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**FIELD LAB - CUSTOMER RELATIONSHIP MANAGEMENT AT  
SPORT LISBOA E BENFICA:  
FOOTBALL CUSTOMER SEGMENTATION**

SARA CRISTINA DIAS ROCHA, 3571

A Project carried out on the Master in Management Program, under the supervision of:

Professor Elizabete Cardoso

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# **Football Customer Segmentation in Sport Lisboa e Benfica**

## **ABSTRACT**

The purpose of this study is to consolidate the knowledge and learning from the field lab at SL Benfica and propose a conceptual framework for customer-based lifecycle segmentation that suits the club's needs and its customer base. Relevant customer relationship management and segmentation literature was reviewed and served as the basis for the proposed segmentation method supported by 78 qualitative semi-structured interviews with Benfica *supporters*. Benfica needs to improve its targeting and marketing efforts and realize the true potential behind certain segments of customers within its database by applying a customer-based lifecycle segmentation technique as proposed in this study.

**Keywords:** Customer segmentation, Football, Benfica, Customer Lifecycle

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# 1. Introduction

In a competitive sports market with over two thousand recognized football clubs by FPF<sup>1</sup> - Federação Portuguesa de Futebol -, Sport Lisboa e Benfica is one of the most popular and established football teams in Portugal. Founded in 1904<sup>2</sup> and with over a century of triumphs, trophies and international recognition, SL Benfica is now considered to be the Portuguese club with the highest number of fans and paying members and was once even considered the football club with the most paying members in the world<sup>3</sup>. With a growth mindset in place alongside the goal for internationalization and competing with the biggest teams in Europe, SL Benfica wants to focus its strategy on growing outside of Portugal while still nurturing its fan base.

Hoping to become a world-renowned club competing with the best of the best in Europe and the world, SL Benfica needs to emerge as a *Superclub* to face other *Superclubs*. According to literature, *Superclubs* do not gain such recognition by only being good at football and improving in terms of scores and performance. Clubs need to overcome its core product and produce a more complex and valuable one by accumulating know-how and leveraging it on engagement mechanisms, capital, and infrastructure (Andrews, 2015). Based on the study performed during the 2017 fall semester, SL Benfica's strengths are its training expertise, its recognized brand name and the high level of loyalty and engagement its fans have. Therefore, it is important to use those capabilities to become not only a successful club but a *Superclub*.

SL Benfica needs to learn from its potential competitors and try to gain competitive advantages to minimize its own fragilities. Leveraging its two hundred and five thousand

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<sup>1</sup> <http://www.fpf.pt/>

<sup>2</sup> Named Sport Lisboa in 1904 before being unified with Grupo Sport Benfica in 1906 thus creating Sport Lisboa e Benfica

<sup>3</sup> Guinness world record 2006. See <http://www.guinnessworldrecords.com/world-records/most-widely-supported-football-club>

paying members base to grow and strengthen its international position is SL Benfica's main strategic goal.

Besides the wished increase in numbers, SL Benfica also aspires to further deepen and understand its relationships with fans, how to develop them and ultimately make sure they become long-time paying members. Therefore, the club will need to develop a strategy to retain those customers and grow the relationship with them, hence adding up to the last step of the Get-Keep-Grow Customer Relationship Management framework which is an enterprise wide strategy to grow the most valuable customer base possible. That is done by getting more and more valuable customers, by keeping those profitable customers, by growing the relationship with them and by increasing their lifetime value to the company through upselling, cross-selling and leveraging other benefits (Peppers & Rogers, 2011).

Possible strategies include segmentation and customer lifecycle management that will provide the club with the opportunity to better understand its customers' needs and further develop a longtime relationship that translates into a lifelong membership increase. For the fans, the upside is to have a club dedicated to their needs, paying attention to what they like and getting to know them, leveraging this CRM knowledge to building the most valuable possible relationships.

What will be proposed in this study is a way for SL Benfica to segment its market and streamline the process of better reaching its targets and thus know who to reach and how to reach them. SL Benfica's customer is the typical football customer, a spectator that has interest in sports (specially football) and enjoys following the club through matches and competitions. The football consumer may show different relationships with clubs and the sport, which will influence its value to the club and will produce different needs and wants. Therefore, in the following chapters, a look will be taken on customer segmentation

as well as on its implications and methods, through a literature review focused on customer lifecycle management. Later on, conclusions will be gathered on how this could possibly benefit SL Benfica and help the club achieve its goal to be positioned as one of the biggest clubs in Europe.

## **2. Literature Review**

The football market has been considered by specialists as a “*big business*” (Tapp & Clowes, 2002) because, besides being quite profitable, it is also an on-growing industry. However, despite the growth of this industry regarding business value and attention, it is only superficially explored in terms of its marketing potential directed towards relationship management (Adamson, Jones, & Tapp, 2006).

The industry has now the opportunity to benefit from “*followers advantage*” also known as “*late movers advantage*” in terms of CRM strategies (Adamson et al., 2006), which is the business effect of leveraging on non-pioneering and learning from previous pioneers’ mistakes and victories. Considering that this is a market where the concept has not been clearly applied and explored to its full advantage there is the opportunity to learn from other industries mistakes and successes and better apply to the market (Shankar, Carpenter, & Krishnamurthi, 1998).

The notion that loyalty is greater in the football industry has led several clubs to rely on it as a granted characteristic while forgetting to nurture that characteristic into a profitable relationship. Enjoying the perks of having a much greater level of loyalty than traditional businesses, the football market has at its hands the opportunity to develop greater and deeper relationships with customers through FRM, Fan Relationship Management (Adamson et al., 2006). According to Tapp’s work, segmentation enabled by

CRM should be the strategy to apply in this market to better enjoy the perks of the fanatic and loyal customer base (Tapp & Clowes, 2002) .

Within the various segmentation techniques and possibilities, it is important to select the best path to segmentation and ultimately the technique that best suits the market or company. In the next chapters a look will be taken on Market segmentation in a broad sense and then a deeper dive into customer segmentation and more specifically into football customer segmentation due to the characteristics of the market that create the need for tailored strategies.

## **2.1. Market segmentation**

Within the last half century, marketing strategies and positioning have switched to target specific groups of customers because of the realization that communicating differently to different targets produces better results and response rates as opposed to mass marketing communication strategies. Therefore, this has come as an alternative to the previous mass marketing strategy due to the rising need for customer orientation in companies (Kolarovszki, Tengler, & Majerčáková, 2016)

Firstly mentioned as an alternative to product differentiation strategy in the late 50s (Smith, 1956), segmentation was only started to be spread as an actual strategy in the beginning of the 80s (Kolarovszki et al., 2016). The main idea behind segmentation is to group similar customers (Hiziroglu, 2013) based on common traits displayed by them. It represents a more precise and rational adjustment of product and marketing efforts to consumer requirements (Smith, 1956) and helps marketers to more accurately define what are the customers' needs and wants (Sun, 2009).

Therefore, market segmentation results from increasingly heterogeneous customer demands and technology advancements that cause the need for grouping consumers in

more homogeneous groups (Wedel & Kamakura, 1998). The purpose besides better targeting groups and better catering each group's needs is ultimately identifying which groups yield the best returns and are more profitable to invest in.

Segmentation can be done through different methods and models depending on the type of market or business. Namely, it can be done based on demographic, geographic, psychographic, behavioral or other relevant characteristics.

Recently, the selection of the segmentation methods has become increasingly important given the implications of developments in the data and information technologies (Hiziroglu, 2013). These ultimately culminate in the company being able to learn more about the consumer and use that information more efficiently for its convenience, by implementing machine learning and business intelligence techniques allied with powerful data.

## **2.2. Customer-based segmentation**

Market segmentation is done based on the unique selling proposition of your product and divides the markets based on broader characteristics such as location, while customer-based segmentation divides not markets but customers and bases it on the customer types and characteristics and, more importantly, their behavior in consuming the company's actual products and services. Academics believe that the most important aspect of segmentation is the fact that it fundamentally leads to increased knowledge about the customer (Dibb, Stern, & Wensley, 2002) which supports the need for customer-based segmentation.

Customer-based segmentation surpasses market segmentation by being based on more accurate and varied insights from the potential market. The main difference is that market segmentation is a top-down approach – the business starts by deciding who they



want to target and try to find a way to reach them – and customer-based segmentation is a down-up approach – the business bases its targeting on actual data from its customer base which allows it to approach the more relevant segments in its data base and extrapolate that to potential customers (Kotler & Wong, 1995) .

As put by Wendell Smith over fifty years ago, by using a customer segmentation strategy, the marketer is “*trying to secure one or more wedge shaped pieces*” instead of a layer of the market cake as would they by using product segmentation (Smith, 1956).

Some authors mention that in the football industry, customer-based segmentation can be the done based on the following relevant basis: supporters’ value to the club, their loyalty, psychological and physical needs and geodemographic characteristics (Adamson et al., 2006) However, these leave out more immediately recognizable forms of engagement with the clubs, such as consumption of tickets, merchandising and media content.

### **2.3. Football customer segmentation and customer lifecycle**

Due to unique characteristics in the football industry like (a) the volatility of consumer demand, (b) the high involvement of fans, (c) the intangibility of the service (in the sense that each customer may take different sets of benefits from the experience), (d) the relation between social facilitation and customer satisfaction, (e) the unpredictability and inconsistency of the ‘football’ product and (f) the lack of control over said product, specialist segmentation approaches are exclusive to the market (Tapp & Clowes, 2002).

Authors have proposed different techniques of behavioral segmentation in the football market such as segmentation by product need, segmenting value, and levels and types of loyalty. The difference between the product need and segmenting value is that the first concerns what the supporters want from the club, while the second cares for how

much the supporters are worth to the club. Tapps & Clowes have highlighted value-based customer segmentation in which customers are grouped according to their commitment and attendance as well as approaches based on life stage.

In the football industry, and specifically in SL Benfica's case, what will be relevant to understand is how a spectator goes through the various levels of loyalty, support and how that applies in terms of value for the club. Simultaneously, customer lifecycle segmentation regards the phases of the relationship between the customer and the company, which can be characterized through different factors and variables and used as a tool to better understand customers and develop a strong and loyal customer base.

Giulianotti proposed a model for segmenting football spectators and aggregating them into four ideal-type categories, based on the identification they have towards a specific club. The author maps this classification in a matrix<sup>4</sup> that opposes traditional to consumer, the basis on the spectator's investment in the club, and hot to cool, the degree to which the club is central to the individual. Therefore, traditional spectators have a longer and more popular cultural relationship with the club opposed to spectators who have a market-centered relationship with the club – based on consuming its products. On this same line, hot forms of loyalty relate to deeper identification and solidarity to the club as opposed to cool forms of loyalty. With this in mind, the mapping of these axis results in four main quadrants that translate the four proposed categories: Supporters (Traditional, Hot); Follower (Traditional, Cool); Fan (Consumer, Hot); Flâneur (Consumer, Cool) (Giulianotti, 2002) .

The supporter has a more emotional long-term investment in the club which does not necessarily mean he does not engage in market-centered investments as well; however, he is always driven by its emotional investment and dedication to the club. Followers are

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<sup>4</sup> See Figure 1 in Appendix

not only followers of the club but also of players, managers and others; they may show different forms of solidarity towards their favored club or institutions and are, in the loose sense of the word, less attached to a specific club. Fans have a sense of relationship and love for the club or specific players; they are hot in terms of identification while enjoying a more distant relationship than supporters while appreciating the club, players, and traditions through a more market-centered relationship that translates into a bigger consumption of the club's products. Lastly, Flaneurs savor a market dominated virtual relationship with the clubs and thin forms of solidarity with fellow fans, thus not showing genuine collective affect (Giulianotti, 2002).

Various approaches follow this type of categorization of spectators, which, ultimately, could be defined as a usage-based segmentation. Segments like non-users, ex-users, potential-users, first-time-users and regular-users are frequently associated with retailing business' strategies (Sun, 2009) and could be transposed to the football industry reality as a base for a tailored segmentation.

### **3. Results, Conclusions and Recommendations**

The proposed method for SL Benfica to segment its customers takes into consideration the reviewed literature about football customer segmentation and customer lifecycle segmentation and is aligned with the results that our Field Lab group gathered from 78 semi structured qualitative interviews. This was a qualitative research based on one-on-one interviews with members, ex-members and non-members, in cooperation with the Research Methods for Business class.

The results from these interviews were used in this study to ground and support the proposed segments and explain how customers move between them.

Therefore, transposing both the usage-based segmentation proposed by Kotler and Armstrong and Giulianotti's football customer segmentation, SL Benfica should segment

its customers (supporters) into six main categories as follows: sympathizer; supporter; fan; member; longtime member; and ex-member as shows the diagram bellow.

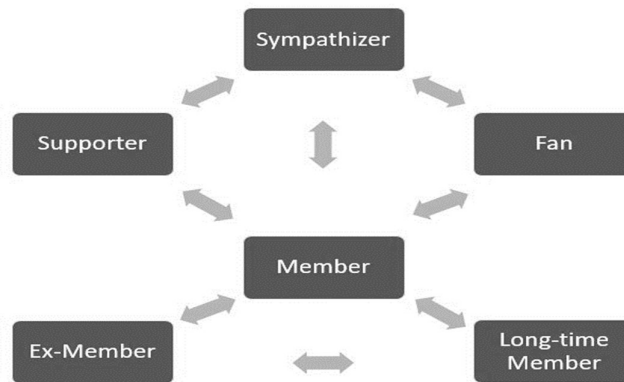


Figure 1 – Football Customer-based segmentation

**Sympathizers** are those who superficially connect to the club, enjoy watching matches, follow the club’s news and may sporadically go to the stadium for games and buy some merchandising items. These may naturally become supporters or fans or leap into membership if the interest in the club spikes due to a winning strike or popularity for instance.

**Supporters** are those who have a longtime or sentimental relationship with the club but do not translate that into great financial actions, thus not being paying members nor market-centered fans who focus on the products. These supporters may infrequently buy the club’s products (i.e. tickets and merchandising) however that is not the focus of the relationship. Supporters may become paying members and are less likely to move from members to ex-members due to their emotional relationship with the club. The results from interviews support the idea that these consumers have great interest in the club and do not become paying members only due to expensiveness of membership fees or lack of time to enjoy the perks of said membership.

**Fans**, like proposed by Giulianotti, are those who have a market-centered relationship with the club, who buy products, tickets, enjoy the matches and the

community but do not become paying members. For most football clubs, this is the focus category in segmentation. This is the segment that provides the biggest source of revenue to clubs who are neither based on membership fees nor dependent on them. The next logical step for Fans is paid membership which according to the qualitative study performed may be delayed or never accomplished due to lack of time to enjoy the membership or the understanding that financially the relationship of the membership with its benefits is not worthy.

**Members** are those who, on top of having a relationship with the club, being it emotional or not, have moved to the stage of paying a membership fee. These can evolve both to longtime members or ex-members.

**Longtime Members** are paying members who have been enjoying their membership for over ten years. They can still become ex-members but are less likely than members due to the longtime relationship built with the club that should, at the time, be more emotional.

Lastly, **Ex-Members** are those who have gone through the journey of becoming sympathizers, supporters or fans, members or longtime members, and have, for some reason, decided not to be a paying member anymore. This category is close to the supporter one, as it is composed of those with a relationship with the club that are not members; however, it differs in that these customers have had a deeper engagement in the past and who ultimately may still go back to be a member.

Following the Get-Keep-Grow CRM framework, SL Benfica should target three main stages of the customer lifecycle corresponding to non-paying members (Fans, Supporters); members and ex-members; and longtime members.

Firstly, to Get a bigger base of paying members, SL Benfica needs to target all the non-paying members, the fans who do not have the desire nor the capability to become

paying members, by developing strategies to attract these customers. These strategies would work by proving the value of the membership and incentivizing them to become paying members.

Furthermore, the club should also focus on Keeping its member base, by targeting both current paying members and those becoming “*ex-members*”. In this front, SL Benfica needs to keep proving its membership value to customers to make sure members stay “*attracted*” to it and comprehend the benefits and value of their spent money, therefore not falling out of the loyalty loop and not becoming ex-members.

Lastly, SL Benfica should also Grow the relationship it has with its paying members and incentivize them to further engage with the club by generating interest in paying a season ticket or becoming bigger spenders in terms of merchandising and tickets. The goal is that these will hopefully become longtime members and be more valuable to the club in the long run.

With this proposed segmentation and targeting, SL Benfica can develop strategies to better reach each customer, depending on its lifecycle and the stage of its relationship with the club. Therefore, the club will be able to design tactics to address each of the steps of the Get Keep Grow framework of consumer relationship management.

This study should serve as a base for SL Benfica’s next steps in terms of reconfiguring its segmentation and targeting strategies. Further qualitative and quantitative studies behind the reasons for customers to leap from one stage to the other (and the drivers behind it), should be done in order to better address SL Benfica’s customer base and grow and nurture it.

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## 5. Appendix

### Appendix 1 – Giulianotti’s Segmentation Matrix

Supporter, Fan, Follower, Flâneur

