Strategic alliances in sport tourism: National sport organisations and sport tour operators

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A B S T R A C T
This qualitative case study provides a sport-oriented perspective of sport tourism. It examines a strategic alliance between an Australian national sport organisation (NSO), the Australian Rugby Union (ARU), and a sport tour operator (STO), FanFirm. The study contributes insights into how NSOs can facilitate and develop sport tourism for major events through alliances with STOs. Findings indicate that by collaborating with the STO, the ARU accrued a range of intangible and financial benefits, which in turn provided an impetus for ongoing maintenance of the strategic alliance. In addition, the alliance was perceived to deliver advantages beyond the NSO-STO nexus, with rugby fans and host governments of rugby events also benefiting. The study demonstrates that sport organisations can play a role in maximising the tourism outcomes of major events and also suggests that smaller-scale, ‘bottom-up’ cross-sector alliances can contribute to maximising tourism outcomes of major sport events.

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1. Introduction

In 2000, the Australian Commonwealth Department of Industry, Science, and Resources (DISR) released Towards a National Sports Tourism Strategy, which described its ambition to harness the “enormous potential” (p. 41) of sport tourism in Australia by facilitating a “viable and internationally competitive sport tourism industry” (p. 5). However, the DISR acknowledged that a major impediment to achieving its vision was a lack of linkages between sport and tourism sectors. Indeed, sport tourism literature has highlighted that sport and tourism agencies seldom collaborate effectively and that many sport tourism policy initiatives have been unsuccessful (Deery & Jago, 2005; Devine, Boyle, & Boyd, 2011; Weed, 2003).

The failed nexus between the sport and tourism sectors is particularly evident in relation to major sport events, despite their widely recognised tourism potential (Weed, 2003). Previous studies have described major sport events as tourism catalysts, vehicles for destination branding, and generators of tourism-related financial, social, and environmental impacts on hosting destinations (Chalip & Costa, 2005; Getz, 2003; Higham, 2005; O’Brien & Chalip, 2008). However, sport tourism partnerships that emerge around major sport events are “often short-term or uncoordinated, and in some cases, virtually non-existent” (Weed, 2003, p. 259). This may be because sport organisations “arguably have little incentive to pursue the tourism benefits which can flow from . . . sporting events, because they themselves cannot directly capture many of those

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benefits” (DISR, 2000, p. 22). Instead, benefits accrue to other parties, such as transport and accommodation providers and sport tour operators (STOs).

In 2001, the DISR was disbanded in a government restructure (Deery & Jago, 2005). While its proposed national sport tourism strategy was consequently abandoned, the DISR (2000) had boldly stated, “the fact that most events are organised by sporting bodies as sporting events first and foremost with tourism almost as an optional extra, represents a failure of the market” (p. 22). The DISR had called for sporting bodies to play a role in rectifying this “failure”, as many major Australian sport events receive funding from local, state, and federal government agencies that seek positive tourism outcomes from their investment.

Australian national sport organisations (NSOs) oversee the administration, financing, and strategic development of their sport at the national level (Daly, 2006; Hoehn, 2007). Some NSOs also play a central role in attracting and delivering major international sport events. However, even though NSOs are a primary stakeholder of such events, their perspectives have not been a central focus of previous sport tourism research. Instead, the growing quantum of sport tourism literature has predominately provided tourism or event management perspectives of major sport events (Weed, 2009). We offer a complementary, sport-oriented perspective of sport tourism.

In this paper we present the results of a case study that examines interaction between an Australian NSO, the Australian Rugby Union (ARU), and a commercial STO, FanFirm, which sells guided tours and unguided packaged holidays to major rugby fixtures. Specifically, the purpose of the paper is to examine the ARU’s motives for interacting with FanFirm and the outcomes of this interaction for the ARU. Initially, we review literature on strategic alliances to provide a framework for interpreting the ARU–FanFirm relationship and its significance to the ARU. Next, we explain the context of the case study, as well as methods used to investigate and analyse it. Finally, we present and discuss results and implications pertinent to sport tourism and sport tourism alliances.

2. Conceptual background

Many terms are used to describe business arrangements between organisations. These terms include strategic alliances, partnerships, interorganisational relationships, interfirm cooperation, and strategic networks (Parent & Harvey, 2009; Varadarajan & Cunningham, 1995), all of which refer to similar propositions or processes (Frankel, Whipple, & Frayer, 1996). For the purposes of this paper, we employ the term ‘strategic alliance’, defined as collaborative efforts and the pooling of resources between organisations “in an effort to achieve mutually compatible goals that they could not easily achieve alone” (Wittmann, Hunt, & Arnett, 2009, p. 38). Gray and Wood (1991) identified three broad issues essential to understanding such alliances: the preconditions that motivate collaboration, the processes and structures of alliances, and the outcomes engendered. While we address these issues consecutively within this section, researchers consider them to be highly interrelated (Alexander, Thibault, & Frisby, 2008).

2.1. Alliance preconditions

Research has highlighted a range of reasons organisations form strategic alliances, including a desire to achieve both common goals and goals specific to each alliance partner, to improve efficiency, manage environmental uncertainty and complexity, and facilitate enhanced performance and competitive advantage (Alexander et al., 2008; Frankel et al., 1996; Gray & Wood, 1991; Turner & Shilbury, 2010; Varadarajan & Cunningham, 1995; Wittmann et al., 2009). According to Sheth and Parvatiyar (1992), motives for strategic alliance formation fall into eight broad categories, four relating to future organisational competitiveness (opportunities for growth, diversification, strategic intent, and protection from external threat) and four relating to operational effectiveness (asset utilisation, resource efficiency, enhancing core competence, and bridging performance gaps). An additional precondition of alliance formation is a desire for innovation (Hunt, Lambe, & Wittmann, 2002).

The need to protect or gain access to resources is fundamental to motivating strategic alliances (e.g., Mitsuhashi & Greve, 2009; Wittmann et al., 2009). Few organisations are self-sufficient, leading to dependence on other firms. Resource dependence can introduce uncertainty into an organisation’s operating environment and is consequently a key antecedent of alliance formation (Varadarajan & Cunningham, 1995). An organisation’s opportunities to collaborate with others may be determined by its “resource endowment”, whereby firms with valuable resources may find it easier to attract alliance partners (Mitsuhashi & Greve, 2009, p. 975). However, organisations that form strategic alliances generally have a “mutual fit of resources” (Mitsuhashi & Greve, 2009, p. 977), as both organisations require something that can be supplied by the other. In this context, complementary resources can be “combined to create greater value” (Mitsuhashi & Greve, 2009, p. 977). Likewise, a firm entering a strategic alliance to improve performance and competitive advantage may seek partners that “augment its strengths or ameliorate its weaknesses” (Varadarajan & Cunningham, 1995, p. 192).

2.2. Alliance processes

Strategic alliances may be short- or long-term and may involve all or some departments of partner organisations (Varadarajan & Cunningham, 1995). Key individuals play a fundamental role in coordinating alliances (Devine et al., 2011) and establishing trust and commitment between partners (Milne, Iyer, & Gooding-Williams, 1996). Research in the context
of non-profit community sport organisations has stressed that partners should be clear on their expectations and intentions from the outset to ensure their alliance achieves its purpose (Misener & Doherty, 2013). To this end, Frisby, Thibault, and Kikulis (2004) recommended the establishment of “partnership management plans” (p. 123), stipulating partner roles and expectations, communication strategies, and reporting and evaluation mechanisms. Instituting an effective structure from the outset could save later, potentially futile, efforts to fix a faltering alliance (Hennart, 2006).

Developing an effective alliance structure may require partner organisations to forgo some flexibility and freedom (Varadarajan & Cunningham, 1995). However, this does not mean organisations must entirely relinquish their autonomy (Wang, 2008). As collaborations proceed, the interests of partners may change (Wood & Gray, 1991). Consequently, the structure and processes of alliances may also change, although some forms of collaboration can be intrinsigent, particularly those involving equity sharing in a contractual joint venture (Selin, 1999). Other forms of strategic alliance, not involving shared equity, “may be easier to revise, reorganise, or terminate” and thus may be the preferred model in unstable market conditions (Varadarajan & Cunningham, 1995, p. 284). Frankel et al. (1996) considered whether formal or informal contracts contribute to long-term alliance success. They found that while formal written contracts have been traditionally utilised to achieve commitment between partners, informal social contracts and verbal agreements can help develop better cooperation, trust, and loyalty within strategic alliances. They also proposed that an alliance’s historical and social contexts influence whether informal mechanisms are appropriate or likely to be successful.

2.3. Alliance outcomes

The success of strategic alliances may be measured by the achievement of intended objectives (Wood & Gray, 1991) or with reference to the preconditions initially motivating alliance formation (Alexander et al., 2008). For example, partners may evaluate alliances on the basis of return on investment, success in accessing new markets, entry into an emerging industry, ability to broaden product offerings, and/or acquisition of new skills (for a review, see Varadarajan & Cunningham, 1995). Alliances may be deemed successful when they give both parties an advantage over their competitors (Hunt et al., 2002). Alternate measures of success may include how long the alliance survives (Gray & Wood, 1991) or the development of alliance competence, which is “organisational capacity for securing, developing, and managing alliances” (Hunt et al., 2002, p. 22). However, collaborations are not always successful, and indeed many fail (Babiak & Thibault, 2009; Kelly, Schann, &Joncas, 2002). In the context of sport tourism, research suggests a twofold problem: first, the sport and tourism sectors often fail to form alliances (Weed, 2003), and second, if alliances are established, the partners may fail to sustain them (Devine et al., 2011).

3. Strategic alliances in sport tourism

Failure to form successful sport tourism alliances has been attributed to the historical separation of agencies responsible for developing sport and tourism and to their often incongruent agendas (Deery & Jago, 2005). The cultures in the two sectors are also “significantly different”, with a tradition of public subsidy and intervention in the sports sector, while tourism is “largely a private sector concern” (Weed, 2003, p. 259). While sport and tourism organisations may recognise opportunities for collaboration, they may not devote sufficient time to developing effective sport tourism linkages in the belief that it is someone else’s responsibility (Weed, 2003). Research also suggests that non-profit sport organisations may be reluctant to enter partnerships with private sector organisations for fear the partnership may produce an emphasis on profit-making over other goals (Babiak & Thibault, 2009). A Canadian study of local government leisure service departments found that partnerships with the commercial sector may pull public and non-profit organisations in directions potentially incompatible with their organisational priorities (i.e., the provision of affordable and accessible sport programmes), leaving them vulnerable to public or political criticism (Frisby et al., 2004).

Several authors have noted the lack of coordination between sport and tourism organisations and the resultant market failure (Chalip, 2001; Chalip & McGuirty, 2004; Deery & Jago, 2005; Devine et al., 2011; Gibson, 1998; Harrison-Hill & Chalip, 2005; Weed, 2003, 2006). However, views diverge as to exactly which organisations should rectify the failure and how rectification should be accomplished. For example, Deery and Jago (2005) proposed that governments have an important role to play in the success of sport tourism in Australia, particularly in strategic planning at the national level. They emphasised that government-driven coordination is necessary because of the diverse array of smaller businesses involved in sport tourism. Consequently, many authors have advocated that government and the public sector take a leadership role (Bull & Weed, 1999; Deery & Jago, 2005; DISR, 2000; Getz, 1998), suggesting a ‘top-down’ approach to sport tourism initiatives. Alternatively, Weed (2003) suggested that a ‘bottom-up’ approach may produce greater success, as sustainable sport tourism collaborations are only likely to arise if organisations are encouraged “to draw up their own agenda for liaison, which they feel they have ownership of” (p. 268).

Sport management researchers have also stressed the importance to non-profit sport organisations of cross-sector partnerships and collaborations (Alexander et al., 2008; Babiak & Thibault, 2009; Misener & Doherty, 2013; Parent & Harvey, 2009; Thibault & Harvey, 1997). A study in the Canadian context suggested that partnerships could help minimise the impacts of decreases in government financial support for non-profit sport organisations (Babiak & Thibault, 2009). The challenges of decreased government funding for sport have also been highlighted in the Australian context, with Shilbury (2000) noting that “the disadvantage of industry maturation is the expectation of increasing financial autonomy” (p. 200). Thibault and Harvey (1997) forecast that as public funding for sport decreased and as competition for resources and
environmental pressure increased, alliances between the non-profit and private sectors and government agencies would become more prevalent. While the potential benefits partnerships engender for non-profit sport organisations are recognised in the literature, prior sport management and sport tourism research has not examined the potential for alliances between sport organisations and commercial STOs.

Companies specialising in sport-centred tours began to proliferate in the late 1960s (Zauhar, 2004). Yet, the sport tourism literature only occasionally acknowledges packaged sport tours or tour operators (Davies & Williment, 2008; Delpy, 1998; Getz, 1998; Kurtzman, 2005; Redmond, 1991; Zauhar, 2004). Tour operators providing sport-centred tours can act as a distribution channel for the sale of major sport event tickets (Smith, 2007). In turn, they require access to these tickets to construct their tour packages. The sale of tickets is also a key revenue stream for host NSOs (Leeds & van Alilmen, 2004). Thus, the interests of NSOs and STOs align, since the distribution of tickets is a critical requirement for revenue generation for both. Because of this common resource interest, literature on strategic alliances provides a useful basis to understand the motives for, processes of, and outcomes arising from our case study of the ARU and FanFirm.

4. Case background

The Australian Rugby Union (ARU) is a not-for-profit organisation responsible for the "governance, management, and development" of rugby union at a national level within Australia (Arbib, 2012, p. 5). In addition, the ARU manages the involvement of Australian representative teams in an annual schedule of elite international events. Some of these events are hosted in Australia, while others are held overseas. For example, the Australian men's team, the Wallabies, annually contests the Rugby Championship, a series of games between national representative squads from South Africa, New Zealand, Australia, and Argentina (SANZAR, 2012). As part of the Rugby Championship, the Wallabies compete against New Zealand's All Blacks for the Bledisloe Cup matches are highly sought after, and the popularity of the contest leads to strong demand for tour packages to this event. The Wallabies also compete in the quadrennial Rugby World Cup as well as in annual test matches against other national teams.

To manage its interactions with STOs, in 1997 the ARU initiated a travel programme comprising a strategic approach to selecting, officially endorsing, and distributing tickets to select STOs. One STO the ARU engaged to sell tour packages is FanFirm, whose tours include accommodation, transport, rugby tickets, and related tourism services. Since 1997, it has traded using multiple brand names, including Wallaby Travel (no longer trading) and We Love Rugby. These brands are pertinent to this article, as they focus exclusively on rugby union tours.

5. Method

This exploratory investigation of NSO–STO interaction followed an instrumental case study approach. Case studies can make a valuable contribution where knowledge of a phenomenon is "shallow, fragmentary, incomplete, or non-existent" (Punch, 2005, p. 147). Our review of literature demonstrated a paucity of empirical research on NSO–STO interaction, making case study an appropriate method for researching this topic. Further, case studies can make a "fundamental contribution" to understandings of strategic alliances (Gray & Wood, 1991, p. 5), such as the relationship under investigation in this article. Instrumental case study research involves purposeful selection of a case that will shed light on a given phenomenon (Stake, 1998). We chose the ARU–FanFirm alliance for the insights it could provide on NSO–STO interaction in an Australian setting and the role of this alliance in the broader context of sport tourism. During interviews, participants suggested the ARU was an exemplar for how NSOs can strategically capitalise on tourism generated by their events.

Consistent with the interpretivist paradigm, we employed a qualitative methodology to collect and interpret data. Qualitative methods facilitate in-depth exploration of a case, its context and complexities, and the perspectives of individuals and groups involved (Yin, 2009). To achieve these outcomes, we employed two techniques to gather empirical materials: collection of documentary evidence and semi-structured in-depth interviews with key informants.

5.1. Data collection

Numerous authors espouse the relevance and advantages of using documentary evidence in qualitative research (Creswell, 2003; Jupp, 1996; Punch, 2005). In particular, documents contain information that enables the researcher to “obtain the language” of case study organisations and participants (Creswell, 2003, p. 66). We collected documents from a combination of sources, such as: the ARU’s annual reports and strategic plans from 2002 to 2012 (n = 14); ARU (n = 1) and FanFirm websites (n = 4), particularly pages about international rugby events and tour packages; articles relevant to the organisations and their interactions (n = 12); and government press releases on rugby events and their tourism impact (n = 6). In total, we analysed 32 documents. This analysis, combined with ongoing observation of websites, facilitated establishment of the “real-life context” of the case (Gall, Gall, & Borg, 2007, p. 447) and the development and interpretation of in-depth interviews. Documentary evidence also served to “corroborate and augment” interview data (Yin, 2009, p. 103).

Semi-structured in-depth interviews were conducted with a purposeful sample of eight key informants from the two case study organisations. These informants were identified through both the document analysis and a snowballing technique, were “information rich” (Punch, 2005, p. 187) experts on the topic (Gubrium & Holstein, 2002). Interviews were conducted with four senior executives who had specific knowledge of the case study relationship, a relevant consultant, and
three staff who directly managed the ARU–FanFirm interaction. To protect respondents’ confidentiality, as stipulated by the organisations and in line with Australian human research ethics guidelines, we do not include the respondents’ names, specific job titles, and organisational affiliation in the reporting of results. Instead, when direct quotes are used, respondents are referred to numerically, such as Respondent 1 or R1.

Six of the eight interviews were with ARU staff and covered topics including initiation and evolution of interaction with FanFirm, logistics of the relationship (e.g., How does the ARU interact with FanFirm?), perspectives on collaboration and stakeholder salience (e.g., Why does the ARU maintain a relationship with FanFirm?), and perspectives on sport tourism (e.g., What do you think your organisation will do in relation to sport tourism in the future?). Owing to the semi-structured nature of the interviews, these topics were not covered in a prescribed order. Instead, questions were open-ended and “used flexibly” (Merriam, 2009, p. 89) and interviewees were invited to share additional observations about the alliance, allowing unexpected data to emerge. Although this research was concerned with the perspectives of the ARU, we conducted two interviews with FanFirm staff in order to triangulate information on the relationship. The same topics were covered, but from FanFirm’s perspective. For example, in relation to the topic of logistics, questioning focused on how FanFirm chose specific rugby events, gained access to event tickets, and organised tours.

While the relatively low number of respondents is an acknowledged limitation of the study, the interviews yielded a substantial amount of rich data and the information provided by respondents was consistent with the documentary evidence. The number of respondents was dictated by the reality that few potential informants could provide detailed and knowledgeable accounts of interaction between the two organisations, and also reflects the small number of key individuals that may be needed for successful management of strategic alliances (Devine et al., 2011). Indeed, researchers conducting a longitudinal case study of a Canadian provincial sport organisation’s relationship with a government agency suggested that the relationship between these organisations may have been successful because it was essentially a dyadic relationship between two managers who worked well together (Alexander et al., 2008).

5.2. Data analysis

Interviews were transcribed verbatim. Prior to analysis, interviewees were invited to review their transcript; however, no feedback was received. The interviewer had requested permission to contact interviewees post-interview to clarify information, and this option was exercised with three respondents to ensure nuances of their interview data were interpreted correctly.

Documentary and interview data were analysed using an inductive three-stage coding process (Neuman, 2004). First, documents and interview transcripts were read and re-read to identify and record emergent themes, resulting in a list of open codes derived from the data. Open codes were then refined and grouped into a smaller number of distinct axial codes that were still reflective of the raw data. Finally, connections between axial codes were identified, resulting in the grouped themes or categories (Merriam, 2009) that form the basis of the “storyline” in our reporting of results (Creswell, 2003, p. 195). Analysis was assisted by the use of NVivo8 software, which provided a tool for the methodical organisation of data and management of ideas (Bazeley, 2007).

While this section has explained and justified the research design, we acknowledge that the chosen approach had limitations. Critics claim that in-depth studies of strategic alliances do not lend themselves to generalisations (Hennart, 2006). However, generalisability findings are not the only valuable outcome of case study research (Yin, 2009), and concrete, context-dependent case knowledge has value in understanding management theory and practice (Flyvbjerg, 2011). This instrumental case study of an alliance addresses a gap in current sport tourism knowledge by providing insight into the previously unresearched topic of NSO–STO interaction in Australia. Specifically, it enhances understanding of how NSOs may maximise sport tourism opportunities through strategic alliances.

6. Findings

Through the inductive coding process, findings coalesced into three interrelated categories: operating environment, resource sharing, and alliance outcomes. The first category, operating environment, comprises broad contextual factors that motivated the ARU to initiate and maintain its relationship with FanFirm. The second category, resource sharing, describes the sharing of resources and consequent increase in the formality of the ARU–FanFirm alliance. The third category, alliance outcomes, encompasses intangible and financial benefits the relationship generates for the ARU and its key stakeholders. We present these categories in a sequential narrative as suggested by Creswell (2003).

6.1. Operating environment

The ARU (2008, 2012) considered the Australian sport marketplace to be crowded, competitive, and uncompromising. In this milieu, the ARU’s strategy for ensuring ongoing financial viability focused on maximising its major historical revenue streams, such as the sale of sponsorships, broadcast rights, and tickets, while concurrently exploring innovative ways of generating “new commercial options” and “new revenue” (ARU, 2003, p. 14). Major events, as the “face of the sport” (R8), have been central to the ARU’s attempts to innovate its revenue generation (ARU, 2008). As early as 1997, the ARU had identified that tourism generated by its major events could be a potential additional income source and a means of adding
value for rugby supporters (R1). Consequently, it implemented a travel programme entailing strategic alliances with STOs, with the intent of building sport tourism into a “regular, sustainable revenue flow” (R6) that would contribute to the ongoing subsidy of its rugby programmes (R3, R4).

Respondents highlighted a related feature of the ARU’s operating environment: the need for government support to stage major rugby events. Respondent 3 explained, “These days you can’t put on major events without major assistance from local government, state government, federal government. And the assistance you get from those organisations is invaluably, you couldn’t afford it”. Respondents noted the importance of maintaining “partnerships” (R3) with government stakeholders. Specifically, respondents observed that in return for government investment in rugby events the ARU needed to ensure such events were seen to generate positive economic outcomes, as “economic impact studies are very, very important for governments” (R2). Respondent 8 explained that state governments in particular seek “an economic benefit to the state and usually that will come in the form of people visiting the state and spending a lot of money in that state while they’re there specifically to attend that event”. Thus, the ARU sought to “exploit a good opportunity” in sport tourism (R4) through strategic alliances with STOs such as FanFirm.

6.2. Resource sharing

The ARU–FanFirm alliance centres on sharing resources to produce mutual benefits (R2). The ARU supplies tickets and authors select FanFirm brands to trade as official or exclusive agents of the ARU. In return, FanFirm produces and operates rugby tours. This sharing of resources officially began in 2004 when the ARU engaged FanFirm to sell tours to a Bledisloe Cup match in New Zealand (R4). Since then, interaction has grown between the ARU and FanFirm and has become increasingly formal (R5). While both parties contribute resources, Respondent 4 expressed the viewpoint that the ARU possesses greater power in the alliance as it often controls the distribution of event tickets.

This category is epitomised by a temporary joint venture partnership between the ARU and the FanFirm brand Wallaby Travel to sell rugby tour packages to the 2007 Rugby World Cup in France. Through this joint venture, the two organisations applied for Wallaby Travel to become an official tour operator for the 2007 Rugby World Cup (R1). In the joint venture, Wallaby Travel fulfilled the role of licensed travel agency, while the ARU’s brand added legitimacy (R2) as Rugby World Cup organisers were reportedly “very, very selective in who they… appoint as their official agencies” (R3). The application was successful (ARU, 2006), and each party contributed an equal amount financially and held 50% of the risk if the venture failed (R2). Entering a joint venture with Wallaby Travel gave the ARU an unprecedented opportunity to capitalise on tourism generated by a major rugby event it was not hosting (R6). This opportunity motivated the ARU to formalise its alliance with FanFirm and share resources.

6.2.1. Rationale for sharing resources

The ARU considered its relationships with STOs like FanFirm to be advantageous for four reasons. First, as Respondent 2 stated, “sports travel is dictated by distribution”. The ARU engaged FanFirm because it perceived the company to have “a good strong [client] database” (R1), a market that differed from the ARU’s other officially appointed travel agencies, and the ability to “get a lot of people to come along to games” (R3). While the ARU had its own clientele of rugby supporters, FanFirm possessed a wider database of sport tour clients that enabled the ARU to expand its market: “They have a distribution network that we don’t have … they can go to their existing database that we don’t have access to and push rugby … it grows our exposure and fan base” (R6).

A second motive for the ARU to form alliances with STOs is that tourism is not the ARU’s “core competency” (R2). The ARU did not wish to expend the resources necessary to manage rugby tour packages in-house. For example, as Respondent 2 noted, “having [staff] there at six, at midnight, meeting and greeting people [on tours], who from the ARU is going to do that?” Respondent 3 emphasised the sagacity of “tapping in to” existing expertise and resources of STOs to “magnify” rugby tourism opportunities. Respondent 4 identified a third advantage of engaging STOs: “Rugby only sells for three or four months, then what happens for the rest of the year?” While STOs can focus on other sports, the seasonal nature of rugby union could make it challenging for the ARU to establish its own profitable in-house travel agency (R2). Nevertheless, Respondent 1 felt the ARU had an obligation to provide travel opportunities for rugby supporters to conveniently access interstate and overseas rugby events. Thus, a fourth advantage of interaction with STOs was to facilitate provision of a travel service for supporters while minimising the ARU’s financial risk.

6.2.2. Increasingly formal interaction

Data indicated increasingly formal interactions between the ARU and FanFirm. For example, over time the ARU granted FanFirm access to more events and selected Wallaby Travel as a joint venture partner. The increased formality was a product of the growing sophistication and credibility of FanFirm (R1) and the strategic expansion of the ARU’s travel programme, which was described in its 2006 annual report as “a very important part of the ARU’s commercial activities” (p. 57).

Further, prior to the 2007 Rugby World Cup, the ARU hired a “partnerships manager” (PM) to focus on commercial tourism opportunities. The PM was charged with boosting rugby tourism through strategic management of the ARU’s tourism-related stakeholders, specifically STOs (R1). Through the PM’s appointment, the ARU claimed to become the first NSO in Australia with a specific resource “100% dedicated” to sport tourism (R6). The PM’s portfolio encompassed a range of responsibilities:
[T]o look after official travel agents that are appointed both here in Australia and abroad … to coordinate and manage the relationship with the state and national tourism commissions … to explore additional efficiencies and also opportunities in the travel and tourism sector… negotiating and working with our partners to provide the best use of resources for us… And also just working with other tour operators and wholesalers to identify and do business (R6).

The PM worked with Wallaby Travel on the development of tour packages for the 2007 Rugby World Cup. ARU respondents considered this joint venture a success, despite the unexpected elimination of the Wallabies before the 2007 Rugby World Cup finals (R5, R7). However, after 2007 Wallaby Travel ceased trading (R5). While Wallaby Travel had a direct and marketable connection to Australia’s national team (R2), FanFirm sought to broaden the range of rugby tour packages it offered, to encompass the Rugby Championship, as well as Rugby Sevens tournaments. Thus the brand “We Love Rugby” was introduced to reflect increased product diversity (We Love Rugby, 2011). The ARU (2013) continued to endorse We Love Rugby as an official tour operator.

6.3. Alliance outcomes

The ARU’s interaction with FanFirm produced both intangible and financial benefits for both organisations. As the alliance was primarily considered a “commercial relationship” (R4), intangible benefits were considered less influential but nevertheless important outcomes (R1). While increasing revenue was the ARU’s primary objective (R6), the ARU recognised the value of two intangible benefits generated by its relationship with FanFirm (R1). The first benefit related to ensuring more “gold in the stands” to support Australia’s rugby team at overseas tests (R3, R1), a reference to the gold colour of the Wallabies’ jersey. The second benefit was that the relationship enabled the ARU to fulfil its perceived obligation to provide travel opportunities for fans to support the Wallabies (R1, R8). Engaging STOs to provide tour services was seen to “provide ‘value-add’ to existing supporters and members” (R6).

The financial benefits experienced by the ARU were both direct and indirect. The primary direct financial benefit arose from ticketing revenue collected from FanFirm. The sale of tickets to STOs contributes to the ARU’s overall event gate-takings. This source of income is particularly important when rugby events are hosted in locations that are outside the sport’s traditional markets, such as Melbourne. As Respondent 1 explained, for a Bledisloe Cup match in Melbourne, STOs bring thousands of New Zealand and interstate tourists to the city: “That’s 15,000 tickets that we mightn’t have been able to get from the local market … the ticketing revenue from 15,000 people is an important part of our gate revenues”. In addition, the ARU charges STOs a premium rate for tickets to garner a share of the profit STOs then make by on-selling tickets to tour clients (R2). The premium imposed by the ARU varies according to the level of demand for tickets, with popular events such as the Bledisloe Cup attracting greater premiums (R2).

The ARU also experienced direct financial benefits from its joint venture with Wallaby Travel. In 2007, for the first time, the ARU reported income from travel packages in its annual report, alongside conventional revenue streams such as sponsorship, broadcast rights, and gate-takings. That year, travel packages sold through the ARU–Wallaby Travel joint venture contributed 1% of the ARU’s overall income of nearly AUD$77 million, making it a successful year for the ARU’s efforts to capitalise on sport tourism (ARU, 2007).

The ARU also experiences indirect financial benefits through interaction with STOs, predominately derived from government investment in ARU events due to the tourism impacts they are perceived to generate for host destinations (R1). In particular, respondents described how interacting with STOs enabled the ARU to play a role in delivering a quantifiable number of typically “higher spending tourists” (R8) to cities hosting rugby events. Respondent 2 explained:

On the one hand the government can turn around and say, “Ok, Melbourne was full this weekend and normally this weekend it’s not. So we can kind of work out the numbers”. But if the sport [governing body] turns around and says, “And when you work out your numbers, just to let you know, we officially brought [in] 13,000 [tour] packages and this is where they came from [and] that doesn’t include the team and management and functions we had”. It builds the model…

The ARU uses its ability to quantify tourist numbers through interaction with STOs to support its argument for payment of ‘rights fees’ by state governments seeking to host major rugby events (R1, R3) since “travel is important in convincing government they should pay you for a sporting event” (R2). Respondent 1 explained in relation to the Bledisloe Cup:

The extent to which we use operators and travel agents to bring tourists in from New Zealand and around Australia results in the city and the state getting substantial economic advantage because of tourism dollars and spending… we encourage and bring in as many tourists as we can… and we then go to government and say, “Hey, look what happened, and if you wish this to continue happening we need you to pay us a rights fee”.

The rights fee varies according to the amount of tourism the event is predicted to generate, and in turn its economic impact (R3, R6). The hosting rights agreements negotiated between governments and the ARU can also require the ARU to make a percentage of event tickets available in interstate markets (R1). This requirement may influence the number of STOs the ARU licenses for a particular event (R2), as interacting with STOs helps ensure the ARU can fulfil its contractual obligations to government. For example, in a bid to maximise interstate and international tourist numbers (R2), the ARU
licensed five Australian tour operators, including Wallaby Travel, to sell packages to the 2007 Bledisloe Cup in Melbourne. As Respondent 1 summarised:

[STOs] are part of the travel agent community, which is part of the economic impact [of the event], which is part of the hype and the look and feel of the event, [and] drives government support. Government support helps fuel our coffers [so] that we can then plough more into development of the game. We probably actually should think of the travel thing as not only being the [ticket] royalties but also the government rights fees, because it’s very directly related...the travel royalties might be here (indicates a small amount with hands), but [STOs] are very important to driving economic advantage and rights fees in the bigger picture, which is probably worth, you know, it’s getting up to between two and a half, to three million dollars a year.

Thus, forming alliances with FanFirm and other STOs to sell travel packages to major rugby events can “enhance the value of an event to the sport organisation itself” and can make the event “more valuable...to a state or local government” (R8).

However, even when these government partnerships are factored in, the financial benefits of the ARU’s relationships with FanFirm and other STOs are not substantial compared to the income generated by traditional revenue streams like sponsorship and the sale of broadcast rights (R1, R8). Respondent 3 surmised:

I think if you did a graph of the financial benefits [of sport tourism] you’d see it going on the straight up. But in relation to the other sources of revenue, like broadcasting and gate and sponsorship, no, it’s not [a significant revenue source], it won’t be.

Yet, irrespective of its actual dollar value, sport tourism was perceived as offering ongoing “revenue opportunities for national sports bodies to take advantage of” (R6), and all respondents believed that interacting with STOs was strategically beneficial for the ARU’s ongoing partnerships with state governments.

7. Discussion

The ARU–FanFirm relationship examined in this research fulfils the description of a strategic alliance, whereby “alliance partners commit agreed upon skills and resources” (Varadarajan & Cunningham, 1995, p. 284) in a bid to achieve desired outcomes they could not easily achieve alone. Prior research has identified three interconnected issues as essential to understanding alliances: preconditions, processes, and outcomes (Gray & Wood, 1991). These issues strongly emerged through our inductive analysis and form the basis of our discussion, providing a sport-oriented perspective of this sport tourism alliance.

7.1. Preconditions

The ARU’s alliance with FanFirm was underpinned by its desire to innovate and broaden its revenue streams and to reduce market uncertainty in the highly competitive Australian sport marketplace. The alliance was predominately initiated and maintained for the production of mutual benefits, which aligns with previous research on what motivates and sustains strategic alliances (Sheth & Parvatiyar, 1992; Varadarajan & Cunningham, 1995). However, the partners emphasised somewhat divergent aims for entering the strategic alliance. While the ARU aimed to generate revenue, it also sought to add value for key stakeholders. Respondents emphasised that the ARU’s sport tourism profits contributed to funding rugby development programmes. Respondents also emphasised that maintaining the alliance was beneficial for two of the ARU’s key stakeholders: government stakeholders of major rugby events and rugby fans seeking organised travel opportunities. In contrast, FanFirm’s primary motive for entering the alliance related to gaining access to tickets, which facilitated the development and sale of commercial rugby tours for profit.

Babiak and Thibault (2009) described how sport organisations may be uncomfortable emphasising purely commercial motives for partnerships with private sector organisations. The findings of this research support Babiak and Thibault’s observation, as ARU respondents stressed the intangible incentives for entering and maintaining an alliance with FanFirm, in addition to financial motives. However, the findings of this investigation are somewhat contrary to Frisby et al.’s (2004) suggestion that public and non-profit organisations might be reticent to enter commercial partnerships lest they be pulled in directions incompatible with their organisational priorities. Instead, the ARU justified its commercial alliance with FanFirm as contributing to achievement of its broader strategic directions and to funding rugby development. While the ARU is a not-for-profit organisation, it nevertheless needs to generate substantial revenue to support its activities. For example, its operating expenditure for the financial year ending in 2012 was AUD$100.3 million (ARU, 2012). Thus, despite the “significantly different” cultures of the sport and tourism sectors (Weed, 2003, p. 259), the ARU’s desire to innovate and grow its revenue streams to support its broader organisational goals facilitated formation of a commercial alliance with FanFirm.

As previous research on strategic alliances has suggested (e.g., Wittmann et al., 2009; Varadarajan & Cunningham, 1995), access to resources was a central motive for the ARU–FanFirm interaction. The ARU and FanFirm had complementary resources which, as suggested by Mitsuhashi and Greve (2009), combined to produce greater value. The ARU was able to capitalise on the expertise and tour offerings of FanFirm, while FanFirm gained access to rugby events as well as legitimacy as an official ARU STO. Some organisations have greater resource endowment than others (Mitsuhashi & Greve, 2009), and our research suggests the ARU’s tickets were the valuable commodity central to the formation this strategic alliance. Through its
control of tickets in the alliance with FanFirm, the ARU was able to reduce the uncertainty of its ticket sales, increase its ticket revenue, and outsource the sale and distribution of tickets with minimal cost or risk to itself. This result aligns with previous findings on the centrality of resources as a key antecedent of alliance formation (Varadarajan & Cunningham, 1995).

7.2. Processes

The ARU and FanFirm voluntarily entered an alliance and structured it to suit their needs. This approach accords with the suggestion that sport tourism alliances may be more sustainable when partners feel they have “ownership” of the process (Weed, 2003, p. 268). Paradoxically, although the ARU–FanFirm relationship under investigation in this research was a bottom-up initiative, the utility of the alliance to the ARU and a key motivation for its continuance links to the top-down emphasis from government agencies on the need for sport events to generate tourism as a desirable criterion for government funding support (i.e. DISR, 2000).

While respondents were hesitant to discuss the precise nature of alliance agreements because of commercial in-confidence arrangements, they indicated that the ARU–FanFirm interaction was maintained using both informal and formal mechanisms. Initially the alliance lacked a prescribed structure for communication or evaluation. Interaction was ad hoc and rested on an implicit understanding that the alliance would be maintained as long as it continued to serve the partners’ mutual interests. However, over time the alliance became more strategic and formal, with the partners identifying the potential for greater collaboration as trust built and with the ARU appointing a partnerships manager to maximise its sport tourism revenue. These findings support the observation that historical contextual factors influence whether informal or formal mechanisms are appropriate for maintaining an alliance (Frankel et al., 1996), and correspond with previous findings on the importance of trust in successful alliance relationships (Milne et al., 1996). The ARU granted FanFirm access to more events and opportunities over time, such as the joint venture for the 2007 Rugby World Cup, which entailed equity sharing and represented a formal contractual arrangement between the parties. Findings also illustrate that as the financial outlay and potential outcomes of the alliances’ ventures increased, so too did the formality of interaction, as suggested by Selin (1999).

The evolution of ARU–FanFirm alliance somewhat contradicts advice emphasising the importance of strategically "crafting" an effective alliance structure from the outset (Hennart, 2006, p. 1623) or setting up “partnership management plans” to enhance effectiveness (Frisby et al., 2004, p. 123). In contrast, the inception of the ARU–FanFirm relationship was informal, flexible, and analogous to a probation period. This informal beginning enabled the ARU to assess the efficacy of engaging FanFirm as an official tour operator on an ongoing basis. In this case, setting up the ‘right’ structure from the outset could have been difficult, as sport tourism was not the ARU’s core competency and represented an area of innovation and experimentation. Thus, the findings of this research align more closely with suggestions that flexibility is critical in emergent relationships between sport and tourism partners (Weed, 2003) and that flexible alliance structures might be preferred in uncertain market conditions (Varadarajan & Cunningham, 1995). ARU annual reports (2004, 2008, 2011, 2012) emphasised the highly competitive nature of the Australian sport marketplace and the ARU’s need to be responsive and innovative to ensure its ongoing viability. In this context, a flexible alliance structure has proven effective and has enabled the ARU and FanFirm to sustain and grow their interaction and be responsive to their operating environments.

7.3. Outcomes

The direct and indirect monetary outcomes the ARU achieves through strategic interaction with FanFirm demonstrate how NSOs can benefit from sport tourism. This result challenges the argument that sport organisations “have little incentive” to pursue the tourism benefits of sporting events because they cannot “directly capture” such benefits (DISR, 2000, p. 22). Further, the DISR (2000) suggested one of the reasons many sport tourism opportunities had been lost in Australia was that sports organisations did not necessarily possess the “requisite business skills . . . to recognise and take advantage of the tourism opportunities which accompany the hosting of . . . events” (p. 7). The findings of this research indicate that contrary to this claim, the ARU did recognise tourism opportunities, but was reluctant to invest in building capacity ‘in-house’ owing to the seasonality of international rugby union tournaments. Thus, forming a strategic alliance with FanFirm represented an efficient way for the ARU to develop sport tourism for its events.

The “dynamic interface between sport and tourism offers much scope for collaboration” (Devine et al., 2011, p. 23), and through its alliance with FanFirm the ARU established a low-risk approach to capturing tourism benefits. STOs such as FanFirm possess the licenses, resources, distribution networks, and industry experience to deliver sport tours. Indeed, tour operators are intermediaries whose core function is linking suppliers of tourism services with customers (Klemm & Parkinson, 2001). In this case, FanFirm operated as an intermediary by delivering tourists to rugby events and host destinations and providing value-added services to rugby fans in the form of travel packages.

In addition to sport tourism-related outcomes, the ARU–FanFirm alliance produced commercial results for the ARU that fulfil many of Sheth and Parvatiya’s (1992) categories for alliance formation. For example, by forming a strategic alliance with FanFirm the ARU was able to benefit by (1) developing a new type of product to promote to its existing market; (2) extending its reach into new sport fan markets (through FanFirm); (3) entering an international market beyond its governance jurisdiction through the joint venture with Wallaby Travel; (4) developing a competitive and, some respondents argued, leading position among other NSOs in sport tourism in Australia; (5) gaining a foothold in a profitable niche market
(rugby tourism); and (6) enhancing efficiency of resource use, as STOs pay more per ticket than individual event attendees. These results provide the ARU with ongoing motivation to maintain the strategic alliance, and highlight the connection between alliance preconditions and outcomes.

Understanding alliances is difficult without considering the broader environment in which they operate (Hennart, 2006). Hence, the value of the ARU–FanFirm alliance to the ARU can be understood with reference to broader trends in the Australian sports industry. In Australia, many NSOs have traditionally relied on government funding, and have faced increased expectations of financial autonomy (Shilbury, 2000). In a climate of decreased public funding for sport, sport organisations need to adapt to change and seek ways to establish financial independence (Babiak & Thibault, 2009; Shilbury, 2000). As Babiak and Thibault (2009) explained, “vulnerability of non-profit organisations to their funding environment is an ongoing source of tension and concern. Partnerships offer a means to reduce reliance on government and diversify non-profit organisations’ funding base” (p. 139). Paradoxically, the ARU’s alliance with FanFirm aims to increase commercial revenue (thereby reducing reliance on government funding) while also providing government stakeholders with a compelling reason to keep investing in major rugby events.

Indeed, garnering government financial support and ensuring a return on investment was a key incentive for and outcome of the ARU–FanFirm alliance. Data illustrated that government financial support for its showcase rugby events was invaluable to the ARU. The Australian Sport Commission (1990) has long noted that bidding, planning, and staging of large sport events are complex and expensive processes that can surpass the resource capacity of Australian sport organisations and so require government assistance. Yet, governments are often called upon to justify expenditure on major sport events (DISR, 2000), and a commonly cited rationale for public funding is that sport events generate worthwhile tourism-derived economic impacts in host destinations (Gratton, Dobson, & Shi, 2000). Thus, encouraging sport tourism appears to be in the vested interest of NSOs such as the ARU, as sport tourism may contribute to increasing returns on public investment in major sport events, thereby resulting in ongoing financial support from government agencies.

8. Concluding comments and future directions

This Australian case study provides a sport-oriented perspective of sport tourism and contributes to knowledge on strategic alliances between NSOs and STOs. Results demonstrate that the ARU’s alliance with FanFirm gave it a means to accrue a range of intangible and financial benefits. Further, the findings suggest that the ARU–FanFirm alliance produces benefits that extend beyond the primary NSO–STO nexus to other key stakeholders of major rugby events, specifically rugby fans and event host governments and destinations. Key ARU respondents perceived the relationship to be worth maintaining and growing as it aligned with the achievement of the ARU’s broader strategic directions. The ARU–FanFirm interaction illustrates that NSOs can capitalise on the tourism generated by major events.

This case study also attests to the value of ‘bottom-up’ sport tourism initiatives, whereby partners enter alliances of their own volition and in pursuit of benefits that connect to their broader organisational goals. The case illustrates that adopting a flexible structure was effective for the ARU–FanFirm interaction, allowing the alliance to evolve at a rate determined by partners as well as enabling the ARU and FanFirm to respond strategically to new opportunities as they arose, such as the joint venture for the 2007 Rugby World Cup. The flexible structure of the alliance, and the combination of informal and formal mechanisms used in its management, underpinned the ongoing maintenance of the relationship. The ARU–FanFirm alliance is an exception to Weed’s (2003) observation that many partnerships that emerge around major sport events are short-term and uncoordinated.

While past research (i.e. Deery & Jago, 2005; Weed, 2003) on partnerships in sport tourism has examined reasons for failure, this study contributes insights into the features of a successful and sustained cross-sector alliance. It also illustrates why sport organisations’ perspectives should be considered in future discourses on sport tourism and major sport events. While local, state, and national government agencies undoubtedly have a role in coordinating sport tourism at a policy level (Deery & Jago, 2005), smaller-scale, ‘bottom-up’ initiatives, such as the one featured in this research, may also play an important part in rectifying the Australian sport tourism ‘market failure’ identified by the DISR (2000). Indeed, contrary to the DISR’s view on the contributory role of sporting bodies in the market failure, the ARU has worked, and continues to work, to encourage sport tourism around major rugby events.

However, as this research adopted a case study approach, further research is required to determine the applicability of our findings to other NSOs and sport tourism alliances within and outside of Australia. While respondents considered interaction with commercial STOs to be effective for meeting the ARU’s needs, it may not be a suitable approach for all NSOs, and research is required to identify different ways in which other NSOs could capitalise on sport tourism opportunities. Thus, further studies could shed light on the range of strategies NSOs may employ to achieve benefits similar to those derived from the ARU–FanFirm alliance. Future investigations could also seek the viewpoints of major sport event stakeholders, such as sport fans and host government agencies, on the outcomes of NSO–STO alliances. Ascertaining these perspectives would provide greater insight into the finding that respondents viewed the ARU’s interaction with STOs as adding value for rugby fans, host governments, and destinations. Finally, while the dynamics of power within alliances was not a key consideration in this research, future investigation may be warranted on the role of resources, specifically tickets, in enabling NSOs to control and gain advantage from sport tourism alliances. Such research would contribute valuable sport-oriented insights into the potential of strategic alliances in sport tourism.
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References


