

Business Network

On-field losses hit footy club in the wallet

Marketers back winners. So what's a middle-ranking club to do? **Janine Perrett** reports.

IMAGINE your business is like a football team that is performing well financially but restricted in growth by lacklustre on-field performance.

That's exactly the dilemma facing one football team trying to be a viable business.

St Kilda Football Club might be considered one of the best run AFL clubs financially but its failure to climb the Aussie Rules ladder is holding back its business growth.

"We are very mindful about being perceived purely by how our football team performs on the field," says the team's general manager, Russell Morris.

"When we talk to the business community, how do we position ourselves as a feasible business marketing tool as opposed to being judged on where our team is on the ladder?"

Having failed to win a premiership for 40 years, there's no doubt the team needs to win games but these days there are other issues facing the management team.

Morris notes that the changing landscape of sports sponsorship, particularly in Melbourne, has forced the Saints to change their strategy and direction for forging business partnerships.

"Footy clubs need to attract partnerships that are not influenced by the performance of the team on the field - this is our challenge," he says.

St Kilda is an ideal case study of a football team running as an efficient small to medium enterprise (SME) that wants to grow bigger in the face of intense competition and other constraints.

The business has 41 full-time employees to run the club plus 40 contracted players. The players account for about 50 per cent of the total costs and the other \$10 million is spent running the club.

"We have turned the club around from \$3.5 million debt at the end of 2002 to being debt free in 2006," the chief operating officer, James Van Beek, points out proudly.

Turnover in the past two years has been about \$21 million with costs of \$20 million - allowing for a profit or retained earnings of about \$1 million.

"The issue for us is how do we grow it from \$21 million to \$25 million and still maintain and improve our net profit margin from 7 per cent to 10 per cent?" Van Beek asks.

While the club might hover around the middle of the football ladder in terms of winning games, its off-field financial performance has been much better.

Van Beek explains that based on a 2005 AFL survey, St Kilda was ranked 15th for turnover and 16th for expenditure.

Being bottom of that ladder was a credit to the club - although it was one of the lowest in terms of revenue, it also had the lowest cost base.

"On a net profit base dollar wise we were ranked third and on our net profit margin we were ranked No. 1," Van Beek says.

"So we are the most efficient club in the competition."

This is why the Saints recognise the need to increase revenue and the key to that is marketing. Morris says they need to offer more than the age-old corporate hospitality route and look on the upside.

"Every corporate has been invited to the footy, so that is in danger of becoming tired and boring - our next challenge is to provide things they've never been offered before," he says.

"We want to be taken seriously as a serious marketing option but how best do we position ourselves in the market as an advertising/marketing medium?"

"There's millions and millions of dollars spent in sports marketing, ranging from everything from motor sports to the Olympics, so there's an enormous amount of competition."

Not to mention the fact that St Kilda is up against 15 other similar Aussie Rules teams all under the strict control of the AFL.

It means that even if it comes up with a bright new marketing idea not only does it have to run it by the AFL, any competitive advantage would only last a few months until the other clubs followed suit.

That is why it is trying to find solutions that capitalise on its own supporter base. In the past the AFL has measured team size on a strict membership criteria which is based on those who wish to attend the games.

"While a big club such as Collingwood might boast 100,000 fully paid-up members, St Kilda has only about 35,000."

But Van Beek and Morris believe they can harness up to 400,000 supporters nationally who cannot all get to a game.



Looking for new ideas... general manager Russell Morris, left, and chief operating officer James Van Beek at the Moorabbin ground. Photo: Justin McManus

CHALLENGES FOR ST KILDA FOOTBALL CLUB

- Not being judged solely on on-field performance
- Positioning itself as a serious marketing medium
- Broadening supporter network to increase database
- Getting more members on email

While it would need AFL approval, the pair admire the Manchester United model where fans who have no hope of getting to a game still subscribe to the club and pledge their support through a smaller fee.

"The challenge is to get in touch with a broader supporter base - we believe we need to find out who all our supporters are around the country, we need to find that emotional connection," Van Beek says.

"Currently we've got a small database of current and lapsed members with about 55,000 names but we want to capture the other

350,000 we think are out there." And therein lies the key to expanding the club's database, which is another crucial selling point for any SME.

However they also face the familiar SME problem of a clientele that is not computer savvy.

"We have only about 14,000 of the 32,500 current members' email addresses so the issue is how do we get the rest of those members to actually advise us of an email address?" Van Beek says.

It is one reason the club is keen to attract a younger support base, particularly the elusive Generation Y. Apart from thinking about putting

on hip-hop bands at the club's corporate hospitality rooms, it is difficult to find fresh ideas.

One answer might be a push to take advantage of the club's roots in St Kilda - the trendy inner Melbourne suburb.

"In the old days clubs used to be related to their territories and that's all gone," Morris says. "We're one club that is related to an iconic suburb and we're keen to exploit that."

The AFL's national expansion has also meant more pressure on local clubs like St Kilda to keep up with the technical advances and new facilities of the newer interstate clubs.

Thanks to its strong financial position St Kilda has just been able

to announce a \$16.5 million facelift of its Moorabbin reserve and headquarters which will allow it to remain competitive.

"We're in a ground that is 40 years old and dying of concrete cancer but now we'll be able to have a shopping precinct, gyms, spas and health clubs," Morris says.

It's only part of his vision for the future - right now he recognises that everything from corporate hospitality to celebrity supporters have become passé.

They're on the lookout for other new opportunities such as turning the female supporter group, Saints Hearts, into a businesswomen's networking group.

Marketing stunts can be hazardous



JANINE PERRETT

NO MATTER how big or small your budget, it seems marketing is an ongoing dilemma for all businesses.

Even high-profile football teams have a problem, as we see today with St Kilda, whose story appears on the page after approaching us to gain advice from our experts.

Even though it doesn't fit the traditional small to medium enterprise model, the way it runs its business and the marketing challenges it faces are familiar to many owner-operators.

It is why any ideas on how to stand out from the pack are always watched with interest by the sector.

This week's SME "Get Yourself Noticed" award should go to SumoSalad for their stunt at the opening of a big doughnut store in the Fountain Gate Shopping Centre in Melbourne.

The food chain gatecrashed the opening of the doughnut shop by using mock protesters waving placards urging customers to buy healthier SumoSalads instead.

Known in the trade as "ambush marketing", this particular strategy was effective on many levels but might not necessarily gain the same exposure - or tolerance - should other SMEs try to replicate it.

Indeed, such guerrilla-style campaigns and viral marketing efforts should be checked carefully beforehand to ensure they don't violate any advertising or Australian Competition and Consumer Commission codes, nor incur the wrath of the multinational legal department, which obviously has huge clout.

(My personal favourite was when Virgin Blue was in a stoush with Sydney Airport Corporation and took out huge ads reading "Macquarie Bank wants to increase your flight costs - what a bunch of bankers".)

Recently commercial law firm Thomas Playford sent me a reminder on the legal ramifications of comparative advertising, warning that while "businesses are seeking to attract the attention of their target market, invariably it's their competitors and lawyers who will be paying greatest attention to this ticking legal time bomb".

Partner Stephen Voss noted that it could be a "powerful tool when used by business and when this method of advertising was managed well it could give organisations a clear commercial advantage".

But, he added, it should be only undertaken with the utmost care and a high regard for accuracy. Businesses engaging in comparative advertising attract rigorous legal attention from their competitors that could lead to costly court action if claims and comparisons made in their advertisements are incorrect or misleading.

Still, this week's doughnut incident was, to excuse the pun, food for thought.

Also on the subject of marketing and legal concerns, our story last week about the perils of trademark protection for FLOTUS (beats) prompted this letter from Glen Strong of Fatooms Pty Ltd.

He writes: "From my experience it has been a constant battle to get businesses, even my clients, to protect and value their IP (intellectual property)."

"The risks huge but the view of most is 'if my accountant isn't worried, then I'm not'. I have found over the years that the marketing profession do not take their own governance and risk management issues seriously enough and this is why IP has fallen into the realm of finance/legal."

janineperrett@access.fairfax.com.au

For more information about this company and Business Network, please visit the website.

Visit the Business Network online at www.smh.com.au/businessnetwork



SPONSORED CONTENT

WHAT THE EXPERTS SAY

St Kilda Football Club

Submit your company as a potential case study and receive ideas from our panel of experts. To register, visit The Business Network at the website below.

The Business Network is dedicated to the needs of small to mid-market companies. It exists to provide ideas, information and networking opportunities for people in small business.

The Herald has invited commercial sponsors and other partners to participate in the network.

Their opinions are their own and not the newspaper's.

The Business Network Work Smarter Not Harder

smh.com.au/businessnetwork

Target the smaller Saints to generate long-term loyalty

Rajarsi Ray
Head of Small Business Services, American Express

While sporting success obviously helps growth membership and revenue, Russell and James recognise that managing costs while increasing income is vital to growth - no matter what business you are in. To obtain member emails, the club needs to offer something in return. The Saints could invite members to subscribe on the back of a day ticket and could email members a weekly newsletter. For Generation Y customers, the club should utilise something no self-respecting member of that generation is ever without: their mobile phone. Providing score updates via SMS on game day and allowing fans to purchase player pictures or club song ring tones would all make sense.

A more complex problem is the Saints' desire to increase its long-term member base as it competes against other clubs and sports. Developing long-term loyalty, as with any small business, involves starting early. Whether supporting Union, League, AFL or football, I follow the same teams as when I was a kid. While Saint Hearts makes sense to target women, what about a membership program that specifically targets children - perhaps call Small Saints? Children under the age of 12 are some of the most influential consumers and are also tomorrow's supporters.



Make members winners regardless of AFL titles

John Stewart
Director, Stewarts Business Advisors

When you're talking about a football club, on-field performance is obviously paramount. People enjoy being involved with sport because of the camaraderie and the chance of a win. If the Saints aren't doing the winning, the club should find ways to make members feel like winners, regardless of the team's success.

St Kilda should reward regular members who deserve recognition for their strong dedication to the community - not the usual corporate or political personalities. These winners should be given awards that are diverse in scope with St Kilda as the common denominator. At Grand Final time the club could conduct a ceremony presenting the club colours on a lapel pin or brooch to the year's top 20 members in these categories. Club members would be the only people eligible and could benefit from a range of other privileges on match day or at functions. Perhaps a deal could be made with a national chain to provide food or beverage discounts on game days at St Kilda members, extending benefits to distant members unable to attend the actual event.

Regarding the database, the club could conduct an online competition, directed at children, where as a condition of entry parents or guardians must be members and grant the child permission to enter via email.



Consider partnerships beyond traditional structures

David Dandie
Head of Business Advisory and Training, Westpac

While on-field performance and marketing appeal are virtually inseparable, the Saints could do much to boost business growth. The Saints should consider partnerships that differ from traditional sponsorship structures and go beyond brand recognition. For example, the subject of a recent Business Network case study, Threeb-b snacks producer Wild Brumby, was advised to seek a partnership with the ACT Brumbies on the basis that both brands shared a similar geography and mascot and could boost each other's appeal. Perhaps the Saints could strike a deal with All Saints Estate winery in Victoria? Or it could consider a 'brotherhood' alliance with an international sports team sharing a similar culture, such as in the US; reciprocal membership could enable access to the other's facilities, thereby providing overseas travel benefits.

With this in mind, some members simply like to have a place to go and clubs can provide that service. Members enjoy access to first-rate facilities, such as squash courts and restaurants, and the club is right to boost its services. The Saints could develop community-based alliances with local businesses where members receive discounts at local establishments simply by showing their membership card.



Implement a phone drive to obtain email addresses

Carolyn Stafford
Director, Connect

A phone drive or telemarketing campaign could help the St Kilda Football Club obtain email addresses from current members. This would involve calling fans individually, asking for these details and obtaining permission for them to be included on the Saints' mailing list. The club could offer benefits to members who participate in the drive or simply indicate its desire to keep members informed of activities via email. This phone drive could also help 'clean up' the Saints' database; the club could contact lapsed members and attempt to entice them back with 'special offers' or simply wipe uninterested people from the list.

Many fans potentially pay a membership fee to access good seats. Perhaps the Saints could consider a membership program that supports those fans who can't get to a game - including those who live interstate. For example, a monthly or annual subscription fee could be paid to enable access to a history section on the club's website or enable player interview downloads.

Other initiatives could include developing a booklet for purchase, similar to The Entertainment Book, which provides discount vouchers to local amenities such as restaurants and hotels. The club could develop incentives, such as subscription discounts, to encourage existing members to introduce new fans.



Develop incentives to build on fans' loyalty

Ross Cameron
Chief Executive Officer, Cameron Research Group

One of Australia's leading marketing gurus, Simon Hammond, recently addressed a book that addressed the three principles of branding: the need to create customer belief, belonging and behaviour. Most businesses could only dream of the marketing opportunities provided by the sense of belief and belonging that people feel for their sporting teams. Russell and James are absolutely right: the St Kilda Football Club needs to harness the loyalty many fans feel toward their team, even those who cannot attend games.

Russell could develop a form of membership that offers exclusive online benefits such as ongoing information, interviews with players and perhaps comments from the coach on why the team made particular decisions. It could be free for existing members and available to others for a nominal fee. This could generate significant press coverage, as well as strengthening ties with supporters and up-selling them to higher levels of membership or other services.

Russell should talk to his counterparts at other AFL clubs. Ironically, St Kilda's real competitors for members are Rugby League, Rugby Union and soccer. AFL clubs are more interested in growing the overall membership of the code than stealing each other's members.



Nature Seeker Adventure: US National Parks Travel with Bob Carr

23 Days fully escorted at \$8995*pp twin share (ex Sydney) Departing: 8 September 2006

The Sydney Morning Herald invites you on a spectacular journey through iconic national parks and monuments of the United States of America. Experience the true essence of the American wilderness by visiting world renowned Yellowstone, Rocky Mountains, Mt Rainier, Olympic, Yosemite, Mt St Helens and more. Witness the inner-workings of a world-class national park system and meet local conservationists. The tour is designed to offer layers of experience for participants to discover, enjoy and engage.

NPA licenses ANF Agritours to conduct Nature Seeker Adventures. A portion of each ticket sale contributes to the conservation work of NPA.

Call 1300 722 420 for more information or great travel insurance go to www.smh.com.au/store

You will also have the opportunity to join one of Australia's most respected and distinguished parliamentarians, Bob Carr, and his wife Helena, who are ambassadors for this tour.

This special tour includes:

- Return economy class airfares to the USA
- Accommodation on a twin share basis
- Internal US flights as indicated in program
- Deluxe a/c coach transportation
- Business class upgrade available
- Tour extensions and holiday bookings can be organised upon request

Terms and conditions: Please note your contract is with ANF Agritours Australia Ltd. NPA 274 4800 ABN 55 003 871 419 who is responsible for conducting and leading the tour. Bob Carr and Helena Carr are full paying participants. Prices per person twin share. Single Supplements are \$2,095. Cancellation policies apply. Airline and fuel surcharges calculated at time of booking. Airfares are subject to availability at time of booking. ©COPYRIGHT IMAGE21 - US National Parks Service