CHAPTER 7
The Product Is Sports and Entertainment

7.1 The Product Mix
7.2 Recruiting Athletes and Entertainers
7.3 Customized Entertainment
7.4 Product Marketing Strategies

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Fame and Fortune Used to Benefit Those in Real Need

Brad Pitt has been a famous movie star for 15 years and is a favorite target of the paparazzi. Celebrity magazines make millions of dollars reporting on movie stars’ romances and lifestyles. The media attention heated up further when Pitt began dating Angelina Jolie. The paparazzi followed Brad and Angelina to Namibia, South Africa, and Haiti. Brad decided to lead the paparazzi to parts of the world that are in dire need. As a result, the AIDS orphans in South Africa, the plight of children in Haiti, and conditions of poverty in other parts of the world have been highlighted in the media.

Brad and Angelina’s new daughter, Shiloh Nouvel, is a highly sought-after target of the paparazzi. After her birth, Brad and Angelina managed to keep her from the media and later sold a picture of Shiloh to People magazine for $4 million. Brad and Angelina gave the money from the picture to African charities. Collecting millions of dollars for people who are really in need is a strategy that the movie stars intend to continue. Pitt is now researching the causes of poverty in Africa and strategies for turning it around. He is drawing attention to the unfair trade practices that African nations encounter with other parts of the world.

Fatherhood has shifted Pitt’s focus on life. He adopted Jolie’s two adopted children. Maddox is their adopted son from Cambodia, and Zahara is their adopted daughter from Ethiopia. Brad Pitt has demonstrated interest in worthwhile projects at home, putting up $100,000 to help sponsor an architectural competition to create affordable, multifamily housing in the hurricane-ravaged New Orleans. The housing must be eco-friendly and community focused. The contest has already attracted more than 3,000 applications. Brad Pitt and Angelina Jolie exemplify how a celebrity’s fame and fortune can be used to benefit the needy.

Think Critically

1. What are the paparazzi? How has Brad Pitt taken advantage of this group?
2. What effect will Pitt’s actions in Africa, Haiti, and New Orleans have on his celebrity status? Explain your answer.
Lesson 7.1

The Product Mix

Goals

- Define product mix, product extension, and product enhancement.
- List and describe the components of the product mix.

Terms

- product mix
- product extensions
- product enhancements
- product line
- brand
- trademark
- licensed brand

Opening Act

Callaway, Nike, and McGregor are brands associated with golf. All three companies are putting more dollars into network television advertising during PGA Tour events. Leading professional golfers who will be in the Callaway advertisements include Phil Mickelson, Annika Sorenstam, Arnold Palmer, Charles Howell III, and Morgan Pressel. Callaway believes that advertisements must be shown early in the season when golfers are making their choices on golf equipment.

Nike will use Tiger Woods, Justin Leonard, and K. J. Choi in its early season advertisements to increase sales of golf merchandise. MacGregor’s new theme for golf is “better technology, better materials, better design, no matter the cost.” Greg Norman will be featured in the 30-second network spots.

Work with a group. Why are three major golf companies using similar advertising strategies? Which company seems to have the most diversified endorsements? Explain.

WHAT IS A PRODUCT MIX?

Every product is a complex blending of tangible and intangible parts. **Tangible** parts are physical features that can be seen and felt. **Intangible** parts are the nonphysical service features. Decisions must be made about a new product’s final form and the total assorted features referred to as the **product mix**. The brand name, the various products offered under the brand, and the packaging are all a part of the product mix.

**Product extensions** are items added to a product to make it more attractive to the target market, including guarantees, warranties, and instructional information CDs. Consumers are attracted to automobiles with 100,000-mile warranties. They like the idea of not having to worry about unexpected major expenses should repairs become necessary during a major portion of the product’s life. Easy product instructions and 1-800 help lines are additional product extensions that are attractive to consumers. Product testimonials from experts in the field are another example of a product extension that gives consumers confidence about making a purchase.
Basic vs. Enhanced Product

Target markets have an identified need for a basic product. **Product enhancements** are features added to the basic product that satisfy additional needs and wants with the same purchase. An automobile is a basic product demanded by consumers to get to work and other commitments. Enhancements can include dual comfort controls, upgraded interior fabrics, air conditioning, cruise control, power convertible roof, stereo system, and a more powerful engine.

Athletic shoes are a basic product constructed for support and safety to avoid injuries during sports. Nike has created specialized running shoes with air-cushioned soles and lightweight fabric. The added features to the running shoes are enhancements that increase the comfort and performance of runners. Some target markets want athletic shoes that serve multiple purposes. Cross-trainer shoes are enhanced running shoes that are good for walking, hiking, running, biking, and other amateur sports. The cross-trainer shoes satisfy several needs with one purchase. Product enhancements add value to the product and normally increase the price charged for the product.

Another example of product enhancement can be seen in the football stadium or basketball arena. The basic seating at a football game may be the bleacher seats in the end zone that have no back supports. Product enhancements would include individual seats with back supports located on the 50-yard line and seats located in an air-conditioned suite or sky box. Enhanced products may satisfy several needs with one purchase. Fans who watch the games from suites enjoy the game in a climate-controlled environment that offers food service and other special comforts. Target markets for stadium suites include companies that can afford the high cost of entertaining business clients.

Product enhancements may be viewed as important by some individuals and unnecessary by others. It is important to give consumers options so that products can be matched to their budgets and individual needs.

Provide three examples of a product enhancement.
PRODUCT MIX

COMPONENTS

In an attempt to satisfy customer needs, marketers must make many decisions about their product and product mix. Product mix includes product line, packaging, and brand development.

Product Line

A product line is a group of similar products with slight variations to satisfy the different needs of consumers. The goal of the product line is to achieve the greatest amount of sales possible by satisfying the needs of a diverse target market. The addition of items to a product line increases the satisfaction of individual customers.

Soft drinks are a perfect example of a product line. There are choices to meet the needs of different consumer tastes and diets. The Coca-Cola Company offers Coca-Cola Classic, Diet Coke, Caffeine-Free Diet Coke, Coke Zero with no carbohydrates, and varieties of Coke with added flavorings, such as vanilla, lime, lemon, and cherry.

Product line includes variation of product size. Television sets come in sizes ranging from 5-inch screens to 60-inch and larger screens. Adding items to the product line adds to the cost of manufacturing, distribution, inventory control, and other marketing activities.

Retailers who sell extended product lines need more display space.

Product lines for travel can range from weekend getaways to vacations that last a week or longer. Central themes for vacations may include skiing, snorkeling, golf, and other related activities. Popular tourist resorts offer a product line with a wide array of activities, lengths of stay, and prices.

Product lines can also involve variation in the quality of goods sold. Airlines offer first-class and economy flights with a variation in quality. First-class passengers receive more leg space, food service, boarding preference, and other benefits not experienced by economy passengers. The price for first-class airline tickets is much higher than the price for economy tickets.

Cyber Marketing

YouTube is a company that caught the attention of Yahoo, America Online, and Turner Broadcasting. But it was Google, Inc. that purchased YouTube in 2006 for $1.65 billion in stock. YouTube has tapped the public's desire for reality programming by mixing professionally made clips, music videos, movie trailers, and amateur video clips uploaded and shared by everyday people. The number of people accessing YouTube has grown from 3 million a day to 30 million since the website was launched in December 2005. YouTube does not sell advertising and does not charge customers to view or upload videos. Executives at YouTube and Google have not unveiled a business plan showing how the company intends to become profitable.

Think Critically

Why do you think YouTube is successful? Would you invest in this company? Why?
Packaging

Packaging is important. Ease of use, safety, consumer attraction, accessibility for self-service stores, and the environmental friendliness of the package influence sales. The package must be convenient for consumers to handle. Society demands packaging that is environmentally friendly. Packages that can be recycled catch the attention of an environmentally conscious society. Packaging of easy-to-use, lightweight, and durable portable stadium seats that attach to bleachers must make them easy to transport and store.

Brand

Brand is the name, symbol, word, design, or combination of these elements that identifies a product, service, or company. The brand represents the company’s reputation of quality, reliability, and status in the marketplace. Target markets often associate brands with successful athletes and celebrities. Buick, Ping, and Nike are brands endorsed by Tiger Woods.

Trademarks and Licenses  A trademark is the legal protection of words and symbols used by a company. It makes it illegal for other companies to use a brand name. A licensed brand is a well-known name and/or symbol established by one company and sold for use by another company to promote its products. Organizations, such as The Walt Disney Company, sell licenses to other companies that allow them to use character names and images on clothing and toys. College and professional teams license names and mascot images for products. Licensed products from popular children’s movies are sold in department stores and fast-food restaurants. The organization that has sold the license receives a percentage of the sales—usually 8 to 12 percent—of the merchandise bearing the licensed name or image.

Levels of Brand Recognition  There are generally five stages of brand recognition including nonrecognition, rejection, recognition, preference, and insistence. During the nonrecognition stage, consumers are unable to identify brands. A new brand of basketball may be nice but is not purchased because consumers do not know or trust the brand. Rejection occurs when a customer will not purchase a product due to the brand. Consumers may reject sporting goods bearing brands known for poor quality or that have had recalls due to safety issues. During the brand recognition stage, consumers know of the brand, but the brand has little influence on their purchases. Consumers view brands as valuable during the preference stage. They will purchase a preferred brand if it is readily available but may purchase another brand if it is not. Insistence occurs when consumers value a brand to the extent that they reject other brands even when the preferred brand is not readily available. They will go to great lengths to purchase the desired brand or will do without rather than buy a competing brand. Most consumers who drink cola insist on one brand over another. Some teenagers and basketball players will wear only Nike shoes. Companies strive to reach the insistence level of brand recognition.

What are the components of the product mix?
Understand Marketing Concepts
Circle the best answer for each of the following questions.

1. Which of the following is not a stage of brand recognition?
   a. preference
   b. introduction
   c. recognition
   d. rejection

2. Product extensions include
   a. warranties
   b. testimonials from satisfied customers
   c. instructional CDs
   d. all of the above

Think Critically
Answer the following questions as completely as possible. If necessary, use a separate sheet of paper.

3. List three brands you like to purchase. Why are you loyal to these brands?

   ____________________________________________

   ____________________________________________

   ____________________________________________

4. Communication  Design a newspaper advertisement to sell a popular sporting goods brand. Make sure to include the celebrity who endorses this brand in your advertisement.

   ____________________________________________

   ____________________________________________

   ____________________________________________

   ____________________________________________
Lesson 7.2

Recruiting Athletes and Entertainers

Goals
- Define the bottom line for sports.
- Explain the high cost of sports and entertainment events.

Terms
- blue-chip athletes
- NCAA
- fringe benefits

Opening Act
Look through any sports magazine, shop at any store, or turn on any sports television channel, and you will see the immense power of advertising in the sports world. Whether you see a teenage tennis star wearing a sports company’s products and logos or a racecar covered with multiple company names, you will understand that advertising is the fuel on which professional sports run. Millions of advertising dollars are spent every day by companies that want people to buy their products and use their services.

Work with a partner. Why are companies turning to the world of sports to help meet their promotional needs? How do sponsoring firms decide which teams or individual athletes to link up with?

THE BOTTOM LINE FOR SPORTS

Millions of dollars are spent on sports and entertainment events each year. Marketing strategies must attract the best blue-chip athletes for college and professional sports. Blue-chip athletes are those individuals who are excellent athletes and demonstrate good character and leadership qualities on and off the field. Rodeos, concerts, and state fairs must have marketing strategies and budgets to attract the most popular entertainers.

The bottom line for sports is winning. The bottom line for business is profit. Winning teams generate profit for entertainment venues and related businesses. Successful athletic teams depend on high caliber athletes who can deliver top-notch performances. Recruiting athletes is the most important element for future success of college and professional teams. The recruiting process for college athletics is highly competitive. Coaches of major universities host football and basketball camps to attract the best high school junior and senior athletes. Athletes who attend these camps and make a positive impression on coaches have the inside track to athletic scholarship offers at popular universities.
**NCAA Regulations**

The National Collegiate Athletic Association regulates the college recruitment process. The National Collegiate Athletic Association (NCAA) is a voluntary organization through which the nation's colleges and universities govern their athletics programs. It comprises more than 1,250 institutions, conferences, organizations, and individuals committed to the best interests, education, and athletics participation of student athletes. High school athletes can be offered athletic scholarships from major universities, but they cannot be offered any additional financial rewards or other benefits to attend a university. Alumni and coaches who become overzealous during the recruitment process jeopardize the integrity of their university. Athletic teams are penalized and even placed on probation for recruitment violations. Examples of recruitment violations include paying recruits bribes, giving incentives to families of recruits, and altering grade transcripts to make athletes eligible to play. Examples of NCAA punishments can include limiting the number of scholarships offered, prohibiting post-season play, suspending players, forfeiting games, and even shutting down those programs with the worst violations.

**Compensation for Athletes?**

Successful college football and basketball teams draw large amounts of revenue for universities. The amateur athletes who attract the crowds for the college cannot be paid for their performance. Currently, athletes receive scholarships and grants for their college education. They do not have enough time in the day to work at part-time jobs for additional income. Some of the best young college athletes are tempted to sign multimillion-dollar contracts with professional sports organizations before graduating from college. Once a college athlete signs with an agent to help find and negotiate a deal with a professional team, he or she is no longer eligible to participate in college sports. In some states, proposals have been brought before the state legislature to pay college athletes.

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**Intermission**

What is the bottom line for sports and how is it related to the bottom line for businesses?
The University of Southern California hired Pete Carroll to help fulfill the dream of building a mighty football powerhouse. While the team has exceeded all expectations, allegations of NCAA violations involving two of its biggest stars and a shocking sexual assault arrest have taken away the luster of the success.

**Think Critically**

What might cause star athletes to have a lapse of judgment resulting in penalties for their team? What steps can teams take to reduce the likelihood of such incidents occurring?

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**Judgment Call**

Star players and schools have run into trouble with the National Collegiate Athletic Association (NCAA) in cases where players and their families were influenced by agents while still playing college sports. The NCAA vacated the 1996 basketball tournament records of the University of Massachusetts and the University of Connecticut after Massachusetts’ Marcus Camby and Connecticut’s Ricky Moore and Kirk King were ruled to be ineligible because of their dealings with agents. The University of Massachusetts forfeited the four wins that took the Minutemen to the Final Four and was ordered to return $151,617 in revenue—45 percent of its earnings from that tournament. Connecticut forfeited its two wins en route to the Sweet 16 and was ordered to return $90,970.

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**THE COST OF SUCCESS**

Major universities count on knowledgeable, skilled coaches to lead their teams to success. They also are dependent on top-notch players who will score victories for their school and attract fans and sponsors. Event managers depend on popular entertainers to attract visitors to an event. The cost of attracting and keeping top performers can be quite high.

**Attracting and Keeping Coaches**

Major universities are willing to pay $1 million and more per year to the best coaches. Successful coaches receive large bonuses, salary increases, and other incentives to stay at their current jobs. Mark Richt is the head football coach at the University of Georgia. During five seasons at Georgia, Richt’s teams have won three Southeastern Conference Eastern Division titles and two Southeastern Conference Championships. His 52-12 record is the sixth best in the nation since 2001. Mark Richt was rewarded for his success, receiving a contract extension worth $2 million annually until December 31, 2013. The university realized the need to increase Richt’s pay and fringe benefits to make sure that another major university could not entice the successful coach away. **Fringe benefits** are incentives received in addition to a base salary, such as medical insurance, use of an organization’s vehicles, paid travel, and so forth. In addition, top coaches may receive opportunities for endorsements, radio shows, and other income-producing ventures.

**Attracting and Keeping Star Athletes**

Coaches are responsible for recruiting top athletes—a task that can be as big as preparing a team for an important game. Recruiting top athletes involves...
the fine art of personal selling, financing, and marketing-information management. Coaching staffs must have charismatic recruiters who convince young athletes and their parents to commit to a university that may be located over 1,000 miles from home. Honesty and integrity are two characteristics necessary to be a successful recruiter. College recruiters who emphasize the importance of the athlete’s education win the attention of parents and recruits. Athletes and their families like coaches who take a personal interest in the well-being of their athletes. The recruitment process is expensive. Recruiters fly all over the country to market their universities to top athletes. Recruiters must maintain careful records on all of the athletes being recruited, their school preferences, and what is needed to close the deal.

Professional sports are now aggressively recruiting a handful of the top high school athletes. LeBron James was selected directly out of high school at the age of 18 by the Cleveland Cavaliers as part of the first overall pick in the 2003 NBA Draft. As a result of the NBA's most recent collective bargaining agreement, age limits are now in place. Now, all high school athletes who want to play in the NBA must be at least 19 years of age plus one year removed from high school. NBA teams and major sporting good companies are anxious to offer million-dollar contracts to young athletes. College coaches realize that they are not only competing against college rivals for the best athletes, they are also competing against professional teams.

Recruiting the top athletes is closely related to the economic concept of supply and demand. The supply of top-performing athletes is limited while the demand for those athletes is very high, resulting in huge financial contracts.

The Price for Top Musicians and Other Entertainers
Concerts, rodeos, state and county fairs, and seasonal celebrations feature top entertainers to increase attendance at the events. Popular performers may charge organizations $50,000 to $100,000 for one performance. Booking the best entertainment requires legal contracts and large budgets. Event planners must determine whether the audience will be large enough to cover the costs of the event. In small venues, it may be necessary to charge $50–$150 for tickets. Concerts held in large stadiums allow costs to be spread among a greater number of attendees, and thus ticket prices can be lowered. Not all seats at a concert held in a large stadium will give consumers equal satisfaction. Some seats are closer to the stage than others, so some seat tickets will sell for higher prices than others.

Celebrities starring in high-rated sitcoms demand large salaries for each episode and receive it because of their popularity. The shows’ sponsors pay the television networks to air advertisements to reach the large number of fans that tune in to see the celebrities in their favorite shows.

Marketing Women’s Sports
Sports marketing has seriously neglected women’s sports until recently. While many fans would tune in twice a year to watch women’s figure skating and women’s gymnastics on TV, these competitions were mostly amateur. Although marketing was involved, it was limited.

When the U.S. Women’s Soccer Team won the World Cup Soccer Championship in 1991, it barely made the sports pages. Eight years later,
due to its continued success and international popularity, fans closely watched the Women’s U.S. team win the 1999 championship. Women as much as men have made this sport popular in the United States.

Lisa Leslie and Tina Thompson are superstars in the Women’s National Basketball Association (WNBA), founded in 1996. The teams and their stars have a strong following, averaging 8,712 spectators per game during the 2002 season. The WNBA’s web site keeps fans up to date on players, sponsors, schedules, and the latest merchandise for sale.

**Salary Inequities** Women’s professional sports are becoming increasingly popular. However, salaries are grossly inequitable in comparison to male professional athletes’ pay.

Women’s professional football attracts players from all walks of life. The 11-team Women’s Professional Football League (WPFL) pays players only $1,000 for the ten-game season that runs from October to early February. Each team roster has 40 players plus ten members on the practice squad.

The WNBA average salary is $50,000 with the top salaries not exceeding $80,000. Rookie salaries start at $30,000 for the four-month season, while the minimum salary for veterans is $42,000. The National Basketball Association has agreed to pump $12 million into the WNBA. Additionally, ABC Sports and ESPN have agreed to televise WNBA regular-season and playoff games.

The WNBA Phoenix Mercury is getting a significant in-state media boost due to an Arizona Department of Health Services campaign that uses the team to promote its anti-tobacco message. The ad campaign, tagged “Inhale Life—It’s a Girl Thing,” is part of a three-year sponsorship that the Department of Health Services signed with the Mercury organization.

**A Marketing Frontier** The growing popularity of women’s sports adds new female fans to the market, many of whom have been uninterested in traditional men’s games. Women have different interests than men, and a new frontier sure to become lucrative for creative marketers is the production of sports-related merchandise that will appeal to this new category of fans.

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Why is it important for young, talented, and highly sought-after athletes to hire trustworthy agents to represent them?
Understand Marketing Concepts
Circle the best answer for each of the following questions.

1. Amateur athletes
   a. are now being paid to play college games
   b. perform on college teams
   c. are represented by agents
   d. can endorse products and businesses

2. The recruitment process for top high school athletes to play at colleges
   a. is highly competitive
   b. is regulated by the NCAA
   c. cannot include additional financial rewards
   d. all of the above

Think Critically
Answer the following questions as completely as possible. If necessary, use a separate sheet of paper.

3. Do you think universities should pay their athletes? Explain why or why not.

4. Communication Choose a major university that is successful in football or basketball. Play the role of a coach recruiting a blue-chip athlete and compose a letter to encourage that athlete to attend your university.
Goals
- Define customizing.
- Describe the financial impact of Baby Boomers on the entertainment industry.

Terms
- customizing
- impromptu
- tiering

Lesson 7.3
Customized Entertainment

Opening Act
For more than a decade, regional corporations have been building cineplexes containing as many as 30 screens in suburban areas. Magic Johnson, a retired basketball legend, created Magic Johnson Theatres as a way of counteracting this trend. Johnson chooses the locations of his theaters based on the economic needs of minority neighborhoods. In February 2004, five theaters were opened—one each in the inner cities of Cleveland, Atlanta, Los Angeles, Houston, and New York City. Johnson wants his theaters to be community centers focused on distribution of a personalized service to a market segment. Concession areas are stocked with food and beverages that appeal to minorities. Customizing allows marketers to promote to a specific segment of the population.

Work with a group. Discuss marketing information that Magic Johnson would need in order to determine locations for more theaters.

CUSTOMIZING PRODUCTS
One of the first steps in developing the marketing mix for a particular entertainment product is to collect marketing information about the consumers of the product. Once information is gathered about the needs and wants of the various consumers within the market, product marketers can customize products or services to the tastes of their target audiences.

Customizing is changing a product to fit the needs or wants of a particular market.

In Southern California, Killer Entertainment provides live impromptu, or spontaneous and changing, entertainment based on audience reactions. Killer Entertainment and similar organizations present theater productions aboard dinner cruise ships and at parties. A production can include audience participation in a comedy, drama, or murder mystery, with the length and content suited to the viewers and the event. The performers improvise by changing the content based on the audience’s reactions. By understanding the audience, entertainment can be customized for its tastes.
Local TV American Style

Current product planning for the majority of national network television shows takes place in Los Angeles. Planning and production of shows are expensive and require a large viewing audience to attract advertisers to cover the production costs. Local television programming, on the other hand, may be of little interest to viewers nationally and may attract only a small number of viewers. Local shows are made at a fraction of the cost of nationally produced shows and are customized to the local market. With fewer costs, shows require a much smaller audience to earn a profit, and therefore, financing is simplified. If a locally produced show is a hit, it can be duplicated in other localities or syndicated and shown nationally.

Much of the local television programming in the United States has fallen out of favor with major networks. Often it does not attract enough viewers to draw advertisers and cover the costs of production and broadcasting. Broadcasters have determined that nationally syndicated programs attract larger audiences. Cost-cutting efforts on the local level and consolidation of TV network ownership have narrowed the scope of local programming primarily to newscasts. For local programming to succeed and attract advertisers, knowledge of the market segment’s interests is required. Marketing information about potential customers provides direction for the entertainment.

Children’s Programming  The first generations of American youth that grew up with TV watched locally produced programs developed specifically for children. Local news anchors or weathermen often dressed up as clowns to host the shows. Children became great fans of hosts, such as Birmingham’s “Cousin Cliff” Holman on Cartoon Clubhouse. The hosts often had such a strong influence on children that parents pressured broadcasters to prohibit the hosts from personally endorsing children’s products. Many advertisers subsequently lost interest in sponsoring the shows, and the lack of advertising led to the downfall of the locally produced children’s shows.

Sports Programming  Sports programs had generally been broadcast on a regional level until cable and satellite television changed the distribution system. Now viewers can watch their teams through either regional sports networks or national sports networks via cable or satellite, sometimes on a pay-per-view basis. The costs of sports programming have soared in direct proportion to the excessive salaries of sports figures. Sports teams have pushed some of the costs of salary increases onto the national television networks. The networks, in turn, have pushed the costs onto the cable and satellite subscribers. ESPN recently enforced rate hikes as high as 20 percent.

The rising costs of cable have attracted the attention of the Federal Communication Commission, which has proposed tiering prices for sports programming. With tiering, sports channels and specific sports programs will be offered outside the basic cable or satellite package. The consumers who choose them will be charged additional fees for the premium services. Regional sports networks have always been a basic service in the past. Thus, cable providers do not consider the tiering of regional games a good
option. Programming prices are often directly related to the number of viewers, and alienated local viewers may find alternatives to the service.

**Public TV and Radio**

Viewer- and listener-supported TV and radio stations generally have as their mission to entertain and educate their audiences. They are usually nonprofit organizations financed through grants, corporate donations, and listener contributions. Much of the programming is created locally and tailored to the viewers or listeners. The stations know their audiences and work to please them. Public TV and radio stations with similar audience interests often purchase and broadcast the best of each other’s locally produced programming.

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**MARKETING TO BABY Boomers**

One of the best-known U.S. market segments is the Baby Boomers—the generation born between 1946 and 1964. There are over 76 million Boomers who are said to reach their peak spending level at age 46. A surge in Boomer spending began in 1993 and will continue to grow into the year 2008 when the number of 46-year-olds begins to decline. Their spending on leisure time activities and entertainment will continue the major economic impact started in 1946 with the purchases of diapers and baby formula.

**Boomers Won’t Retire**

Baby Boomers are expected to soften the line between career and retirement. Many will continue to work beyond normal retirement age. Others will serve as volunteers or work part time. These people enjoy recreational activities, personal fitness, and all types of entertainment, from concerts to fine arts. Most importantly, these consumers have the discretionary income to pay for the products and services they desire.

**Segmenting the Group**

Marketing plans for an entertainment product are developed after careful examination of the data and research about the market segment. Knowledge of the customers’ preferences, spending habits, incomes, occupations, and areas of residence can provide the marketing information needed to focus the marketing message. Marketers and product and service planners must be careful to create target or niche markets when dealing with a group as large and varied as the Baby Boomers. For example, those Boomers born in 1946 are now retiring. Those born in 1964 are worrying about how to get their children through college. According to the U.S. Census Bureau, the average
The age of the U.S. population in 1994 was 34, in 2000 it was 35.5, and in 2035 it will be 39.1. This indicates that the population is aging. Marketers will have to focus their efforts on satisfying the needs of this aging market segment.

**Entertaining the Boomers**

Boomers are now finding more time for an evening out. Large increases in movie theater audiences are attributed to growing attendance by Baby Boomers. According to Reel Source, a firm that tracks movie attendance, Baby Boomers account for more than one-third of all attendance at movies. Baby Boomers’ interest in movies has not gone unnoticed by movie studios. Boomers read movie reviews and want to see smart, critically acclaimed movies. Independent film studios are filling the niche by producing films such as *Seabiscuit*, a movie about overcoming long odds starring Jeff Bridges, a Baby Boomer actor. Research shows that Boomers like to see stars of their age in the films they view.

**Understanding All Parts of the Group**

Marketers must take care not to exclude a part of the group they want to reach. To assume that all the people in a large group have the same tastes in entertainment is a major mistake. The Baby Boomers are as diverse in opinions as they are large in number. The marketing message aimed at a subgroup of Boomers must be fine-tuned to meet that group’s needs. For example, entertainment ads targeting younger baby boomers may focus on family events, while ads targeting older baby boomers may focus on more lavish events. Baby Boomers offer a huge potential customer base. Boomers will continue through 2020 to be a major target of entertainment marketing.

**Think Critically**

What does this information tell entertainment marketers and marketers in general?
Understand Marketing Concepts
Circle the best answer for each of the following questions.

1. An advantage of customized entertainment over entertainment for the masses is
   a. more people will buy it
   b. it can be impromptu, based on the audience
   c. no information is needed about the customers
   d. none of these

2. Baby Boomers are important to entertainment marketers because
   a. they have discretionary income
   b. they are interested in leisure-time activities
   c. they are expected to be active throughout retirement
   d. of all of these

Think Critically
Answer the following questions as completely as possible. If necessary, use a separate sheet of paper.

3. If Baby Boomers are the largest age group in the nation, why is so much sports and entertainment advertising aimed at 12- to 24-year-olds?
   ___________________________________
   ___________________________________
   ___________________________________
   ___________________________________

4. Break down the Baby Boomers into four different niche markets based on age and gender. Name two sports or entertainment products or services to market to each niche. Justify your choices.
   ___________________________________
   ___________________________________
   ___________________________________
   ___________________________________
Lesson 7.4

Product Marketing Strategies

- List and describe the stages of the product life cycle.
- Explain how products are positioned in the marketplace.

Terms

- product life cycle
- skimming price strategy
- penetration price strategy
- positioning

Opening Act

Soccer is one of the most popular sports in the world. The U.S. soccer team entered the 2006 World Cup with high confidence after a strong showing in 2002. The opening game shattered that confidence when the Czech Republic dealt the U.S. team a devastating 3-0 defeat. The skies did not clear for the U.S. soccer team. The team bowed out of the competition early after two additional losses to less-than-marquee opponents. Soon the U.S. soccer team became the top joke for most late-night talk-show hosts.

The enthusiasm of young Americans for soccer is evident with the busy weekend soccer fields. Even though soccer is not as popular in the United States as football and baseball, young enthusiasts are determined that the United States will become a dominant force in the sport.

Work with a group. List three promotional strategies to increase the popularity of soccer in the United States. What cities would be good locations to try the promotional strategies? Why?

The Product Life Cycle

Every product has a life cycle. There are four stages in the product life cycle including introduction, growth, maturity, and decline. Marketing strategies for a product will differ in the various stages of the life cycle.

Introduction Stage

During the introduction stage, the product is somewhat of a novelty in the marketplace and only one brand of the new product is available. Common price strategies implemented during the introduction stage include skimming and penetration.

The skimming price strategy introduces new products at a very high price. Quality and uniqueness of the product are emphasized to justify the price. Skimming results in higher profits for the company and encourages other companies to enter the market. When Ty introduced Beanie Babies to...
the market, it used the skimming strategy, charging higher than normal prices for small stuffed animals. The Beanie Baby frenzy became a collector’s market, and prices increased due to consumer demand. The popularity of Beanie Babies attracted the manufacture of clear plastic boxes for storage, plastic protectors for the Ty tags, and special shelves to display Beanie Babies. Major sporting events gave Beanie Babies to the first 1,000 fans that arrived to a game. Success associated with Beanie Babies opened the doors for related businesses, encouraged competitors to make similar products, and was used in marketing strategies to increase attendance at sporting events.

The penetration price strategy uses low pricing to help capture a large market share early. A company may offer low introductory prices on a new product or service to help establish a customer base. The low price also discourages competition. A new water park may offer low ticket prices temporarily to attract customers to the park.

**Growth Stage**

The growth stage is the second part of the product life cycle. During this stage, sales of a product and profits increase. The target market knows about and regularly purchases the product. Advertising during the growth stage focuses attention on customer satisfaction. During the growth stage, competition increases as competitors begin offering alternative products. Products in the growth stage may need to be modified and new models offered to maintain customer loyalty. During the growth stage of reality shows such as *American Idol*, numerous other similar shows popped up, such as *America’s Got Talent*. The success of one or two talent shows made them appealing to television networks that wanted a share of the market.

**The Maturity Stage**

The maturity stage is the third phase of the product life cycle. Sales level off or slow down, and most of the target market has already purchased the product. Marketing costs increase as promotions kick into high gear to fight off the competition and maintain market share. Commercials for products during the maturity stage may actually mention or mimic the competition. The Mall of America in Bloomington, Minnesota, may run advertisements comparing its amusement park to traditional amusement parks. Mall of America may point out the advantages of visiting its year-round amusement park that also gives consumers access to stores and restaurants under the same roof. Sales prices are often offered during this stage to try to hold off the competition.
The Decline Stage
The final stage of the product life cycle is the decline stage. During this stage, sales decrease and may not generate enough revenue to justify continued marketing of the product. Companies have several choices during the decline stage. They may drop the product, sell or license the product to another company, discount the product, regionalize the product, modernize/alter the product, or recommit the product. During the decline stage of the product life cycle, marketers are forced to make tough decisions that will have a major impact on the future of the product and company.

Drop a Product  To cut company losses, marketers may choose to drop a product entirely. Amusement parks are always under pressure to offer the most thrilling rides. Rides that were once standard at every amusement park, such as the giant slide, are often torn down to make room for rides that are more appealing to thrill seekers.

Sell/License  Some companies choose to minimize losses during the decline stage of a product life cycle by selling or licensing the product to another company. The other company assumes the risk of marketing the product, but a license agreement allows the originating company to continue to receive a percentage of the sales. Clothing designer, Mossimo, made the bold decision to license his line of designer clothing to Target. This strategy of offering designer clothes at reasonable prices has been very successful.

Discount  In the decline stage, companies often reduce prices so that the merchandise sells faster. The costs of developing the product have been recovered by this point, and promotional budgets will be minimalized to keep costs down. The discounted price alone will hopefully encourage more consumers to buy their product instead of their competitor’s product. The higher volume of sales may result in sufficient profit to continue offering the product.

Regionalize  A company may choose to regionalize by committing its product to a geographic location where it is the most popular and profitable. Manufacturers of ski equipment and clothing may commit their merchandise to Colorado and other popular ski markets to move merchandise during the decline stage.
The enthusiasm of consumers for a product may be reignited by modernizing or altering the product in some way. Products that are marketed as “new and improved” or “more effective” are examples of this strategy. Companies must project what alterations or modernizations will increase sales. Many new stadiums have been built in recent years to house professional football and baseball teams. The new stadiums include amenities that are more appealing to fans. Live music, restaurants, and hall of fame museums are on-site for fans to enjoy.

A product may have originally been developed and promoted for a specific purpose. As sales slip into decline, the product is recommitted when other purposes for the product are found and promoted. Plain aspirin was originally promoted as a pain reliever. Now it is promoted as a measure to prevent heart attacks. A bottled drink originally developed to recharge athletes on the playing field may now be promoted as a refreshing beverage for health-conscious consumers.

What are the stages of the product life cycle?

**POSITIONING A PRODUCT**

Companies must decide how they will position their products in the marketplace. **Positioning** is used by a company to differentiate its products or services from its competitors’ products or services. Positioning can involve status, price, brand recognition, and other factors. Some companies position their products according to price and quality. Other companies position their products based upon features and benefits.
Making comparisons to the competition to point out differences in the products is another strategy for positioning in the marketplace. Some products are grouped together as a product line. The entire product line can be positioned by quality, price, and product features.

Nike positions its products using brand recognition and status. Because of its many celebrity endorsements, Nike is associated with status, which creates a high consumer demand for its products. Highly sought after Nike basketball shoes endorsed by the latest basketball star may sell for more than $1,000 per pair due to high consumer demand fueled by brand recognition and a desire for status. Luxury hotels position their products in the marketplace according to price and related services. Disney World and Universal Studios sell family season passes to their parks, emphasizing entertainment and price savings. Other sports or entertainment organizations may try to position themselves based upon their safety record.

List three ways a product may be positioned in the marketplace.

Intermission

Take a Bow

Annika Sorenstam

Annika Sorenstam is Sweden’s shining star of golf. She is within striking range of third place on the all-time LPGA victory list, and she continues to keep winning. Annika won six of her first eight golf tournaments in 2005, breaking 70 a total of 22 times in those 30 rounds. During 2004, Annika won four times in her first eight starts. During 2003, Ms. Sorenstam placed first or second five times in a seven-start span. She won three of seven early events in 2002 and seven times in her first eight starts in 2001. By the end of April, 2006, Annika earned $500,000 with four top-ten finishes in five events.

Sweden’s golf heritage can be divided into everything that happened before Annika Sorenstam arrived on the scene and everything that’s happened since. She has successfully shattered the stereotype of the unemotional, can’t-do-it-in-the-clutch Swedish golfer.

The performance-based “These Girls Rock” brand, unveiled by the LPGA in June 2005, is promoted by Annika Sorenstam and Alice Cooper. The duo recently completed a radio commercial with an “anything-you-can-do-I-can-do-better” comparison of equipment, tours, fans, and talents. The advertisement that contrasts a rock tour with an LPGA Tour will be used to promote the Kraft Nabisco Championship.

Think Critically

Why is a radio commercial that features a rock star and golf star a good promotional idea?
Understand Marketing Concepts
Circle the best answer for each of the following questions.

1. Penetration pricing is
   a. used to attract a large share of the market early
   b. used to discourage competition
   c. a low-price strategy
   d. all of the above

2. Sales level off during which stage of the product life cycle?
   a. introductory stage
   b. growth stage
   c. maturity stage
   d. decline stage

Think Critically
Answer the following questions as completely as possible. If necessary, use a separate sheet of paper.

3. How would you position a designer-brand polo shirt at a university bookstore?

   ____________________________________________
   ____________________________________________
   ____________________________________________
   ____________________________________________
   ____________________________________________

4. Where would be a good place to regionalize surf shorts that were once popular with the masses but are now in the decline stage? Explain your answer.

   ____________________________________________
   ____________________________________________
   ____________________________________________
   ____________________________________________
   ____________________________________________
Review Marketing Concepts

Write the letter of the term that matches each definition. Some terms will not be used.

1. Spontaneous and changing  
2. A product's final total assorted features  
3. Incentives received in addition to a base salary  
4. The legal protection of words and symbols used by a company  
5. Items added to a product to make it more attractive to the target market  
6. The introduction, growth, maturity, and decline stages of product marketing  
7. Introduces a new product at a very high price, emphasizing quality and uniqueness of the product  
8. A group of similar products with slight variations to satisfy the different needs of consumers  
9. Features added to the basic product that satisfy additional needs and wants with the same purchase  
10. A voluntary organization through which the nation's colleges and universities govern their athletics programs

Circle the best answer.

11. During the decline stage of the product life cycle, all of the following are options except  
   a. regionalizing  c. raising prices  
   b. recommitting  d. discounting

12. Which of the following is not a component of the product mix?  
   a. product line  c. brand  
   b. packaging  d. distribution channels

13. The latest trends in television production include  
   a. customized entertainment  
   b. locally produced children's programs  
   c. fewer dedicated sports channels  
   d. both a and c
**Think Critically**

14. Select four sports and entertainment products and indicate the stage of the product life cycle for each product. Give a marketing strategy you would use for each product. Explain your answers.

15. Why would a company choose to license the marketing of a product in the decline stage to another company?

16. Explain the difference between tangible and intangible features of products. Provide two examples of each.

17. Explain the difference between a basic and enhanced product.

18. How do the salaries for professional women’s sports compare to salaries for professional men’s sports? Why does a difference exist? What would it take to bridge the gap?
Make Connections

19. **Research**  Select a specific type of sports equipment and a brand for that equipment. Research the complete product line offered by the brand. How varied is the line? What are the price points? Describe the target markets for each item in the product line.

20. **Advertising**  Think of a new purpose for a common product. Assume the product is in the decline stage of its product life cycle. Create an advertisement for the product that recommit it to the market.

21. **Marketing Math**  Six celebrities starring on a popular sitcom that has a 12-show season are each paid $200,000 for each show produced during the season. Additional costs of producing the sitcom are $180,000 per episode. A 12-show reality series costs $250,000 to produce each show. What is the difference between the total costs to produce the 12-show sitcom and the 12-show reality series? Why is the reality series attractive to the television network?

22. **Economics**  Research the salaries of five successful college football coaches. List the salaries and fringe benefits received by each. How can the colleges economically justify their coaches’ salaries and benefits?
23. **Geography** You are in charge of recruitment for a major college football program. Eight coaches will visit recruits throughout the United States. Print a map of the United States and divide it into eight recruitment regions. Record the estimated population in each region. (Hint: The U.S. Census Bureau lists population estimates for each state).

24. **Economics** Your company has developed a unique product that no competitor can currently match. The CEO is very concerned about using the proper pricing strategy with the introduction of the product to the market. Describe to the CEO alternative pricing strategies and the advantages and disadvantages of each. Which strategy would you recommend to the CEO? Why? Include any assumptions you make about the product.

**PROJECT EXTRA INNINGS**

You are the activities director for a major resort in Branson, Missouri. The largest target market for this resort is senior citizens. Your resort is located close to a large outlet mall.

Work with a group and complete the following activities.

1. Research Branson, Missouri, a popular tourist attraction for senior citizens. What are the major attractions for seniors at Branson?
2. What means of transportation bring seniors from all parts of the United States to Branson?
3. List three vacation activities that attract senior citizens.
4. What special promotions can be used to attract more senior citizens to your resort?
5. Create a brochure that gives senior citizens at least ten reasons for wanting to visit your resort.
6. Create a multimedia presentation to convince senior citizens to visit your resort. Make sure to highlight the major concerns of senior citizens.
7. Describe the product and service line at your resort.
USING SPORTS TO INCREASE CUSTOMER TRAFFIC

Many successful businesses have strong sports connections. Gallery Furniture in Houston, Texas, believes in brand building with a sports marketing approach. Jim “Mattress Mack” McIngvale’s successful furniture store is associated with sporting events and sports personalities. The relationship with sports gives Gallery Furniture an image of energy and vitality. It also links the furniture giant to the community and makes the store more visible.

A Sports Marketing Approach

Sports marketing can work for nearly anyone. Working with local athletes and professional sports teams does not have to cost a lot of money. Mattress Mack invests heavily in sports marketing today, but he did not spend much to get started. Many lesser-known athletes who do not get a lot of endorsement opportunities will be willing to work for low fees or even on a commission basis. Former pros or pros who are currently not well known are often delighted to get opportunities to be in the limelight. Mattress Mack started with these individuals, and soon he was working with superstars like Andre Agassi, Shaquille O’Neal, Clyde Drexler, Brandi Chastain, Mary Lou Retton, and Bela Karolyi.

As a business becomes successful, it can give back to the athletes and their teams. Gallery Furniture gave back by building practice facilities for the Houston Rockets of the NBA and the Houston Comets of the WNBA. Now, every time one of the Rockets or Comets is interviewed during practice, the Gallery logo receives air time in the background. This serves as free publicity for Mattress Mack.

Mattress Mack has hosted the Gallery Furniture College Bowl Game in Houston, Texas. His business also hosts the professional tennis tournaments on clay courts in West Houston. Frequently, sports shirts, caps, and collector footballs/basketballs are given to customers during special sales events.

Mattress Mack is not afraid to tie in special offers with the performance of the local professional sports teams. When the Houston Texans played the Indianapolis Colts, Mattress Mack promised that anyone who purchased $3,000 of furniture on the weekend of the game would receive the furniture for no charge if the Texans beat the Colts, an unlikely event. The Colts won the game by more than 20 points.

Think Critically

1. How has Gallery Furniture given back to athletes?
2. How has Gallery Furniture demonstrated loyalty to local sports?
3. What strategy did Mattress Mack use, involving sports, to increase traffic into the store?
4. Why is it a good idea to give away sports merchandise at a furniture store?
**DESKTOP PUBLISHING EVENT**

Many aspects of today’s visual business publications require desktop publishing. This event challenges participants to demonstrate skills in the areas of desktop publishing, creativity, and decision making.

You have been hired by the manager of the state fair to develop a desktop publishing document to advertise this year’s fair and the activities that it offers. Your publication will be included in community newspapers throughout the state.

You must research this year’s state fair to determine the dates, admission prices, entertainment, sponsors, and special promotions. You will work with a partner. You and your partner may use two computers, a scanner, and clipart to complete this project. You have two hours to complete this project. Your final product should showcase your graphics and text creation skills. Layout creativity and appropriate use of fonts and type size are also important components in your final product.

The state fair is concerned about the declining attendance during the past five years. New exciting concerts and other activities have been scheduled to reinvigorate interest in the state fair. In addition, new rides have been added to the fair this year. Publicity is needed to make residents of the state aware of the annual entertainment event. Corporate sponsors also want to see an increase in attendance for the annual event.

**Performance Indicators Evaluated**

- Communicate the goals of the state fair.
- Prepare an attractive document that incorporates the latest desktop publishing technology.
- Create an original, appealing newsletter to increase awareness and attendance at the state fair.
- Understand the comprehensive nature of this project and its purpose.
- Select graphics and fonts that appeal to the intended audience.
- Produce a final product that indicates a clear thought process and an intended, planned direction with formulation and execution of a firm idea.

Go to the FBLA web site for more detailed information.

**Think Critically**

1. Why does the state fair need multiple forms of publicity to increase attendance?
2. What promotional item could be included in your desktop publishing document to help increase the attendance at the state fair?
3. How can the state fair measure the effectiveness of your publication?
4. What types of graphics would be appropriate for this publication? Why?

[www.fbla.org](http://www.fbla.org)