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Cheyenne L. Abbett
Portland State University

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Small Business Marketing in the Sports Industry

by

Cheyenne L. Abbett

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Thesis Advisor

Troy Johnson

Portland State University

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Introduction

The sports industry has experienced a notable surge in popularity and economic significance in recent years. From local sports clubs to sporting goods manufacturers, small businesses within the sports industry play a vital role in meeting sports enthusiasts' needs. However, amidst growing competition and evolving consumer preferences, these small sports businesses face unique challenges in effectively marketing their products and services. The significant impact that marketing can have on a business is often overlooked, especially in today's era, which is dominated by technological advancements and rapidly changing consumer behaviors. Small businesses in the sports industry must employ innovative marketing approaches to increase their visibility, attract customers, and ultimately ensure their survival in a highly competitive landscape.

This thesis delves into marketing strategies specifically tailored for small businesses operating within the sports industry. A literature review, examining the existing research and insights into marketing strategies utilized by small sports businesses to identify key trends, challenges, and opportunities that offer insights for small business owners, potential entrepreneurs, and researchers alike, is included. Key focus areas are social media, relationship, and influencer marketing. This literature review will lay the groundwork to empower small businesses in the dynamic sports industry. Understanding the nuances of marketing in this unique context enables business owners can make informed decisions to promote their products and services, interact with their target audience, and establish a competitive advantage in the sports landscape.

This thesis goes beyond reviewing literature to provide actionable recommendations, along with a case study, for these small businesses. This case study of my business capstone

client creates a practical application of recommendations from the current literature within a small sports business in Portland, Oregon. A non-disclosure agreement with the case subject limits some specifics details but remains having an impact on the general discussion and value of this paper. This thesis contributes to the existing body of literature and provides valuable guidance and areas for further research in optimizing marketing strategies for small sports businesses.

Literature Review

Small Businesses

All business structures have inherent strengths and weaknesses. Due to capital and human limitations, small businesses must maximize their resources with more efficiency than larger businesses. Although there is some debate within the existing literature about what defines a business as small, *The US Small Business Administration* states that a small business has less than 500 employees (Patel, 2018). The vast majority, 99.7%, of businesses in the United States fall under this category, which employs 55% of all jobs in the United States, implying that small businesses play a critical role in the economy and community within the United States (Patel, 2018; Latour, 2021). Small businesses often have high failure rates, with approximately 80% of small businesses failing within the first five years of operation (Latour, 2016). Aspects such as, “competitive pressures, rapid technological change, volatile markets and burgeoning regulations” (Jocumsen, 2004), are forces that contribute to the low success rate of small businesses.

Deeming a small business to be successful includes both financial and non-financial factors (Patel, 2018). Traditional financial performance indicators include those found on the business’s balance sheet, income statement, and statement of cash flows, such as operating and

net income, inventory and asset turnover rates, and many others. A small business can presumably grow in the direction its owners aspire by maximizing profit. But, maximizing financial incentives is often not small business owners' primary goal. Other dimensions, such as pride, achievement, fulfillment, and freedom, are lifestyle factors that many small business owners find valuable and are criteria for evaluating their business's success (Patel, 2018).

Running a small business comes with significant risk, requires creative thinking and problem-solving, and often relies on a reinvention of traditional business models (Hayduk & Walker, 2021). Traditional business models, which focus on differentiating a product by being made of superior materials or being made the most efficiently, fall flat in today's hyper-competitive business environment. These challenges typically require small businesses to innovate to stay competitive in their respective industries despite very constrained resources. A popular area of innovation is within marketing functions (Hayduk & Walker, 2021). Many small businesses lack strategic marketing plans (Jocumsen, 2004). This enables marketing to be a key determinant in small businesses' competitive advantage, where those with a strategic marketing plan tend to find more long-term success. Strategic marketing plans include promotional decisions that are vital to the business's financial success, significantly impact all or most of the functional areas of the business, and are influential in the long-term survival of the business (Jocumsen, 2004).

There are many positive attributes of operating a small business and unique opportunities that a small business format enables. Small businesses are typically more “culturally adaptable to consumer input, execute strategy more fluidly, and adopt a more active role in building personal relationships” (Hayduk & Walker, 2021). Approximately 30 percent of small businesses are owned by individuals within minority groups, further exemplifying the accessibility of this

business structure and the impact it has on local communities (Headd, 2021). Small businesses view the consumer as pivotal to success and rely significantly on understanding consumer perspectives, habits, preferences, and behaviors to help meet consumers' dynamic needs (Hayduk & Walker, 2021). Relationships built between small businesses and consumers are much more intimate, allowing a small business to have more responsive marketing when compared to a more traditional and large-scale marketing strategy that is typically impersonal and pre-calculated.

Small Sports Businesses

On top of facing the challenges and opportunities of being a small business entity, small sports businesses face further unique advantages and disadvantages. The sports marketing industry has grown significantly in the last two decades as it has grown in market value, significantly increasing the amount of research conducted in the field (Gilmore et al., 2011). The rise in popularity of major global sporting events, like the Olympics and FIFA World Cup, has also significantly increased attraction to sports marketing (Ratten, 2016). Existing literature in sports marketing emphasizes the areas of "sponsorship, endorsement, advertisements, spectator fandom and motivations and spectator segmentation" (Gallagher et al., 2012). The main goal of sports marketing is to intensify the positive correlation between sport products or services offerings and fan behavior (Ratten, 2016). The sports industry is more dependent on service and social connection than other business industries, by relying on consumers with team affiliations and are members niche sports communities (Lee & Adeola, 2021). These characteristics of the industry can become a threat to a small sports business's success if not capitalized on.

Establishing this authentic and trusting relationship with consumers can be difficult (Hayduk &

Walker, 2021). Implementing an effective strategy to establish this relationship over time is necessary.

Unique to the sports industry is the aspect of team identification. Consumers' affinity to a particular team "positively affected consumer purchase intention and ad content value" (Lee & Adeola, 2021). Team identification relates to social identity theory, where psychological biases are formed between in-group and out-group members (Lee & Adeola, 2021). An in-group is a social construct, where an individual psychologically identifies themselves as member. In contrast, an out-group is a social group that an individual does not feel psychologically identified with (Lee & Adeola, 2021). In-group members typically form a level of favoritism for other in-group members and view their group as superior to the out-group (Lee & Adeola, 2021). Similarly, sports fans form team identification by engaging in "biased information processing toward their favorite team and team's performances" (Lee & Adeola, 2021). The formation of team identification heavily relies upon the team's relative success, the attractiveness of the players, and intensity of connection among fan groups, among other less definite influencing factors like the environment and psychological needs (Lee & Adeola, 2021). Team identification is, therefore, an influential social behavior that consumers demonstrate in the sports industry that marketing can interact with.

Social Media

Because many sports fans exhibit team identification, teams and businesses within the industry have an incredibly passionate and cohesive group of customers to communicate with. These fans often curate their online and social media accounts to follow the teams they support and interact heavily with their in-groups on these platforms (Achen, 2017). Social media platforms, like Instagram, Twitter, TikTok, etc., are an ideal setting for sports marketing

activities because these avid fan bases already have established an interactive community there (Achen, 2017). Meeting the consumers where they already are is typically cost and resource-saving, compared to attempting to compel them to move to a different digital platform or in-person location.

Historically, marketing communications were most commonly “one-way, static mass communication, where marketers had difficulty identifying their customers and interacting directly with them” (Abeza et al., 2013). With the introduction of social media and its application within marketing, customer engagement and real-time dialogue between the business and consumer is possible, helping to establish a positive relationship between businesses and stakeholders (Abeza et al., 2013; Abeza & O’Reilly, 2014). The benefits of “speed, interactivity, and the ability to communicate in real-time and more directly with consumers at a much lower cost with high-volume reach” (Abeza et al., 2013), make social media marketing extremely popular. Because there are many attractive aspects of marketing on social media, all platforms are saturated with content. Businesses must have clear objectives and marketing strategies on social media platforms to make marketing there worthwhile (Abeza & O’Reilly, 2014). When executed properly, small businesses in the sports industry can emphasize team identification through shared participation among in-groups.

Relationship Marketing

The traditional marketing frameworks prioritizing short-term transactive behaviors, where a customer is encouraged to purchase a product only for its functional attributes, are decreasing in effectiveness and frequency of use across many industries (Hayduk & Walker, 2021). Simon Sinek, a Columbia University professor and renowned business speaker, states that in today’s hypercompetitive business markets, “people don’t buy WHAT you do, they buy WHY

you do it” (Sinek, 2019, p. 46). With a seemingly infinite list of product alternatives with very similar functional attributes, consumers now commit to purchases that connect to a greater purpose, value, or set of beliefs with which they identify.

Consumers now have more power to control their experiences with marketing on digital platforms in the growing hypercompetitive business landscapes. To adapt to this, businesses’ marketing efforts have shifted to building long-term relationships with consumers under relationship marketing. Relationship marketing describes marketing activities that aim to “attract, retain, and enhance a firm’s relationships with their consumers” (Hayduk & Walker, 2021). Relationship marketing can improve financial performance, increase revenue, and reduce business costs by improving customer retention rates (Achen, 2017), making it an attractive strategy.

Within the sports industry, relationship marketing is seen as an essential component of success (Hayduk & Walker, 2021; Abeza & O’Reilly, 2014). Competition for a consumer’s discretionary spending is incredibly high in this industry, increasing the incentive to establish loyal relationships with repeat customers (Achen, 2017). Relationship marketing most frequently leads to success for sports businesses when there is an established communication process (a means of distributing marketing content), an interaction process (a place to exchange content), and a resulting creation of value (Abeza & O’Reilly, 2014). An example of this process is business interacting with its consumers and creating a community on a social media platform, where this business simultaneously posts marketing content.

As relationship marketing centers on qualitative consumer perceptions, it is difficult to quantify, measure, and track over time, especially for small businesses with constrained capabilities. Additionally, the creation of a relationship between customer and business is not

inherently financially profitable by itself. Relationships must be combined with tangible resources, like product and service offerings, to generate measurable incentives for a business (Hayduk & Walker, 2021). Relationship marketing also requires a high degree of industry knowledge and trend insight to continually relate to niche groups of consumers, which can be incredibly time-consuming and costly to maintain (Hayduk & Walker, 2021). Although relationship marketing may be an opportunity to create value, it does come with inherent risks.

Influencer Marketing

Influencer marketing is a digital marketing strategy that entrusts an individual, the influencer, to distribute the marketing communication message to consumers. Influencers have significant social media followers and are viewed by their followers as role models or experts in their niche (Lee & Adeola, 2021). According to a recent study by Kunkel et al., influencers are seen as more credible and less biased when compared to a business entity, allowing their messages to break through to consumers more easily (2021). The following scale of influencers can range dramatically, depending on the size of the target audience or niche industry. "Nano influencers" have 1,000 to 10,000 followers and are suitable for small businesses with constrained budgets (Lee & Adeola, 2021). As an influencer's following increases, they typically charge more to a business contracting their marketing services. Influencer marketing has experienced recent exponential growth, exemplified by global ad spending on influencer marketing, estimated to exceed \$10 billion by the end of 2020 (Lee & Adeola, 2021). The success of influencer marketing is correlated with their "information quality, entertainment value, and [the] influencers' trustworthiness" (Lee & Adeola, 2021), which indirectly affects the consumer's purchase intentions.

Relative to celebrity endorsement, influencer marketing is better at "encouraging consumer engagement by building emotional ties" (Lee & Adeola, 2021), aligning with the purpose of relationship marketing, as previously discussed. In the sports industry, influencers can "build authority, brand awareness, strengthen consumer engagement, and trust" (Lee & Adeola, 2021). Particularly, fans with high levels of team identification were more likely to view athletes with higher perceived credibility (Lee & Adeola, 2021). Influencer marketing, relationship marketing, and team identification can be combined when establishing a marketing strategy for a small sports business.

Name, Image, and Likeness

In 2021, the National Collegiate Athletic Association (NCAA) altered its existing rules to permit student-athletes to capitalize from their Name, Image, and Likeness (NIL) under their right of publicity, allowing these student-athletes to post sponsored content as influencers (Kunkel et al., 2021). Since then, many research studies have been conducted to explore the implications of this rule change. Unique to NIL is the student-athlete functioning as an influencer but under the branding of their university team. Student-athletes participating in "top tier" athletic institutions have consistently more followers than those attending "mid-tier" athletic institutions, exemplifying that the university's master brand is an influential stakeholder in a successful NIL campaign (Kunkel et al., 2021). Therefore, which university a student-athlete attends is an important consideration when a business is attempting to find an individual to create sponsored posts for them.

NIL may also be a mitigating factor in gender inequities faced in the sports industry, allowing it to be a strong marketing strategy and help diminish inequalities. Female athletes receive less than 4% of all traditional sports media coverage (Kunkel et al., 2021). By

capitalizing on social media as an asset alongside sports performance, female collegiate athletes can expand media coverage and consumer interest in their respective sports. This makes NIL an attractive strategy for both a small sports business and the student-athlete.

Best Practices

In summation of the broad focus areas within the literature, the following set of best practices is recommended for a small sports business to create a successful marketing strategy. First, any small business must establish clear plans, goals, and processes. According to multiple authors in this field, the high failure rate for small businesses falls primarily on little effort into strategic planning (Gallagher et al., 2012; Patel, 2018). Strategic plans can look incredibly different between each business but should contain the core components of objectives and processes and be shared with key stakeholders. A formal plan helps any business reduce ambiguity, prevent oversights and problems, and streamline activities. Additionally, because small businesses often measure success differently (Patel, 2018), defining key performance indicators and time-bound benchmarks is necessary to keep the business on track to the established objectives.

A simple plan of what the sports business does and how it will do so is insufficient. In order to take the best advantage of the benefits that relationship marketing offers a small sports business, it is key for the business to establish its mission, vision, values, and broader purpose for existing – its "WHY" (Sinek, 2019, p. 46). For a consumer to build an authentic relationship with a business, they need an identity to create that relationship with. A tangible object or service that a business sells may imply identity, but often not to the degree from which a long-term consumer-to-business relationship can be built. Taking considerable time to create a definite purpose for the sports business existing is therefore vital. From this established plan and purpose,

a small sports business should create integrated branding that includes logos, coloring, fonts, tone of voice, and product positioning, enabling the consumer to form a clear identity for the business that they would be building a relationship with.

A small sports business must also conduct or obtain research on its niche of the industry and its consumers (Jocumsen, 2004; Patel, 2018; Hayduk & Walker, 2021). This research's scale and degree of intensity may be limited for a small sports business but should be done to the best of the business's ability. Understanding the target consumer allows a small sports business to form insights into how to best communicate marketing messages with them. Small businesses can thus avoid wasting resources, and again bolster the relationship between the consumer and business.

As the sports industry exhibits team identification (Lee & Adeola, 2021), social media is an ideal setting for small sports business marketing content (Achen, 2017). These niche groups of consumers are already very active on social media platforms, creating time and cost savings for small businesses to reach consumers in their preferred environment. Which combination of social media platforms a small sports business uses will depend on the research they conduct to find which platform their most prominent groups of target consumers use most frequently. Social media allows a small sports business to have real-time, direct customer engagement, again allowing it to foster an authentic relationship between the consumer and business (Abeza et al., 2013; Abeza & O'Reilly, 2014). Specifically, finding an individual student-athlete to create a partnership with a small sports business is recommended. As a form of influencer marketing, NIL content can help to build trust between the consumer and business (Lee & Adeola, 2021), and can be an affordable option for a small business to reach a large audience segment within a specific sport niche.

Finally, it is recommended that small sports businesses continually reflect, analyze, and adapt their marketing strategies in timely accordance with business activities and seasonality of the specific sport. In an industry of intense competition, changing consumer preferences, and rapidly advancing technologies, small sports businesses must embrace a perspective on continual growth in their marketing strategies (Ratten, 2016). In doing so, small sports businesses can work to avoid wasting their limited resources on strategies that provide them with limited returns, thus avoiding the industry's high business failure rate.

Case Study

Business Capstone Client

During my business capstone course at Portland State University's School of Business, I collaborated with an interdisciplinary group of peers to suggest business solutions and strategies for a small sports business based in Portland, Oregon. This group comprised students specializing in accounting, advertising, marketing, management and leadership, and supply chain management. The client's business specialized in a niche sporting goods product that was created through the passion of sport being an incredible influential factor in the client's life, providing them with opportunities and community they would have otherwise not had.

The challenges faced by this client included establishing economies of scale, obtaining additional licensing, creating goals, plans, and objectives, and implementing marketing strategies. The client's goals were to find domestic manufacturers, lower their lead times and production costs, spread brand awareness, and raise their sales volume. However, this client's production was currently very limited by niche practices and materials that compelled the business owner to handcraft each item. The cost and time to produce each item by hand were

limiting both the current state of the business by not allowing the owner to focus on other efforts, like branding and marketing, and by not allowing the business to experience exponential growth through the creation of economies of scale.

The current financial situation of this client is difficult to assess. The client founded the business and began selling its first products in 2021. As most businesses face upfront costs for materials, production, and equipment, the client suffered a financial loss in their first two years of business. However, the business is finally profitable in the first quarter of operation during the third year. If carried on at this rate, in addition to establishing ways to expand production and marketing, this client has a high potential for financial profits and general success.

Recommendation

My interdisciplinary team and I recommended a comprehensive marketing strategy based on the research conducted within this literature review and collaboration with the client. This recommendation first included establishing a clear purpose, mission, vision, and values that the client's business stands for. As a minority owner with a message of diversity, inclusivity, and the power of sport, this client has a strong point of view that can be embraced within the business's branding. By doing so, consumers can better connect to the client's business and begin forming a relationship beyond the client's product offering.

Furthermore, this purpose and point of view were carried through the specific marketing actions recommended to the client. This included product and brand extensions that align with the client's purpose and allow for this business to have more supplemental income, that can be used to help invest in the product bottlenecks that the business was experiencing. A digital advertising campaign was also suggested using a creative brief and media plan. This campaign also emphasizes the core messaging of the business to create a precise brand positioning in the

consumers' minds, to which they can begin forming a relationship. This advertising campaign was based on market analytics and consumer behavior data from industry resources to find the best digital platforms where the client's target consumer exists. This digital campaign recommended partnering with a student-athlete to create NIL-sponsored social media posts. As the client's business centers on a message of inclusivity in the sports industry, NIL is an ideal strategy that may not only lead to financial and competitive positioning successes for the client, but also contributes to mitigating inequities in the sports industry and is therefore demonstrative of their purpose. By relying on relationship marketing strategies that help this client establish a connection and build communities among its consumers under a powerful brand message, this client can gain additional revenue through purchases, which they can use to help solve issues within their production and achieve exponential growth.

Conclusion and Future Implications

Small sports businesses should follow five best practices that help them to establish a connection with consumers. Creating a loyal relationship between the business and consumer is valuable and can help the small business to avoid high failure rates. These practices include establishing a greater purpose for the business's existence, creating a strategic business plan, continually conducting consumer research, relying on social media platforms and influencer marketing through NIL, and critically reflecting on successes and failures. These recommendations allow a small sports business to better capitalize on its constrained resources and avoid major mistakes that may lead to business failure.

Although this is a growing area of research, there are many future opportunities for study within small sports marketing that should be expanded upon in the future. In the current literature on sports relationship marketing, 86% of articles examine large sports organizations, particularly

at the professional and collegiate levels (Hayduk & Walker, 2021). Small sports businesses provide a unique area of study as they are resource-constrained and therefore limited to only implementing a finite of strategies that are crucial and impactful to the business's success. Case studies that examine the effectiveness of particular strategic marketing decisions over time can help other small sports businesses to understand which marketing strategies would be best for their business. This can help small business owners to evade the high failure rates, stay strong in the face of many competitors, and prove how vital marketing is as a competitive advantage and contributor to success. Through conducting this research, additional best practices can be identified for specific business situations and niches in the sports sector.

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