

View from the Field: Business Intelligence in the Sports World



Section editor's note: The following column was written by Haynes Hendrickson, president of Turnkey Intelligence, which is a leading sports and entertainment consumer intelligence firm.

I believe that some of the most under-appreciated people in our world today are the behind the scenes number-crunchers at companies. Think about it: They make our lives so easy. A huge percentage of the interactions in my day are driven by an analyst making strategic decisions specific to me. For example, the other day, I received an email from a running catalog company reminding me that, according to my running profile and date of my last purchase, I am due for a new pair of shoes. Included was an offer for free shipping. Purchasing new shoes was not something I had planned to do that day, but it was a great offer and saved me from having to visit the store myself.

Similarly, I recently visited Amazon.com. When I signed in, I was presented with some spot-on recommendations for accessories for the BOB stroller I recently purchased. It was perfect: I may not have even known those components existed unless someone had pointed them out to me.

The examples go on. On the sports side, I love that MLB.com allows me to customize my preferences so that I receive Phillies-centric information at my chosen frequency, through the mediums that I prefer. Custom content delivered in this way makes me a happy fan (and runner, and stroller pusher). I appreciate when an organization has done its homework on me, collected information about me, and uses that information to serve up a relevant offer that makes my life easier.

From the companies' perspective, it's also a win. By employing analysts to learn more about me and ultimately implement custom strategies, those companies can become more successful at retaining and up-selling customers like me, as well as finding new customers that look like current ones.

In 2003, Michael Lewis's "Moneyball" brought the world of statistical analysis to light in a culture that was built on being able to "eye" talent as it was developing. Over the past 10 years, most professional sports franchises have added staff on the team operations side with titles like "Capologist," "Sabremetric Analyst,"

"Player Development Analyst," etc. These positions have proven to be highly effective and well worth the investment, in both technology and human resources. It is very rare in today's world to find a professional sports franchise that doesn't take statistical analysis into consideration when making player decisions.

However, despite data's increasing influence on the team operations side of professional sports, the use of analytics on the business operations side of the industry has not followed the same rate of acceptance and growth. In fact, until the recent past, these multi-million and billion dollar organizations have operated without employing these individuals at all. Business decisions were made from a base of experience and intuition, while actual insights didn't come into play.

Traditionally, professional sports franchises have seen the ebbs and flows of revenue follow the win/loss records of their team. When the team wins, ticket sales, sponsorship sales, TV/radio rights and per-caps tend to increase. When the team loses, budgets need to be modified. In the past, sports executives have been quick to point out that they cannot control what happens on the field. However, within the last 10 years, it has been proven that the use of business analytics has a direct impact on the small margins within which we try to operate. An effective analyst helps a franchise maximize the revenues during the good times and minimize the dip in revenues during the bad times. For this reason, teams are starting to offer (somewhat) competitive salaries to lure highly qualified analysts from other industries.

Turnkey Intelligence is fortunate to work with the staff at many professional sports properties. We lend our analytical expertise in two primary areas: market research and ticketing analytics. Surveyor, Turnkey's market research and reporting platform, is currently used by more than 70 different sports organizations to manage their research efforts. Prospector, our sales-lead scoring and enhancement platform, is currently used by more than 35 different sports organizations to sell more efficiently. Therefore, I want to detail two areas of professional sports business that can directly and immediately benefit from the hiring of an analyst or third-party analytical service: sponsorship and ticketing.

Sponsorships

The sponsorship world has become highly competitive and analytical. Discounting the Holy Grail of Return on Investment (ROI, which, in my opinion, remains unattainable), there are now many accepted ways in which data analytics and research can be used to measure sponsorship lift. More and more, we see that sponsors are being required to justify their spending internally, and evaluate that spending with Property A versus Property B. In these situations, it would benefit both parties to share business objectives with their partners at the beginning of a relationship, and allocate money (say, 1-5% of the rights fee) to measuring the performance of the relationship. This can ultimately provide a Return on Objective (ROO).

In addition, tracking specific Key Performance Indicators (KPIs) during a sponsor's activation period can easily reveal positive and negative movement over time, enabling either side to adjust on the fly and ensure that the partnership remains fruitful for both parties. Optimally, teams can make a habit of sharing this data with their sponsors to demonstrate how relationships are meeting (or exceeding) the originally stated business objectives. A business analyst is key to this process.

In my opinion, the NBA has been the most aggressive league when it comes to stressing the importance of using sponsorship analytics to elevate sales and retention rates. The NBA promotes this philosophy to its member clubs, and has seen a significant elevation in sponsor retention rates when a team tracks KPIs on behalf of a sponsor. The NBA encourages teams to track fan perceptions of key sponsors, and fan behavior relative to those sponsors. This process encourages collaboration between both parties, and helps ensure that each side of the relationship is achieving success. Over the past two seasons, Turnkey has worked with the NBA League office and approximately 50% of the member clubs to facilitate this study.

Ticketing

Thanks to the influx of new technologies, there is no area within live entertainment that is experiencing change like the ticketing world. Consequently, this is also the area of sports where an analyst can make the most immediate impact. Determining the right sale price for a game ticket can help protect an organization from losing customers to the secondary market, where the property may very well not be a party to the exchange of money.

In a perfect world, market conditions should set the price of tickets. However, we work in an industry that relies heavily on season tickets' being sold months before the actual events take place. As a result, we spend a sig-

nificant amount of time and effort protecting the value of those season tickets. Pricing tickets correctly at the beginning of the year can reduce the amount of fluctuation in ticket pricing during the season and eliminate lost opportunities. If market conditions warrant ticket prices below those of season tickets, we run the risk of losing season ticket holders (i.e., our largest source of revenue). To avoid this pitfall, a business analyst might ask questions like: How many price levels should we offer? Should weekend games cost the same as weekday games? Should the first 3 rows of the upper level cost more than rows 4-10? Who is an "A" opponent, and who is a "B" opponent? What amenities can be included in the cost of a ticket to elevate its perceived value? An analyst can answer these questions, monitor market conditions, and accurately adjust ticket prices to maximize the prices on the upside of demand. Alternatively, they can lower tickets prices when demand softens and still protect the value of the season ticket holder. No organization performs this better than Comcast-Spectacor, owner/operator of the Philadelphia Flyers and several other properties and venues. Industry veteran Mark DiMaurizio runs a division of Comcast-Spectacor that serves as internal analyst and guides ticketing departments to set ticket prices based on many internal and market variables. It is Mark's job to evaluate all of the external influencers and incorporate them into his recommendations, which should produce an increase in profitability.

Staffing

I frequently speak with students who are looking to break into the sports industry. I tell them the biggest opportunity to make a difference is within business analytics. Turnkey's executive recruiting division has seen the demand for these positions increase over the past few years. Traditionally, sports organizations have been on the favorable side of the supply/demand curve when it comes to staffing. Many people want to work in sports and, as a result, entry-level employees typically accept salaries that are significantly lower than what they might find in other industries.

However, when it comes to filling the role of business analyst, professional sports teams are finding themselves on the wrong end of supply/demand. Viable candidates are not coming from traditional sources; rather, recruiting is turning toward programs with strong economics, mathematics and statistics programs. It's my hope that the approximately 300 sport management-related undergraduate and graduate programs in this country begin to focus on statistical analytics and business intelligence—then, they can become a breeding ground for students who will eventually emerge to meet teams' analytic needs and fill an increasingly valuable role on the business side of the sports industry.