Perception of Consumer Surplus in Sport: The Influence of Bundled Sport Items for Season Ticket Holders

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Even though season ticket holders have provided and continue to provide direct and indirect revenue stream to professional sport organizations across the country (McDonald, Karg, & Vocino, 2013; McDonald, 2010) little is known empirically about ticket holders’ perception of the bundled services provided by these organizations. Evidently some studies have investigated the consumers’ motivation to support sports clubs. The few empirical studies that have investigated consumers’ motivation to be season ticket holders focused on factors more related to self-expression than cost saving. Instant self-gratification factors such as access to playoff games (Deserpa, 1994), donation to the sport organization (McDonald & Starvos, 2007) and personal involvement in the club activities have been extensively researched whereas their trust in the organization, perceived risks, benefits received from their financial contributions and their level of satisfaction and loyalty based on these factors have not been investigated. McDonald (2010) contends that season ticket holders generate one-third of a professional sport organizations’ revenue. Their contributions to the organizations are not negligible (Wakefield, 2006). In addition to buying tickets, they buy merchandise, food, beverage and apparel products. Most season ticket holders choose from a package of services provided by the organization including premium, secondary and tertiary packages. Each team structures their packages as they see fit to meet their organization’s needs and each sport organization uses the aggregate number of their season ticket holders to quantify and predict the impact of fans’ contributions on their organization (McDonald, 2010). While it is easy for the sport teams to assess the number of season ticket holders they need to meet their financial goals the same cannot be said about season ticket holders assessment of the benefits they should receive to remain loyal to the organization. The assessment of the benefits from the season ticket holders’ standpoint could be investigated by comparing reservation price to surplus and the actual amount paid for each service. The objective of the study is to investigate season ticket holders’ perception of surplus when buying bundled sport items. Several consumer decision making models have emerged over the years (Peter & Tarpey, 1975). The most widely used model is the cognitive rational model predicated on risk and perceived utility. This model compares the decision maker to the “rational behavior of economic theory.” It posits that consumers facing buying decisions take into consideration some important factors such as knowledge of benefits and costs of alternative options. As a result, these consumers are thought of as a goal oriented buyers who make decisions to maximize utility. This concept of rational behavior was predicated on the initial work of Lewin (1943) and Bilkey (1953) who described consumer perception of products as positive and negative valences. In other words, products have undesirable and desirables features. The goal oriented buyers’ pursuit the net valence which represents the difference between expected positive and negative utility. The extent to which trust in the service provider influences this rationale behavior has not been extensively researched. Most studies that assess season ticket holders’ motivations to contribute financially to the team focused on the participatory and altruistic factors. The present study examines season ticket holders’ attitude when their contribution is predicated on cost benefit analysis.

The reservation price is conceptualized as the maximum amount a consumer is willing to pay for a product. It represents the total value of the product from the buyer’s point of view. While some consumers are willing to pay the full amount not all consumers can afford to pay that amount therefore the actual purchase price could be different from the reservation price. The difference between the reservation price and the purchase price results into utility for the buyer (Kalish & Nelson, 1991). Reasonable consumers pay less than the reservation price. This leads to surplus for the buyer. The surplus is the differential. The lower the purchase price the larger the differential. Surplus therefore is the result of an exceeded expectation in which the price paid is less than the financial contribution. In actuality, different factors explain the buyer expectations. In this study, the authors contend that trust in the sport club, perceived benefits, reduced risk and service quality help build expectations. As a result, surplus occurs when trust in the organization, perceived benefits, reduced risk and service quality exceed the monetary contribution of
season ticket holders. The lower the purchase price the larger the differential. The perception of a large differential is evident though the amount of services made available to potential season ticket holders. The expectation becomes lower than the purchase price because of the bundled products and services offered to them. The aforementioned factors represent the catalyst of season ticket holders’ perception of surplus. This study tested the relationship between trust, perceived benefits, perceived risk, service quality and consumer surplus by considering bundled products as a moderating factor. This study also investigated the extent to which season ticket holders’ perception of surplus leads to a loyalty behavior. The current study defined and measured the following constructs and hypotheses:

Trust: Private parking, VIP lounge, cushioned seats, spectacular view of the field, food and beverages, memorabilia, locker room visit are the tangibles used to assess sport clubs (Mayer, 1995) H1: Season ticket holders trust sport club when bundled products received surpasses their needs.

Perceived risk: Subjective risk: Consumers’ impression of outcomes failing to meet expectations (Stoner & Winter, 1985). H2: Perceived risk has and adverse effect on season ticket holders decision to buy ticket if the perception of lost exceeds their reservation price.

Perceived benefits: Benefits of purchasing a season ticket package include offering various price points based on seat location, game access, seating location and tangible items (MacDonald, Karg, Vacino, 2013). H3: Season ticket holders are satisfied when perceived benefits exceed their reservation price.

Quality: Service quality is a measure of consumer expectations against their perception of the actual service (Gronroos, 1982). H4: Service quality has a significant impact on season ticket holders’ decision to buy tickets.

Consumer surplus: Favorable attitude and consistent purchase behavior toward a particular brand (Wilkie, 1994). H5: The perception of surplus felt by season ticket holders has a positive relationship with their loyalty to the club.

To test the proposed model and constructs, DeVillis’ (2003) suggestions for scale development procedures was followed. Data was collected using a purposeful target sample. A sample size of n=1924 was collected, and upon further descriptive analysis, n=1025 was the final sample size used for analysis. Multiple EFAs were conducted and a six factor model was the most parsimonious, including 26 items encompassing six elements related to season ticket holders’ experiences. The model also showed strong internal consistency, with Cronbach’s alpha values ranging from .67 to .91. Factor loadings, Cronbach’s alpha values, construct reliability and average variance extracted (AVE) met the necessary criteria and a multiple regression analysis was conducted using SPSS 24. The model explains R2 = 60% for consumer surplus and R2 = 65% for loyalty. All hypotheses were supported indicating a direct significant impact with scores ranging from b=0.08 to 0.29 (p < .001).

The results suggest that the services provided by sport clubs are important; season ticket holder treatment by the sport club is very important; club performance does influence negatively ticket purchase and perception of surplus is key in predicting fan loyalty. The study offers a unique prospective of how season ticket holders perceived the benefits received from the organization. The managerial implications help predict the behaviors of fans that are likely to be loyal in the long run. One of the key contributions of this study is examining reservation price to understand season ticket holders’ behavior towards sport clubs; this concept clarifies ticket holders’ demand for specific services offered by the clubs.