

ORIGINAL ARTICLE



# The Business Model of Sports Academies with an Emphasis on Value Proposition and Customer Segments

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Submitted 05 September 2019; Accepted in final form 04 December 2019.

## ABSTRACT

**Background.** Nowadays, sport is considered as a good base for marketing and entrepreneurship. Business model design is also increasingly welcomed. But in the field of sports businesses and sports academies in Iran, no research has been conducted, and no specific business model has been introduced. **Objectives.** The purpose of this study is to identify and prioritize the value proposition components and customer segments as influential components of the business model. **Methods.** This research is applied in terms of purpose and adopted the descriptive-survey approach for data collection. Lastly, it employed mixed exploratory research methodology (i.e., quantitative-qualitative). The statistical population consists of entrepreneurs, sports business owners, managers of athletic academies, heads of athletic departments and managers of national Olympic academies. In the qualitative section, 15 individuals were selected using the purposeful snowball sampling strategy until the theoretical saturation level was achieved. The analysis of the data was done by analyzing the quality of the content while using open coding, axis coding and theme coding methods. Next, in the quantitative section, the AHP method was used to prioritize the different categories of value proposition and customer segments. **Results.** The results of data shows that the customer segments, in order of importance include athletes (beginners to champions) (0.557), coaches and referees (0.333) and the ordinary people (public) (0.110). **Conclusion.** It is recommended that the business owners studied as well as those interested in setting up such businesses while carefully analyzing their customers and their characteristics and accurately segmenting them, provide services tailored to the value of each customer.

**KEY WORDS:** *Sport Academies, Business Model, Value Proposition, Customer Segments*

## INTRODUCTION

Today, sport is one of the most significant economic, social, and regional development factors in the world, making it one of the largest and most significant and most tangible industries in the world (1). Hence, investors have shown great interest in sports and sports entrepreneurship as a sports business that led to organizations and companies to recognize new opportunities in the field of sport and utilize them for long-term profitability (2).

A business model is a set of elements and the relationships between them and explains the logic

of a particular business. A business model it describes the rationale of creating, presenting and gaining value in an organization, and failing to identify an appropriate business model can lead to failure in achieving goals (3). According to Margret, a proper business model can explain the context of the economic logic of an organization's activity by answering questions regarding the customers, the value proposed to the customers, and revenues (4). Moreover, it describes how the customer's intended value can be offered at an

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affordable price. Therefore, if organizations do not have an appropriate business model, they cannot gain a significant share of the market (5). On the other hand, Tessie believes that not just having a good business model at the start-up of the company is essential, but more importantly, having and maintaining an optimal business model throughout the life of the company (6).

Every definition and business model needs to be developed in terms of the specific aspects and components of that business. Osterwalder, a leading expert in this field, has tried to consider all the elements and provide a comprehensive model. His model is composed of four blocks of products, customer relationship, infrastructure management, and financial resources. Additionally, he considers some components for each of these blocks. The product block consists of the proposed value; the customer relationship block incorporates the target customer, the distribution channel and relationships; the infrastructure management block consists of value configuration, capacity and cooperation; and the intersection of financial resources includes the cost structure and the revenue model (7). Osterwalder's definition and his proposed business model canvas have been so considerably welcomed that today, in most successful international companies and startup events, this model canvas is used as a signpost for guiding businesses (8). Value proposition development takes place through analyzing customer needs, competitive offers and the company's power. When the focus is on a specific segment of the target customers, managers choose the characteristics of the services and products that are tailored to the needs of the customers and incorporate those characteristics in the design of the new product or service. The final decision regarding the features of the value proposition is taken based on the extent to which these features contribute to the profitability of the company against competitors. However, to grow its profitability, a company has always to pay attention to the needs of its customers. What values are considered superior to customers and when, as well as how they should be offered, have always been a significant issue for managers (5). Value propositions and business models are always designed in a specific context. This environment is comprised of competition, technological change, legal constraints, ever-changing customer demands, and other elements

(7) and is associated with the company's ability to bridge the gap between customer needs (9).

Concerning value proposition and target customers in the present study, it should be noted that future orientation and creation of the value proposition of intangible services is considered a key component of competition in service businesses (10). In another study, it has been argued that managers need to continuously enrich the value propositions by identifying the needs and interests of customers and organizations (11). Other researchers have acknowledged that if there is a difference between the value proposed to the customer by the seller and the customer's desired amount, the subsequent interaction with the customer will be disturbed (12).

Businesses who promote a culture based on providing value to the customer in all their processes and actions have a higher business performance than their competitors (13). Hence, sports businesses should identify the components of the value proposition for their customers. The value proposition is the reason why a company is preferred to other companies by customers. Each value proposition includes a selected set of products and services that meet the needs of a particular segment of the customers (7). Businesses need to change their approach and focus from selling goods or services to value creation for the customer (14). Without creating and delivering a value that does not satisfy sports customers' needs and solve their problem(s), there is no reason to attract customers and create wealth for sports businesses. Companies that seek competitive advantage and strategic success should create value for the customer more than their competitors. They will gain the satisfaction and loyalty of their customers in return for value creation. According to previous studies, no individual research has ever been conducted on the value proposition of customer and target customers in the business of sports academies. This research will facilitate the understanding of the value of the link that sport businesses offer and what sports customers need, and describes the nature of the value proposition and target customers for sports service providers. It also emphasizes the critical role that the proposed value and target customers can play in the design phase of the product. The present research is one of the first studies to identify the components of the value proposed to the customer and the target customers in the business model of sports

academies. The main question of the research is: ‘what are the components of the value proposed to customers and target customers to launch or develop a sports academy business?’

**MATERIALS AND METHODS**

**Study Design.** This study is an applied research, and the data are collected by survey method. The research method is also exploratory (qualitative and quantitative). Also, the analysis was performed as a field study.

**Data Collection.** In the qualitative section, the initial information and codes were collected and analyzed based on two data sources, which included the study of theoretical fundamentals and interviews with entrepreneurs, experts and university professors, sports federations’ managers, the National Olympic Committee and the National Olympic Academy. The research population responded to the semi-structured questionnaire until theoretical saturation was achieved using the snowball Sampling Method.

**Statistical Analysis.** The content analysis method was used to identify the categories, components, and design of the business model of the sports academies based on the two blocks of proposed value and the customer segment. Then, the elements and categories of value proposition and customer segments of the business model of sports academies were extracted and the model derived from the qualitative research section was introduced with two main components and ten categories.

In the quantitative section, the AHP method was used to prioritize the identified components in the qualitative part. Using the standardized researcher-made questionnaire for prioritizing the components of the business model of the sports academies, the necessary data were collected from the interviewees in the field based on the qualitative results. Sampling in the quantitative part was performed with all the 15 interviewees from the first stage to determine the priority of the components in the questionnaire. To measure validity, the results of the interviews were studied

by nine experts and academic professors and their points of view were applied. To measure the reliability of the interviews, all the analyzed data, codes, categories, goals, and research questions were assessed and approved by experts. Also, the reliability coefficient between the two coders was calculated (90%) which was at an excellent level. The quantitative section’s questionnaire was designed based on the model derived from the qualitative part. The face and content validity of the survey was assessed and approved by nine experts. After confirmation of the research tool, the data were collected and analyzed. In this study, the content analysis method (i.e., open-source, axial and content-coding) was used for data analysis in the qualitative section. In open coding, the fundamental concepts of the statements of the interviewees were extracted and in the axial coding, a title was assigned to a set of commonly expressed ideas. Finally, the axial coding components were categorized into a more general framework of contents as a theme.

**RESULTS**

The research results are presented in two separate sections.

**A. Qualitative Analysis Results.** The findings of the qualitative section include the presentation of 54 open codes in the form of ten categories and two content components and based on these two main components and ten categories, the value proposition and customer segment were designed in the business model of sports academies (Figure 1).

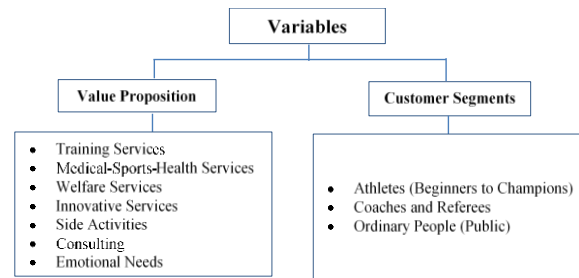


Figure 1. The Main Components and Categories of Research

Table 1. Normalized Matrix of Value Proposition Components

Value Proposition	Training Services	Medical-Sports-Health Services	Welfare Services	Innovative Services	Emotional Needs	Consulting	Side Activities	Weights	Ranking
Training Services	0.27476	0.42652	0.34609	0.19233	0.26889	0.21057	0.17991	0.2713	1
Medical-Sports-Health Services	0.09165	0.14227	0.24444	0.22122	0.15646	0.15495	0.133	0.16343	2
Welfare Services	0.09068	0.06648	0.11422	0.32134	0.14709	0.12336	0.14036	0.14336	3
Innovative Services	0.13622	0.06132	0.03389	0.09535	0.17145	0.20759	0.15723	0.12329	4
Emotional Needs	0.09573	0.08519	0.07275	0.05211	0.09369	0.11929	0.13181	0.09294	7
Consulting	0.1296	0.0912	0.09197	0.04562	0.07801	0.09933	0.13894	0.09638	6
Side Activities	0.18136	0.12702	0.09663	0.07202	0.08441	0.0849	0.11875	0.1	5

Table 2. Normalized Matrix of the Customer Segments' Components

Customer Segments	Coaches and Referees	Ordinary People, Public	Athletes, Beginners to Champions	Weights	Rank
Coaches and Referees	0.3702	0.2202	0.4093	0.3333	2
Ordinary People, Public	0.161	0.0958	0.0725	0.1098	3
Athletes, Beginners to Champions	0.4687	0.684	0.5181	0.5569	1

Table 3. The Final Model of Research: Value Proposition and Customer Segments in the Business Model of Sports Academies

Value Proposition	
Training Services	Providing educational booklets and books and research papers, specialized training science services (biomechanics), educational needs, educational cooperation, training classes, indirect educational services, holding coaching and referee classes, holding workshops, training of athletes, production of informative content, teacher training, referee training, sport services, direct and personal services, educational quality services
Medical-Sports-Health Services	Mental skills' training, physical and psychological health, medical services (physical therapy, corrective movements, psychology), health, health services,
Welfare Services	Attracting athletes' parents, cleaning, making a good and desirable impression on the customer
Innovative Services	Application of technology, new technologies, use of innovations
Side Activities	International joint camps, International training camps, International classes, joint domestic camps, internal training camps,
Consulting	Psychological consulting, consulting co-operation, talent hunting
Emotional Needs	Interests, reliability, green sports, creating safe environments, customized customer values, earning customer's satisfaction, customer needs, joviality
Customer Segments	
Athletes (Beginners to Champions)	Target population (championship and talent), target customers, athletes, co-operation with kindergartens and education
Coaches and Referees	Teacher Training, Referee Training, Skilled Specialist Training
Ordinary People (Public)	Target population (public), public, sports for all, physically inactive people, promotion of public sport

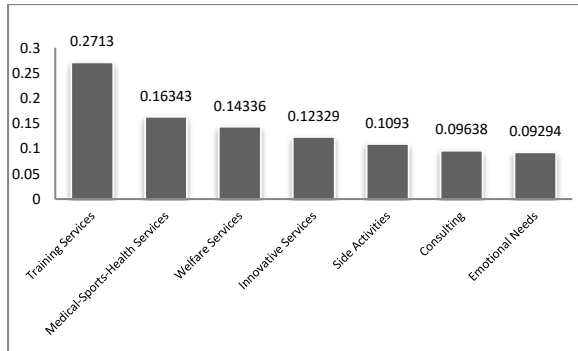


Figure 2. Ranking Chart of the Value Proposition Components

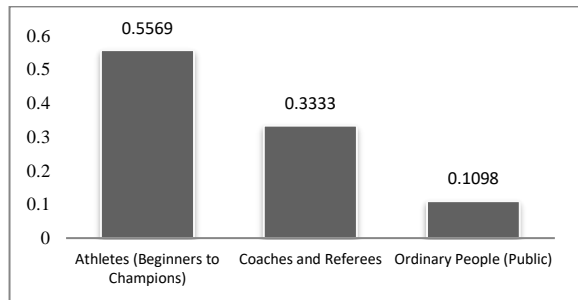


Figure 3. Ranking Chart of Customer Segment Components

**B. Quantitative Analysis Results.** Most age groups were in the age range of 30 to 40 years (40%), and the lowest age was less than five years (6.7%). 87% of the samples were male and 13% were female. 33.3% have 15 to 20 years of work experience. 47% had a master's degree and 33% had a doctorate. Also 20% had a bachelor's degree. The results of the quantitative section were utilized to determine the priority of the value proposition categories and the customer segment

in the business model of sports academies. To rank the components of the value proposition and customer segments using the AHP method, the researcher conducted a ranking of value propositions and customer segments. Table 1 and Figure 2 provide a classification of the value proposition components, and Table 2 and Figure 3 present the results of the component ranking of the customer segments.

According to the results, the value propositions respectively include training services (0.271), medical-sports-health services (0.163), welfare services (0.143), innovative services (0.123), side activities (0.109), consulting (0.096), and emotional needs (0.093).

Also, the customer segments, in order of importance, include athletes (beginners to champions) (0.557), coaches and referees (0.333) and ordinary people (public) (0.110).

Based on the findings, seven main dimensions and 42 sub-dimensions of the value proposition to the customer, and three main dimensions and 12 sub-dimensions of customer segments have been considered in order of priority in the business model of sports academies as the final model of the research (Table 3).

## DISCUSSION

A review of business model research literature revealed that several researchers had provided definitions of business models and their dimensions and components. It was concluded, according to the certificate (15-17), that the most comprehensive business model is that of

Osterwalder et al. (18), which they have considered all aspects and presented a global model in this area. The model presented by him includes four blocks of product, customer, infrastructure management and financial resources. In the present study, considering the completeness and completeness of this model, four main blocks of product, customer, infrastructure management and revenue stream were used as the research framework.

Based on the findings of qualitative interview analysis in this study, finally, nine main components and 45 systematic categories were proposed for the business model of sports academies, nine parts of value proposition, customer segment, income stream, activity. Key Issues, Distribution Channels, Key Resources, Customer Relationships, Cost Structure, Key Partners, respectively, Priority Components for National Academy of Gymnastics Identified by Researchers Findings (17-21) but differences in the number of components and the model elements are presented.

Hamel (22) considered the business model and strategy together and identified the core strategy factor as one of the components of his model. In addition to the nine key elements that are consistent with the present research, he also cites components such as processes, business mission, information, and perspectives that are not consistent with the findings of the present study. The reason for this difference is also the combination of business model and strategy.

Adrodegy (3) also proposed a framework for explaining service-oriented business models, and by adopting the Stroaldr model, he considered the nine building blocks of the business model. He presented his model with six main components which are consistent with nine components of the present research. But the number of elements is not compatible. The reason for the difference in the number of components is that the elements of customer relationships, distribution channels and target customers are expressed under the customer name and the cost and income structure are also named as the revenue mechanism. Pointing out the importance of value proposition and paying attention to target customers in the findings of the researchers (10-12, 15) was found to be consistent with the results of the present study.

## CONCLUSION

Based on the first research finding that identified 45 categories and nine key components

of the business model of sports academies, it is suggested that managers, federation heads, and sports academies become thoroughly familiar with these categories and segments so that they can fit the needs, and the characteristics of their business to design the components and elements of the company of a particular sports academy.

Based on the second, third, tenth, and sixth research findings, according to prioritizing the components of the business model of the sports academy (National Academy of Gymnastics), it is suggested to the directors of the Gymnastics Federation to focus on the four main components in order of value proposition. Target customers, revenue streams, and core activities. The most important recommendation in this section is to focus on creating a value proposition, targeting market research and identifying target customers, market opportunities, or creating new needs and opportunities. Take action. It is also recommended to tailor a business model according to the strategic plan (vision, mission, values, internal and external analysis, long term plans and budget) for each proposed value assigned to a group of customers. Act in writing.

According to the fourth and fifth findings of the study, to communicate closely with customers can be useful in sustaining and extending business life. It is suggested that in the business environment of sports academies, while using new research, creative, entrepreneurial, motivated and motivated students should be used as consultants and collaborators and, depending on the type of sport, to form thinking rooms. And take action.

According to the seventh and eighth findings of the study, identify and identify tangible or inappropriate requirements, infrastructures, and resources that are not currently available and seek other partners and stakeholders to collaborate, planning and action to build a strong network (partners, competitors, suppliers, stakeholders, distribution channel members and agents, partners, etc.).

Based on the 9th research findings, it is suggested to reduce costs and increase productivity by maintaining and improving the quality of services to increase revenue and increase profitability. Also, create ways to create new and additional income. These can be related to intangible services or tangible goods, or a combination of both, or to attracting supporters and benefactors with different motivations or activities.

The main limitations of this study were:

- Lack of big sports businesses in the country,



- Inadequate access to information and statistics related to sports academies in the country,
- Relying on sports business model on managers' personal experience in Iran,
- Lack of access to some expert experts.

Suggestions for future research:

1. It is suggested that the design of a customer value proposition model in the business of sports academies be preferred to a case study.
2. It is recommended to design a business model of sports academies in different sports and preferably do each research on a block of the business model and specifications for a specific sports academy business. Be.
3. It is suggested that the future of sports business be investigated.

### APPLICABLE REMARKS

- Sports entrepreneurs, managers and owners of sports academies must identify and utilize

components of value proposition and customer segments to provide them with a variety of services for valuable sports enthusiasts.

- This will enable the fulfillment of a broader range of needs and wishes of target customers, and hence, the sports academies can have a competitive advantage, accompanied by profitability, more significant market share and ultimately further development.
- Attention to the above services, as well as identifying other services that can be offered, can lead to the growth and prosperity of sports academies.
- In addition to economic and financial development, this can significantly improve the health indicators in the country by attracting more people to sports and increasing health awareness.

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