Effect of Consumer Education on NHL Fan Renewals: An Experimental Study

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Season ticket members (STM) are one of the main revenue sources for professional sport teams. While sport executives focus on customer service and retention to increase team revenue, renewal rates play a strategic role for team revenue. Moreover, the cost associated with keeping a fan is much smaller than the cost associated with generating new STMs. Churn rates, which are the percentage rate at which a customer stops subscribing, differ yearly for STMs. McDonald (2010) found churn rates for STMs to be higher at the beginning three years and to decline to a relatively stable amount at the beginning of their fourth membership year (Tampa Bay Lightning, 2015). If we examine the behaviors of first year STMs, we may have a better chance of reducing churn rates at the beginning of a STM’s life cycle. Thus, the need to examine the first few years of a STM’s investment is important.

By understanding the factors that maximize the lifetime value of each STM, sport teams can increase retention and a fan’s overall value. Factors that motivate sport fans to attend games are widely understood within numerous sporting environments. Additionally, the factors related to churn rates have been examined within the sport literature over the past decade. Churn rates and the number of years as a season ticket holder are correlated factors, such that every year a STM renews their membership, the more likely they will continue to renew subsequent years (McDonald, 2010; Tampa Bay Lightning, 2015). McDonald, Karg, and Leckie (2014) found that ticket usage and tenure were strong predictors of renewal rates, while customer satisfaction was not. However, McDonald (2010) stated this correlation is expected and that simply knowing this is unhelpful to sport managers. Thus, we proposed an experiment to test if specific types of education would help increase ticket usage and decrease churn rates.

Case Study: Tampa Bay Lightning

Within the Tampa Bay Lightning (TBL), executives realize if a fan renews their season tickets three consecutive years in a row, the fourth year churn rate for renewals is typically stable. After discussions with the Customer Retention Department and the Data Analytics team, the TBL team and researchers realized that simple ticket usage was highly correlated with season ticket renewals. For example, if a fan used the majority of their tickets, they were significantly more likely to move from first year STM to second year STM. The manner in which fans used their tickets (i.e., prints out tickets, forward tickets to friends, sell tickets, or donate the tickets) was not the deciding factor for ticket renewal. Actually seeing value in a ticket being used by anyone was a large factor in renewal rates. These findings were similar to McDonald’s and Stavros’s (2007) results which indicated that the inability to attend games was the main reason for fans not renewing as STM. Education can be a key factor in consumer behavior. Specifically, educational selling, such as teaching the consumer about specific aspects of a product, can be an important determining factor in customer behavior to increase revenue (Sutton, Lachowetz, & Clark, 2000).

Objectives and Method

In our research study, the two broad research questions were “Can education for first year season ticket members affect renewals?” and “Can ticket usage affect renewal rates for first year season ticket members?” Typically, direct communication with sport consumers of professional teams includes traditional mail, email, social media, and face to face consumer representative contact. The objective of the study was to determine if education through direct communication would increase renewal rates and to determine the most appropriate communication channel for educating sport consumers. Based on the previous literature and discussions with the sport executives, we hypothesize the following: (1) A significant difference will exist between the treatment groups (email, traditional mail, and face-to-face) and the control group on renewal rates. (2) A significant difference will exist between the treatment groups (email, traditional mail, and face-to-face) and the control group on ticket usage.
Educational material was generated in two formats: a pocket guide with details on ways STM can use tickets and updates of the current online educational instructions and videos posted on the team’s website. These two types of educational materials were presented to STM through the three formats: (a) email, (b) the United States Postal Service (USPS) mail, and (c) hand delivered to STM by their personal Ticket Representative.

Procedures and Data Analysis

The TBL data analytic personnel randomly assigned 225 First year Season Ticket Members into the three intervention groups: (a) email with electronic tutorial (n = 75), (b) pocket guide sent through USPS (n = 75), and (c) pocket guides hand delivered by customer retention representatives. To maintain equal group comparisons, the control group consisted of 75 participants who were randomly selected for the pool of 275 STM not included in the study. During the season, the TBL staff sent out the brochures via email, USPS and hand delivered them to the consumers within their respective groups. The TBL representatives delivered the brochures to participants over a 2 week span that coincided with the brochures via USPS and the emails.

Data analysis will include descriptive statistics, correlations, and an analysis of variance to determine if significant differences occurred within the groups. Comparisons will be examined for each group related to the treatments. As this is a study in progress, the results and discussion points will be discussed in more detail during the presentation.

Limitations

As the study aims to provide solutions to the questions of educational selling within the context of one professional hockey team, the scope of the study is limited to that context alone. However, as all sporting teams face the issue of churn rates, our results are applicable to other teams, and education can be an inexpensive method of increasing renewal rates.