Effect of Licensed Merchandise on Fan Engagement

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Abstract

Background: The paper aims to find the correlation between merchandising and fan engagement in football. This research is being done on data collected on the responses from the fans that follow the football rigorously and recreationally. Methods: The responses gave a fair idea on why football fans in general are connected to the club and its merchandise. Merchandise not only gives them a sense of belonging to the club but also an acceptance amongst other football fans. Conclusion: It is clear from the paper that fans like to engage with the clubs with respect to merchandising and get drawn more when the club starts listening to their fan base.

Keywords: Sports Merchandising, Football Merchandising, Indian Sports, Sports Licensing

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1.Introduction:

Sports have gone through a lot of changes in recent years which have led to various avenues of revenue generation for clubs. Any sector in any field does care about revenue generation as it is the oil that is needed to make sure that the engine (the entire organization) runs smoothly. From revenue generation only via tickets, we went to broadcasting revenue, then TV rights and now, licensing. Commercial merchandising has been reaching new heights on a regular basis. Be it the image rights for the Olympics, FIA or even FIFA, organizations have used it to their benefit and also made it a source of revenue. Gone are the days where you could just use any logo of an organization without prior permission and not get any legal notice. Image rights have also been a massive plus point in the market value of athletes. The licensing and merchandising business depends a lot on contract negotiations. The better you negotiate the better deal you can get for your license. There is no structured way to go about it because the licensing fee for different clubs is different and it depends on a lot of factors ranging from the club’s history, the players playing in the club and the support that the club gets, internationally.

There are various aspects involved that leads to the relation between club’s merchandising and fan engagement. What it basically means that any fan would love to be associated with the club in some way or the other. Be it by purchasing a piece of club’s memorabilia, work for their club’s non-profit organizations or by buying the merchandise of the club. It gives them a sense of belonging and association to the club that they love. Another factor that influences the purchase of licensed merchandise is impulse. Impulse buying broadly refers to the immediate urge to engage in unplanned purchases. Sport consumers may exhibit many of the characteristics that foster a tendency to engage in impulse buying¹. Different sets of fans show different reasons/motive for the purchase of a club’s merchandise. For some, it was their desire to publicly show their affiliation with the team and to express their support for the organization, while for the others; the need to belong in the group of team supporters was also a strong motive². It has also been quite obvious on why a lot of clubs are deviating towards a licensed merchandising model as it presents them a new line of revenue generation. To be successful in such in intense competition, it is extremely important that clubs know the value of their brand and monetize anything and everything that they can. Teams now try to direct their consumers through the stores in which they market team related products³. Another smart move that has been done by the professional team sport industry, especially in the United States of America, is that they have tried to make a symbiotic relationship.
with patriotism. One means by which the organizations perpetuate this association is through league logos, all of which use only the colors red, white and blue—the precise color combination found on the flag of the United States[4]. There are also a certain set of fans who support a club due to a particular athlete and want to be associated with the club till the merchandise involves that athletes name one way or the other. The dimensions of athletic star power ranges from Professional Trustworthiness, Likeable Personality, Athletic Expertise, Social Attractiveness and Characteristic Style[5]. One of the biggest enemies of licensed merchandising is counterfeit. What usually happens is that apparel, if a company has to use a club’s logo, they need the trademark of that logo and they have to pay a royalty to the club which leads to an expensive end product. To let go of the royalty, companies release counterfeits and fans end up buying them as they get a cheaper alternative. This is where the clubs reach out to the supporters by keeping in account the loyalty aspect[6]. Depending on the socio-demographic attributes of the fans such as gender, education, income and place of residence their purchase channel changes. Few are associated with the purchase channel of the clubs while the others depend on the third-party applications and websites[7]. As mentioned earlier, a contract ties down all the parties to the clubs when it comes to them selling any licensed merchandising. This contract is extremely useful when it comes to strategizing and executing an advertising or marketing campaign. In this contract, the term of royalty is agreed where the licensor receives a financial award from the licensee[8]. One of the main purposes behind clubs opting in for merchandising is that it opens their doors to a new avenue of revenue generation. The revenue structure consists of revenue from tickets, television rights, broadcasting and merchandising and hence it is important to have a proper licensed structure in merchandising[9]. The value of any sport franchise depends on lot of aspects ranging from common and broader ones to uncommon and narrow ones. Usually, one of the most important things that taken into consideration while evaluating a club, they only look at how much money it is bringing in rather than looking at the coach under which the team is playing, the team and players that are getting the support from the fans and more importantly, how much do the fans actually mean for the club[10]. Not just professional sports team. In the USA, the market of licensed university merchandise is growing exponentially and it has proven to be a wonderful setup for university to use the money that they get from the merchandising back in building the team. It is indeed important that universities from different countries also follow a similar blueprint so that the stakeholders can benefit from the same[11].

This study’s objective is to see the correlation between merchandising and fan engagement as a whole which will help football clubs to create engagement models around this and make the fan their primary source of entertainment as well.

2. Material & methods:
The aim of the research is to learn the effect of merchandising on a club’s revenue system and how it has also led to the increase in the engagement of fans. The study predominately focuses on the top 15 most valuable clubs in football. (Transfermarkt, 2020) As per the current market scenario, the following table shows the most valuable clubs in football.

<table>
<thead>
<tr>
<th>Club</th>
<th>Competition</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manchester City</td>
<td>Premier League</td>
<td>₹88.29bn</td>
</tr>
<tr>
<td>Liverpool FC</td>
<td>Premier League</td>
<td>₹82.15bn</td>
</tr>
<tr>
<td>Real Madrid</td>
<td>La Liga</td>
<td>₹78.53bn</td>
</tr>
<tr>
<td>FC Barcelona</td>
<td>La Liga</td>
<td>₹73.80bn</td>
</tr>
<tr>
<td>Bayern Munich</td>
<td>Bundesliga</td>
<td>₹71.05bn</td>
</tr>
<tr>
<td>Chelsea FC</td>
<td>Premier League</td>
<td>₹69.16bn</td>
</tr>
<tr>
<td>Paris Saint-Germain</td>
<td>Ligue 1</td>
<td>₹65.53bn</td>
</tr>
<tr>
<td>Atletico Madrid</td>
<td>La Liga</td>
<td>₹59.79bn</td>
</tr>
<tr>
<td>Tottenham Hotspur</td>
<td>Premier League</td>
<td>₹58.41bn</td>
</tr>
</tbody>
</table>

**Table 1. Market Value of top 15 football clubs**


Manchester United | Premier League | ₹54.96bn
Juventus FC | Serie A | ₹51.72bn
Arsenal FC | Premier League | ₹50.35bn
Borussia Dortmund | Bundesliga | ₹46.50bn
Inter Milan | Serie A | ₹46.18bn
SSC Napoli | Serie A | ₹44.57bn

Source: Transfermarkt

The market value of any club depends on the league that they are playing, the broadcasting revenue it generates, the market value of players associated with the club, the various deals signed by the clubs be it kit, apparel, etc., and also their licensing fee. This licensing fee depends on what the club’s market value is. So when you compare the licensing fee of Manchester City and Inter Milan, it wouldn’t come as a surprise that the fee of Manchester City is higher due to the league in which they play and the individual market value of the players as well. Now this is not always the case. It also depends on the international fan following of a particular club. Reason being that if a club is followed internationally by a lot of people; it increases the chance of that merchandise being sold that much. To compare this with an Indian perspective, a survey was undertaken using a questionnaire that was shared on Google form with the population that follows football either rigorously or habitually. There were a total of 10 questions that was asked to the population and for the majority of them, they either had to answer in Yes/No/Maybe. The reason behind targeting a set of individual who follow sport was to see the effect of licensed merchandising on fans that love the sport/team. If an individual isn’t following a particular team, it doesn’t make any sense to target that set of individual anyhow since he/she won’t be interested in the merchandise anyway. It was made sure that the participants that were involved in the survey spanned across various age groups and backgrounds. This was done to make sure that across various behavioral patterns, we see a consistency throughout the population.

3. Results and Discussion:

Once the survey was conducted and the answers were received, it was compiled in a sheet format so that it was easier to take every response into consideration. A total of 150 people participated in the survey and the results showed a trend that was expected. A total percentage of yes/no/maybe is given below of all the questions that were asked to them. The love for sport was obvious from the target population based on the responses received as over 66% of them agreed that they do follow the sport because they like football in general and not because of their affiliation towards a certain club. This was backed by the responses received on whether they will go to any lengths to show their support of a favorite club as over 83% of them declined which confirmed that every fan has a ceiling. To know whether my sample had ever consumed a club’s merchandise, I had to ask them about the same and I got an overwhelming response of over 95% consuming some or the other form of merchandising related to football. One of the common issue of Indian football fan’s is the price that they have to pay to consume any form of merchandise out of India which was backed by over 92% denying that they had purchased merchandise from any club’s website. This was also backed by the next question which asked them about the monetary effect on the purchase where over 70% agreed that yes the price of the merchandise is indeed one of the primary reason on them buying any form of product. In football, or any sport, the loyalty of fans is of primary importance as your fan base can drive the success of your club and this was backed by 60% of people declining to purchase the merchandise of any club even though they have a discount going on them. Due to the love of the fans for the club, fans sometimes resort to counterfeits because they can’t afford the original merchandise but still want to be a part of the fan club which was backed by 80% of sample size agreeing to purchase a counterfeit. Eventually, all that matters to a fan is belonging to the club that they have been supporting for ages and merchandise is one of the primary source which a club can use to its overseas fans and this was backed by 90% of sample size agreeing that yes, when they wear the merchandise of the team/sport they follow, they feel part of the cult, i.e., the fan club! From the above results, we can easily interpret that club’s merchandise do mean a lot when it comes to fan engagement. Be it a club that’s performing really well on the field or the one that is not performing properly, when it comes to merchandise, the fan just wants to be related to it. This is where Indian football clubs can bridge the gap when it comes to finances. What has been a pretty evident issue when it comes to buying...
merchandise of the big clubs is the amount that they charge. This amount involves exclusivity along-with freight charges as the merchandise that gets ordered from the club’s official store comes from their country. But, for Indian football clubs, that can act as a huge help for costing their merchandise. There is still no centralized structure of buying merchandise when it comes to Indian football clubs. When it comes to ISL clubs, they are tied up with third party websites that sell their licensed merchandise and even that’s not at one particular place because the tie up for different clubs is different. I-League is a completely different ballgame as for few clubs there is not even any merchandise available. This can be directly related to the support that these clubs can receive from the 130 crore population of our country as every fan would love to be a part of the club and don their colors irrespective of them watching the match either from the stands or anywhere else.

4. Conclusion:

It is unfair to compare the fan bases of Indian football clubs and the ones in Europe because they have been around for over a century! Having said that, Indian clubs can definitely benefit from the population advantage. A lot of European clubs have a separate marketing campaigns when it comes to catering their Indian fans because they know that number is huge and that number can actually make a huge difference when it comes to fan engagement and merchandising. Indian clubs need more such campaigns and merchandising activations that fast-track them towards success when it comes to engaging with their fans. Hence, the research paper reaffirms the fact that although the European clubs are way ahead in fan activation in comparison to Indian clubs, Indian clubs can learn from their case-study and build a better model around club merchandising.

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