

Alexandru Lucian MIHAI  
The Doctoral School of The Bucharest University of Economic Studies,  
Romania

# MARKETING CHANNELS AND DISTRIBUTION DECISIONS IN THE SPORT BUSINESS INDUSTRY

Theoretical  
article

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## Keywords

Distribution intermediaries  
Distribution systems  
Marketing channels  
Sport business industry

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## JEL Classification

M31

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## Abstract

*The sport business must determine how to get its products from the manufacturer or producer to the consumer. Additionally, in this industry, there are products produced at a point where the consumer must be present at its production to consume the product. These products are sports events, such as a professional basketball game, a football match, or a super cross race. In these types of products, the event - the product - is staged at a facility where fans will gather to watch. The sport business will have made decisions regarding the facility in relation to location and other factors that will make the facility attractive to the consumer as a place in which to consume these types of products.*

*This paper presents a brief overview about distribution in the sport business industry, the role of distribution in marketing strategy, the selection of a distribution network, and the types of distribution intermediaries available for moving and / or offering sport business industry products.*

## Introduction

A sport business has to get its product to the consumer, or, in some instances, get the consumer to the product. This is called *distribution* (also called *place*). There are many different ways this can be done. For example, there are tangible and intangible products, and each has to be delivered or transported in unique ways. There are many categories of consumers such as the end consumer and the business consumer. Some distribution channels work best for different types of consumer, and there are different marketing channels with different costs involved. For example, the cost to ship one product in one package for next-day delivery for one consumer is much more expensive than the cost of shipping a large truckload of thousands of the product with a three-week delivery period to a retail store.

Distribution involves identifying distribution channels or intermediaries and determining the cost of distribution, the best distribution process for a specific product, and the distribution intensity. The distribution system is contingent on the type of product, the best interests of the sport company, the consumers, and other factors.

A *distribution system*, also called a *marketing channel*, includes the methods and channels used to deliver products from producer to consumer. An *intermediary* is an individual or organization through which products move from producer to consumer.

## PRODUCT TYPES IN THE SPORT BUSINESS INDUSTRY

There are two broad categories of products in the sport business industry: those products that must be manufactured and then moved from the manufacturer to retail points for purchase by end consumers; and those that are produced in a place where the consumer must be present to consume. In the first category, products such as basketballs, tennis rackets, and motorcycles must be manufactured at a place of production, then moved from there to a location where the consumer will shop for that product. In the second category, these products are comprised of those types of products that must be staged at a fixed facility. For example, the consumer will be either watching a sports event at an arena, or participating in a sports activity such as hiking, skydiving, basketball, or working out.

**Sports activities** are participation products such as participation in basketball, bowling, scuba, hiking, sky diving, running, weight training, sailing, water skiing, golf, and snow-boarding. The consumers of these products are people who want to participate in these activities. Numerous sports, fitness, recreation, leisure, and sports tourism activities are offered to millions of different consumers today. The activities are offered to the

consumer in a number of ways such as leagues, tournaments, championships, races, meets, regattas, outings, and adventure travel packages. Consumers of sports activities are end consumers, although there can be some business-to-business transactions surrounding the activity such as sponsorship. The type of distribution for these products is direct: from producer to consumer. Examples of producers include city parks and recreation departments that offer basketball leagues; a privately owned sports complex that offers snow skiing; a sports organization that offers a roller hockey tournament; and a sports club that offers yachting tournaments, sailing races, or scuba outings. The exchange is directly from producer to consumer.

**Sport business goods** are tangible goods such as sports equipment and apparel, artificial turf, facilities, and trophies. This type of product must be manufactured or produced in factories, shops, or plants and must be transported from the factory to a place where the consumer can purchase the good. The distribution system for these products will be either direct or complex, depending on the product type. Most sports equipment, for example, is manufactured in a factory and must be transported from that factory to where the consumers can purchase the product.

**Sport business services.** Many of those millions of sports participants are going to need their sports equipment cleaned, repaired, and/or maintained. This, of course, sustains a fairly large industry segment of services such as tennis racket stringing, golf club cleaning, pool maintenance, and equipment repair. For these products, which are primarily intangibles, the distribution is usually a direct exchange. For example, a tennis player with a racket in need of new strings and stringing takes the racket to a person who can perform this service. Other products are business service products. These consumers are business consumers. Therefore, typically the exchange is a business-to-business exchange. For example, a sport company needing sponsorship management services will work directly with the provider of these services.

**Sport media.** Some examples of sport media are sports magazines (print), electronic sports businesses (Internet-based businesses), and industry trade magazines. The consumers of these can be either end or business consumers. Consumers of sports magazines are end consumers: those who want to see and read about sports, fitness, and recreation activity. Distribution can be either complex or direct. For industry trade magazines, however, the more typical distribution is direct. There are a number of Internet-based sports businesses today. These businesses use one distribution channel - the World Wide Web - as a point of purchase. However, the delivery of the

actual product requires transporting the product to the consumer.

**Sports entertainment.** Some sports events are produced and sold as entertainment products. Consumers of sports as an entertainment product include both end and business consumers. End consumers are those who are typically called “spectators.” Spectators go to the event to watch the event and be entertained. Business consumers can be one of two types: those corporations that purchase the box seating (skyboxes or corporate luxury boxes) or those companies that purchase advertising, sponsorship, or other similar space at the event. Distribution depends on the type of consumer. Distribution to end consumers usually occurs through a complex system of ticket retailers and brokers. Sales to the corporate business are usually direct.

### DISTRIBUTION OF PRODUCTS

Sport distribution, or place, is concerned with how and where consumers get access to a sport product or service in order to use it. There is little use in having a great product available for a value price if consumers cannot easily acquire it. Distribution is therefore an instrumental part of the marketing mix. When the term ‘place’ is employed in sport marketing it refers to any location or method for distributing a product. Distribution means transporting a product from the producer or sport organization to the final consumer. There are several major ways in which sport products are distributed in the sport industry. It is a good start to keep in mind that sporting goods and services are distributed differently (Smith, 2008).

**Tangible products** are physical objects. Most are manufactured in mass quantities at a factory and must be moved – distributed - to a place of purchase - retailer or wholesaler. For example, running shoes are manufactured in a factory and must be moved to a retailer to be sold.

**Intangible products** are not physical objects and include products such as services, places, and ideas. In addition, entertainment is included in this category. Most intangible products are not produced until ordered by the consumer. In a fitness center where laundry services are offered, the consumer must order the service, then simply leave dirty laundry in a bag in a certain spot. The center will perform the service and return the clean laundry to the locker area. Entertainment, however, is scheduled for a specific date, time, and place and the consumer must be available at that time and be able to go to the place where the event is offered. A football game, for example, can be offered as an entertainment product. The game will be scheduled at a specific date and time and in a sports facility. To consume the product, the consumer must travel to the facility and watch the game. In addition, the game is not produced, or manufactured, until the

players play the game. Therefore, the consumer must be present when the game is played.

Based on extensive market research, economic trend analysis and environmental scanning, the sport marketer can determine current demand and predict future customer needs. This should lead to market information on which specialists such as the architect and the engineer can base their sport facility planning and construction. If the sport marketer can influence facility location, design and construction decisions, the place variable will be optimised in terms of facility opportunities. It should be noted, though, that many sport marketers have to work with existing sport facilities (Shilbury, Westerbeek, Quick, Funk & Karg 2014).

### TYPES OF DISTRIBUTION INTERMEDIARIES

Distribution channels have different lengths, and as a consequence they may be characterised as *direct* or *indirect*.

A **direct distribution channel** is short where the producer sells the product directly to the consumer. For example, a sports physiotherapist produces the service and sells it directly to the consumer. Direct distribution also occurs when a sporting good producer sells products on the Internet, or by direct mail. Many manufacturers of sport products do this in addition to the use of normal retail stores (Smith, 2008).

An **indirect distribution channel** is long because there are a number of organisations or people involved along the way. Those in the middle are usually called intermediaries, because they mediate between producers and consumers. When it comes to sporting goods, wholesalers and/or retailers are added into the channel (Smith, 2008).

The truck, plane, ship and train are examples of distribution intermediaries. Others include wholesalers, retailers, agents, brokers, distributors, sales agents and shippers. *Distribution intermediaries* are those individuals or organizations through which products are moved from producer to consumer. They are the links through which products move on the route from manufacturer to consumer. The sport business management, as part of the overall marketing plan for a product, should have decided before a product is manufactured which intermediaries will be best for the company, the product, and the consumer. The determination of distribution intermediaries is a part of the development of a distribution plan.

The sport organisation must distribute the sport product/service to the sport consumer in the right place, at the right time. Efficient and effective sport distribution is important if the sport organisation is to meet its overall sport marketing and broader business objectives. If a sport organisation underestimates a demand and

customers cannot purchase sport products/services because of it, organisational profitability is affected (Blakey, 2011).

There are a variety of distribution intermediaries available to the sport marketer:

- **sport wholesaler** - a company that buys goods in large quantities specifically to resell to retailers or final consumers. This reduces transport costs to the sport manufacturer (fewer journeys to the sport wholesaler rather than many journeys to sport retailers) and sport retailers can order in smaller amounts from sport wholesalers. Sport wholesalers provide storage facilities and, increasingly, co-ordinate the logistical process of ensuring demand meets supply at the point of purchase.
- **sport distributors/agents** – provide a link between sellers and buyers. Agents are not always employed by the sport company, but sell the sport products/services for a commission. Agents are mainly used in international markets.
- **sport retailers** – may miss out the sport wholesaler, instead ordering directly from the sport producer and then using their own system of distribution. The advantage for a sport producer is the greater level of control over the marketing of the sport product/service. Alternatively, a sport wholesaler acts as the intermediary through which the sport retailer sources their stock of sport products. Sport retailers hold several sport brands and sport products are promoted and merchandised by the retailer. The sport retailer also determines the final selling price of the items for sale.
- **direct approaches** are used by other sport businesses as their key distribution channel to sell sport products/services directly to the sport consumer. The most common channels for direct distribution are: direct mail, mail-order catalogues, telephone sales, internet (Blakey, 2011).

In sport retail management, success is often measured by the amount of profit. Sometimes numbers lie. It is equally important to coordinate policies and strategies, and assess performance, to work toward reaching the goals of the sport retail organization. By incorporating and evaluating the overall organisation, sport retail firms of any size or format can create a high-quality retail experience for the sport consumer. As sport retail management continues to grow, its future is evolving into new areas. The sport industry continues to grow globally, which has opened new international and global markets to sport retailers.

Sport retail management is the end result of the distribution process, and is the focal point for the sale of the sport product to consumers for their personal consumption. Without sport retailers, there is no sale of the sport product, and sport marketing becomes useless. While there are many challenges, success in sport retail management is probable if a sport retail firm has a solid retail strategy, strong organisation, sound application of the sport retail mix, and effective and efficient merchandise management (Schwarz, Hunter & LaFleur, 2013).

## DISTRIBUTION SYSTEM

The distribution plan is called the distribution system (also sometimes called a distribution network, distribution channel, or marketing channel). The *distribution system* is the system developed for moving products from producer to consumer. There are many different systems because there are many types of companies, many different types of products, and many different consumers with different needs. The distribution system selected must be one that is effective and efficient for the manufacturer or producer, the intermediaries, the product, the company, and the consumers. In addition, the company must give serious consideration to the environment. The management must not be fooled into thinking that the fastest or most economical method for moving products is also automatically environmentally friendly. A question a sport marketer or sport management executive will always face is one of ethics: If something is good for the company, is it okay for the environment, and is it ethical to proceed?

A distribution system can range from direct (also called simple) to complex.

A **direct distribution system** is one in which only the manufacturer and the consumer are involved (figure 1). In a direct system, the sport product moves from the manufacturer or producer directly to the consumer. There is no intermediary involved. A few examples include the following:

- A sport sponsorship management company that sells services directly to a client,
- A tennis pro who sells lessons directly to a student,
- A sport facility construction company that sells directly to a college athletic department,
- A city parks and recreation department that sells basketball leagues directly to teams, and
- A professional football championship game that sells directly to the spectator.

A **complex distribution system** is one in which one or more intermediaries are involved in the movement of the sport product from the

producer to the consumer. Examples of routes of a complex system are illustrated in figure 2. In one network, the product moves from the producer to an agent to a retailer and then to the consumer. In another network, the product moves from the producer to a distributor to a retailer and then to the consumer. In a third network, the product moves to a wholesaler and then to the consumer.

In most instances in which intermediaries are involved, the final price of the product to the consumer is higher; hence, the popularity of a phenomenon called the “outlet store” or “factory-direct” store. No intermediaries are involved, which keeps the cost of moving the sport product very low. This results in a lower price to the final consumer and an increased profit margin for the manufacturer. When intermediaries are involved, the price of the product to the final consumer is driven up. For example, the manufacturer sells the sport product to a distributor who sells it to a retailer who sells it to the final consumer. Each entity involved must make a profit.

However, intermediaries are necessary for many products. Although the costs of intermediaries drive up the final price of the product, many products would not be available to consumers if intermediaries did not exist. Figure 3 illustrates how many manufacturers use these intermediaries to distribute products, to reduce the number of transactions between consumers and manufacturers, and to increase effective and efficient transportation of goods from producer to consumer.

### SELECTION OF A DISTRIBUTION SYSTEM

At first glance, the task of selecting a distribution system might seem overwhelming because there are so many options. However, if the sport marketer will first consider the factors that will affect the final selection, this will help guide the sport marketer’s decision-making process.

An important element to remember is that the distribution system should be consumer driven. After all, it is the consumer who will purchase the product. Therefore, the product must be offered to the consumer when, where, and how the consumer wants it - time, place and possession utility. One idea is to begin with the consumers of the product and trace the path from the consumer to the manufacturer.

It is important that the sport marketer analyze each factor that affects the final selection of a distribution system or channel, and understand how each one is interrelated to others, and how the distribution system considered fits with the overall marketing objectives.

- **The consumer.** Consumers want a product when, how, and where they need or desire it. This must be studied and understood by

the sport company in order to know when, how and where to distribute products.

- **The sport company.** The position of the sport company will influence distribution. For example, the company might not be able to afford the higher-priced distribution channels or intermediaries and will have to select less expensive ones. The location of the company might be a barrier. If the company is in a city with no airport, distribution intermediaries will be limited to other forms of transportation.
- **The sport product.** The type of product will influence how it is distributed. Shelf life, for example, is the amount of time a product can last before it loses quality. A football game has a short shelf life. The game must be consumed at the moment it is produced. A basketball has a long shelf life. It can remain in a sporting goods store for a long time until consumed. Products that are services require different distribution channels. A good is usually transported from producer to consumer through intermediaries. A service is usually sold directly to the consumer without the use of intermediaries.
- **The competition.** Unless the sport company has the only product of its kind, the sport company has competitors. To stay in business, the company must take its competitors into consideration when making almost all business decisions. This information could help with ideas or could shed light on why the competitor always gets its product to the consumer first.
- **The climate.** Laws, politics, the economy, ethical considerations, and environmental concerns will all have an influence on decisions about distribution. These should be constantly monitored so that the information gained can be used in determining distribution systems.

One of the elements of distribution on which the sport marketer must decide is the intensity of the distribution of the product. The degree of distribution intensity will affect sales of the product and is linked to positioning the product. **Distribution intensity** is the amount of distribution selected for a particular sport product. Distribution intensity ranges from intensive to exclusive and is contingent on most of the same factors that affect the sport marketer’s decisions on distribution channels.

### Conclusions

A sport business must decide how to get its product to the consumer through a distribution system and strategies. The selection of a distribution system is affected by many factors

including the consumer, the company, the product, product positioning, the climate, and distribution systems available to the sport company. Distribution intensity will determine how extensively the product will be made available to the consumers. Different distribution channels work best for different types of products and different types of consumers. Each distribution channel has unique costs involved that should be given serious consideration in the selection process.

There are many different products in the sport business industry. Distribution decisions depend on the type of product, the consumer, the company, the climate, and the competitor, among other factors. The ultimate decision is to find the most appropriate way to get the product to the consumer, or the consumer to the product, when and how the consumer needs it, and in a way that meets the company's objectives.

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Figure 1: A direct distribution system

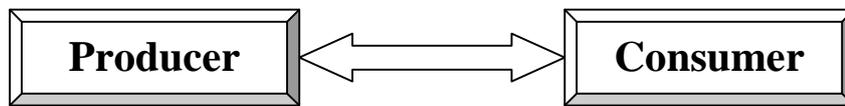


Figure 2: A complex distribution system in the sport industry

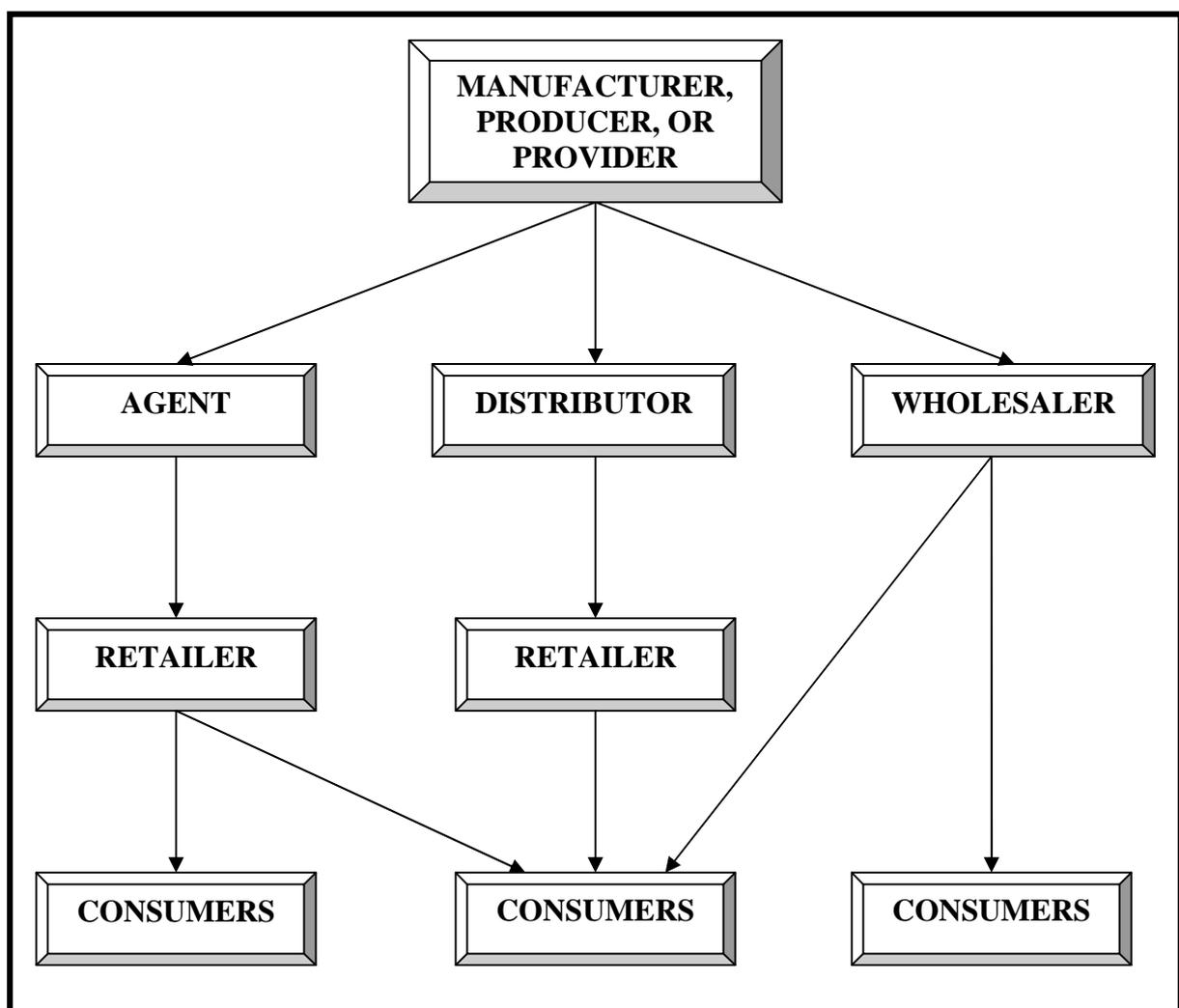


Figure 3: How an intermediary reduces the number of required transactions

