

Demand Analysis

Objectives. Design and implement a research project to determine the value of non-price promotions at Major League Baseball (MLB) games, including analysis of the effect of the size of promotions and the frequency of promotions on increasing game attendance.

Challenges & Methodologies. At the time of the analysis, nearly 85% of MLB teams failed to fill their stadiums to 75% capacity annually, despite the fact that MLB teams rely heavily on sales promotions as a method to increase attendance.

Some challenges with this strategy are that teams need to understand how to prevent price elastic consumers from “cherry-picking” - substituting a promotional game for a non-promotional game. Moreover, the rapid growth in the utilization of sales promotions has resulted in promotional clutter, with a danger that consumers will become increasingly immune to their influence.

To understand the impact of promotions on attendance, an entire season of attendance data for all MLB teams was gathered, and interviews with key MLB marketing decision makers were conducted to verify its quality. Advanced econometric techniques were used to elicit responses to the various hypotheses regarding the effect of promotions on team revenue, while controlling for other factors which influence game demand.

Outcomes. A final report was completed that fully explained the results and submitted to various key marketing managers to interpret implications for their own future promotional strategies.

Specifically, the research found that a promotion increases single game attendance by about 14%. Moreover, the research showed increasing the number of promotions has a negative effect on the incremental impact of each promotion; however the loss from this “watering down” effect was outweighed by the gain from having an extra promotion day.