpose of this study was two-fold: 1) to gain a better understanding of how luxury suite sales professionals perceive their corporate client purchasing and renewal motivations, and 2) to explore similarities and differences between the NBA, NFL, NHL, and MLB.

The economic climate in the United States is a point of concern. In the past, sport has been considered recession proof. However, in 2009 and moving into 2010, the general consensus is that the current recession will negatively impact professional sport (e.g., McCarthy, 2008; Van Riper, 2008a & 2008b; Walker, 2009). One of the hardest hit segments of business over the past few years has been the financial services industry which represents approximately $2.5 billion in sport sponsorships (Van Riper, 2008a). Also, Lawrence et al., (2007) found that banks and bank holding companies represented the largest percentage of suite ownership (6.9%) as compared to all other business categories. With approximately 20% of NFL and 35% of NHL team revenues coming from sponsorship and premium seating (Badenhausen, 2008), teams rely on this revenue to support their operations. In addition to the recession related challenges these industries are facing, there is also an elevated level of public scrutiny on financial entities as a result of the 2009 federal bailout money provided to them. Many feel it is unconscionable that a company receiving federal support would purchase or renew a luxury suite.

Concurrent with the financial challenges, the luxury suite industry has also reached the maturity stage of the product life-cycle. As a result, industry professionals need to reevaluate and adjust how they prospect, sell, service, and partner with suite clients. To aid suite sales professionals in this process, the researchers developed a survey based on previous qualitative research conducted in this area.

The survey instrument was divided into four sections addressing: 1) the perceived importance of a variety of motivator factors in the initial suite purchase decision; 2) the perceived importance of strategies related to enticements to purchase a suite; 3) the importance of improvement in certain sales and marketing areas moving into the future; and 4) the effectiveness of selling methods. All responses were measured using a 5-point Likert type scale (1 = least important/effective, 5 = most important/effective). Surveys were administered to suite sales professionals representing all four professional sport leagues (NBA, NFL, NHL, and MLB) with a response rate of 38.5% (47 out of the 122 teams). Responses were equitable across leagues, providing the researchers with the ability to explore differences in perceptions between the leagues using Kruskal-Wallis and Mann-Whitney-U tests. Five teams indicated they shared venues and were eliminated following the descriptive statistics due to the inability to attribute responses to one league.

Results from the descriptive analysis indicated that professional teams perceive that entertaining new business clients (M = 4.30, SD = .76) and entertaining existing business clients (M = 4.30, SD = .69) are the most important factors in the buying decision for corporate clients. Perceptions of the importance of factors that might entice a corporate luxury suite buyer resulted in two top relationship factors; relationships between suite owners and the team (M = 3.52, SD = .98) and premium events to strengthen relationships between suite owners and their clients (M = 3.46, SD = .91). By far, the least important enticement was the use of suites on non-game days (M = 1.89, SD = .99). Participants were also asked about how important it is for the team to improve in a variety of areas related to suite sales, marketing, and service. Relationship cultivation throughout the year (M = 4.13, SD = .74) and adding personal touches to the relationship between the suite owner and team (M = 4.11, SD = .79) came out on top. Relationships were consistently perceived to be important to corporate luxury suite owners; it is perceived to be why they purchase suites, how to entice them to purchase, and the area in which teams look to improve the most.
When examining differences between leagues, it is clear there are more similarities than differences. For those questions in which statistically significant differences were found, much of the difference might be explained by the differences in number of games and ticket prices. Additionally, many variables in which league differences exist were not found to be highly important overall to suite sales professionals. For example, even though supporting the community was not rated highly overall as a reason why corporate suite clients decide to purchase a suite, leagues vary in their opinion of the importance. The NHL respondents were found to rate “supporting the community” as more important to suite clients during the purchasing decision than MLB (U = 19.00, p < .01), the NFL (U = 27.00, p < .05), and NBA (U = 23.00, p < .1). This could be explained by the lack of television coverage in the NHL which may increase the need for community support.

Responses related to the importance of personal relationships between suite owners and the team as an enticement to a luxury suite owner showed significant relationships between MLB and the NBA as well as between the NHL and the NBA. In both cases, the NBA rated relationships less important than the other leagues [NBA (U = 21.00, p < .05); NHL (U = 18.00, p < .05)]. Finally, only one variable related to future areas of improvement was found to be significant between leagues. When asked about improvement in the area of helping luxury suite owners brand their suites, the NFL rated is less significant than MLB (U = 32.50, p < .05), the NBA (U = 25.50, p < .05), and the NHL (U = 30.50, p < .05). With only eight home games, NFL suite holders spend the least amount of time in their suites of all the leagues which could explain these results.

As indicated, there is little research in the area of luxury suite sales, marketing, and service. This study provides a starting point on which scholarly work in this area can grow and develop. It is critical to understand business clients in all industries and luxury suites are no exception. The next step is to explore actual motivations of suite purchasers by surveying or interviewing suite owners. Other areas for future research relate to issues of suite service, the role of the suite administrator, and customer analytics of suite and premium seat holders.