CHAPTER TWO

SPORT SPONSORSHIP AND RELATIONSHIPS

2.1 INTRODUCTION

In Chapter 1 the foundational context for the study was established through the discussion of the problem statement, the aim, the methodology and structure of the present study.

The purpose of this chapter is to give an overview of the concept of sport sponsorships and the importance of relationships therein. The first section of the chapter will include the definition of sport sponsorships, as well as an overview of the history and growth of sport sponsorships. The different types of sponsorships as well as the value of sport sponsorship relationships, will also be discussed. The chapter will also address other aspects associated with sponsorships such as sponsorship objectives, the advantages and disadvantages of sponsorships. The chapter will conclude with a discussion of the concepts of sport sponsorship relationships, as well as the management of sponsorship relations.

2.2 DEFINITION OF SPORT SPONSORSHIP

There is a general endorsement of the view that sponsorship is a valuable area within the marketing concept (Wise & Miles, 1997), and literature evidence suggests that the majority of organisations plan to extend their involvement in the sponsorship area (Thwaites, 1995). Commercial sponsorship represents one of the most significant marketing developments in recent decades (Meenaghan, 1994), and it represents a multi-million dollar industry. The increasing amount of money paid by television networks to broadcast sporting events is viewed by
Sherry (1998) as another strong indication that sport (and per implication sponsorships) offers excellent opportunities to reach target markets.

Crowley (1991) stated that sponsorships have further gained greater prominence for reasons relating both to the supply of sponsorship opportunities, and the demand from the corporate sector for effective communication media. The definition of sponsorships (Arthur, Scott, Woods & Booker, 1998) where it’s viewed as a commercially orientated marketing tool that is utilised by organisations world-wide, supports Crowley’s statement.

Various authors (Arthur, Scott, Woods & Booker, 1998; Cornwell, 1995; Erdogan & Kitchen, 1998; Gwinner, 1997; Meerabbeau, Gillett, Kennedy, Adeoba, Byass & Tabi, 1991; Owusu-Frimpong, 2000; Pope, 1998; Sunshine; Backman & Backman, 1995; Thwaites, 1995; Wise & Miles, 1997; Van Heerden, 2001) propose different definitions of sponsorship. The definition by Meenaghan (1983) where sponsorship is seen as the provision of assistance, either financial or in kind to an activity or individual by a commercial organisation for the purpose of achieving commercial objectives, is widely recognised as the basis from which all other definitions evolved. It is on the basis of various definitions that Cornwell and Maignan (1998) suggest that sponsorship involves two main activities: firstly, it is an exchange between a sponsor and a sponseree whereby the latter receives a remuneration (either cash or in-kind payment), and the former obtains the right to associate itself with the activity sponsored, and secondly the marketing of the association by the sponsor. Both these activities are necessary if the sponsorship fee is to be a meaningful investment.

Sponsorship for the purpose of this study will therefore be defined as a relationship through which support is offered in return for certain rights (Kerstetter & Gitelson, 1995 and Sleight, 1989). These rights, according to Van Heerden (2001) include, but are not limited to, the right of the organisation to use a logo, a name or trademark associated with the product or event, or the right to an
exclusive association within a product, service or event. These rights can also include a right of entitlement (naming rights) to an event or facility, or the right to conduct promotional activities in concurrence with the sponsorship agreement.

Sponsorships further involve an exchange and interaction between two or more parties (McCarville & Copeland, 1994), and can be used to accomplish the pre-determined objectives of the organisation (Callecod & Stotlar, 1990). It can also be a valuable and cost-effective medium through which an image can be developed (McDonald, 1991 and Nebenzahl & Jaffe, 1991). Sport sponsorship can be seen as the exchange between parties (the corporate organisation and the sport body or individual) during which the corporate organisation receives, in return for the provision of resources (money, manpower or equipment), the right to direct association with the event and/or activity (or the sport body or individual) (Van Heerden, 2001). In a climate of the increasing costs involved with sport events, an increasingly large number of event and activity organisers are considering sponsorships to help ease the financial burdens these events and/or activities place upon them.

### 2.3 A BRIEF HISTORY OF SPORT SPONSORSHIPS

Sponsorship in its purest form is not new (Meenaghan & Shipley, 1999 and Spence, Abratt & Mattheus, 1997), as numerous aspects of it can be traced back to the ancient Greek and Roman civilisations. The wealthy people of ancient Greece supported athletic and arts festivals in order to enhance social standing.

Gladiators were supported (or owned) by members of the Roman aristocracy (Cornwell, 1995 and Pope, 1998). Clayton (1985) states that gladiatorial events were staged to celebrate military victories in Roman times, and were sponsored by wealthy nobles intent on high office in the senate. The more lavish the event, the greater the exposure and the better the likelihood of recognition. These
events introduced the earliest examples of sponsorship where the sponsor financed and promoted an event, and in return expected some benefit.

The sponsoring of a rowing competition between the universities of Yale and Harvard in 1852 in the state of New England (USA), is seen as one of the first recorded official sponsorship agreements (Stier Jr., 1994). In 1861, Spiers and Pond sponsored the first Melbourne Cricket Club Tour of Australia to South Africa (Van Heerden, 2001).

In the USA, railroads were a primary source of transportation during the 1870s, (Sawyer, 1997), and sponsorship was viewed as a way to capitalise upon the opportunity to draw additional exposure for the railroad services. In the 1890s, trains and streetcars in the United States became strongly associated with baseball, and they even offered packages to fans. These packages included transportation to and from the games, as well as game tickets (Brooks, 1990). Mattheus (1996) stated that organised sport only developed from the 19th century, due partly to an increase in leisure time which was a result of the Industrial Revolution.

In Britain, the first recorded association between soccer and a corporate organisation was as early as in 1898. This association became clear when Nottingham Forest endorsed Bovril on a poster following their FA Cup win that year. The 1956 Whitbread Gold Cup - a £4 250 horse racing event - is being documented as the first major sport sponsorship in the United Kingdom (Marshall & Cook, 1992). The first sport sponsorship in South Africa (Clayton, 1985) can be traced back to 1902 when the South African Breweries established the Ohlssons Hockey Cup.

Sponsorship, as part of marketing promotion, has existed in the USA since the 1950’s. This occurred when President Eisenhower asked two organisations to sponsor the presidential physical fitness programmes (Cornwell, 1995). While
sponsorship activities have been evident for many years, the major upsurge of corporate investment in sponsorship has occurred over the last two to three decades (Grimes & Meenaghan, 1998).

A major boost to sponsorship activities arose out of the 1984 Television Act in Britain. This act prohibited the advertising of tobacco products on television, and consequently, tobacco organisations turned to sport sponsorship for their advertising (Marshall & Cook, 1992). An illustration of this can be found in the sport of Formula One motor racing, and the various corporate sponsors that are advertised on these cars. Two South African drivers were among the first to drive in cars painted in the colours of their respective sponsors (Schnetler, 1997).

More recently, the 1984 Olympics in Los Angeles highlighted the relationship between the corporate world and sport. During this Olympic Games, Coca-Cola paid almost US $3 million for the rights to be known as the ‘official soft drink’ of the 1984 Los Angeles Games (Brookes, 1990 and Crompton, 1995). The 1996 Atlanta Olympic Games raised US$ 540 million in sponsorship funding. The Sydney Organising Committee for the Olympic Games in 2000, budgeted for a sponsorship income of A$ 830 million (Speed & Thompson, 2000).

Although it represents only a small percentage of the overall promotional budget, the amount of money allocated to sponsorship is growing rapidly (Scott & Suchard, 1992). Sponsorship has not only become more sophisticated, but organisations are expecting a reasonable return on their sponsorship investment (Gwinner, 1997).

### 2.4 GROWTH OF SPORT SPONSORSHIP EXPENDITURE

The growth of sponsorship has been well documented throughout literature (Assimakoupolos, 1993; Carrigan & Carrigan, 1996; Cornwell, 1995; Crompton,
Organisations have turned to sponsorship as a means of communicating with their perspective target markets. Bradley (1995) considers it business suicide if sport bodies ignore the up to the seven-figure offers from organisations that want to name a sporting event after their business.

The scale of sponsorship growth can be seen from the world-wide increase in sponsorship expenditure over the years. The expenditure world-wide increased from US$ 2.5 billion in 1984 to US$5 billion in 1989 (Marshall & Cook, 1992; Meenaghan & Shipley, 1999; Meerabeau, Gillett, Kennedy, Adeoba, Byass & Tabi, 1991; and Quester & Farrelly, 1998). By 1993 this figure had increased to between US$ 9.6 billion and US$ 10.8 billion (Cornwell, 1995), and in 1996 it was an estimated US$ 16.6 billion (Sponsorship Research International, 1998).

Meenaghan (1991) reported that sponsorship expenditure in the United Kingdom, showed a more than 10-fold increase, from £ 18 million in 1974 to £ 228 million in 1990. Total sponsorship expenditure in the USA more than doubled between 1989 and 1994, increasing from US$2.1 billion to US$ 4.25 billion (Cornwell & Maignan, 1998). Sponsorship expenditure in South Africa also showed a dramatic increase (Grobler, personal communication, August 11, 2003). This increase is graphically illustrated in Figure 2.1.
Van Heerden (2001) states that the biggest changes in South Africa’s sport sponsorship spending occurred with South Africa’s re-admittance to and participation in the international sports arena. Van Heerden (2001) further identified 13 sport federations receiving from between R5 million to over R30 million in corporate sponsorship money, while 19 other sport federations received only up to one million Rand (R1 million) in corporate sponsorship funds. See Appendix A (p. 278) for a list of all sporting codes and the sponsorship money they received as documented by Van Heerden (2001).
Within the context of world-wide sponsorship, South Africa’s 1996 sport sponsorship expenditure accounted for 1.2% of the total sponsorship expenditure, and 13.2% of the advertising expenditure in South Africa (Meenaghan, 1998). Compared with the 1996 Gross Domestic Product (GDP) of R571 billion, the S.A. Reserve Bank (2001) estimates the sponsorship market at 0.1% of the GDP, and the total sporting expenditure at 0.2% of the GDP (at the time of this study more recent information could not be found).

The growth in sponsorship expenditure, if the Olympic Games are taken into consideration, underlines the importance of sponsorship within the overall marketing strategy of an organisation (Levine & Thurston, 1992). Sponsorship expenditure for the 2000 Sydney Olympic Games, rose dramatically from the 1996 Atlanta Olympic Games (Quester & Farrelly, 1998). This is reflected by the rise in the cost to become a sponsor for the 2000 Sydney Olympic Games, compared to the 1996 Atlanta Olympic Games. In 1996 sponsors paid US$ 40 million to become an official sponsor, in 2000 it cost organisations US$ 100 million in order to become an official sponsor of the Olympic Games (Yeshin, 1998).

Authors such as Erdogan and Kitchen (1998); Grimes and Meenaghan (1998); Mishra, Bobinski and Bhabra (1997); Otker (1988) and Van Heerden (2001) suggest various reasons for the mammoth growth in sponsorship expenditure. These reasons can be summarized as follow: the corporate disillusionment with traditional media (especially the escalating cost of the traditional advertising media); the increase in popularity and commercialism of sport, art and cultural activities; the globalisation and fragmentation of the broadcast media allied to increased corporate obsession with corporate/brand image and relationship marketing; the proven ability and success of sponsorship; government policies (specifically those concerning the tobacco and alcohol industries); and new opportunities due to the increase in leisure activity.
2.5 TYPES OF SPORT SPONSORSHIPS

Sponsorships can range from sponsoring an event on “grass root level” to regional, national or international events. Because of this range, exposure can be of great magnitude (Wilson, 1997). For example, it is reported that during the Sydney 2000 Olympic Games an estimated 3.7 billion people (in 220 countries) tuned in to watch 11 000 athletes from 199 countries compete in 28 sports over 16 days of competition. A study done by Witcher, Craigen, Culligan and Harvey (1991) suggested that the three main areas existing within sponsorship are the sponsoring of the arts, the community and sport.

Smith (1993) stated that sponsorship offers an effective route into the minds of various target markets. All sectors of society can be targeted and reached through the above-mentioned areas. These areas can be reached by using either corporate sponsors or media sponsors (Queen, 1995).

Coulton and Kotler (1999), Farrell and Frame (1997), Jensen (1998); Leblein (1998) and Wilson (1997) identified several sponsorship categories which were included in the Sponsorship Manual of the Association of Marketers (1997). The categories include the title sponsorship of an event and/or league (for example the Winston Cup in motor racing), the naming rights to a stadium and/or arena (an example of this type of sponsorship is the Fedsure Stadium in Cape Town), the sponsoring of a sport club and/or league (Mr Tyre is sponsoring the local tennis club), the sponsoring of a corporate hospitality area (for example the Mercedes hospitality area at the Mercedes Tennis Series) as well as the sponsoring of a sports team (Nike sponsoring the Springbok rugby team) or individual athletes (Target Stores sponsoring Tiger Woods).

Although sponsorship usually involves money, Macken (1997) remarks and warns that sponsorship doesn’t necessarily need to be cash only. In turn for
exposure gained through sponsorship, services or goods and/or products may be traded (Brown, Sutton & Duff, 1993). The choice of a particular type of sponsorship will be reflected by the organisational objectives (Cornwell, 1995).

The different types of sponsorships determine which type of agreement organisations will enter into. From the organisation’s viewpoint (Stier, 1998), three types of sponsorship agreements are identified namely, non-exclusive sponsorship, semi-exclusive, and exclusive sponsorship agreements. The non-exclusive sponsorship agreements occur when there are a number of organisations being given the designation of “sponsor”, and there is no limit on the number or type of organisations that become sponsors (for example when Centurion Toyota, MNET Cable Television as well as SABC Television, ABSA Bank and FNB all sponsor an event such as the Make-a-Wish Foundation’s Annual 5km run fundraiser).

The second type of sponsorship agreement is called the semi-exclusive sponsorship. In this type of sponsorship opportunity a number of different sponsor categories are established. These categories for example can include a car manufacturer category, a soft-drink category, a financial institution category and a cellular phone category. The difference however, between the non-exclusive sponsorship and the semi-exclusive sponsorship lies in the fact that there can only be one sponsor in a specific category or organisation. For example only Vodacom can be the cellular phone sponsor and not MTN as well, or ABSA Bank may be the sponsor within the financial institution category, an agreement which will exclude other banks from also becoming involved.

The third type of sponsorship agreement is known as the exclusive sponsorship. This sponsorship allows one, and only one organisation to become the official sponsor. An example of this kind of sponsorship can be when the clothing manufacturer, Billabong sponsors a surfing competition. The cost of an exclusive sponsorship is significantly higher than it would be in either of the other two types
of sponsorship. The organisation’s objectives and budget facilities within the overall marketing strategy will determine which type of sponsorship would be best suited for their organisation.

The continued growth of sponsorships, results in more and more sponsorship categories being identified. For example in 1902 (refer to paragraph 3.3) South African Breweries was the only sponsor of an event called the Ohlssons Hockey Cup. However, apart from the categories already mentioned earlier, other categories of sponsorships that can exist could include for instance a clothing supply category (for example Nike or Addidas); a computer category (Toshiba or Dell Computers); a print media category (for example Die Rapport or Sunday Times newspaper); an energy drink category (Red Bull or Powerade) and a beer category (for example Castle Lager or Windhoek Lager) and many others. This list by no means is an exhausted list of sponsorship categories, but is only used to illustrate that categories for sponsorships can be found in almost all areas of products or services. This not only broadens the base of sponsorships, but it also establishes the importance of the creation of a sponsorship partnership.

2.6 VALUE OF SPORT SPONSORSHIPS

Sponsorship has become the driving force behind sport at almost every level of competition (Blais, 2000). Carter (1996) and Irwin (1993) state that the sport industry would be greatly affected and diminished without the support of corporate organisations. A reason for this sentiment may be found in the increase in cost for the hosting events as reflected in the millions of rand being spent on hosting the Olympic Games for instance. In 1996 it took US$540 million to make the Atlanta Olympic Games profitable but it took A$840 million to turn the 2000 Sydney Olympics in a profitable, endeavour (refer to paragraph 3.2). From the corporate organisation’s viewpoint, sport sponsorships can be seen as a commercial activity, since the corporate sponsor, in return for support from the
corporate sponsoring organisation, acquires the right to promote an association with the recipient (for example the sport federation) of the support (Polonsky & Speed, 2001). Sponsorship can therefore be seen as one of the mediums through which the particular objectives of an organisation (corporate sponsoring organisation) can be achieved, and at the same time, it is a mechanism through which the commercial value of the sponsored property (sport federation) is released (Marmett, 1999).

This highlights the need for a partnership to exist between the sport industry (sport federation) and the corporate world (corporate sponsoring organisation) (Cheng & Stotlar, 1999 and Delpy & Bosetti, 1998). The drive towards forming this kind of partnership is illustrated by the marketing strategy of the International Olympic Committee (IOC), who recently changed the title of their worldwide sponsorship programme from “The Olympic Program” to “The Olympic Partners”.

The exchange within the partnership benefits both parties (both the corporate sponsoring organisation and the sport federation), and sponsorship can be used to create and establish long-term relationships between these parties (Stotlar, 1993). The result can be that the corporate sponsoring organisations have the opportunity to explore new sources of potential customers, and the sport federations have the opportunity to enhance the image of their sport (Brenner, 1997).

Sponsorships therefore, need not only to provide a commercial return for the sponsoring organisation, but also need to maintain the quality and integrity of the property (or sport organisation) (Association of Marketers, 1997). By working together in order to establish a long-term sponsorship relationship, both parties involved can benefit from growth in interest, participation and revenue.

Sponsorship should remain a business strategy for the sponsor (organisations sponsoring an event and/or activity) and the sponsoree (the
event/activity/team/sport federation or individual being sponsored), both of whom usually expect results and a return on investment (Chislett, 1998). Within a sponsorship agreement, both the sponsor and the sponsoree become involved in a relationship that transfers inherent values from the event and/or activity to the sponsor (Meenaghan & Shipley, 1999) and vice versa.

The transfer of value results in an exchange between two parties, where both parties desire the maximum gain from the agreement. Crimmins and Horn (1996) see sponsorships as a means of communication that is fundamentally different from traditional advertising. Sponsorship persuades indirectly, where the strength of advertising lies in direct persuasion. Crimmins and Horn (1996) stressed that sponsorships don’t try to change the perception of a brand and/or service, but try to improve the perception of the brand and/or service by flanking a belief about a brand and/or service, and then linking that brand and/or service to an event/activity/team/sport federation or individual which the target market already values highly. This linkage may be affected by the target market’s attitude towards the event/activity/team/sport federation or individual (Lee, Sandler & Shani, 1997).

Sponsorship can create a link between the different valued objects in the consumers’ mind, in order to form a balance in their mind. A belief is in balance when it links a high/low object to another high/low object. Thus an imbalance occurs when a highly valued object is linked with a lowly valued object, or vice versa (Heider, 1946). The persuasion impact of sponsorships can be described as a combination of the strength of the link that is created between the brand/service and the event, the duration of the established link, the amount of gratitude towards the link, and lastly, the perceptual change due to the link (Crimmins & Horn, 1996).

Once a link (associative link) between the event and brand has been established (between the corporate sponsoring organisation and the sport organisation), the
link may be animated through spreading activation when the consumer considers the brand (Speed & Thompson, 1999).

The associative link arises from the brand image (corporate sponsoring organisation) and the image of the event (sport organisation) (Keller, 1993). Quester and Farrelly (1998) discussed the importance of the concept association, in order to understand the effectiveness of a sponsorship. The reason being that memory and brand recall is a function of the associative connections established between objects (in this case the sponsor and a sport federation and/or activity).

These associations (Speed & Thompson, 1999) can be divided into two groups. The first group is the functional association. It is the giving of additional information about the intrinsic characteristics and aspects of the brand. An example could be an oil organisation sponsoring motor sport, with the end result to market the product’s performance. In this example, the oil company can promote the advantages of using their product (oil) by crediting it as one of the reasons that the cars using it, are doing well in the competition.

The second group of associations is termed the symbolic association. This occurs when customers are given additional information about the extrinsic aspects of a brand. An example of this transfer can be when a prestigious vehicle manufacturer sponsors a polo competition. People have the perception that polo is a prestigious sport which is enjoyed by, and participated in, by members in society within the upper financial category. By linking the car with polo, the concept of prestige is transferred through the sponsorship association.

Organisations may have different objectives (or reasons) for their involvement in sport sponsorships. These objectives could translate into the benefits organisations seek, when entering into sport sponsorships. Although getting involved with sponsorships has its benefits, it also has some drawbacks
associated with it. The objectives for corporate organisations to become involved in sponsorships, as well as some of the disadvantages involved, will be discussed in the following two sections.

### 2.7 OBJECTIVES OF SPORT SPONSORSHIPS

In exchange for money and/or services given by sponsors (corporate sponsoring organisations) to sport events, organisations or individuals and organisers of such events (or sport organisations) enter into an agreement or an arrangement for provision of a variety of benefits to the sponsor (Schmader, 1989). Gwinner (1997) stated that until the past decade, sponsorships were viewed as an organisation’s social obligation. Earlier sponsorships had been perceived as either donations or public relations opportunities. The selection of a sponsorship opportunity was often determined by what was called the “CEO likes it syndrome” (Polonsky, Sandler, Casey, Murphy, Portelli & Van Velzen, 1996). This resulted in sponsorships being based solely on the fact that the CEO of a corporate sponsoring organisation liked or disliked an event and/or activity (or sport organisation).

The reasons why organisations sponsor sport, are dependent on various organisational priorities and objectives which may vary due to the level of an organisation’s involvement. The setting of clear sponsorship objectives and conforming strictly to them in the implementation of the sponsorship, enable the development of a clear selection criteria strategy for the sponsorship. This approach offers an opportunity for the effective evaluation of sponsorship success (Kuzma, Shanklin & McCally, 1993).

As already stated, organisations in the past became involved with a sport sponsorship because an executive had an interest in a particular sport (Sawyer, 1997). However, this approach has given way to the increased emphasis on the
corporate ‘bottom line’, or the ability to drive sales (Stotlar, 1996). The increased scrutiny of corporate expenditures has resulted in organisations possessing a more business minded approach and rationale, as opposed to one furthering an executive’s personal interest (Sawyer, 1997). The increased amount of funding which organisations are investing in sport sponsorships, has mandated the need for the justification of such expenditures (Seaver, 1996).

Stier Jr. (1994) is of the opinion that one of the objectives why many organisations are seeking sponsorship opportunities, is the awareness that the association with sport, specific sport programmes and/or individual athletes, can be good for business in terms of the increased awareness of products, greater sales of products, and or services. Sponsorship can therefore be seen as a vital part of an organisation’s marketing communication strategy. The phenomenon of sponsorships has increased substantially, and can no longer be viewed as the limited set of activities that it was earlier (Olkkonen, Tikkanen & Alajoutsijärvi, 2000).

Empirical evidence confirms that extensive research has been done to establish the objectives or reasons for the involvement of organisations in sponsorship (Abratt, Clayton and Pitt, 1987; Cheng and Stotlar, 1999; Erdogan and Kitchen, 1998; Grimes and Meenaghan, 1998; Hansen and Gauthier, 1992; McCook, Turco and Riley, 1997; Meenaghan, 1991; Pope, 1998; and Varadarajan & Menon, 1988). Some of these objectives or reasons why organisations decide to get involved with sport sponsorship, are listed and summarized in Table 2.1.
TABLE 2.1: OBJECTIVES FOR ORGANISATIONS TO GET INVOLVED WITH SPONSORSHIPS

<table>
<thead>
<tr>
<th>AUTHOR</th>
<th>OBJECTIVES</th>
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<tbody>
<tr>
<td>Van Heerden (2001:154)</td>
<td>Budget size requirements.</td>
</tr>
<tr>
<td>Mullin (1985:101-121); Havitz &amp; Dimanche (1990:179-195) and Zaichkowsky (1985:341-352)</td>
<td>Sport is characterised by high levels of involvement and such involvement may create increased interest in advertisement.</td>
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<tr>
<td>Dunn (1992:C11) and Kuzma, (1990:59)</td>
<td>Sport possesses distinct characteristics. Some activities may rely on individual skills while, others rely on group effort. As a result, alliance with selected sports may assist commercial enterprises in differentiating themselves and their products from competitors.</td>
</tr>
<tr>
<td>Chislett (1998:56)</td>
<td>In South Africa the development of sport on a grass-root level, is highlighted as a major reason to get involved with sponsorships.</td>
</tr>
<tr>
<td>Copeland, Frisby &amp; McCarville (1996:45) and Crowley’s (1991:12)</td>
<td>The respondents in a study done by these authors identified brand/organisation awareness, brand/organisation exposure, media coverage and increased sales as some of the more important characteristics of sponsorship. Research also identified community relationship, corporate relationship and the match with customer lifestyle as potential sponsorship objectives.</td>
</tr>
<tr>
<td>Ives (1998:60)</td>
<td>Successful sponsorship heightens visibility, reinforces brand image and builds brand equity - these may be some of the reasons why organisations choose to be involved in sponsorship.</td>
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Research indicated that the forging of possible links (per implication relationships) with political communities (Gardner & Shuman, 1988), the improvement of employee relations (Berrett, 1993) and the entertaining of...
corporate customers (through hospitality) (Yeshin, 1998), are some of the objectives given by corporate organisations for entering into sponsorship agreements. Corporate sponsoring organisations could use their relationship with sport federations to attain the corporate marketing objectives (Lough, 2000). Lough (2000) also stated that the forming, maintaining and enhancing of symbiotic relationships, where the one is greater than the sum of the separate entities, may prove to be the best strategy for establishing long-term successful relationships.

Research done by other authors indicated that successful sponsorships could lead to increased visibility of the corporation’s products and services, and that this in turn may help to reinforce the product and services image (Ives, 1998). One of the objectives for entering into sponsorship agreements most often cited by South African organisations, is that sport sponsorships allow organisations to become involved in the development of sport on a grassroot level (Chislett, 1998). This involvement may influence the community’s perception and perspective that the organisation is caring about that the community, which could lead to the establishment of a positive relationship between the organisation and the members of that community. An example of this may be found in the ABSA Bank sponsorship of cricket development in rural areas.

Through their research, these authors identified a wide spectrum of organisational objectives which can translate into reasons for becoming involved with sponsorship, and by implication, highlight the benefits for becoming a sport sponsor. The diverse range of objectives for which sponsorships can be used, illustrates the highly flexible nature of sponsorship. According to the Association of Marketers (1997) sponsorship objectives can be divided into two areas, namely corporate and product/brand objectives. Research by Mattheus (1996) supports this categorisation.
Some of the corporate objectives for sponsorship involvement may include the increase in or maintenance of the public's awareness of the corporation and/or its services (Irwin & Assimakopolous, 1992). For example, Canon increased its awareness level from 18.5% to 70% over the 3-year period of its sponsorship of the English Football League (Meenaghan, 1996). Enhancing or changing corporate image, is another corporate objective for sponsorship involvement. A good example can be found in the Currie Cup Rugby. At first it was known as Santam Bank which then changed to Bankfin (Mattheus, 1996). In 1998 the name again changed to ABSA. All through these name changes the bank chose their involvement with the sponsorship of rugby as one of the means to communicate the change in their corporate image.

A third objective may be to change the target market perceptions or attitudes towards or about a corporate organisation (Sandler & Shani, 1993). In other words, within the context of this study it means a change of the current relationship, to one that is perceived to be more positive. For example, through their involvement with sponsoring soccer, an organisation may try to change the general public's perception and attitude that they have an inferior product.

Developing an involvement (per implication the development of a relationship with members of a certain community) within the community, is cited by Assimakopoulos (1993); Cornwell (1995) as well as Mattheus (1996) as a fourth objective for sponsorship involvement. This objective can be illustrated by the example of Bakers Biscuits sponsoring cricket clinics and competitions in under privileged areas in South Africa. Mount and Niro (1995) view the building or improving of business and/or staff relationships as another important objective for corporate sponsorship involvement.

Lastly, we focus on the building of 'goodwill' amongst customers, business contacts and on key influences. Mattheus (1996) and Parker (1991) are of the opinion that sponsorship benefits from an uniquely positive image and is well-
positioned as a communication medium when image or relationships need to be addressed. One option that could be employed by corporate sponsoring organisations to better relationships with its current (or potentially new) clients, may be to invite the clients as VIPs to the corporate VIP hospitality and entertainment area of a specific event.

Product or brand objectives on the other hand can include an endeavour to increase the sales or market share, to increase the awareness of the target market, to identify or build a product image, and to strengthen brand preference.

The objective to increase sales or market share, is revealed in the study by Mattheus (1996) as one of the reasons South African organisations site as to why they consider sponsorship as a major part of their marketing strategy. Through their involvement in sponsorships, an organisation’s objective may be to expose more people to their product, which in turn may translate into more people buying their product. This increase in people buying the product (increase sales), may ultimately lead to an increase in the organisation’s market share.

The second product or brand objective for an organisation’s involvement in sport sponsorship, may be to increase the awareness of the target market. Crimmins and Horn (1996) and Wither, Craigen, Culligan and Harvey (1991) are of the opinion that in addition to specific objectives, the commercial success of a sponsorship will depend on how efficient and successful an organisation is in communicating the sponsorship. This observation was highlighted by Parker’s (1991) statement that the image of the brand and/or organisation will be affected by the number of people who are aware of the sponsorship. Within the context of this study, this may imply that an organisation’s relationship with a potential target market may be affected by the number of people who are aware of the sponsorship with which the organisation is involved.
To identify or build a product image, and to strengthen brand preference, is another objective for organisations to become involved in sport sponsorships. According to Conner (1991); Grant (1991) and Hall (1992), one of the more important intangible resources for an organisation is the organisational and/or brand image and reputation. This led Amis, Slack and Berrett (1999) and Rajaretnam, (1994) to conclude that image and reputation are resources which can enable an organisation to secure a competitive advantage. Authors, Bennett (1999); Javalgi, Traylor, Gross and Lampman (1994); Keller (1993); Lipponen (1995); Ryssel and Stamminger (1988) and Turco (1994) are of the opinion that two communication objectives characterise most sponsorship activities, namely the enhancement of corporate image, and the enhancement of brand image. These authors view sponsorship as an effective tool that can alter and enhance an organisation’s image and reputation.

Organisation and/or brand image refers to the impressions certain target markets hold towards the organisation and/or the brand (Schoch, 1994). Keller (1993) suggested that when an organisation and/or brand becomes associated with an event (or sport organisation), some of the associations linked with that event (e.g. youthful, relaxing or winning team) may become imprinted in the memory and mind of the target market transferring those associations (or relationships) they have towards the event (or sport organisation), to the brand and/or organisation. This can result in possible increased sales and an enhancement of organisational and/or brand image (Hallidy, 1999; Nebenzahl & Jaffe, 1991; Rajaretnam, 1994; Suchard & Scott, 1992 and Sweeney, 1998).

Stipp and Schiavone (1996) stated in their research that positive attitudes (per implication positive relationships) can “rub off” on an organisation that sponsors events. (Consumers may for example view organisations that sponsor the Olympic Games in a more positive light). A study by Turco (1995) concluded that organisations can influence the image that target markets have of their product through the sponsorship of sporting events (and/or sport organisation). Both
these studies stressed that this influence only seems to occur when the organisation maintains a certain degree of visibility before, during, and after the sponsored event. The establishing of this kind of visibility is called the leverage of the sponsorship (this concept will be addressed later in this chapter).

Martin (1994) presented perceptual mapping as a method to assess the fit between the image of the organisation, and the image of the sport. This method is illustrated in Figure 2.2.

![Figure 2.2: Image transfer from sport to an organisation as a function of the fit between images (Martin, 1994)](image)

Figure 2.2 can be best explained by the following example. Organisation XYZ wants to reinforce its image as being one known for precision work in the manufacturing process. The organisation may select golf as a sport with which to be associated (Pham, 1991), because the general public perceive golf to be a sport that involves precision actions. The corporate organisation can then decide to draw a comparison between the two, by emphasising in a series of advertisements, the precision required when playing the manufacturing process used by the organisation and the precision required in the sport of golf. Also, by supporting that association through the sponsoring of one or more golfing events,
the corporate organisation may be able to capitalise on the association (or relationships) and thus significantly enhance the organisation’s image (Martin, 1994).

Image has the power to influence the behaviour of all those involved in the sponsorship (Ferrand & Pages, 1999; Mount & Niro, 1995 and Roberts, 1997). These authors stated that image can be used to identify profitable sponsorship opportunities. Ferrand and Pages (1999) explained this by stating that in the process of the identification of sponsorship opportunities, the sponsor attempts to align itself to one or more of its products with the image dimensions of the sport organisation. The sport organisation in turn, has to assess the value of such a ‘marriage’ with a prospective commercial partner.

The aim of the product or brand objectives may be to cause a positive pre-deposition towards the sponsor’s product via the sponsorship (Hansen & Scotwin, 1995; Lee, Sandler & Shani, 1997; Ludwig & Karabetsos, 1999, Mattheus, 1996; Nicholls, Roslow & Dublish, 1999 and Suchard & Scott, 1992).

The literature reveals that organisations for the most part, have clear objectives with regards to their involvement in sport sponsorship. Sponsorship objectives should be clearly defined and in-line with the overall marketing objectives of the organisation. When an organisation’s sponsorship objectives are clearly defined, it could provide guidance with regards to the selection of the sport sponsorship opportunity. Meenaghan (1991) believes that the existence of an agreed corporate sponsorship policy, will provide organisations with an effective method for weeding out inappropriate proposals. Within the context of this study this may imply that specific sponsorship objectives may guide the sponsorship relationship that exists between a corporate sponsoring organisation and a sport federation.

In the sponsorship association between the corporate organisation and the sport federation, the two parties involved in the sponsorship agreement, engage in a
series of interactions and inter-relationships. It involves a number of exchange processes that can happen simultaneously, or that can only be performed over a period of time. These relationship exchanges involve value generation in many forms, including values that can be associated with sponsorships (Farrelly & Quester, 2003).

Within the context of this study, it is important to remember that these exchange processes (relationships) have an influence on, or affect the relationship between the sport sponsoring organisation and the sport federation. They can also have an effect on the relationship between the corporate organisation and the supporters, participants, employees and/or other suppliers or clients of the sport federation. Lough (2000) stated that this may occur, since sport has a unique attribute namely the element of emotion. This can be illustrated in the fact that when the team wins, the supporters may feel as if they are winners too, and as a result, enjoy celebrating the result. Corporate sponsors on the other hand may seek emotional ties with the consumers (the sport supporters) that will translate to brand loyalty (Lough, 2000). Consider the United Cricket Board of South Africa as an example in this context. Spectators at the cricket matches not only buy tickets to attend the events, they also buy merchandise with a sponsor’s logo prominently displayed to support both their team and the sponsor that supports their team. Sport fans acknowledge that without sport sponsorships, their sport may not be practised and enjoyed on the levels that it currently is (Lough, 2000). In this example, a corporate sponsoring organisation could count on a degree of brand loyalty, simply by maintaining their sponsorship of the team.

The objective of the sponsorship relationship is to affect each party involved in the sponsorship, in a positive way. For example, sponsorship affects consumers by creating an awareness of the organisation and enhancing its corporate image. The desired result is an increase in sales. Sponsorship affects employees by creating esprit de corps and enthusiasm, which in turn may enhance productivity. All these areas will have an influence on the relationships within the sponsorship.
A discussion of sponsorships cannot be considered as complete by only discussing the various objectives and/or benefits associated with such an agreement. Attention should also be given to the disadvantages that can develop from sponsorships.

2.8 DISADVANTAGES OF SPORT SPONSORSHIPS

A discussion of the possible disadvantages of sponsorships which by implication may lead to negative sponsorship relationships according to Blais (2000), would not be complete without a discussion of ambush marketing. Ambush marketing (Farrell & Frame, 1997; Geldard & Sinclair, 1996; Kerstetter & Gitleson, 1995; Meenaghan, 1994, 1995; 1996 and 1998; Mishra, Bobinski & Bhabra, 1997 and Pemberton, 1997) refers to attempts by organisations to benefit from specific events without paying the agreed sponsorship fee.

From the above it is clear that ambush marketing (Assimakopoulos, 1993 and Page, 1998) is where an organisation creates a miss-comprehension in the consumers' minds about who the sponsor of for instance an event is, and therefore at a low cost, either gain benefits associated (or gain a positive relationship with potential consumers) with being a sponsor, or weaken the impact of a main competitor's campaign (thus negatively impacting on the real sponsor's relationship with its current or potential new consumers) (Dodd, 1997 and Sandler & Shani, 1993).

Meenaghan (1994) formally defines ambush marketing as the practice whereby another organisation, often a competitor, intrudes upon public attention surrounding a specific event (for example the Soccer World Cup), thereby deflecting attention towards itself and away from the sponsor, without any payment to the organisers or owners of the event.
Doust (1997) and Meeanaghan (1994, 1995 and 1996) claimed that just as every event represents a wide variety of promotional opportunities, it also creates opportunities for ambush marketing. These authors provide a list of the methods most commonly used in ambush marketing. The first method identified is the practice where an organisation sponsors media coverage (broadcasting) of an event. An example of this practice may occur when one sponsor such as Mastercard only pays for the local broadcasting of an event (in a selected target market), instead of paying the fees that another sponsor such as VISA may have to pay for the right to be known as the “official credit card” of the event.

A second ambush marketing strategy occurs when an organisation only sponsors a sub category within an event, and then exploits the investment aggressively (as to give the impression that the organisation is more involved with the event than what is actually the case). For example, AAA Clothing Company may only sponsor the clothing of the officials at a tennis tournament, but through their television campaign may create the impression that they sponsor the clothes for more than just the officials.

Thirdly, an organisation makes a sponsorship-related contribution to the “players pool”, without paying for the rates to be associated with the event. This ambush marketing practice may occur when a corporate sponsoring organisation (for example XYZ Bus Company) provides the transportation of a soccer team for free. Then, without paying for the right to be associated with the specific event, XYZ Bus Company may place advertisements stating that they are the preferred mode of transport of the specific team and/or the event.

Lastly, an organisation can plan an advertising campaign that coincides with the sponsored event, and thus creates the impression that they are involved with the sponsored event. For example, ABC Beer Company may place print advertisements in newspapers as well as run an advertising campaign on
television before, during and after an event (such as the Rugby World Cup) creating the impression that they are connected with the event, but in reality they are not.

Within the context of this study ambush marketing may affect sponsorship relationships in various ways. For instance it could build a relationship with consumers (without the consumers knowing the truth behind the sponsorship association) without having the expense usually associated with sponsorship agreements. Although this relationship may be to the benefit of the consumer and the organisation engaged with the ambush marketing, it could negatively affect the relationship that the consumers may have with the “true” sponsoring organisation. Ambush marketing may also have a negative impact on the relationships that the “true” sponsoring organisation has with its suppliers, other partners and even its employees.

According to Doust (1997) the amount of money involved in sponsorship is reason enough for ambush marketing to be a profitable alternative. However, Meenaghan (1998) stated that ambush marketing could be employed successfully. An example of a successful ambush marketing strategy can be found (Pemberton, 1997) in the 1994 Lillihamer Games where 24% of the people polled were of the opinion that Reebok was an official sponsor of the Games, when in fact, they were not. Although 24% may seem to be a small percentage, it is viewed as significant because it could have increased Reebok’s sales. Ambush marketing is usually a well-planned effort; it is not an ad-hoc decision or a one-shot ad or commercial (Sandler & Shani, 1989).

Ettorre (1993) is concerned that ambush marketing, as a marketing strategy, can weaken the attraction the sponsoring of events for future prospective sponsors. In an attempt to deter ambush marketing, Meenaghan (1998) suggests some strategies to counteract its effect on sponsorship. These strategies include the applying of more pressure on event owners to protect their events; the
establishment of a link between event and broadcast sponsorship; to anticipate the potential competitive promotions and form counter strategies for them, to apply and exploit all the sponsorship rights that have been secured; and to resort to legal action to stop any organisation from using ambush marketing.

An awareness of other potential disadvantages (besides ambush marketing) which are associated with sponsorships, is necessary to help both the corporate sponsoring organisation as well as the sport organisation in order to anticipate potential problems, and also to limit the possibility of the occurrence of these problems and their effects on the sponsorship agreement. From literature it is noticeable that sponsorship agreements involve large amounts of money (Cornwell, 1995 and Meenaghan, 1996). This resulted in the statement made by Goody (1984) that when any aspect of a corporate sponsorship is overlooked, it could result in serious consequences for both parties involved with the sponsorship agreement. It may therefore by implication have consequences for the relationship between sponsoring organisations and sport federations. Despite the overwhelming enthusiasm for sport sponsorships (discussed in the previous section), literature also documented various other disadvantages related to sponsorships.

Studies done by various other authors highlighted some potential disadvantages that could occur by becoming involved with sponsorships. Table 2.2 (page 45) indicates a number of the disadvantages as listed in literature.
### TABLE 2.2: DISADVANTAGES ASSOCIATED WITH SPONSORSHIPS

<table>
<thead>
<tr>
<th>AUTHOR</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stier (1998:204); Stotlar (1993:37); Meenagham (1991:35-47 &amp; 1995:6-12); and Arthur, Scott, Woods &amp; Booker (1998:54)</td>
<td>Ambush marketing (which can be defined as the attempt of an organisation to create the impression of being an official sponsor of an event or activity by affiliating itself with that event/activity without having paid the sponsorship right / fees or being a party to the sponsorship contract).</td>
</tr>
<tr>
<td>Carroll (1997:26)</td>
<td>Ignorance of the legal (local as well as possibly international) aspects relevant to a sponsorship contract (this could be very costly to the organisation).</td>
</tr>
<tr>
<td>Baird (1997:14)</td>
<td>Broadcasting rights represent another disadvantage which can have serious implications for organisations.</td>
</tr>
<tr>
<td>Stier (1998:204); Stotlar (1993:37); Meenagham (1991:35-47 &amp; 1995:6-12); and Arthur, Scott, Woods &amp; Booker (1998:54)</td>
<td>As already stated sponsorship agreements are a complex and specialised form of marketing communication. Therefore, a qualified and well-trained staff is essential in order to deal with all the complexities of sponsorship.</td>
</tr>
<tr>
<td>Association of Marketers (1997:3)</td>
<td>The last pitfall as identified in the Sponsorship Guidelines is the aspect dealing with sponsorship agents. Some of the concerns to be aware of when dealing with sponsorship agents are some agents’ tendency to do double dealing, high mark-ups and the commissions they ask in addition to the agency commissions.</td>
</tr>
</tbody>
</table>

Literature (Arthur, Scott, Woods & Booker, 1998; Meenagham, 1991 & 1995; Stier, 1998 and Stotlar, 1993) reflects studies that documented other potential disadvantages within the sponsorship agreement. These disadvantages include (but are not limited to): the ignorance of the legal (on a local as well as on an international level) aspects relevant to a sponsorship contract (Carroll, 1997). For example, it may be legal in one country to use tobacco products as a sponsor for an event, while in another country it may be illegal. Ignorance of this aspect could affect the relationship consumers have with the event and/or the other sponsors involved with the event.

The broadcasting rights represent another pitfall which can have serious implications for organisations (Baird, 1997). Broadcasting an event may include
issues such as live broadcasting, tape delayed broadcasting, broadcasting of a highlight package, as well as the areas (local as well as international) in which the broadcast will be seen, and at what time. Within the context of this study this may imply that in the event where all possible scenarios regarding broadcasting rights were agreed upon by the sponsoring organisation and the sport federation, any deviation from the agreement may be viewed by the parties as a breach of the agreement which in turn may lead to the development of a negative relationship. This can result in the cancellation of any future sponsorship agreements between the parties.

As already stated, sponsorship agreements are a complex and specialized form of marketing communication. Therefore, a qualified and well-trained staff is essential in order to deal with all the complexities of sponsorship. Another disadvantage of sponsorships as identified by the Association of Marketers (1997) is the aspect dealing with sponsorship agents. Some of the concerns to be aware of when dealing with sponsorship agents, are that some agents tend to do double dealing, high mark-ups and they ask commissions in addition to the agency commissions.

The aim of pinpointing these disadvantages is not to discourage potential sponsorship agreements, but to help the parties involved to anticipate and ensure their existence and give the parties involved the opportunity to turn the disadvantages into benefits for both. In order to do this, it is important that the relationship between the two parties is well managed.

2.9 SUMMARY

If the large amount of money spent on sport sponsorships serves as indication, corporate organisations recognise the legitimacy of sponsorships as part of the overall marketing strategy (Cunningham, Taylor & Reeder, 1993). This is
reflected in the sponsorship expenditure in South Africa that has grown from R63 million in 1985, to R1492 million in 2002. Sponsorships are viewed as a less expensive alternative to the more traditional promotional techniques. By choosing the right sport and the right event, organisations are targeting specific geographic areas, specific demographics, and/or psycho-graphic segments, and specific ethnic markets (Rosen, 1990).

Various types of sponsorships have been identified and discussed in this chapter. These categories include the title sponsorship of an event and/or, the naming rights to a stadium and/or arena, the sponsoring of a sport club and/or league, the sponsoring of corporate hospitality area; as well as the sponsoring of a sports team or individual athletes.

The increase in business competition has created a need for corporate organisations to find new ways in differentiating their products and/or services from the products and/or services of their competitors. Not only have sport sponsorships become an effective marketing strategy for corporate sponsoring organisations (McCook, Turco & Riley, 1997), they have also become an equally effective revenue producer for sport organisations. This underlined the importance of a long-term relationship between the parties involved in a sponsorship agreement.

The next chapter will focus on the concepts of marketing and relationships.