

Effectiveness of sports sponsorship



Introduction

“ Few marketing platforms can match the brand building opportunities offered by sports sponsorships, with the guarantee of exposure in print, broadcast and new media. In the highly emotive world of sport, the audience sees sponsorship as support for something to which they feel great attachment. An average of more than 150 million viewers watched each football match in Euro 2004, with 273 million people tuning in for the final, and in the UK, the highest audience was 20.7 million.” (Margraff, 2005)

However, advertising avoidance in the UK is now reaching terminal proportions. A recent study conducted by Continental Research found that 45% of UK adults agree with the statement “ Given the chance I avoid TV ads as much as I can”.. (Evans, 2006) Despite this, and the fact that consumers are spending less and less time consuming traditional media, Evans (2006) reports that lazy marketers still siphon off the majority of their budget to TV and magazines. Smarter advertisers, however, are devising new ways to interact with their target audience.

As a result the main feature of the course of the year will undoubtedly be in June, where the World Cup will break all sponsorship records, and will be the showcase for brands to interact with their consumers like never before. Brands will attempt to emulate Pringles, which partnered Yahoo! Sport’s coverage during Euro 2004 to build awareness around its ‘ dream team’ concept. (Evans, 2006) For sponsors, such viewing figures underline why it is so important to be associated with football tournaments and indeed any sports tournaments of magnitude. As a result, Cornwell et al (2005) have concluded that sponsorship of sports tournaments has now become a

mainstream marketing communications tool. However, whereas sponsorship involves a fee paid in advance for future potential communication values, advertising offers a more knowable and more controlled communication. Furthermore, whereas sponsorship requires leveraging: promotional spending in addition to the sponsorship fee to obtain the greatest value, advertising is often sponsorship's most valuable leverage. Sponsorships may also be directed toward consumers, channel members, financial institutions, government, community, and employees.

As a result, in order to gauge the full effectiveness of sports sponsorship on marketing and branding, this review will review several different academic journals with varying methodologies, from empirical studies to more pure theoretical approaches, in an attempt to judge the most successful approaches. The methodologies of the journals will be examined in more detail at the end of the review, and the conclusion will attempt to uncover the most effective methods used, as well as commenting upon the true value of tournament sponsorship in the context of modern marketing.

Whilst the main focus of the methodology analysis will be on the contrast between the empirical, practical, studies and the more abstract, theoretical models, there may be more important analysis contained within the articles which use marketing paradigms as their dominant approach. Within the context of tournament sponsorship, the paradigm approach focuses on examining the specific thought patterns, both of the marketers designing the campaigns, and the target audience experiencing them. As a result, paradigms offer a much greater insight into the effectiveness of the tournament sponsorship than pure practical or theoretical approaches.

However, a multi paradigm approach provides even greater insight, as it looks at differing thought patterns within target segments, and between marketers in the same sector, or even the same firm. This degree of complexity means that multi paradigms have not often been used in the context of tournament sponsorship, but wherever they have been encountered, they have been identified and analysed, using the four interacting paradigms defined by Burrell and Morgan's (1979) work on multi paradigms

Literature Review

Sports Sponsorship Overview

Grohs et al (2004) analysed recent surveys which found that, while managers tended to favour media coverage around ten years ago, now they rate sponsor awareness and image transfer from the sponsored event to the sponsor as the main reasons for engaging in sport sponsorship.. However, the evaluation of sponsorship has not kept up with this change in priorities, and companies often seem reluctant to evaluate sponsor and spectator awareness even though measurement is straightforward and not very costly. An important reason might be that previous studies showed the unsatisfying effects of “ ambush marketing”, a form of marketing where other firms make consumers believe, incorrectly, that these companies are the actual sponsors of an event. This phenomenon will be covered in more detail later in the review but, in the case of image transfer, evaluation seems to be difficult due to a lack of a compelling comprehensive and testable model

Despite these concerns, corporate spending on sport sponsorship continues to escalate: up 3. 7% from 2001 to 2002, with several companies reportedly <https://assignbuster.com/effectiveness-of-sports-sponsorship/>

spending over \$100 million each year (Stotlar, 2004). Sport sponsorship has been shown in the literature to be a viable component contributing to market strategy, however of late, the downward movement in many corporate stocks through 2003, projected earnings shortfalls, and decreased company profitability has caused some shareholders to question sport sponsorship as an appropriate expenditure of funds because little empirical evidence of return on investment has been provided. However, this can be primarily viewed as being because many corporations have failed to assess sponsorship's effectiveness in meeting their objectives. Perhaps the lack of assessment exists because the process for evaluation has not been solidified in theory or practice; thus an evaluation model for sport sponsorship based on the myriad of contributing factors is needed.

Stakeholder Perspectives

Cornwell et al (2001a) reports that sponsorship of sporting and other events has become an increasingly popular marketing communications vehicle. However, Cornwell et al (2001a) join the ranks of academics who claim that precious little research has investigated how sponsorship participation is beneficial to a firm and its brands. Thus their study explores how managers view the brand equity building capabilities of their sponsorship linked marketing programs over time and, in a two-phase survey, fifty managers reported on the value of sponsorships in building brand equity. Findings showed that leverage, the use of advertising and promotion to support the sponsorship, and active management involvement are significant predictors of both the perceived differentiation of the brand from its competitors and adding financial value to the brand.

To put tournament sponsorship in perspective, the sponsorship of sports, causes, and events has become an established communications tool seen as useful in building brand awareness, brand image, and corporate image (Javalgi et al. 1994; McDonald 1991; Quester 1997; Turco 1995; Witcher et al. 1991). Brand awareness and image, in turn, are integral to the idea of brand equity, the set of value-adding assets linked to a brand (Aaker 1996). Both academic (Keller 1993; Park and Srinivasan 1994) and business writers confirm the role that sponsorship can play in building equity for the brand. Indeed, Keller (1993, p. 10), in his theoretical development of customer-based brand equity, notes that anything that causes the consumer to experience or be exposed to the brand has the potential to increase familiarity and awareness. Likewise, promotion industry analysts find sponsorship popular as a platform from which to build equity and gain affinity with target audiences (Smith 1996, p. 15). Empirical work, however, concentrates on only a few brand equity elements, for example, brand awareness Sandler and Shani (1992), brand preference Nicholls and Roslow, (1994), corporate image Turco (1995), and adding financial value to the brand (Cornwell et al, 2001b). As a result, Cornwell and Maignan (1998) claim that no study has considered a broad range of equity elements, thus Cornwell et al (2001a) therefore explore the potential of sponsorship to build various aspects of brand equity, with their purpose being to develop an understanding of how managers view the brand equity building capabilities of their sponsorship-linked marketing programs.

However, of concern to managers is that, whilst the sponsorship of football is a multi million pound industry, with many sponsors hoping that supporters'

enthusiasm for their team will translate into long term benefits for the sponsor, the intensity of team rivalry means that a sponsorship may also alienate opposing supporters. Davies et al (2006) examined the rival Glasgow clubs, Celtic and Rangers, who undertook a joint sponsorship arrangement with the communications company NTL, investigating how the benefits obtained compared to those that may have been expected from a single sponsorship. While the sponsorship was very effective in creating awareness for NTL and very profitable for the clubs; Davies et al (2006) found ambivalent attitudes towards the company, with the most committed supporters being the least accepting of the sponsorship, and the expected positive relationship between support for the club and brand preference for NTL was not found.

Of course, the companies and participants are not the only stakeholders in a sponsorship deal, especially for major events. One example of this is in tobacco sponsorship of sporting events, where the opinions of government, health activists, and sport organizers towards the concept have been widely discussed and debated. This paper Danyichuk (2000) contributes a new perspective to the debate by providing input from spectators at a major sporting event obtaining four hundred spectator respondents to a paper and pencil survey at a Ladies Professional Golf Association (LPGA) event that had a tobacco company as its title sponsor. The questions elicited demographic information in addition to spectator smoking habits, awareness of title sponsor, awareness of current tobacco legislation, opinion concerning tobacco sponsorship, and suggestions for alternative sponsorship. The final results actually indicated that 73% supported tobacco sponsorship; 11 %

opposed it; and the remaining 16% had no opinion. Those opposed to tobacco sponsorship cited health implications of tobacco use, negative influence on young people, and negative aspects of tobacco promotion in general, and some spectators provided specific examples of alternative sponsors whilst the majority of others indicated that the willingness and financial interest of a potential sponsor were key elements of the sponsorship arrangement. The final interpretation of this was that, whilst it would be better to have found another sponsor, it was better to have a tobacco company than no sponsor at all.

Given that events would always prefer to have a sponsor, where possible, Westerbeek (2000) tested the hypothesis that “ revenue maximization of the tenants of sports facilities is dependent on the geographical location of the facility, or the ‘ location of distribution’”. To test this hypothesis, revenue maximization was operationalised pertaining to sponsorship, and a survey instrument was sent to all sponsors of a Melbourne based football club. The sponsors were grouped as location dependent and location independent based on the location of their head office and financial turnover achieved in the area around the sports facility. The survey thus collected information on three different steps in the sports consumption process including ‘ coming to the sports facility’, ‘ being in and around the sports facility’ and ‘ being serviced in the sports facility, and found that revenue was geographically dependent when the sponsor was similarly location dependent.

Finally, Payne (1998) conducted a study into the practice of “ ambush marketing”, and its effect on stakeholder, using the example of The Olympic Games which, as the world’s largest and most prestigious sports event, has

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been a major target for ambush marketing activity. The position of the International Olympic Committee is that the practice of ambush marketing represents a deliberate attempt to mislead consumers into believing that the companies involved are supporters of the Olympic Games. However, it was found that the effects were most marked on the other stakeholders: the activities of ambushers were found to erode the integrity of major events and lessen the benefits to official sponsors, who are the real supporters of such events. Ambush marketing has been criticised heavily as it breaches one of the fundamental tenets of business activity, namely, truth in advertising and business communications. As a result, the IOC, as custodian of the Olympic Games, successfully adopts a twofold strategy of protection and prevention to counter the threat of ambush marketing.

Integrating the marketing approach

Statistics show that sponsorship of sports and other events is one of the fastest growing areas of promotion, despite the fact that the importance of this persuasion strategy is not reflected in the amount of attention it has received in the marketing literature. Although some research has been done in this area, the majority of work has not employed the same theoretical and methodological rigor given other areas of consumer behaviour. Some scholars, such as McDaniel (1999) have suggested that sponsorship functions like celebrity endorsement advertising, where the perceived match, or mismatch, of brand attributes with the endorser's attributes influences consumer response to such marketing communications, and the marketing mix as a whole.

However, one of the most difficult challenges for marketers remains the large, diverse means of communication and communication options that are available to support their brands: TV, print, and interactive advertising; trade and consumer promotions; arts, sports, and cause sponsorships; etc.

Consequently, marketers must understand what various marketing communication options have to offer and how they should be combined to optimize their marketing communications programs. Towards that goal, Keller et al (2001) considered how to develop, implement, and evaluate an integrated marketing communication program, including event sponsorship. To provide both macro perspectives, especially relevant for managerial planning, and micro perspectives; they provided criteria as to how integrated marketing communication programs can be designed and evaluated as a whole, i. e. according to coverage, contribution, commonality, complementarities, robustness, and cost considerations. They also described how the two perspectives relate and conclude by discussing theoretical and managerial implications and outlining future research directions.

The competitive strategy literature seems to offer two principal approaches to the problems of developing marketing strategy in volatile environments, labelled as the formal and informal approaches by Wilson (1999).. More recent research into managerial cognition provides promising possibilities for integrating formal and informal approaches to understanding strategy development in volatile conditions, and exploratory research by Wilson (1999) has shown that, in practice and in contrast to much of the strategic marketing literature, the response of organizations in volatile environments depends fundamentally on how the managers involved perceive their

environment and that managerial perception can vary considerably between, and even within, rival organizations facing ostensibly similar environments. As a result, the effectiveness of an organization's strategy can depend crucially on these managerial perceptions, or paradigms, and that it may be more realistic to regard competitive strategy as an organization's response to the perception of competitive 'threat', rather than the more popular emphasis on 'opportunity'; thus sponsorship is often undertaken as a response to a competitor pursuing a similar strategy, and reaping perceived benefits.

Finally, although the importance of signs and symbols has been widely recognized in an integrated marketing approach, only a handful of consumer researchers have developed theory and research programs based on semiotics, the doctrine of signs. Mick (1986) outlined the emergence and principal perspectives of semiotics and then discussed its applications and implications for consumer research and marketing strategy. Among its strengths, semiotics positions meaning at the nucleus of consumer behaviour, provides a rich 'meta-language' for semiotic consumer research, and recommends a multi-paradigm philosophy of marketing which can be applied to the effective integration of sponsorship into a wide ranging marketing strategy.

Evaluating Effectiveness

The use of sales figures, traditionally used to measure marketing effectiveness, as an indicator of sponsorship effectiveness is highly problematic in consequence of the possible influences of collateral marketing communications inputs, carry-over effects of past advertising, changing

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economic conditions, entry or exit of competing businesses, and so on. Hence, the results of sponsorship are typically appraised in terms of awareness levels achieved; attitudes created or altered; prompted and unprompted brand or company name recall; the extents of television, radio and press coverage, and cost per thousand prospects. (Bennett, 1999) A common approach is to measure the duration of television coverage of a sponsored event and the magnitude of press coverage obtained in terms of single column inches and then to compute the cost of purchasing corresponding amounts of space or broadcast time (Allen, 1990). This is convenient and practicable, but only indicates the extent of the publicity resulting from sponsorship, rather than the impact and effects of the exposure (Meenaghan, 1991).

Meenaghan (1991) in fact recommends a three-fold evaluation procedure: determination of a company's present position in terms of pre-sponsorship awareness and image with the target audience; tracking to detect movements in customer attitudes towards the firm; and the post-sponsorship comparison of performance levels against initial objectives. A number of theorists, primarily Thwaites (1995), have advocated the use of tracking devices to monitor sponsorship effectiveness, however Marshall and Cook (1992) found that although 78 per cent of a sample of 58 UK sponsoring companies evaluated their investments in some way or other, very few of them actually undertook specialised tracking. Allen (1990) similarly reported evidence to suggest that only a small number of companies completed any formal evaluation of their sponsorship expenditure, or engaged in any

research whatsoever designed to identify the likely interests of target customers.

The survey conducted by Thwaites (1995) found that while two-thirds of a sample of 30 companies sponsoring UK football teams attempted to evaluate their sponsorship activities, few went beyond the basic measurement of media coverage, and generally unsophisticated methods seemed to be applied. Reasons advanced by managers for not evaluating sponsorship effectiveness included the costs and uncertainties involved, technical research difficulties, absence of meaningful criteria for assessment, and lack of clear initial objectives (Allen, 1990; Thwaites, 1995). As a result, Bennett (1999), suggested that a sponsoring company's ability to create false consensus among spectators represents a concrete and useful device for measuring the effectiveness of sponsorship activities.

In the absence of an external measure of validity of sports advertising effectiveness, alternative measures are often utilized. For example, John Hancock Financial Services measures the effectiveness of its bowl sponsorship by the number of stories and lineage in newspapers and magazines across the country (McCarthy 1991). For the 1990 'John Hancock Bowl', an American football collegiate championship, 21 binders of newspaper clippings were collected, whose value the insurance company estimated at over \$1 million of advertising equivalency. Another approach used by event sponsors is to compare sales in periods before and after the sponsored event, however such surrogate measures give no evidence of the size of the audience exposed to the promotion. Furthermore, Levin 1993), claims that measures such as these are incomplete because they do not tell

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“ how event marketing shapes consumer awareness, attitudes and impressions of a company or its brands”..

It is possible to have on-site audience research that goes beyond mere number counting and studies consumer attitudes, interests, and opinions (AIO). For example, statisticians, including Sudman (1980), have developed techniques to make place-based media surveys conform to traditional norms. Research has also demonstrated that audiences at particular events have varied demographic and lifestyle characteristics, as well as distinct AIO (Nicholls, Laskey, and Roslow 1992). This finding makes certain events more attractive to some sponsors than others. For instance, Nicholls and Roslow (1994) found that the Maryland Gold Cup steeplechase attracts spectators targeted by the local Mercedes-Benz dealers, whereas those attending the Indy CART automobile race in Miami have characteristics sought by Nissan.

Even though Mercedes-Benz and Nissan understand the importance of demographics, lifestyles, and AIO, the impact of sponsorship and advertising in place-based media is still enigmatic. Where it is possible to make purchases on-site, sales measures are available and, moreover, can be related to the characteristics of customers. For instance, individuals who purchase particular items at a supermarket may be tracked by specialized Nielsen and IRI databases. (Nicholls and Roslow, 1994) In general, however, advertising effectiveness measures are not available for audiences at most place based sites, including sports events, unless they are specially commissioned. Thus, Nicholls and Roslow (1994) were most concerned with methods of measuring the advertising effectiveness of a specific sports event. Traditional measures of effectiveness, beyond actual sales, include

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advertising exposure, consumer attitudes, brand recall, and purchase intentions, and Nicholls and Roslow (1994) collected and analyzed brand preference on sponsor brands promoted at a professional golf tournament in order to build a model of sponsorship effectiveness.

Examples from Specific Genres

“ Action sports”, an emerging genre of individualistic sports, increased immensely in popularity over the end of the last century (Bennett et al, 2002). Sponsorship of action sports events has likewise increased rapidly over the last few years, and these sponsorships are prevalent on most televised event broadcasts. Bennett et al’s (2002) research suggested that there is an expansive and increasing action sports industry and several major corporate sponsors have uncovered the benefits of advertising on ESPN, NBC, and others. Advertising research is replete with examples of utilizing intermediate measures to assess sponsorship effectiveness, and the literature base on intermediate measures in sport marketing has now been well established by the authors listed above, and has provided sport marketing and management practitioners with useful data on intermediate measures utilized by the LPGA, Olympic Games, and Gay Games, respectively. However, despite the development of literature on sponsorship effectiveness within the sport industry, there is a relative paucity of original research on the action sports phenomenon.

As such, Bennett and Lachowetz (2004) discussed the attractiveness of the action sports genre to the ‘ Generation Y’ market, claiming that action sports events may increase in popularity even further over the next few years.

Since action sports were founded by individuals seeking to be involved in
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participant-controlled sports, the genre will likely continue to have some mass appeal for the members of ' Generation Y', and therefore many companies and marketers will seek to benefit from the transfer of brand associations resulting from the firms aligning themselves with the events and athletes that appeal to the youth segment. Certainly, there are valuable lessons for all sports sponsorship marketing practitioners that can be learned from the substantial growth of the action sports industry, and since there has been such a dramatic rise in the popularity and strength of the genre, practitioners should analyze the efforts made by those responsible for expanding the industry. Obtaining sponsors that appeal to targeted markets or have the capability of transferring images is another objective that has been utilized by action sports marketers and managers, and marketers should consider being authentic or creating a cool image when attempting to influence the youth market, especially one so large and filled with cynicism toward corporate sponsorship. As such, Bennett and Lachowetz (2004) concluded that choosing sponsors that can deliver on authenticity rather than simply provide a revenue stream may allow greater return on investment in the future for those targeting ' Generation Y'

Moving to looking at a more mature genre, certain professional sport organisations fall short of educating their corporate clients with respect to all of the benefits and attributes of the sport products they offer, including sponsorship programs, luxury suites and event sponsorship(Lachowetz et al, 2003). In response to this problem, theorists have developed a nine-step framework: " eduselling," that identifies corporate sales activities designed to assist professional sport franchises in the education and retention of their

corporate customers. Lachowetz et al. (2003) surveyed all 29 teams in the National Basketball Association (NBA) in an attempt to validate the nine-step process, with the purpose of the study being to collect more detailed information about the sales activities used by NBA franchises. As a follow up to the study, marketing directors were selected from five NBA franchises, with selection criteria including average to below-average team winning percentage and average to above-average corporate customer retention rates, which indicated an effective corporate sales strategy.

Methodology

Theoretical Models

A great deal of fieldwork has attempted to gauge the relative effectiveness of sponsorship in a marketing context, but theorists such as Cornwell et al (2005) claim that these “ weakly controlled field studies contribute little to our understanding of how individuals process sponsorship-linked marketing communications.” By considering qualitative factors, including possible underlying information processing mechanics, individual and group level factors, market factors, and management factors, together with theorized sponsorship outcomes, Cornwell et al (2005) thus offers a theoretical model of consumer focused sponsorship linked marketing communications that summarizes and extends theoretical understanding of the topic.

Grohs et al (2004) in contrast, examined these obstacles of assessing sponsor awareness and image transfer in sport sponsorships in two ways. Firstly, as a means of reducing the danger of ambush marketing, they analysed a qualitative model designed to identify what drives correct sponsor identification. Their empirical results, collected to test the model, <https://assignbuster.com/effectiveness-of-sports-sponsorship/>

indicated that event sponsor fit, event involvement, and exposure are the dominant factors predicting sponsor recall, thus offering sponsors a basis for successful sponsorship planning and execution through the selection of an appropriate sponsorship. Secondly, Grohs et al (2004) proposed and empirically tested a quantitative model that assesses image transfer in sport sponsorships, finding support for a basic level of image transfer for all sponsors. However, more detailed research and interpretation of results suggest that the magnitude of image transfer depended on two factors: sponsorship leverage and event sponsor fit.

The other main theoretical pieces of work were conducted by Keller (2001) and Wilson (1999). Keller (2001) aimed specifically to provide micro perspectives especially relevant for academic research, and in order to achieve this, they introduced the Marketing Communication Tetrahedron, a quantitative model, as a marketing paradigm approach, as well as a means of classifying and analyzing factors influencing marketing communication effectiveness along four broad dimensions, i. e. factors related to the consumer, communication, response, and situation. In contrast, Wilson et al built a model based on research that suggested that organizations seem to respond initially to the perception of competitive threat by reinforcing previous behaviour patterns before later and often reluctantly adopting more innovative reforms, implying a cyclical pattern of paradigm adjustment. Implications for further research and for management practice are discussed including the need for multi paradigm models, to compensate for said cyclical behaviour.

Survey, Questionnaire and Empirical Data Oriented

One of the major quantitative, practical pieces of work on the subject was the on site survey conducted by Nicholls and Roslow (1994) at the Doral-Ryder Open Golf Tournament in 1992. At the time, this was a major Professional Golf Association (PGA) championship, held each year at the Doral Country Club in Miami, Florida, with the principal sponsor, Ryder System, being a major vehicle leasing corporation, headquartered in the United States, but with numerous operations abroad. Nine major sponsors were included in the analysis, and the survey was conducted on each of the four days of the actual professional tournament. The championship itself was preceded by several days of pro-am rounds and a musical evening so that the whole affair extended over ten days, and respondents were interviewed as the tournament progressed.

Each of the interviewers was assigned to a specific location on the golf course and a total sample of 276 respondents was obtained during the final four days of tournament play. Interviewers were instructed to select the first person to cross a given point following the conclusion of each interview, and this procedure was found to have reduced bias with respect to the interviewer selection of the respondents. Respondents were asked their specific brand preference in the categories included in the study, and the analysis investigated whether the preference for advertiser sponsored brands was related to the number of days attended. Nicholls and Roslow's (1994) stated aim was to establish whether there was any empirical relationship between spectators' degree of preference for brands advertised on-site and the number of days these spectators attended the tournament, i.

e. the number of advertising messages directed to the event's audience.

Their findings provided a link between the degree of brand exposure and the degree of preference however, despite the large number of respondents interviewed, the link was found to be equivocal at best.

A more decisive piece of practical work was completed by Bennett et al (2002) who, after concluding that their literature review revealed no significant research involving sponsorship and action sports, undertook an investigation of the effectiveness of action sports sponsorships.. They claimed that such a study was both warranted and timely; and thus composed an original 19 item questionnaire in order to measure action sports sponsor and athlete recognition by members of the ' Generation Y' market. The results from these questionnaires were crucial in forming their conclusions about targeting younger people. Similarly, as part of their work, Lachowetz et al (2003) interviewed numerous individuals by means of a 45-60 minute phone interview. Data from these calls was qualitatively a