

Financing the Underdogs: Business Strategies of Small-Market Sports Teams

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ABSTRACT

Small-market sports teams do not have the luxury of a massive media outlet, or an absurd salary cap that attracts superstars. These small market teams are not able to create a superteam that fans from any region of the U.S would be grateful to watch. To generate revenue and stay afloat financially is a task of itself. These small-market teams must rely on non-materialistic attributes to survive in the professional sports world. In this essay I will discuss three market strategies that the Memphis Grizzlies and similar small-market teams have used to not only stay afloat but create a system that brings in new supporters and revenue.

Introduction

The announcer introduces a star player as he runs onto the court. Many fans in the arena proudly wear jerseys just like his as they anticipate seeing a star player in his prime. The atmosphere is electric and ironic--ironic because this is not a home game for the star player. He is playing in Memphis against the small-market Grizzlies. The attention thrown on the star player creates a "grit and grind" mentality among the Grizzlies' players and among their loyal fans. The underdog mentality, just like the star-player system, creates both fan appeal and marketing potential. This style of play unites small-market teams--franchises that may not have a star player--to be just as strong as, or at least competitive with, teams that feature a superstar. Every player on the Grizzlies is hungry to prove people wrong, contributing to their success as a small-market team.

Fans attend games hoping to support local sports teams, watch intense competition, and admire the size of the facility. Many people do not realize the strategies and effort it takes to just keep the team afloat financially. This is even more true for small-market sports teams due to their reduced media coverage and smaller fanbase. Small market teams use market strategies that create a winning atmosphere, encourage players to give back to the community, and build partnerships with area businesses to stay competitive and generate revenue.

Grit and Grind

Small market teams often use a grit and grind mentality to create a winning atmosphere that motivates players to join and improve which generates revenue. The term "grit and grind" refers to making the most of whatever financial and human resources a team has at its disposal to reach a goal. The Memphis Grizzlies, for example, do not have a large market that can attract expensive star players; however, they have relentless energy and play with a chip on their shoulders, creating an underdog mentality with a passionate team-first atmosphere. This mindset motivates players to work harder and improve. In the article *Is Memphis the NBA's Next Small-Market Success Story?* Seerat Sohi (2022) says, "Every front office has a type, and when a front office acquires enough of the same kind of player, a culture can organically emerge. Memphis, by hitting on draft sleepers, naturally aggregated players who believed in themselves when others didn't, who clung tightly to their NBA dreams and worked hard despite not getting recognition." By

targeting players that the Grizzlies believe will play selflessly for the success of the team rather than individual accolades, the Grizzlies build a grit and grind culture.

The public image of a high-energy, selfless team that the Grizzlies have created for itself has allowed more players to consider Memphis as a destination. For example, "[Ja] Morant's energy and unselfishness could eventually attract free agents to Memphis. 'If he was out in the media,' says [NBA executive Andy] Shiffman, 'making it all about him, guys don't want to play with those guys. But Ja's not that type of person.'" Shiffman further explains that, "[s]lowly over time, Memphis is becoming more of a destination" (Sohi, 2022). If Memphis were to attract a player with a large fanbase, the team would bring in even more revenue and more publicity. Additionally, with another impactful player alongside Morant, the Grizzlies are more likely to be successful in the season and win more games. Winning teams bring in more fans and more business opportunities. "As a result, the Grizzlies have a deep well of players with the skill and versatility necessary for today's game, but with the mindset of the underdogs who used to lead this franchise" (Sohi, 2022). The team has a system, and consistency is part of helping the team as a collection of strong individuals achieve more than people expect. The team, then, gains both local fans and everyone who does not want to be a part of the big team bandwagon.

The grit and grind mindset shared by the players resonates with fans and connects them with other potential ticket buyers. The underdog mentality shown in the Grizzlies' style of play is relatable to many aspects of viewers' lives. The spectators are more inclined to support a team they resonate with. By attracting fans that are able to relate to the team on a deeper level, the Grizzlies can essentially turn these fans into marketers themselves. Referrals made by these fans are considered, "...the golden leads to any salesperson in any sales industry. The internet and in particular the secondary market like StubHub capture customers who have purchased one game from the ticket system. This referral of name, address, email, and phone number is then forwarded to the NBA sales department" (Dick & Shwarz, 2020, 44). Referrals are important because they help to multiply attendance. Customers can be turned into marketers and their interactions with their friends/family bring in more customers. However, others argue that their grit and grind style of play is unappealing to watch. "By dedicating resources to defense first, the Grizzlies are committing themselves to have a better chance to accomplish their ultimate goal. They are also, however, committing themselves to un-watchability" (Brown, 2013). Though this style of play is not captivating offensively, a winning season can make up for the lack of showy offense.

Player Volunteering

Encouraging players to give back to their communities gives the team a positive public image, which makes local businesses more inclined to form a mutually beneficial business partnership. One of the ways to create this partnership is for individual players to volunteer in their communities. For example, Marc Gasol and Mike Conley volunteer at local hospitals and have earned praise from Rick Shadyac Jr., President and CEO of ALSAC, the fundraising and awareness organization for St. Jude Children's Research Hospital.

"We're especially blessed to have the support of Marc Gasol and Mike Conley, who are two of our most dedicated ambassadors," Shadyac said. "These guys spend hours at the hospital interacting with kids in genuine and authentic ways. These are intimate conversations these two choose to have with kids who look up to them. It's not just photo opportunities and appearances. It reminds these kids they are kids. And for the kids to be able to spend time with people they see on TV is an incredible experience for them. (The children) talk about it all the time." (Wiedower, 2016)

Grizzly players are making a difference in the world outside of basketball. By doing this, the Grizzlies get the whole Memphis community to back them. People want to support a team that makes a difference in the world. Brands want to support a team that is viewed positively by the public. Local businesses want to be associated with these kinds of teams as well. All of this generates more revenue.

Patrick Fitzgerald, Vice President of Integrated Marketing and Communications with FedEx agrees that the Grizzlies have found success in the sports marketing world. Fitzgerald says, "They've been an amazing organization

from commitment to the community, and that's from ownership to the players. They consistently get players who go out of their way to give back to the community, and we're proud to be associated with that" (Sheffield, 2016). A factor that allows the Grizzlies to be a successful small-market team is their role in their community. Because the players give back to the community and the grizzlies consistently bring in players that do the same, businesses are keener to partner with them. Businesses want to be associated with a team that does good for the world.

Small market teams also polish their public image and generate more revenue when they aid communities that have been struck by disaster. For example, small market sports teams in New Orleans helped out their community after Hurricane Laura devastated the city. "The New Orleans Saints, Pelicans and the NFL Foundation announced today a \$500,000 donation to provide relief to victims of Hurricane Laura, the most powerful storm to hit Louisiana in over 100 years. The Saints and Pelicans are working with three non-profits including Feeding Louisiana, Community Foundation of Southwest Louisiana and the American Red Cross of Louisiana to actively support southwest Louisiana's storm recovery efforts" (NBA New Orleans Pelicans, 2020). The Pelicans and Saints create a symbiotic relationship with their community by donating money to these nonprofits. Similarly, the Grizzlies raised money when Memphis police officer Sean Bolton was fatally shot (NBA Memphis Grizzlies, 2015). When these small market teams aid their community in its recovery from natural disasters and other tragedies, those who understand and are affected by disasters are more likely to support these teams.

Partnerships with Local Businesses

In much the same way that professional teams connect with their local communities, teams also create a symbiotic relationship when they connect with businesses. These partnerships with local businesses benefit both the company and the small-market team. This networking with the team benefits the business by rewarding hard-working employees and creating a social atmosphere. For example, the Columbus Blue Jackets, a relatively small-market NHL team, utilizes the tickets to create business partnerships that help companies motivate employees and even customers. Mike Stasko, a Vice President of Sunny Street Cafe, uses season tickets for in-store promotions such as drawings and raffles. The personal touch of a question and answer session creates strong networking between the team and the business. Stasko says, "It's always nice to do a Q&A with your Jackets rep or some of the higher ups. I learned a couple of things from that, and also just the general networking. Everybody shares that common interest in the Jackets, so you can hit it off that way and grow from there, so a couple of things that my business needs or on a personal level that I need, I was able to make those connections" (Foglia, 2015). This sort of interaction creates strong business partners. The shared interest in the Blue Jackets is used as common ground to build connections and hire valuable employees. Happy and valuable employees are more likely to work harder for their company. This creates a cycle that generates more revenue for the business.

Similar to the way businesses capitalize on their relationship with small-market teams, these teams are able to generate a consistent revenue from this relationship. The small-market teams benefit from this network because they are able to gain more season ticket customers with disposable income. These customers are integral to the financial success of the team, "Season tickets are always where the majority of the revenue is located in ticket sales. Season ticket holders are the backbone of any sports franchise while ticket sales are the blood that circulates through the organization. The 80/20 rule is in effect with 80 percent of our ticket sales revenue comes from 20 percent of our ticket holders who are our season ticket holders" (Dick & Shwarz, 2020, 44). Season tickets holders are important because this is revenue that owners can count on even if the team has a failing season. Those ticket holders also have more investment, take more pride in the team, and invite friends and family, which creates more revenue. They also buy products with their disposable income to show their brand loyalty.

Conclusion

Before a team can even hope to win a championship or even a game, the team's management must have a clear market strategy to be financially stable. While a large-market team can afford to buy a superstar to attract more fans, a small-market team needs to create a tight-knit team that separates themselves to be successful (Birchmore, 2021). A team does not need a large media outlet, numerous superstars, or a massive city to generate revenue and be profitable. A team that creates a winning atmosphere with players that make a difference in the world outside of basketball will attract business partners, bring in more fans, and even generate more revenue. The revenue can be used to acquire new players to increase the success of the team and even provide better training resources. This method contributes to a circle of success where increased revenue can create wins.

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