Steeler Nation: Case Studies of Professional Sports Faculty Location and Vendor Considerations

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Abstract

The strategic decision of operations management in a case study about the history of location decision-making for three major professional sport teams in Pittsburgh, PA is more than about market size, win percentages, and its assumed relationship with attendance and broadcasting records. Essentially, every successful sport franchises have utilized locational and branding strategies to optimize the historical and commercial values to merge with customers' idea of engagement and value. Specifically, the case study outlines these forces as it impacts a firm's location strategy and competitiveness within sport organizations. Even though this paper is not empirically based, a number of relevant factors were explored that help explain the relationship between a firm's location and its effect on competitiveness by emphasizing multiple interrelationships among proximity to supplier/resources, availability of infrastructure, government and institutional support, and availability of personnel, machine, capital, and material variables.

Competitive advantage is essentially the goal of all companies throughout the world. There have been many types of analyses done on methods of determining to what location a company should choose to expand, but few that incorporate both qualitative and quantitative research methods simultaneously (Ho, Lee, & Ho, 2008). Location selection strategy is to consider all of the critical success factors needed to have a

competitive advantage in the location and create a hierarchy of importance of each factor. An overall priority ranking was developed from these factors. Many researchers use a combination of factors (e.g., geographic proximity to stakeholders, human resources, risks, flexibility of capacity, and quality of life) in analyzing the location value to a firm (Fawcett, 1990; Feitzinger & Lee, 1997; Ferdows, 1997; Fisher, 1997; Fredriksson, 2006; Ganesan, Malter, & Rindfleisch, 2005). Once a priority ranking is determined, the basic question is how many resources each possible location consumed in comparison to how many resources are available?

For example, collegiate athletic organizations face issues in generating ticket revenue that professional sports organizations generally are not concerned with. Besides the physical location of sport facilities, collegiate and professional athletic departments and organizations must generate revenue through many avenues (e.g., broadcasting rights, multimedia rights, stadium concessions, corporate sponsorships, individual donations, merchandise sales, ticket sales) (Leeds & Von Allmen, 2001; Gladden & Milne, 1999; Gladden, Milne, & Sutton, 1998). Because the sale of sport event tickets continues to be the foremost revenue stream over which the colleges have direct control, many athletic departments need to work on developing ways to increase ticket sales revenue that may transcend physical location. One of the most important issues in athletic organizations that hindered ticket sales were due to: frequent turnover at the senior leadership levels lead to changes in priorities and tactics decreasing stability in a plan for ticket sales; the upper level leadership/management has limited experience in ticket sales at the collegiate level, the commitment to it is not as strong; there is not enough proper communication and direct lines of report between senior athletic department personnel and sales force Therefore, it proves difficult to find the best sales staff because many academic institutions most may do not pay competitive base salaries and sales commissions compared to what professional sports organizations pay for the same type of work (Bouchet, Ballouli & Bennett, 2011).

Ho, Lee, & Ho (2008) identified several reasons for the selection of facilities location criteria. Proximity to stakeholders consists of customers, since the modern supply chain is customer driven, and suppliers must deal with uncertainty in order cycle time and demand. The criterion of human resources is defined as labor availability and productivity. Risks identified were the future trend of land prices, transportation infrastructure, availability of utilities, and probability of the occurrence of a strike, left, or natural disaster. Flexibility of capacity is considered to be important because the location needs to be able to satisfy both current and future production requirements. Finally, the criterion of quality of life was selected in order to attract skilled employees. Undoubtedly, location cannot result in a production facility that exceeds the maximum throughput of warehouses, must satisfy the volume requirement of customers, cannot exceed total cost budget, and cannot incur penalty costs. The authors felt that this model leads to optimality in selecting a location. In selecting a location with the best qualitative conditions is more important to the profitability of the location than looking at simply the lowest cost. However, they recognize the need to consider that just because a location is favorable does not mean that the amount of production needed will be possible there so a quantitative factor also needs to be considered. This quantitative factor can be used to eliminate the locations where the required resources are not available.

Ho, Lee, & Ho (2008) compared the result of their model with that of a cost-based approach. In the cost-based approach, the total costs for each location are projected and the location with the lowest cost is selected. The low-cost model is extremely common and supported in the business literature (Chan & Kumar, 2009; Drejer & Riis, 2000; Grewal, 2008; Hu, Wang, Fetch, & Bidanda, 2008; Jain, Benyoucef, & Deshmukh, 2008). The lowest cost that was determined from this approach is actually the same as the projected cost in their integrated model. However, location that was associated with the lowest cost is not the same as the optimal location selected in the Ho, Lee, and Ho (2008) model. These results contribute to the argument that a model integrated with both qualitative and quantitative factors is

needed because using the cost-based approach results in a lower quality location, but the company will be incurring the same costs as they would with the higher-quality location determined by the integrated model.

KEY WORDS: *business strategy, case study, layout, location, Penguins, Pirates, Steelers, service quality.*

Relevance to Marketing Practitioners: This case study is relevant to marketers and researchers in dealing with vendor relationships and locational strategies issues for large organizations in formulating their supply chain management policies and practices.

TRACK: Business-to-Business/Supply Chain Management