“Nobody Beats Our Price”: Examining Current Pricing Theory and Strategy within the Sport Industry

Jason Reese, Stephen F. Austin State University
Stephen Shapiro, Old Dominion University
Joris Drayer, Temple University
Daniel Rascher, University of San Francisco
Jim Alexander, Pittsburgh Pirates
Timothy DeSchriver, University of Delaware

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The concept of price is a foundational component of competitive strategy and a key ingredient in the marketing mix (Rao, 2009). Pricing optimally can have a significant effect on organizational profitability. As little as a 1% improvement in price efficiency can lead to significant increases in profit margin (Dolan, 1995). Additionally, price has been shown to influence consumer attitudes and purchase behaviors (Zeithaml, 1988). However, the literature on pricing within the context of sport is limited from both a financial and marketing perspective (Drayer & Rascher, 2013). Recent technological advancement have made the development and implementation of pricing strategies less challenging, as organizations can use technological innovations to analyze large datasets and respond to internal and external factors that impact consumer value of the sport product. Due to these advancements, there has been a fundamental shift in sport pricing strategy (Drayer & Rascher, 2013). An understanding of the current sport pricing environment and the corresponding literature will help advance the knowledge of pricing and its impact on organizational effectiveness within the sport industry.

Foundational Literature

Sport pricing research over the past decade has primarily focused on consumer’s perceptions and behaviors surrounding various price setting strategies. Each of these studies build upon a foundation of literature developed in the business, tourism, and sport management disciplines. The foundation of the extant sport pricing literature includes (but is not limited to) the following theories and trends:

• Dynamic Pricing (Drayer, Shapiro, & Lee, 2013; Paul & Weingbach, 2013; Shapiro & Drayer, 2012)
• Consumer Expectations (Drayer & Shapiro; 2009; Kyle, Kerstetter, & Guadagnolo; 2003; Wu & Chalip; 2013)
• Price Determination (Howard & Crompton, 2004; Jarrell & Mulligan, 2002; Lee & Kang, 2011; Reese & Mittelstaedt, 2001; Rishe & Mondello; 2003)
• Price Elasticity (Hakes, Turner, & Hutmaker, 2011; Rascher, McEvoy, Nagel, & Brown, 2007; Zygmont & Leadley; 2005)
• Price Fairness (Equity Theory, Distributive Justice, Procedural Justice, Dual Entitlement Theory; Greenwell, Brownlee, Jordan, & Popp, 2007; Rishe & Mondello, 2003; Reese & Bennett, 2013)
• Price Sensitivity/Thresholds (Fink, Trail, & Anderson, 2002; Rishe & Mondello, 2003)
• Promotional Pricing (Boyd & Krehbiel, 2003)
• Prospect Theory (Kyle, Kerstetter, & Guadagnolo; 2003; Reese & Kerr, 2013)
• Secondary Ticket Market (Drayer & Shapiro, 2009; Drayer, Stotlar, & Irwin, 2008; Dwyer, Drayer, & Shapiro, 2013; Shapiro & Drayer, 2012; Watanabe, Soebbing, & Wicker, 2013)
• Timing of Purchase (Dwyer, Drayer, & Shapiro, 2013)
• Variable Pricing (Drayer, Stotlar, & Irwin, 2008; Rascher, McEvoy, Nagel, & Brown, 2007)
• Willingness to Pay (Drayer, Irwin, & Martin, 2011; Drayer & Shapiro, 2009)

Beyond these theories and trends, much of the sport pricing literature has investigated the following industry segments:

• College Athletics (Drayer, Irwin, & Martin, 2011; Ferreira & Hall, 2013; Fink, Trail, & Anderson, 2002; Jarrell & Mulligan, 2002)
• International Sport (Clowes & Clements, 2003)
Panel Discussions

The literature above will guide the discussion of our roundtable. For example, an introduction to these studies, their theoretical and conceptual frameworks, findings, and implications will give panelists a foundation to enhance and guide discussions.

The panel will also discuss pricing related topics in need of future research as industry trends related to sport pricing are sorely in need of empirical examinations. For example, dynamic pricing has emerged in ticket pricing but could have applications for a number of other product categories in the sport landscape. Further, with dynamic pricing strategies and access to big data, market segmentation strategies may provide sellers with the option to optimize their pricing structure based on specific market segments.

Finally, in an effort to spur research on pricing, the panel will also discuss ways to include elements of sport pricing in existing areas of research. Indeed, from both organizational strategy and sport marketing perspectives, elements of pricing can be included in a wide variety of studies to enhance the impact of the results. For example, market research has traditionally asked questions about purchase intentions. However, research suggests that purchase intention depends on the specific price, particularly as access to information has created a more price sensitive consumer (Zeithaml, 1988). Including questions related to price in these traditional studies may enhance their results.

In the end, the industry has recognized that optimized pricing strategies represent a tremendous opportunity to enhance revenue growth at a time when other revenue streams may have plateaud (Shapiro & Drayer, 2012). As such, it is critical to discuss strategies for moving this under-researched yet critical topic forward in order to meet the needs of the industry. Given the combination of industry and academic expertise on the panel, we hope to accomplish just that.

Expertise of Panel Members

Our panel will consist of researchers and industry leaders with expertise in the area of pricing and analytics. The panel will consist of researchers from multiple universities across the country, directors of individual sport industry consulting firms, as well as a member from a Pittsburgh professional team (Senior Director of Business Analytics). The following is a brief overview of the combined expertise of the panel members:

- The panel has a combined total of 53 publications in peer reviewed journals related to sport finance, economics, marketing, and pricing.
- The panel has a combined total of 525 non-peer reviewed publications related to sport finance, economics, marketing, pricing, and the sport industry.
- The panel has experience in the industry by working with organizations and events such as: Super Bowls, ESPN, Final Fours, University of California at Berkeley, The Ryder Cup, Norfolk Tourism Research Foundation, Bloomberg News, ScoreBig, LECG LLC, Virginia Tourism Corporation, Sport Business Journal, University of Memphis, SportsImpacts, Ticketmaster, Colorado Avalanche, Pittsburgh Pirates, SportsEconomics, Denver Nuggets, New York Times, Colorado State University, and OSKR LLC.