Complements or Substitutes? The Impact of Cable Viewership on Pay-Per-View Purchases in Combat Sports

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The growth and proliferation of media distribution channels has made a significant impact on digital consumption of news, sports, and entertainment. The digital consumer has more choices than ever regarding content and distribution method. For example, a consumer can watch a television sitcom episode on its scheduled day and time, stream it live or on-demand online, or record it to watch at a later date. Consuming digital media can be “free” through network television, or purchased as an individual episode, packaged series, or part of a cable/satellite offering. Multiple options exist for the sport and entertainment consumer as well, including traditional and online streaming, bundled packages, or individual events (pay-per-view).

Viewing options provide flexibility for the consumer, but the impact these options have on consumer behavior is unknown. Do multiple distribution channels lead to more consumers, or could some of these channels cannibalize others? Given the plethora of options it is important to understand whether certain viewing channels complement or substitute for others. Previous literature in multiple disciplines have examined this question, including online vs. in-store purchases (Avery, Steenburgh, Deighton, & Caravella, 2012; Geyskens, Gielens, & Dekimpe, 2002), free music file-sharing vs. individually purchased song downloads (Liebowitz 2008; Smith & Telang, 2009), and news media applications vs. news websites (Xu, Forman, Kim, & Ittersum, 2014). However, this issue has not been addressed within the context of mediated consumption of sport and entertainment events. Sport and entertainment is an important setting in which to examine complementary vs. substitution due to the desire to consume these events in real-time and because the cost structure for watching events can vary significantly. For example, on a given Sunday a National Football League (NFL) consumer has the option to watch the scheduled network television games in their viewing area for free, purchase the RedZone channel (which covers portions of all league games in real-time), or purchase the NFL Sunday Ticket, which provides real-time coverage of all league games in their entirety.

The purpose of this study was to examine the complementary vs. substitution issue within the context of mediated consumption of combat sports. Mixed-martial-arts (MMA) and boxing generate the vast majority of their mediated revenue through PPV purchases. However, both sports televise other events on cable channels. The cable events are competitive, but the most exclusive fights (i.e., big name fighters and title fights) are reserved for PPV. The cable events can be consumed at a significantly lower cost compared to PPV events. The marketing strategy behind multiple channels in this case is to entice combat sports fans watching on cable to make future PPV purchases. The cable events act as a complement to the more exclusive PPV events, although their quality might also satisfy the consumer to the point where they act as substitutes for the more expensive PPVs. The current investigation examines this relationship to better understand the dynamic between multiple mediated viewing options in sport.

Early literature on complementary and substitute products and services addressed complimentary items through bundling (Eppen, Hanson, & Martin, 1991), and substitution through obsolescence (Christensen, 1997). Shocker, Bayus, and Kim (2004) identified issues with these limited definitions which do not address the dynamic interrelationships between products. Marketing efforts in one product category can have a dynamic interrelationship with products in another category (Erdem, 1998; Shocker et al., 2004). Research suggests sampling and parallel products can stimulate consumption of the primary product (e.g., music sampling and mobile applications), where products with technological deficiencies are more likely to be replaced by other interrelated products (fixed-line Internet vs wireless Internet). The complimentary-substitution framework has not been investigated within the context of mediated sport consumption.

Data were collected through a Qualtrics panel. After screening questions were administered, a sample of 239
respondents were included in the analysis. Participants were randomly assigned into two groups. Group 1 was asked to answer questions related to their combat sport cable viewing and PPV purchases, and Group 2 was asked similar questions within the context of their favorite fighters. Both groups were asked about their previous PPV purchases and cable consumption over the past 12 months, and the impact of cable viewing on future PPV purchases (single item, 7-point Likert-type scale). The context of the impact question was different for each group (impact of general cable viewing on PPV purchases vs impact of specific fighters watched on cable on PPV purchases). This distinction allowed us to examine the value of specific fighters in an individual sport.

In order to assess the complimentary vs. substitution effect in this study, we initially examined the relationship between previous PPV purchases and future PPV purchase intentions to establish a baseline of mediated combat sport consumption for all respondents. Then, an ANCOVA model was developed, controlling for previous PPV purchases, to assess differences in future PPV purchase intentions based on cable viewing impact (high vs. low), cable viewing focus (general viewing vs. viewing for a specific fighter), and the interaction between cable viewing impact and cable viewing focus.

Results showed significant main effects for PPV purchase intentions based on cable viewing impact ($F(1, 226) = 17.27, p = <.001, \eta^2 = .071$) and cable viewing focus ($F(1, 226) = 8.46, p = .006, \eta^2 = .033$). Respondents in the high impact group had significantly greater PPV purchase intentions ($M = 6.04; SD = .978$) than the low impact group ($M = 5.33; SD = 1.43$). Respondents in the specific fighter group had higher PPV purchase intentions ($M = 5.99, SD = 1.03$) than the general cable group ($M = 5.73, SD = 1.24$). The interaction effect between cable viewing impact and focus was also significant ($F(1, 226) = 9.44, p = .002, \eta^2 = .040$). Analysis of estimated marginal means indicated a significant impact difference in the general cable group (high impact $M = 6.04$; Low impact $M = 4.88$). This was not the case in the specific fighter group, as PPV purchase intentions were high regardless of the impact of cable viewing.

The findings suggest cable viewing of combat sporting events has a complimentary effect on future PPV buys, controlling for previous PPV purchase habits. These results are consistent with complimentary-substitute research that focused on the value of sampling (Gopal et al., 2006). Additionally, individuals prompted to consider the impact of watching their favorite fighters had higher PPV purchase intentions. The complimentary nature of cable viewing appears to be enhanced when consumers are focused on specific fighters, which furthers our understanding of the sampling effect through mediated consumption of individual sports. Future research is needed to extend these exploratory findings within the context of other mediated sports to understand the relationship between product samples which are intended to compliment the main product, but could have a cannibalizing effect.