



## **Research concerning the need of capitalizing on the material resources in sports marketing**

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### **Abstract**

This dissertation is trying to increase awareness regarding the unexploited material resources that the Faculty of Physical Education and Sports owns. In the context of the increased interest in practicing sports, a better utilization would determine significant financial benefits

**Key Words:** movement activities; sports facilities; financial resources; additional revenues; sports marketing.

### **1. Introduction**

One fundamental aim of physical education is developing in people the capacity of practicing sports independently from an instructor, process which requires adequate material resources. Due to people's need to interact socially, sports are sometimes practiced as games within teams or groups.

Sport's followers are normally interested in being fit and in strengthening their health, but also in entertainment. They are actually the market segment targeted by companies who generate business from sport activities.

To capitalize on this existent market niche, an increasing number of sport centers appeared. They provide services and rely on the benefits that the movement activities offer.

Most entrepreneurs, that notice the potential of this market niche, belong to the private sector of the economy. The investments provided good decisions; the profits were consistent enough to ensure future development for businesses of such kind.

During the past years the budgetary investments made in schools have enabled the administration to identify means of gaining additional revenues while using the new material resources and while respecting legal provisions which regulate the activity of state owned institutions.

The ratio which balances the price of a product or a service is the one between offer, demand and the price of renting the material resources (private or state owned). This proportion is based on both the



degree of solicitation of the resources and the conditions in which they are offered. Today's pricing models in this market reveal a cost for material resources which varies between 60 and 120 RON/utilization hour.

In the private sector, where the activity carried on outdoor has an exclusive nature, it can be estimated that for a 10 hour timetable, the income ranges from 600 to 1.200 RON/day and from 20.000 to 36.000/month. Although these estimates are for a 10 hour schedule, the reality proves that most of the companies which offer the finest services and adequate equipment have in fact a 15 hour program. Consequently, this generates considerable additional revenue compared to the initial approximation. One should note that these profits include neither other type of services that the sport centers may offer nor possible commercial activities that the firms may engage in.

The budgetary sector prioritizes the teaching process and due to this fact the number of hours which generate additional hours is smaller compared to the hours in the private sector. The largest amount of hours is cumulated normally at the end of the week, the rest of the time this number varies from 4 to 6 hours/day. This leads to an income generated by the sports activities of approximately 3.500 RON/week, i.e. 14.000 RON/month.

It should be mentioned that in order to grasp the business's productivity, the utilization costs of the sport center have to be deducted. Either way, these costs are not very high, especially for outdoor centers and they could be estimated at around 30% of the total sales.

Disregard of the ownership (privately or state owned) it can be inferred that sports activities could easily generate business by bringing additional revenues. Moreover, those who own or manage such sports centers should take on maintaining, arranging and capitalizing on the material resources that the centers have.

## **2. Evaluating the business**

Based on this outline, an analysis of one of the sports facilities of the Faculty of Physical Education and Sports will be presented in order to emphasize the need to capitalize on its assets.

Part of the sport facilities of the Faculty is a recently renovated gym and several outdoor fields such as:

- 2 mini - football fields
- 3 volleyball courts
- 2 basketball courts
- 1 tennis field
- 1 running track (200m long)

The reconditioning of the football fields could sum up to approximately 170.000 RON, funding which is easily found in the Faculty's budget of expenses and in its revenues. Additionally, a new parking lot, to ensure good access to the football fields, could also be built at small costs.

Due to its aims, i.e. sports activities and promotion to all age segments, the faculty should be directly involved in the process of reconditioning the facilities. Such enhancements would also improve



teaching activities. Moreover, by renting the facilities to potential beneficiaries, by realizing introduction lessons for different sports or by just using the resources for children of different ages, the sport centers can generate significant revenues.

The analysis is based on the minimal price on the market, i.e. 60 RON/ utilization hour. Therefore with a schedule of 8 to 10 hours/day the returns of two football fields may cumulate to 1.200 RON/day. This revenue could be increased by renting both the tennis field with 5-600 RON/day and the other courts (volleyball and basketball) with 500 RON/day each.

Renting the gym at the standard market price, i.e. 100 RON/hour, would determine a profit ranging from 300 to 500 RON/day during the week and potentially increased revenue during the weekend, due to extended number of hours.

Summing up these revenue streams it is estimated that the sport facilities could bring substantial revenue of 2.500 RON/day, respectively about 60.000 RON/month.

This estimation indicates that the sunk costs, i.e. restoration and reconditioning, can be covered in approximately six months. The total income can rise with 30-40% by permitting additional services for potential clients and commercial activities which can be initiated in a public-private partnership.

In order for such aspects to be put in practice, establishing an administrator for the sportive center is necessary. The responsibility of managing the facilities for the commercial purposes should be attributed to either the Faculty, i.e. to its specialized personnel, or to the university which would have to recruit the necessary expert human capital.

This opportunity should be the result of a modern managerial process, which could offer both adequate spaces for sport activities and the possibility of gaining additional revenue independent of the national economic context or of the fund allocated from the ministry. Therefore, better management of the facilities would be beneficial for the local community and this fact should be a matter of concern for the leaders.

### **3. Sports Marketing**

Developing strategies based on performance management, i.e. marketing plans, marketing analysis and partnerships, offer a very good example of efficiency in the Romanian public sector. These strategies should recommend a new system for accessing available funds, based not on the willingness to reanimate public institutions, but on competency, efficiency and quantifiable results. This would in turn increase efficiency and efficacy.

While sports marketing sums all the activities targeted at satisfying the sport related customer's needs and demands, the industry's diversity determined the existence of two important categories of marketing in this segment: *sports marketing* and *marketing through sports*.

*Sports Marketing* – is concerned with sport products and services and utilizes the variables of the marketing mix to communicate to the potential consumers the benefits of engaging in sporting activities (either as active participant or as viewer).



*Marketing through Sports* – uses sports to uphold other types of products, services or ideas and uses sponsorships as promoting instrument for the products that are mostly targeted to a very specific segment.

The importance of physical activities in the social upbringing (through involving the population in sporting activities) and in the economic context (it can generate considerable revenue streams) make us view such activities as a business. Furthermore any business plan has to be scrutinized from two perspectives: profitability and cost-effectiveness.

According to Stotlar's (Pitts, B. G., Stotlar, D. K., 2001) idea, any sports organization should adopt a marketing approach when devising a strategic plan:

- Service analysis,
- Targeted market segment analysis,
- Establishing marketing strategies and planning the marketing mix, i.e. the 4Ps,
- Penetration, diversification and developing niches,
- Budget planning.

Experts consider that there are at least five major elements of the marketing mix when it comes to sports marketing: product, price, place (distribution), promotion and PR.

The product is created by the sports organization's personnel: the consumer cannot reach the product skipping different processes which involve the personnel, i.e. initiation in sport activities, maintaining the arrangements and other fundamental characteristics of a product. A product which is essentially good can be impaired by the behavior of the personnel or by activities across the production line.

The price is the most visible element of the marketing mix and the decisions concerning this element are often crucial for the success of any marketing program. Consumer's satisfaction emerges only when provided advantages are exceeding the cost of the product (Olteanu, V., 2005).

$$\text{Consumer Satisfaction} = \text{Advantages} - \text{Cost}$$

In evaluating the total impact of the price on the sports consumer, the marketing expert should consider the real cost of the product for the consumer. As a consequence of the chosen marketing mix, the maximum impact on the market is achieved and the goal is to "provide the target customers, which have been attentively selected, a compelling reason to buy from us and not from the competition" (Hart, N., 2006).



**Figure 1 The 4Ps of Marketing Mix**

#### **4. Analysis of the marketing environment**

The focus was established on the sport centers due to the fact that nowadays such a facility can draw, differently than before, sports followers, children and sports performers. It is challenging to draw people to sports, but a well-groomed, equipped and affordable sports center is a real competition to malls, pubs and discos. Currently physical education is an auxiliary discipline in schools and this tragic fact is the society's and environment's blame for not offering alternatives.

Insufficient budgets granted to sports facilities and to sport in general and the lack of initiative, of organization and of experience could be solved with a more flexible and interesting sports management which could bring more influence on the financial factors.

Understanding the importance of sports in the population's health is gaining momentum in our country as well, creating the need for increasingly diversified recreation services and products.



#### **4.1 Offered Services**

In the range of recreation services an increasingly important place has the set of sports activities. This indicates that the population is aware of the positive impact of movement and sports in the wellness of any individual.

Offered Services → sports activities for amateurs from the set of recreation services (football, volleyball, tennis, jogging, cross, biking) in organized groups or sessions.

#### **4.2 Market analysis**

For those who prefer movement and sports exercises as games, respectively the market we target, practicing physical exercises represents a way of improving and maintaining the health, as well as a way of making new relations and a possibility to socialize. The social effect, the fun characteristic and the joy of sports generate a multitude of positive effects over individuals.

If women prevail in fitness and aerobic gyms, considering their sensibility regarding their silhouettes, sports centers are preferred by the male population.

The competitive spirit that characterizes the main sports activities offered by our sports centers, justified by the need to compare oneself with others, is the main reason why most of our customers are men (60%), young people between 20 and 35 years old, who fill all hours of the schedule up to 1-2 in the night, according to their education, social status, occupation and time.

We also target women (25%) that resort to this type of services especially at the end of their working schedule, in the afternoon and in the evening, and also during weekends.

Middle-aged clients represent a category with an increasing share (10%), which prefers the morning sessions.

Another market segment are the private sports clubs and associations (5%), that also prefer the morning schedule.

Considering the fact that such a business implies considerable investments and long term benefits, direct competition is still low. In Galați, there are currently a few private sports centers where people can practice sports activities in an organized manner, but the fees are high, inaccessible to all categories.

There is also the problem of indirect competition, which we wish to surpass by investing in our own business: the competition is formed by schools and universities (others than the ones of profile), which rent their sports fields for additional incomes to anyone who wishes to practice a few hours of sports. It is more than obvious that services offered by these “suppliers” do not have the same quality as the one we intend to show our customers.

**4.3 S.W.O.T Analysis**

Through the S.W.O.T Analysis we will express the objectives and strategies and we will follow up the strengths of the organization, removing or correcting the weaknesses, exploiting the opportunities and avoiding or diminishing the evaluation of all threats that we might stumble upon.

A well formulated strategy can help the manager allocate the necessary resources if it is based on competences and internal malfunctions, changes in the business environment and the movements of the competitors.

**Table 1. S.W.O.T. analysis for a sports center that already exists**

<b>INTERNAL ANALYSIS</b>	
<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Material resources already existing</li> <li>• Well trained personnel, professional, that covers all services</li> <li>• Employees with a high spirit and trust in the institution</li> <li>• Financing from both fiscal allowance and personal incomes</li> <li>• A relatively high number of active population (institutions, schools, universities, banks and companies.</li> <li>• Cultural and social standards appreciated as superior to medium standards in Romania</li> <li>• Activities with accessible and agreeable character, seen as superior by the Galati population</li> <li>• Insufficient sports classes in schools compared to other subjects.</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Negative report between spaces destined for sports activities and other spaces for spending free time (bars, discos, restaurants)</li> <li>• Weak perception of the spots phenomena as a integrated component of the social-cultural education</li> <li>• The lack of programs developed to attract the public towards practicing physical exercises in an organized way.</li> <li>• Lack of media involvement</li> <li>• Resistance to change inside the organization</li> <li>• Insufficient technological devices</li> </ul>



<b>ANALIZA EXTERNA</b>	
<b>OPORTUNITIES</b> <ul style="list-style-type: none"><li>• The possibility to access non-repayable funds</li><li>• Promotion of social politics as a way of improving life quality standards with the support of the Sports Division in Galati.</li><li>• Campaigns initiated by the Youth and Sports Ministry through the National Agency for Sports in order to change the people's vision on mass sports and upkeep (media campaign "Romania in Motion"), with the support of the Youth and Sports Ministry through the National Agency for Sports</li><li>• Obesity and sedentary life have become the two main problems that the EU citizens are facing at present, caused mainly by the lack of movement and unhealthy food.</li><li>• Proposing programs to modernize all existing sports centers with minimum financing sources</li><li>• The credibility and fame of the institution</li></ul>	<b>THREATS</b> <ul style="list-style-type: none"><li>• Insecurity of the legal and financial environments</li><li>• The lack of genuine partnerships between the public segment and the private one.</li><li>• The financial crisis, the increase of unemployment, the decrease of the population's incomes</li><li>• The existence or recent appearance of other potential private suppliers on the sports services market.</li><li>• The specialists' tendency to leave the system based on economical and social factors</li><li>• The aging of the population due to birth rate decrease, low life expectation at birth, decrease in living standard, emigration</li><li>• Budgetary constraints and limitations</li><li>• Extended subfinancing of the Romanian education system and lack of investment funds for consolidation and modernization works</li></ul>

#### **4.4 Establishing marketing strategies**

After identifying the marketing environment where we activate, the existing opportunities connected to the consumers' requests and needs, after identifying the target, we will proceed to implanting the elements of the marketing mix in order to obtain the competitive advantage:

- Personalizing and promoting: establishing a name and distinctive and attractive signs (club colors, logo, banner, badge, medals and t-shirts etc)
- Organizing games and sports competitions categorized by age and sport, with prizes awarded by our club





- Practices supervised by specialized personnel for different sports
- Refereeing important competitions with specialized personnel
- Preferential and differentiated fees, special discount bonuses politics depending on:
  - The category of beneficiaries (price reduction and facilities for groups, for companies – a solution to motivate/stimulate the employees – price reductions for elders, students, unemployed etc.)
  - Services requested (service packages)
  - Number of people per month
  - Period of time (morning, evening, week-end)
  - Number of hours requested in one session
  - Fidelity

## **5. Costs**

The major advantage of the business is the existence of a material, human and financial bases: a reconditioned gym, 8 playing fields and an athletics track, equipped accordingly (mini football gates, basketball panels, referee chairs, score tables, awards platforms, balls, tennis and volleyball nets, tennis rackets), toilets, locker-rooms, individual sleeping beds, personnel specialized in sports activities, first-aid and security points, annual budget of 170.000 Ron.

Additional investments reflect the need to equip all playing fields with nocturne installation (partly executed under self administration) and multifunctional synthetic turf, as well as the possibility to cover these with a protection balloon so that all activities can be carried on under the best conditions, regardless of the weather/time of the day/season.

Current expenses refer to:

- Salaries ( one administrator, two instructors, one security guard, 1 maintenance person)
- Utilities (water, electricity, heating)
- Equipment, consumer goods (gate nets, corner flags, tennis and volleyball nets, ball pump, whistles, sports equipment etc)
- Promotional materials, posters, fliers, advertising in the local media

## **6. Expected results**

- carrying on the structural reform of the physical training and sports system and developing a efficient management
- indentifying new financing resources
- improving and modernizing the universities material base
- a 15% increase in extra-budgetary resources (additional income)
- developing a project based on a partnership between the public and privet sectors and/or access to programs for EU financing, in order to extend the business. The pleasure center Dunarea de Jos” (swimming pool, mini-stadium, roller-skates/mountain bike/skateboard track, cycle-racing track, climbing panel, paintball field)



- increasing accessibility to all indoor and outdoor activities, creating and modernizing leisure time facilities for the towns citizens
- increasing the level of education, socialization and public health

The results of this investment converge with the recommendations and resolutions of the European Council regarding the principles of a “sports for everyone” politics, which recognizes and sustains sports contribution to the personal and social development of the people.

“Sports for everyone” is a concept defined in 1966 by the European Council during its efforts to extend the benefits of sports to as many people as possible.

The man needs physical exercise for his physiological and psychological equilibrium and everybody has acknowledged the attraction that sport exercises on all sections of the population, as well as its special value in a constantly changing world, characterized not only by an increase in leisure time, but also by an urbanization and technological development, which tend to separate the man from his natural habitat.

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