CHAPTER THREE

MARKETING AND RELATIONSHIPS

3.1 INTRODUCTION

Social and political changes on a domestic and global level, as well as the advances of new technologies, are creating new environments in which marketers can operate (Shani, 1997). Changes such as technological developments (for example, the development and increasing popularity of the World Wide Web; cable television and/or satellite television) and the fragmentation of the consumer market urge marketers to become increasingly more creative in their communication with their target markets (McCarthy & Perrault, 1990; Meenaghan, 1998). Another change according to Patterson and Ward (2000), is that target markets are becoming more and more pressured for time. The fast pace of life and the information overload that resulted in different forms of marketing, are competing for the attention of the target market. This has resulted in the target markets continuously searching for new ways to simplify their decision-making processes. Maintaining a stable relationship with a specific supplier can simplify the decision-making process for the target market. This implies that the cost involved with changing in or switching of suppliers may be something that a customer (and/or target market) may find difficult or unable to endure. Building a relationship between a supplier and target market can therefore be cost effective for both parties involved.

Various definitions of relationships exist within literature. Shani and Chalasani (1993) view relationships as the “developing of a continuous understanding with consumers across a family of related products and services”. Gronroös (1990) on
the other hand, defined relationship marketing as the establishing, maintaining, enhancing and commercialising of a customer relationship so that the objectives of both parties involved in the relationship are met. The definition by Gronroös is supported by Morgan and Hunt (1994), however, they emphasize that the success of a relationship depends on successful relation exchanges. For the purpose of this study, the definition by Patterson and Ward (2000) is adopted. These authors state that a long-term relationship is established between the service provider (by implication corporate sponsoring organisation) and the customer (by implication the sport organisation) to the mutual benefit of both. Various elements are highlighted in the definition by Patterson and Ward (2000). A relationship according to Patterson and Ward (2000), does not happen by chance, it requires work, trust and commitment from both parties and takes time to be established. A fruitful relationship is one that exists over a long period of time. A relationship furthermore, exists between the providing organisation and the customer, implying that the customer acknowledges as well as wants the relationship to exist, and it should be to the mutual benefit of both parties (Patterson & Ward, 2000).

The above-mentioned elements underline that relationships are developed over a period of time (O'Malley & Tynan, 2000 and Pels, 1999), compared to the “distinct beginning, short duration and sharp ending by performance” (Morgan & Hunt, 1994) of the more traditional transactional marketing. The core aspect is the forming of long-term relationships and the maintaining of those relationships. The relationships are sought in order to create customer loyalty which in turn will enhance a stable, mutually beneficial relationship between both parties involved (Ravald & Gronroös, 1996 and Rich, 2000). The relationship is achieved through the mutual exchange and fulfilment of the promises made by both parties (Arias, 1998).
Within the context of this study, relationships can be seen as the establishing and maintaining of a long-term relationship between the sport federation and a corporate sponsor organisation. This occurs through the establishment of a stable and mutually beneficial long-term relationship. Commercial sponsorships represent some of the most significant developments in marketing communication in recent years (Meenaghan, 1995). By sponsoring events, corporate organisations could employ alternative means of communicating with their specific and/or possible future target markets. Meenaghan (1995) further states that by “sponsoring a particular event or broadcast programme, the sponsor can achieve awareness with the event’s audience, while simultaneously benefiting in ‘image terms’ from its association with that event”. Sponsorships, according to Arthur, Scott, Woods and Booker (1998), can be viewed as a commercially orientated and entrenched marketing tool, which can be utilised by organisations on a world-wide basis. By implication, sport sponsorships can be used as a tool to establish a relationship between a corporate sponsor organisation and a sport organisation or federation, to the mutual benefit of both organisations.

The purpose of this chapter is to provide an overview of the core concepts of marketing (specifically exchange, relationship and products/services), and their implications for communication. The chapter also endeavours to determine the place of relationships within marketing that will make it possible to establish the role of sponsorships to serve as one of the marketing communication tools.

In order to understand the place of relationships in sport sponsorships, it would be beneficial to first understand the place of relationships within the overall marketing concept. A brief discussion of marketing follows in the next section, and it would lay the foundation to understand the role of relationships with specific emphasis on relationships within sport and sport sponsorships.
3.2 MARKETING

The concept of marketing is neither new, nor complex, or even original (Lancaster & Reynolds, 2002). These authors are of the opinion that personal dialogue has always existed between organisations and their target markets. This resulted in organisations knowing their customers on a personal basis, and in order for them to provide customer satisfaction and gain continuous business, they were forced to provide quality service and care to the customers. The mass production and mass distribution brought on by the Industrial Revolution made this dialogue more impersonal and forced organisations to make use of a middle man (such as wholesalers or retailers) to estimate the demand for goods. Based on the principle of consumer sovereignty, marketing has developed as a management discipline.

Marketing has changed since it first emerged as a distinct business and management phenomenon between World War I and World War II (Lindgreen, Palmer & Vanhemme, 2004). This change evolved when consumer goods organisations, such as Procter & Gamble, started to develop the concepts of products and brand management. In the 1950s and 1960s the interest in the concept of marketing kept growing as frameworks, and concepts of transaction marketing were developed (Borden, 1964). The growth of the popularity of the marketing concept was stimulated by the rise in consumer demand, the increase in the disposable income, as well as the new means of mass communication (Lindgreen, Palmer & Vanhemme, 2004). These authors identify one of these changes as that of marketing moving from a initial focus on gaining new customers, to the now more pre-occupied view of retaining existing customers.

Marketing has two facets according to Lamb, Hair and McDaniel (1996). Firstly, it can be considered to be a “philosophy, an attitude, a perspective or a
management orientation” that will emphasise the customer’s ultimate satisfaction. Secondly, marketing can be viewed as “a set of activities” that will be used to implement the above-mentioned philosophy.

Raymond and Barksdale (1989) proposed that the marketing concept provides a prescription that can be used to run a business successfully (Morgan, 1996). They stated that the consumer must be recognised and accepted as the focal point for all business activities, and the acknowledgement that the customer’s needs and wants, should be the starting point for all major business decisions. This management emphasis is illustrated in the work by McGee and Spiro (1988) in which they state that the marketing concept was intended to help marketers to coordinate and organise their thoughts concerning specific marketing questions. This definition compares favourably with the American Marketing Association’s (1985) definitions that state that “marketing is the process of planning and exacting the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy organisational objectives”.

The marketing concept has attracted a variety of definitions over the years (Morgan, 1996) in an attempt to determine the precise inclusiveness of the term. Kotler and Turner (1998) defined marketing as “a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging product value with others”. This definition is built on the core concepts of (a) needs, wants and demands; (b) products (goods, services and ideas); (c) value, cost and satisfaction; (d) exchange and transaction; (e) relationships and networks; (f) markets and (g) marketers and prospects (Kotler & Turner, 1998; Lamb, Hair & McDonald, 1996). All of these core concepts, by definition, have an influence on the relationship between producers (corporate sport sponsoring organisations) and consumers (sport federations) (Morgan, 1996). Marketing therefore concentrates on the exchange
of value between producers and consumers for the purpose to satisfy human needs and wants.

The core concept of marketing is needs, wants and demands which directly affect the identification and selection of relevant customer values reflected in products, services and ideas that the organisation provides, communicates and delivers in the form of exchanges to build long-term satisfactory relationships with customers (Bradley, 2003). Needs are described as those internal human influences which prompt behaviour, such as biological needs that refer to an individual’s need for food, air and shelter, while social needs may refer to the issues such as personal gratification and prestige. Wants are culturally bound and may be satisfied by using a number of technologies (for example a cricket enthusiast may watch the game on television or listen to it on the radio or receive live score updates on his/her cellular phone). The last concept demands refers to the ability and willingness of a customer to buy a particular product or service that will satisfy the wants and needs experienced (Bradley, 2003).

The marketing process schematically illustrated in Figure 3.1 is adapted from the research by Lancaster and Reynolds (1999) and will be discussed in the section that follows.
3.2.1 The process of marketing

As illustrated in Figure 3.1, the marketing process consists of various elements. Other sections in this chapter deal with the elements of the marketing mix variables (product, distribution, price and promotion), as well as communication (refer to paragraph 3.3.3). This section will focus on the elements of consumer behaviour; market segmentation; the target market and market research within the process of marketing.

Customers have different ways (and they behave differently as well) of making purchases – this is called consumer behaviour. The process of aiming the efforts
of marketing to more specifically meet the needs of the market place, is labelled target marketing. Market segmentation is defined as the act of dividing the target market into sub sections that will respond to a more precise marketing mix (Lancaster & Reynolds, 1999). Market research is another element within the process of marketing, and can be defined as the process of data collection and data analysis.

3.2.1.1 Consumer behaviour

Cronje, du Toit, Mol & Van Reenen (1997) define consumer behaviour as “the behaviour patterns of decision – making units (families, or individuals) directly involved in the purchase and use of products, including the decision making processes preceding and determining these behaviour patterns”.

According to Lancaster and Reynolds (1998) consumer (or buyer) behaviour can be influenced by either cultural or social influences, while Van der Walt; Strydom; Marx and Jooste (1996) categorize these influences into group factors and individual factors. Cultural influences are described as “learned” behaviour that has been passed down over time, it is re-inforced into our daily lives by our family, reference groups, opinion leaders, social class and educational and/or religious background. Cultural influence can be an important element in behaviour and it stresses the importance of an organisation to understand the culture within which it operates. Although culture is considered to be a powerful influence in the decision-making process, it does not stay the same all the time. Changes within a culture tend to be slow and they may not be fully assimilated, until a generation or more has passed (Lancaster & Reynolds, 1998). The cultural changes that a country undergoes, can also be reflected in the cultural changes that sport is undergoing. For example, before 1994 relatively few South African athletes could compete on an international level due to the sport boycott
which was a result of the policies of the government of that time. However, since 1994 the sport boycott has been lifted, and South African sports people have the opportunity to compete internationally due to the changes in the political policies of the new government. This may contribute to possible changes in the participation levels of sport or maybe even the spectators’ behaviour. These changes in turn may have an influence on sponsorships, since the market that can be rearched has been changed.

Individual factors (or social influences according to Lancaster and Reynolds, 1998) refer to those factors inherent in the human behaviour. Van der Walt; Strydom; Marx and Jooste (1996) propose that these factors consist of individual motivation (the customers need to purchase a specific product or service) and the perception that entails the interpretation of a marketing message. They also state that a consumer has the ability to learn need –satisfying behaviour patterns, and can thus understand the marketing message. Finally, an individual personality and lifestyle will determine the combination of products and/or services most likely to be purchased by the individual.

Cultural and individual influences on consumer (buyer) behaviour, in the context of this study, may be illustrated as follows: a supporter or participant of yachting may have a different personality and lifestyle than someone who participates in or supports professional wrestling. These two supporters may also be influenced by different reference groups. The reference group for the yachting enthusiast may be formed by the culture that exists by living close to the ocean. While the wrestling enthusiast may come from a family where the only sport watched, supported or participated in, is professional wrestling. For the marketer (or sponsoring organisation) this information may be important since the marketing strategies for marketing products to these two different target markets need to involve different approaches. They will need to be approaches that will recognise and address the different personalities and reference groups.
Cronje, du Toit, Mol & Van Reenen (1997) further state that consumer behaviour consists of overt acts (those acts that can be observed by others) and covert acts (acts that cannot be seen by other people). In the context of this study an overt act by a consumer can be a sport spectator (or fan) buying a ticket to attend a soccer game. By using the previous example, the soccer spectator (or fan) may be weighing the cost of the entry ticket against his/her financial position in order to decide to buy or not to buy the ticket (covert acts).

By understanding the factors that influence consumer behaviour, the understanding of the consumer buying process may be more easily explained. Lancaster and Reynolds (1998) stated that different buying tasks present different levels of complexity to the consumer. The AIDA model (Figure 3.2, p. 58) suggests that the decision to buy something, may be the result of a sequential problem solving process. This classic model was first proposed by E.K. Strong in 1925, and is still relevant today, since it is easy to apply and it also describes the activities involved in the buyer process (Lancaster & Reynolds, 1998). Since products and services vary in their complexity, it can be assumed that there will be a difference in the complexity associated with the decision-making process in order to buy the product and/or service (as indicated in Figure 2.2, p. 38). For example, going to a sports store to purchase a rugby ball is less complex than organising an entire rugby tournament.
Knowledge of the behaviour patterns of consumers will enable organisations to make available need-satisfying products in suitable packaging, at prices the consumers are willing to pay and in places the consumer prefers to patronize (Van der Walt; Strydom; Marx and Jooste (1996)).

An understanding of behaviour patterns can per implication be translated into a better understanding of relationships these consumers may have with certain sport types. This in turn may have an influence on the sponsorship relationship between the sponsoring organisation and the sport federation (the one the consumers has a relationship with).
3.2.1.2 Target market segmentation

In order to improve opportunities for success in a competitive market place, marketers need to focus their attention and efforts on clearly defined target markets (Lancaster & Reynolds, 2002) – market segmentation. The market segmentation process is defined as “breaking down the total market for a product of service into distinct sub-groups or segments, where each segment might represent a distinct target market to be reached with a distinctive marketing mix” (Lancaster & Reynolds, 2002). The purpose of market segmentation is to satisfy the needs of the different groups by developing different market offerings for this purpose (Cronje, du Toit, Mol & Van Reenen, 1997). Stated differently, the goal of segmentation is to break down a specific target market into distinct subgroups or segments, with customers who share similar demand preferences. Effective market segmentation is achieved when customers with the same patterns of demand, are grouped together.

Different variables can assist in segmenting a market. Van der Walt; Strydom; Marx and Jooste (1996) suggested that these variables be classified under the headings of geographic, demographic, psychographic, behavioural and sensitivity to market decisions. Table 3.1 (p. 60) shows the bases for segmentation, as well as the different variables that may play a role in the segmentation.
### TABLE 3.1 BASES FOR SEGMENTING CONSUMER MARKETS (VAN DER WALT; STRYDOM; MARX AND JOOSTE (1996))

<table>
<thead>
<tr>
<th>BASES</th>
<th>POSSIBLE VARIABLES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GEOGRAPHIC</strong></td>
<td></td>
</tr>
<tr>
<td>Region</td>
<td>Gauteng, Western Cape, Northern Province</td>
</tr>
<tr>
<td>Size of city or town</td>
<td>Under 10 000 or over 50 000</td>
</tr>
<tr>
<td>Density</td>
<td>Urban, suburban or rural</td>
</tr>
<tr>
<td>Climate</td>
<td>Summer or winter rainfall, hot and humid</td>
</tr>
<tr>
<td><strong>DEMOGRAPHIC</strong></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>20-34 old; 35-49 and 50+</td>
</tr>
<tr>
<td>Gender</td>
<td>Male or female</td>
</tr>
<tr>
<td>Family size</td>
<td>1 and 2; 3 and 4, more than 4 members</td>
</tr>
<tr>
<td>Family life cycle</td>
<td>Young, married, married with or without children</td>
</tr>
<tr>
<td>Income</td>
<td>Under R30 000, over R30 000</td>
</tr>
<tr>
<td>Occupation</td>
<td>Professional, technical, managerial, student</td>
</tr>
<tr>
<td>Religion</td>
<td>Protestant, Catholic, Muslim, Hindu, Jewish</td>
</tr>
<tr>
<td>Race</td>
<td>White, black, coloured, asian</td>
</tr>
<tr>
<td>Education</td>
<td>Grade 12, diploma, certificate, degree, postgraduate</td>
</tr>
<tr>
<td><strong>PSYCHOGRAPHIC</strong></td>
<td></td>
</tr>
<tr>
<td>Lifestyle</td>
<td>Conservative or liberal</td>
</tr>
<tr>
<td>Personality</td>
<td>Authoritarian, impulsive, ambitious</td>
</tr>
<tr>
<td>Social class</td>
<td>Upper class, middle class or lower class</td>
</tr>
<tr>
<td><strong>BEHAVIOURAL</strong></td>
<td></td>
</tr>
<tr>
<td>Purchase occasion</td>
<td>Regular use, special occasions</td>
</tr>
<tr>
<td>Benefits sought</td>
<td>Economy, convenience, prestige or speed</td>
</tr>
<tr>
<td>User status</td>
<td>Non-user, ex-user, potential user, regular user</td>
</tr>
<tr>
<td>Usage rate</td>
<td>Heavy, medium or light user</td>
</tr>
<tr>
<td>Loyalty status</td>
<td>None, medium, strong or absolute</td>
</tr>
<tr>
<td>Readiness status</td>
<td>Unaware, aware, informed, intending</td>
</tr>
<tr>
<td>Attitude towards product</td>
<td>Enthusiastic, positive, negative</td>
</tr>
<tr>
<td><strong>SENSITIVITY</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quality, price, service, advertising, personal selling</td>
</tr>
</tbody>
</table>
With the geographic segmentation, the marketer divides the total market into different geographical areas. Variations like the size of the city or the climate of the region may also play a role when deciding on which base to divide the market. The organisation can then decide to target the available number of potential consumers in the geographical area. The dividing of the country’s rugby teams into regions such as Pretoria (Blue Bulls); Gauteng (Lions) or Western Cape (Western Province) and others, may be an illustration of geographical segmentation within the context of this study.

Van der Walt; Strydom; Marx and Jooste (1996) stated that demographic segmentation may be considered the most frequently used method to segment a consumer market. The reason for the common use of this method, may lie in the relative ease with which this approach can be applied. Psychographic segmentation on the other hand, involves the breaking up of a potential target market in terms of areas such as lifestyle, personality and social class of the individuals in that segment.

An example of segmentation on a demographic and psychographic base may be the comparison between soccer supporters and golf supporters. Within a specific target area, the profile of the golf players may predominately be ambitious white males between 24-50 years of age, within the high income group. However, the profile for the soccer supporter may be male or female, ranging from teenagers to 65 within the middle social class, which falls into the middle income group. Through the sponsoring of sport, organisations can thus tailor their marketing strategy to specifically address the needs of the specific target groups they would like to reach.

The potential target market may also be segmented on the basis of customers’ buying behaviour (behavioural segmentations). Areas that may have an influence
on this kind of segmentation can include purchase opportunities, the benefits the consumer may seek, as well as the user (consumer) status. An example of behavioural segmentation within the context of this study may be found in the way in which supporters of rugby buy game tickets. Some may have season tickets (strong loyalty status), or some may only buy a ticket in order to attend a championship game (medium loyalty status). This would indicate to the potential sponsor whether it would be possible or feasible to target the specific market.

The last base that can be used for market segmentation as proposed by Van der Walt; Strydom; Marx and Jooste (1996), is sensitivity segmentation. This base for segmentation exists since some consumers may be very sensitive when making purchase decisions. For example, some quality conscious consumers may insist on a superior product (for example the insistence of a professional tennis player to only use a top quality tennis racquet). Other consumers may be very price sensitive, such as the price of game tickets that may have an impact on the number of supporters that will attend a soccer match.

Within the context of this study, market segmentation suggests that a corporate sponsoring organisation should know what market segment they want to reach. The decision to become involved with a specific sport federation, individual athlete, club or team should be based on the fact that the spectators, supporters or participants of a specific sport, club or team represent the market segment the organisation wishes to reach. The sport federation on the other hand, in the quest to secure a corporate sponsorship agreement, should know their target market to best match it with the corporate organisation’s needs to reach a specific group or target market. For example, the manufacturer of a baby powder’s decision to sponsor an equestrian event may prove not to be as effective as anticipated. The reason may be that the potential target market for equestrian events may not match the demographics of a potential target market for baby powder. However, should the baby powder manufacturer decide to
sponsor a baby competition, it may be more successful in reaching the market segment most likely to use their product.

Once the target market has been divided into smaller segments, the organisation has to identify a segment that looks promising as a possible specific target market. The reason is that by having segmented a market, it may not be desirable (or economical) for an organisation to try and reach all segments. Thus a critical decision is the identification and selection of a target market (Wind, 2000).

3.2.1.3 Target market selection

In selecting a target market, the organisation uses the broad criteria of market attractiveness compared to the organisation’s capabilities relative to the competition (Bradley 2003). More specifically, Van der Walt; Strydom; Marx and Jooste (1996) identified five criteria that can help in the evaluation process before selecting a target market. These factors include the target market size and growth possibilities; the target market’s attractiveness and potential profitability; the resources and skills of the organisation to serve the target market; the compatibility of the target market with the organisation’s objectives, and the cost involved in reaching the target market.

Bowie and Buttle (2004) stated that selecting a target market should be done by evaluating the potential market segment by using three forms of criteria (market research). First, is the market data, this criteria will include data such as the size, the growth, accessibility, the consumer needs and wants, the benefits the consumer may be looking for, as well as the customer power. The second criteria is the analysis of the organisation’s competitor. This can be done by
analysing the number of competitors, their market share, the competitors’ capabilities, resources, strengths, weaknesses and the potential for new entrants in the market. The last criteria to consider in selecting a target market, is the internal organisational audit. This audit will reflect the organisation’s capability to service the target market segment, the compatibility with existing and future segments, as well as the compatibility of the target segment with the resources and values of the organisation.

Within the context of this study it can be argued that in order for successful segmentation to occur, there should be a match between the sponsoring organisation and the supporters and/or participants of sport. The match can occur when the data from these bases of segmentation, relating to a potential target market of an organisation (refer to Table 3.1, p. 61), is used when the organisation needs to make the decision as to which sport sponsorship agreement to enter into.

Marketing, according to Van der Merwe (1997), is in its simplest form, an “exchange process between two parties”. In primitive times, people lived in tribes and had direct contact with each other, in so much that all the required information was exchanged personally among them. Gradually, the distance between people in this “exchange” process increased. This increasing gap and relationship (Van der Merwe, 1997) resulted in the development of a number of activities called marketing, and, in later years, marketing communication through which the value of products was communicated (Mitchell & Knox, 1999). In a marketing exchange, the two or more parties involved may be referred to as the “marketer” and the “prospect(s)” (Copeland, 1991). In the next section, the focus will be on the discussion of the exchange theory in marketing.
3.2.2 Exchange theory in marketing

An exchange in marketing is the process of obtaining a desired product/service from another party by giving that party something in return (Skinner, 1990; Lamb, Hair & McDaniel, 1996). This exchange may refer to tangible or intangible goods, or to a combination of them (Copeland, 1991). The underlying principle is that exchange needs to take place between at least two parties, and while the exchange does not have to be tangible, it needs to be valued equally by both the parties (Sleight, 1989).

McCarville and Copeland (1994) used three principles to illustrate the exchange theory, namely rationalism, marginal utility, and fairness. These principles form the foundation upon which the exchange theory is based. Rationalism focuses on those activities that are aimed at a specific goal and/or reward. In contrast with rationalism, is the principle of marginal utility (the relationship between access to rewards and the value assigned to them) which has become synonymous with the term “diminishing returns”. This principle may help us to understand why sponsors cancel sponsorship agreements. Sawyer (1997) stated that one reason given by organisations for cancelling sponsorship agreements is the receiving of equal benefits or exposure by another sponsor, usually of lesser value. The last principle cited the concept of fairness (fairness occurs when the actual rewards gained are compared to the expected reward level). The tenets of the exchange theory can offer guidance when developing and or maintaining successful sponsorships. Notions of rationality, marginal utility and fairness suggest that successful sponsorships can be characterised by the exchange of valued resources on the basis of each party’s contribution to the sponsorships.
A reason for exchange is valid when the parties involved in the exchange, can enjoy benefits that they cannot attain in isolation. Thus, in sponsorship exchanges, as in any other exchange, parties need to seek potential partners and discover the rewards that they cannot gain on their own (rationalism). It is stated that sponsorships are more likely to be undertaken when placed in the context of past successes and present priorities (marginally utility). As soon as a sponsorship has been initiated, the sponsored activity should facilitate the accomplishment of the set objectives. Rewards for achieving the set objectives should be consistent with the expectations of each of the parties involved. Balanced exchanges between parties are important, since when one party deviates from the proposed value of exchange, an imbalance can occur, which in turn leads to unfairness in the exchange (McCarville & Copeland, 1994).

In the past, according to Sawyer (1997) and Sleight (1989), organisations “entered into sponsorship agreements in a capricious manner”. Now, however, they are considering the principles of exchange in order to determine the benefits for entering into sponsorship agreements. The basic exchange relationship (Erickson & Kushner, 1999) can be viewed as two parties seeking to gain something from each other and, depending on what commodity they want to offer in return and the demand for that specific commodity, to have bargaining power in the exchange process. The exchange relationship can thus form a primary focus of marketing.

It is necessary to understand what is meant by the terms product and service in order to determine the opportunities sport can offer for the marketing of products or services. A product can be defined as the offering of an organisation for satisfying a specific need (McCarthy & Perreault, 1990). This product offering may be a tangible product (a pair of tennis shoes), a service (VIP parking at events), an idea (the suggestion to supporters to wear green in order to show their support for a specific team), or any combination of the three (Lamb, Hair &
McDaniel, 1998). Products are classified by various means such as consumer attitudes and buying behaviour. Another form of product classification is based on the ultimate user. The first category of the ultimate user is consumer products which are products purchased for use by households or other ultimate consumers, which thus satisfy an individual need (Lamb, Hair & McDaniel, 1998). The second category is industrial products, which are products sold to be used in producing other goods or in rendering a service (Kinnear & Bernhardt, 1990).

A service involves a deed, performance or an effort, carried out by one party for another. It cannot be physically possessed, and is experienced, used, or consumed by the consumer (McCarthy & Perreault, 1990). Lamb, Hair and McDaniel (1998) stated that a service is the process of applying human or mechanical efforts to people or projects.

Gray’s (1996) definition of sports marketing provides a broad perspective of the concept, and proposes that sport marketing is the identification of organisational and product-related characteristics and the incorporation of these characteristics in the development, presentation, positioning and delivery of the sports product through promotional and media strategies to the selected consumer target market(s). This definition is illustrated in practice by the public relations manager for Miller Beer Brands, Eric Kraus, who states that sports marketing (and sponsorships per se) is a very effective tool that creates increased awareness of the Miller brands (Kate, 1992).

Woods (1993) views the objective of sports marketing as the attempt to positively impact on the sales process (either directly or indirectly) through an association with sport. Boone (1995) states that marketers are using sport to a much greater extent in order to attract and satisfy business, as well as bring non-business visitors to their cities. Cities engage in strong competition to be the best host for
sporting events, the reason being that events can attract thousands of visitors which can result in major financial benefits for the city. Unrivalled in this aspect is the Olympic Games. It is estimated that the economic impact of the Olympic Games on international tourism (between 1988 and 1990) was approximately US$1.3 billion (Kang & Perdue, 1994).

However, in order to reap the benefits these events can produce, organisers need assistance from the corporate world to finance them. This assistance is termed sponsorships (Anon, 1997). As Assimakopoulos (1993, p.1) states: “one of the first and most important marketing activities ... is finding sponsors”. This implies an exchange between at least two parties.

The exchange theory provides a framework for analysing an organisation’s expectations for meeting specified objectives through sponsorships (Sawyer, 1997; Wise & Miles, 1997). It also allows for sponsorships to be examined from a theoretical perspective, since sponsorship relationships reflect a relationship of exchange between event or activity (by implication sport organisation) organisers and corporate organisations (Copeland, Frisby & McCarville, 1996).

3.2.3 Communication in marketing

Authors such as Bacharack and Aiken (1987), Graham (1994) and Rees (1991) all agree that communication is a process. Although authors (Assael, 1990, Engel, Warshaw & Kinnear, 1991; McCarthy & Perreault, 1990 and Skinner, 1990) may differ with regards to the details, they agree on the essence of the communication process. The essence of communication, as these authors view it, is that communication is a process consisting of the following elements:
The source: Communication begins with a source (an individual or organisation) that has a message to share with another individual or organisation. Within the sponsorship context, the organisation sponsoring an event may, for instance, want to convey to its specific target market that its product (for example Rolex watches) is very prestigious. By associating the product (Rolex watches) with a perceived prestigious event such as Wimbledon, it may emphasize this connection.

The receiver: The individual or group whom the source wants to reach with the message, is the receiver. Returning to the previous example, the receivers of the “Rolex watch” message could be men (ages 35-45) in the upper income group, who either participate in or watch tennis on a regular basis.

The coding process: This is the phase where the source converts the message into symbols that represent ideas or concepts.

Medium of transmission: To relay the message, the source must select and use a medium of transmission that is a means of conveying the message from the source to the receiver. In sponsorships this may mean that an organisation decides to use signage (in and around an arena) as the vehicle to get its message to the target market.

Decoding process: During this process, the receiver interprets the symbols sent by the source by converting them into concepts and ideas. It is during this process that interference (barriers) may occur. For example, if Canon (the computer organisation) decides to sponsor an event, it would be advisable not to use the word Xerox in their sponsorship campaign. The reason being
that the word Xerox can be interpreted as another computer organisation called Xerox, thus leading to confusion and the association of the wrong organisation as the sponsoring organisation of the event/activity.

- **Feedback:** This is the receiver’s reaction or response to the source’s message. In sponsorship this may be immediate, for example when the organisation offers the spectators samples of their product at the event. It can also be delayed when no product is offered, but spectators are made aware of a product at an event.

While transferring the message from the sender to the receiver, the message could encounter interference (barriers), which can distort the originally intended message. The barriers within the communication process can pose a threat to getting the desired message across. Bridges and Roquemore (1992) identified six barriers commonly found during the transferring of messages. Firstly, the semantics barriers are experienced when people associate different meanings to or understanding of words used in written or verbal communications. When using semantics in sponsorship, the organisation must be very clear about the meaning of the words used. An example of words not being understood by the public, took place at the 1997 Nelson Mandela Tennis Tribute. The organisers promoted the Association of Tennis Professionals (ATP) FanFest, not realizing that South Africa was not part of the ATP tour. The public therefore had no idea what was meant by the words FanFest and, by implication, the activities involved. The fact that the event was poorly supported, underlined this (Jacobs, 1997).

The second barrier is the resistance to change barrier: This becomes a barrier to effective communication. If the receiver doesn’t like the ideas in the message, the whole message may be totally rejected, partially accepted, or interpreted in a way that won’t upset the status quo.
The perception differences barrier is identified as the third barrier. This barrier occurs when the receiver of the message interprets the message in a context contrary to that intended by the sender. In different cultures, and even different languages, people can interpret a message in various ways. It is therefore important that, when engaging in sponsorships, the match between the sponsors, the service, the product and the event fits the target market.

The fourth barrier is the listening barrier. In communication, the responsibility to listen to the message, lies with the receiver of the message. This means that the receiver must be alert, attentive and concentrate entirely on the message being directed toward him or her. Unfortunately, this barrier falls outside the control of the sender. This means that, in order to overcome this barrier, the sender must become extremely creative in breaking through the barrier. The receiver of today is constantly bombarded with different messages. This emphasizes the fact that the message must be creative and original to catch the market attention. Sponsorships provide marketers with opportunities to become creative in new ways in order to reach the target market with their messages.

When the sender of the message is viewed as untrustworthy, it presents the fifth barrier identified as the credibility barrier. If the receiver doubts the knowledge, integrity, or the past performance record of the sender, the sender’s credibility diminishes. Sponsorships can be used by organisations to better their image in the community. Sponsorships can be of assistance in changing perceptions, as when the public sees that the organisation is involved with a sports development programme for the youth of a certain community.

The last barrier is identified as the noise barrier. In the communication concept, noise can be defined as any factor that causes confusion, distortion, or
disturbance. In sponsorships there are aspects that can contribute to confusion about the sponsor’s identity. This is called ambush marketing. Ambush marketing occurs when an organisation with similar products/services uses the media to create confusion as to who is actually involved in sponsoring an event. For example, MasterCard succeeded in creating significant confusion (through their forceful advertising strategy) in the minds of customers as to who (MasterCard or VISA) the official sponsor (VISA was the official sponsor) of the 1996 Atlanta Olympic Games was.

Forming lasting relationships with consumers takes time and effort but is viewed as worthwhile (Mitchell & Knox, 1999). Sudharshan (1995) emphasizes this statement by stating that “holding on to them (the customer) costs one-fifth as much as acquiring new ones”. A reason for this high figure is the fact that customers are bombarded with different messages each day – as many as 5 000 per day (Rapp & Collins, 1990). The separation and retention of information can therefore be challenging for the consumer (Lough, 2000). This clutter of information forces marketers “to risk new creative and media solutions to reach the prospects” (Rapp & Collins, 1990). By utilizing sponsorships (and per implication sport sponsorships) as an alternative medium of communication, organisations have found that they can achieve new levels of exposure for their product and/or services. This can sometimes also be achieved at a much lower cost than the traditional print or television advertising costs (Lough, 2000).

The communication process not only involves the transfer of meaning between two or more parties, it also requires that this meaning is understood (Robbins, 1994). This process implies that communication is a two-way process rather than a one-way process (Kitchen, 1999). Communication is the foundation for marketing communication (promotion), which forms part of the traditional four Ps (place, price, product and promotion) of marketing (Copeland, 1991 and Moore & Teele, 1994). Organisations use marketing communication to communicate
information about an organisation, its products/services, the price of its products/services and the place where the products/services can be obtained to their target market(s) (Robbins, 1994). The relationship between the various elements of marketing is illustrated in Figure 3.3 (p. 75). The following information gives a brief description of the four elements and their significance in marketing and per implication sports marketing:

**Product:** can be described as the organisation’s offer to the market and it can be either financial or goods (tangible) or services (intangible). Thus, both goods and services are products (Kotler & Turner, 1998). Mullin, Hardy and Sutton (1993) see the sports product as a complex bundle of benefits that include a core product and multiple extensions. Callecod and Stotlar (1990) view the sports product as a (1) tangible item such as a basketball; (2) a programme such as WP vs Natal in a rugby match; (3) a service such as a series of golf lessons, or (4) a facility such as Fedsure Newlands Rugby Stadium. In their opinion, the product extensions include all additional programmes (pamphlets), products, services and facilities that are essential or desirable in order to satisfy the needs of the sports consumer and/or customer. Within the context of this study this may imply that these product extensions may strengthen the relationship between a sport sponsoring organisation and a sport federation.

**Price:** Kotler and Turner (1998) define price as the amount of money that a customer pays for the product. The price charged for (a) event tickets, (b) participating in a programme, or (c) a tangible product, must be determined with careful consideration of factors outside and within the organisation (Kotler & Armstrong, 1987). Factors that can have an influence on the determination of price include: the cost of the product; the cost of getting the product to the public; the willingness of the public to pay for the product; the amount of profit sought by management and/or the amount of subsidy the manager or administrator can
generate for the product/ programme / event. All these factors must be taken into account when determining a price structure for a sports product/event/service.

**FIGURE 3.3: MARKETING MIX VARIABLES (MOORE AND TEELE, 1994:4)**

**Place:** According to Callecod and Stotlar (1990), place refers to the date and location of an event, product, programme or service available. It also includes the various activities an organisation undertakes to present, in order to make its product accessible to the target market (Kotler & Turner, 1998).

**Promotion:** Mullin, Hardy and Sutton (1993), as well as Kotler and Turner (1998), view promotion as all the activities organisations use to communicate and promote their products to their specific target markets. The promotion element is also referred to as marketing communication (Copeland, 1991). Marketing communication makes use of a variety of methods (promotional tools) in the process of communication with different audiences (Wilson, 1994). Marketing communication is defined as an organisation’s way of communicating with its target market. One of the major tasks of marketers is to determine and manage the correct combination of the various elements that are best suited to the needs and objectives of an organisation.
The tasks of marketing communication are to (a) inform the target market, (b) to persuade the target market, and lastly, (c) to remind the target market of the product/service. Informative marketing communication may be used by an organisation when it wants to increase the awareness of a new product/service, or when it is building an organisational image. During persuasive marketing communication an organisation may be building brand preference, through repeated marketing communication, thus maintaining the customer awareness (Lamb, Hair & McDaniel, 1996). One of the major tasks of a marketer is to determine and manage the correct combination of the various elements that are best suited to the needs and objectives of an organisation. Promotion (or marketing communication) comprises several forms of communication (Copeland, 1991) including advertising, personal selling, sales promotions, publicity, and sponsorships. Graham (1994) suggested that promotions should be seen as the development of persuasive communication.

It is essential that the elements of the marketing mix are in balance and support one another. For instance, a high price can ruin a very good product that is supported by excellent marketing communication, and is available in the right place for consumers to purchase it. Changes in the market place also demand changes to marketing mixes. The large amount of advertising and sales promotions of the past two decades, has rendered advertising and sales promotion less effective than before. Rees (1991) states that because of the immense volume of communication that consumers are confronted with, and the problems involved therein, new communication strategies need to be developed. It is here that sponsorships offer great opportunities to organisations to break through the clutter and become more visible.

Kotler (1999) suggests that the above-mentioned four Ps may be better illustrated and understood from a buyer’s point of view. He therefore introduces
the four Cs of marketing (Table 3.2, p. 77). For example, from the organisation’s view it has a product and a certain price, available in certain areas, and the customer needs to be made aware of this new product. However, the customers see the product as something that has value to them. To possess it, will mean that there will be a cost (to the customer) involved. For the customer to consider buying this product, it may need to be in a location which is relatively easy for the customer to reach. All this needs to be well communicated to the potential customer. In order to communicate with its potential customers, organisations traditionally develop a message, deliver it and through this hope that they will persuade the customer to buy their product. From a long-term marketing communication perspective, the organisation should look at the behaviour of their potential target market, determine what led to this particular behaviour, and then develop a message in such a way that it will reconstruct the environment that may have led to this behaviour. Organisations could use sport sponsorships to communicate with their target market in order to reconstruct the environment that may have led to certain behaviour.

With the introduction of the four Cs of marketing, Kotler (1999) highlighted the place of communication within the marketing concept and marketing communication (promotion) as the communication function of marketing (Engel, Warshaw & Kinnear, 1991).
Understanding the communication process becomes important, since managers are likely to spend most of their time engaged directly in some form of communication process (Rees, 1991). Mitchell and Knox (1999) proposed that the communication task involves the desire to “build a relationship with a number of audiences such as customers, suppliers, shareholders, legislators and employees alike”. Forming lasting relationships with customers takes time and effort, but is viewed as worthwhile (Mitchell & Knox, 1999).

As stated earlier, clutter within the communication process forces marketers to continuously look for creative options to reach their perspective target markets. Figure 3.4 (p.78) adapted from the illustration Lipponen (1995) uses, illustrates how sponsorships fit within the marketing communication process.
One of the goals of marketing communication is to bridge the information gap between organisations and potential consumers. Sponsorships, as illustrated in Figure 3.4, are a medium which can bridge the information gap. It does this by bringing the message from the sender (the organisation) to its target market (Lipponen, 1995) by using a variety of entities and activities which the organisation chooses to sponsor (sport, arts, community activities, teams, fairs, individual personalities, etc., according to Bennett, 1999).

Each communication media has certain attributes that can be employed to meet the communication objectives of the organisation. It is desirable that sponsorships should form part of the overall marketing communication, and not function independently from the other forms of marketing communication.
Sponsorships, just as the other tools in the marketing communication process, have a specific effect and impact on a target market (Lipponen, 1995).

The versatility of sponsorships enables it (Meenaghan, 1991) to fulfil many of the basic functions of the other marketing communication tools within the marketing communication mix. One of the advantages offered by sponsorships as part of the marketing communication mix, is its ability to act as the theme which can be incorporated into the overall advertising, public relations, sales promotions and personal selling campaigns of the organisation (Lipponen, 1995).

The sponsorship communication process starts when exposure to the sponsorship stimuli takes place (Pham, 1991). In order to gain maximum benefit from the communication process (namely exposure), all the marketing communication tools need to be orchestrated and applied into the most suitable combination for each organisation (Stotlar, 1989; Kuzma, 1990). The marketing communication mix can consist of five major elements namely advertising, sales, promotion, public relations, personal selling and direct marketing (Table 3.3, p. 80). Organisations can use only one of these elements, or any combination of the five, in order to reach their target market. A short description of each of the tools follows.

All organisations use some form of advertising (that is any form of paid communication in which the sponsor or organisation is, or can be, identified) to communicate with their target market. Public relations is the marketing communication element with which organisations can evaluate the public’s attitude, pinpoint areas within the organisation with which the public can identify or may be interested in. Then an action plan can be developed in order to earn public understanding. Publicity, on the other hand, is information concerning an organisation and its products/services for which the organisation does not pay.
The organisation is usually not identified as the source of the information, as the information appears in the mass media as a news item. Sales promotions can be defined as short-term campaigns designed to provide tangible added value to a product/service, at the points of sale, in order to convince the consumer to buy the product/service. Sales promotion is used to stimulate immediate increases in demand, and includes all marketing activities (excluding advertising, personal selling and public relations). Lastly, personal selling can be seen as a planned presentation to one or more prospective buyer(s) for the purpose of making a sale. Personal selling is therefore the situation in which two (or more) people are communicating with each other in order to convince one of the parties to purchase a product/service (Lamb, Hair & McDaniel, 1996 & 1998; Kotler, 1984a & 1984b).
Meenaghan (1983) suggests that organisations adopt an integrated approach to all five tools in order to have a more effective marketing communication process within the marketing mix. This view is representative of most of the literature (Bradford, 1995; Copeland, 1991; Crompton, 1995). The role of marketing communication within the marketing mix is illustrated in Figure 3.5.

The combination of the marketing communication elements in a communication strategy is termed Integrated Marketing Communication (IMC). IMC is described by Mitchell and Knox (1999) as a concept of marketing communication that recognises the roles of a variety of communication disciplines (promotional elements), and combines these to provide clarity, consistency and maximum communication impact. Marketing communication is therefore a vital part of the marketing mix, informing the public of the benefits of an organisation or a
product, and as such, enhancing the positioning of an organisation or a product in the market place.

In research done by Allen (1998); Crompton (1995) and Mitchell and Knox (1999), sponsorships are viewed as a fifth vehicle that can contribute to the total communication effort of the organisation. However, Crompton (1995) and Vignali (1997) stress that sponsorships need to complement the other four marketing communication tools, rather than substitute any one of them. Shani and Sandler (1995) and Thomas (1985) state that sponsorships have been gaining a legitimate and important place within the marketing mix, which results in it being regarded as a multi-functional marketing communication tool (Gilbert, 1988).

One reason offered as to why sponsorships emerged and are accepted as part of the marketing mix, is attributed to the ability of sponsorships to effectively perform certain key marketing tasks (Mount & Niro, 1995). These key tasks come about essentially because sponsorships can provide a platform for media visibility, additional image changes, sampling, corporate hospitality and sales force incentives, as well as industrial relations (Vignali, 1997). However, sponsorships can be a complex variable (containing various sub-variables) within the marketing mix, and it therefore needs to be properly co-ordinated and regulated with all the other marketing communication elements (Vignali, 1997).

In order to co-ordinate and regulate these different marketing communication elements, Vignali (1997) proposed the MIXMAP model as a tool to co-ordinate the different aspects of sponsorships, and to integrate sponsorships successfully into the marketing mix. Using this model for sponsorships, corporate organisations (sponsors) could combine the product, brand, service and economic environment in such a way that it can determine the intensity of each of the elements. This results in the best communication mix for the organisation.
in order to achieve its overall marketing objectives. Vignali (1997) concludes that the MIXMAP model can assist in the process of breaking down the complexities of the decisions involved in the marketing communication mix, and divide sponsorships into smaller individual objectives. This may have an influence on the strength of the relationship between the corporate sponsoring organisation and the sport federation.

3.3 RELATIONSHIPS IN MARKETING

The concept of relationships, according to Takala and Uusitalo (1996), became popular when researchers in the 1970s found that a new concept that emphasised the relationship between the seller (organisation) and the customer, was needed. Relationships have been defined by McDonald and Milne (1997) as attracting, maintaining and enhancing customer relationships. Morgan and Hunt (1994) on the other hand, defined relationships in marketing as all the marketing activities directed toward establishing, developing and maintaining successful relationship exchanges. In other words, relationships in marketing can be the strategy that organisations employ in order to establish long-term relationships (that take place over time) with their customers.

Relationships with consumers can occur when an organisation is “proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers or partners over time” (Rao & Perry, 2002). It also includes the need to develop a greater competitive advantage (Abratt & Russell, 1999), and to decrease exchange uncertainty (Anderson, 2001) through the maintaining and enhancement of promise and trust within a relationship (Arias, 1998). Changes in the marketing environment led to the need to modify and update the traditional marketing concept (Shani, 1997).
Berry (1983) is credited as the first person to formally introduce the thought of relationships in marketing, and a few years later, Jackson (1985) used the term in a business-to-business context. However, Grönroos (2004) states that the phenomenon itself – a relationship approach to taking care of the interaction with customers – is as old as the history of trade and commerce. Even before the 1980s, Arndt (1979) observed the tendency of doing business in the form of long-term relationships. He labelled this relationship as domesticated markets and concluded that “both the business market and consumer benefit from the relationship that fosters relational bonds leading to reliable repeat business”.

In the research done by Grönroos (2004) he discussed the fact that before Berry and Jackson (1983) used the term “relationship marketing”, a relationship perspective within the marketing concept was inherent within the Nordic School of thought. Grönroos (2004) further expressed that although it was not explicitly expressed, the notion of relationships was also present in the North American seven Ps model of service marketing of the early 1980s, as recorded by Booms and Bitner (1981).

Marketing through relationships has often been contrasted to transaction marketing (Lindgreen & Crawford, 1999). These authors view transactional marketing as the developing, selling and delivering of products by means of short-term, discrete economic transactions.
3.3.1 Transactional marketing

The traditional marketing concept is rooted in transactional marketing, which involves buying, selling and risk-taking when products are offered (Kinnear & Bernhardt, 1990). In transactional marketing, the core product and sometimes the organisational images or the image of its brands are often the only elements that keep a customer loyal (or attached) to a specific organisation (Grönroos, 1994). He further states that when a competitor introduces a similar product, price usually becomes an issue. Within transactional marketing, price sensitivity is often high and competitors that offer lower prices, can be considered to be “dangerous” competitors. Organisations pursuing a relationship strategy within their marketing concept can succeed in creating more value for its customer than what is provided by the core product alone (Grönroos, 1994). If this relationship is handled well, it adds to the value (not provided by the core product) supplied to the customers. In turn, although not totally eliminating the issue of price, it can make it less of an issue.

Transactional marketing involves a single, short exchange with a distinct beginning and end. Because the lifetime value of the customer is not taken into account, customer attraction and not customer retention is at the centre of transactional marketing exchanges (Lindgreen & Crawford, 1999). In contrast, an exchange involves multiple linked exchanges over a period of time (Healy, Hastings, Brown & Gardiner, 2001 and Rao & Perry, 2002). These relational exchanges resulted in an emphasis on service, close customer contact, as well as a holistic view of all parties and processes involved in the marketing. Developments in service and industrial marketing forced organisations to start thinking more in terms of “keeping their customers”, as opposed to only “winning new customers” (Aijo, 1996). The modifying and updating of this approach led to what Grönroos (1994), Page (1998) and Plumbridge (1998) described as a
paradigm shift in marketing, one that is based on relationships. Marketing through relationships differs from transactional marketing in that where transactional marketing has a distinct beginning, is of short duration, and has an ending by performance, marketing with a relationship perspective tends to be longer in duration and traces previous agreements with customers, thus making it an ongoing process (Morgan & Hunt, 1994).

3.3.2 Themes of relationships in marketing

In the study done by Abratt and Russell (1999), seven themes emerging in relationships were identified. A short description of these seven themes follows. The first theme has the emphasis placed on a relationship approach rather than a transaction approach to marketing (Clark, Peck, Payne & Christopher, 1995). The move from transactional to marketing through relationships emphasises the notion that organisations (per implication corporate sponsoring organisations involved with sport sponsorships) need to know who their clients (for example sport federations) are, as well as what their needs are. The second theme identified is the understanding of the economics of customer retention in order to ensure the appropriate allocation of resources. This involves the targeting of certain profitable partners. Maximising the lifetime value of desirable customers and customer segments, is essential and is well documented in literature (Berry, 1995 and Fraering & Minor, 1994). Client (or per implication the sport sponsorship partner) knowledge will assist corporate (sponsoring) organisations in their efforts to retain their existing clients (partners), efforts which are more economically viable, than trying to acquire new clients (or partners).

Third is the recognition that a need exists to integrate quality, customer service and marketing more closely than what was previously thought. The fourth theme
identified by Abratt and Russell (1999) illustrates the notion that the traditional marketing concept of the four Ps alone, does not adequately capture all the key elements that must be addressed in building and sustaining long-term relationships. The formation of relationships is dependent on other elements such as trust, bonding and loyalty (Webster, 1992). The fifth theme implies the insurance that marketing is considered in a broad cross-functional context (Bejou, Wray & Ingram, 1996). Service quality can provide the basis for enhanced loyalty and retention of customers. The sixth theme is concerned with an internal marketing approach that will incorporate a framework for internal staff relationships, as well as external relationships with customers (partners). The last theme indicates how the principles of relationships can be applied in marketing to a range of diverse market domains, and not only to customer markets (Berry, 1995). Given this, the sport sponsorship industry in South Africa can be considered competitive and it would therefore appear that a relationship in marketing can be a means for gaining a competitive advantage, and to distinguish oneself from one’s competitor.

For the purpose of the study, the definition of relationship in marketing as proposed by Gummesson (1996), is adopted. It could be described as relationships, networks and interactions, as well as contacts between at least two parties (per implication a corporate sponsor organisation and a sport organisation), but could also exist between people, objects, symbols and organisations. There are various relationships within the marketing concept. Takala and Uusitalo (1996) highlighted some of these relationships as the relationship between buyers and sellers; or the relationship between individuals and organisations; or the trading relationship; and the relationship between different organisations. Another possible relationship within the context of this study, can be the sport sponsorship relationships that exist between corporate organisations and for instance a sport federation, a high performance athlete or a sport club.
3.3.3 Stages in relationship formation

A relationship in marketing begins with the customer, and encourages organisations to integrate the customer into the organisation. This can be done by building a relationship with the customer based on communication, satisfaction and service, in order to expand the customer’s involvement with the organisation, resulting in a relationship between the organisation and the customer (Masteralexis, Barr & Hums, 1998). Relationship formation or its enhancement has been studied by Beatty, Mayer, Coleman, Reynolds and Lee (1996), and they developed a model which outlines the major steps in the relationship formation process. This model states that relationship formation goes through a number of stages, namely the facilitating conditions, relationship formation, relationship enhancement and lastly relationship outcomes. A short description of these stages follows.

Top management approval, employee customer orientation and relationship motivated customers, were three factors identified by Beatty, Mayer, Coleman, Reynolds and Lee (1996) that would facilitate the development of long-term relationship (facilitating conditions). These authors concluded that an essential element for the development of relationships is not only a management approach to care deeply for customers, but also a corporate environment in which staff are encouraged to satisfy customer needs. This study also, according to Abratt and Russell (1999), found that staff most committed to customer services, were the most successful. However, these same authors also state that the customer “would have to want to develop a relationship with the sales associate for the formation to commence”. In the early stages of the relationship (relationship formation), service that exceeds the customer’s expectations, affects the relationship development process positively. This implies within the context of this study, that both the corporate sponsoring organisation as well as the sport
federation should want the formation of a relationship between them, and that both parties will work to provide services that will exceed the expectations of both parties.

The next stage is relationship enhancement, which occurs when customers perceive trust, friendship and functionality to be consistently present in the relationship. According to Abratt and Russell (1999) this trust, friendship and functionality will determine the strength and likely continuation of the relationship, as the relationship progresses over time. These three elements (trust, friendship and functionality) by implication, could therefore also determine the strength and continuation of a sport sponsorship relationship between a corporate sponsoring organisation and a sport federation. Teamwork between the sales associates and other departments within the organisation, is credited by Abratt and Russell (1999) as the element that can enhance the relationship formation.

The last stage is identified as relationship outcomes, and it can be viewed from both the customer’s and the organisation’s perspectives. These two views work to reinforce each other. When the customer for example is pleased with and committed to a relationship, the pressure increases in the organisation to be even more committed to the customer than ever before (Abratt & Russell, 1999).

These authors concluded that the forming of relationships through these stages will work best within a service environment in which customers want personalised service (by implication a sport sponsorship relationship). This is followed by the notion that both parties involve within the relationship perceive that the benefits of entering into the relationship outweigh the cost of such a relationship. The value of such a relationship, according to Ravald and Grönroos (1996), can be added by increasing the benefits for both parties involved or reducing the sacrifices both parties involved have to make. Abratt and Russell (1999) state
that increasing the benefits can be done by adding something to the core product offering which the customer perceives as important, beneficial, as well as unique. Understanding the customer’s value chain can thus help organisations to reduce the sacrifices they may need to make.

3.3.4 Key processes of relationships in marketing

In research done by Grönroos (2004), planned communication, interaction and value are proposed as three key processes of relationships in marketing. Per implication, these processes can also be considered as key factors in sport sponsorship relationships.

3.3.4.1 Interaction process

Relationships in the marketing process, place customer processes, and not products at the center of marketing. Grönroos (2004) states that in order for an organisation to be successful, it has to align its resources, competencies and processes with the customer’s value generating processes. Interaction as a concept, evolved in the place of the more traditional product concept.

Grönroos (2004) proposed that interaction may be prompted by planned communication messages and programmes, but for a commercial relationship to develop, interactions have to follow. A dialogue between the supplier and/or service organisation only emerges from value enhancing interactions. This relationship proceeds into an interaction process where various types of contacts between the supplier or organisation and the customer occur over time. These contacts can be very different, depending on the type of marketing situation
such as contacts between people, machines and systems, and some contacts are between systems of the organisation and the customer). For the purpose of this study, in order for a successful sport sponsorship relationship to develop, interactions between the corporate organisation and the sport federation should not only be initiated, but also be of value to both parties.

In his research, Grönroos (2004) divided the interaction process of the relationship into four levels: the act; the episode; the sequence and lastly the relationship level. This researcher defined acts as the smallest unit of analysis within the interaction process (such as phone calls or service calls). Acts can be related into any kind of interaction element, for example physical goods, services information, financial aspects, or social contacts between the parties. Episodes on the other hand include a series of acts, and interrelated episodes form the next level of analysis in the interaction process, called the sequence. Holmlund (1996) defined sequences in terms of a time period, an offering, a campaign or project, or any combination of these (for example the sponsorship agreement between a corporate sponsorship organisation and a sport federation that involves the naming rights to the federation’s sporting facilities such as a stadium, track or grounds). The final level is the relationship level that is formed through several sequences. These sequences may directly follow one another, overlap each other or follow with intervals (short or long). Dividing the interaction process into these levels (Grönroos, 2004), provides an instrument to analyse the interaction between the organisation and customer which can lead to the determination of the value of the relationship. This interaction process therefore could also assist corporate sponsoring organisations and sport federations in determining the value of their sport sponsorship agreement.
3.3.4.2 Planned communication process

For a relationship to be successful in marketing, Grönroos (2004) states that an integration of all marketing elements within the communication process is needed to support the establishment, maintenance and enhancement of a relationship with customers.

One typical aspect of marketing communication within the relationship context, is the attempt to create a two-way (or multi-way) communication process. It should be noted that not every activity can be considered two-way communication, but all communication efforts should lead to a response that would maintain and enhance the relationship. Communication activities should also be integrated into a planned on-going communication process. The planned communication process parallels the interaction process, which entails that they support each other and do not counteract each other (Grönroos, 2004), and for the most part starts before the interaction process. It is also at this point where the relations are established.

Activities within both the interaction and planned communication processes send messages to customers about the organisation and the way it is serving its customers. Duncan and Moriarty (1997) suggest four groups of possible sources of messages. The first group is identified as planned marketing communication, and is defined by these authors as those messages sent as part of the planned communication process. This includes the messages that make promises of how a solution to a customer’s problem will be found. Next are the product (for example the design, technical features, durability and distribution of product elements in a relationship communicated to customers) and service messages (which originate from interaction with an organisation’s customer service and
other processes). The last group of messages are the unplanned messages. These messages are communicated through news stories (printed or electronic), employee gossip, as well as word-of-mouth communication (Grönroos, 2004).

Grönroos (2004) further states that planned marketing communication takes place in the planned communication process, while product and service messages are created within the interaction process. Other messages (such as word-of-mouth referrals and other unplanned messages) are the result of how customers are perceiving these processes – whether they are supporting or counter acting each other.

Research by Grönroos and Lindberg-Repo (1998) concludes that if the planned communication process with its planned marketing communication is supporting and supported by product and service messages, (created in the flow of episodes of the interaction process), favourable unplanned communication, resulting in positive word-of-mouth communication, will most likely occur.

Customers should feel that the organisation which communicates with them, is genuinely interested in them, their needs, requirements as well as value systems, and that these organisations in a convincing way argue for products, services or other elements of the total offering. Customers should also see that the organisation expects and appreciates feedback. It is then when the communication aspects of the interaction process of relationships in marketing, merge with the planned communication process into a single two-way communication process (Grönroos, 2000).
3.3.4.3 Value process

In the interaction process a value base is transferred to and partly created together with the customer (Grönroos, 2004). In other words, it is when an organisation can successfully align its resources and competencies with the customer’s internal processes that this value base will translate into the customer’s perceived value. The creation of value needs to be supported by marketing communication before and during the interaction process of the relationship. Within the context of this study, this could mean that when a corporate sponsoring organisation successfully aligns its resources (such as a financial contribution) and competencies (such as expertise in area such as information technology) with the needs and wants of the sport federation, the value base that is created could translate into a perceived relationship value for both parties.

According to Grönroos (2004) a value process is necessary in order to demonstrate how customers perceive the creation of value over time. Ravald and Grönroos (1996) suggest that the relationship itself may have a major effect on the total value perceived by the customer.

The forming of a relationship within marketing takes more time and effort than transactional marketing, and must therefore create more value for the parties involved. If a relationship is to be successful and accepted in marketing, there should be a positive value process paralleling the planned communication and interaction processes that are appreciated by the parties within the relationship. Ravald and Grönroos (1996) proposed that the relationship itself might have an effect on the total value perceived. “Value is considered to be an important constituent of a relationship in marketing and the ability of a company to provide
superior value to its customers, is regarded as one of the most successful strategies…”

In conclusion, a successful relationship in marketing requires that all three of the above-mentioned processes are to be taken into account. The interaction process is the core of a relationship, the planned communication process is the distinct communication aspect of a relationship, and the value process is the outcome of a relationship in marketing.

3.3.5 Development of relationships

The objective of relationships in marketing is to “establish, maintain and enhance the relationship at a profit so that the objectives of both parties are met” (Selnes, 1998). Anderson (2001) proposed a compound model which captures three phases of the development process of relationships in marketing. The three phases are the pre-relationship phase; the negotiation phase and a relationship development phase.

In the pre-relationship phase, the forming of a new relationship usually involves an event which triggered dissatisfaction with the present situation. The solution to this perceived dissatisfaction may occur either through a change of a supply source, or the addition of another supplier (Anderson, 2001). He also states that within the pre-relationship phase, the social distance between the organisation and customer is vast, since both parties are unfamiliar with each other’s ways of working. Reducing this distance, requires a mix of one-way as well as two-way orientated marketing communication tools. In this phase all the elements of communication persuasion play a role.
Once a buyer decides on a specific supplier, the decision triggers a phase of discussion and bargaining, called the negotiating phase. During this phase the wants, issues, inputs and priorities of the two parties are exchanged (Anderson, 2001).

The last phase is the relationship development phase, which is also called the expansion phase. Dwyer, Schurr and Oh (1987) stated that this phase is characterized by continued increase benefits obtained by the exchange partners and their increasing interdependence. These authors also stressed that the distinction between the phases is the fact that the trust and joint satisfaction which was established in the exploration stage, can now lead to increases risk taking. This stage is termed the development stage (Anderson, 2001) and characterized by the increasing experience of trust between the two parties, which can lead to the reduction in the uncertainty and distance between them.

The development and maintaining of a relationship include a broad range of communication management and development (Mohr & Nevin, 1990). Communication is established in marketing relationships which not only involve persuasion, but also informing, listening and answering activities. This process of relationship in marketing development is an evolution and progression through the increase in resource commitment and interdependence.

Rao and Perry (2002) further suggested two theories for relationship development. The first is that the relationship development is a process of increasing experience and commitments (gradual development taking place in a sequential manner, and over a long period of time (the stages theory)). Unlike the stages theory, the states theory focuses on the unpredicted state of the relationship at a point in time because strategic moves of exchange occur in an
unstructured and unpredictable manner (Ford, McDowell & Turnbull, 1996). This theory illustrates that relationship development is more than what is implied by the stages theory. Relationship development can move forward, backwards or stay in the same position for an undetermined period in the development process. Rao and Perry (2002) proposed that relationship development is not an orderly progression of phases over time, and it does not depend on the fulfilment of a set of conditions, but rather depends on the circumstances or opportunities at a given point in time. For the purpose of this study the development of a sport sponsorship relationship is proposed to occur within the concept of the stages theory. The reason for this proposal is that most sponsorship agreements usually develop gradually in a sequential manner over a period of time.

3.3.6 Classification of relationships in marketing

Rao and Perry (2002) suggest that there are many types of relationships within marketing. These authors state that relationship development requires at least two parties who are in contact with each other. Based on this simplest relationship, Gummesson (1995) proposed 30 relationships (30Rs) that can be categorised into three classic relationships: (a) dyad, where the relationship is between a customer and an organisation; (b) triad, which involves the relationship between the customer, his or her present supplier and competitors and (c) a network, which concerns all members in the distribution chain. Healy, Bowing-Green, Gardner, Hastings and Brown (2001) proposed a more recent three-fold categorisation of relationships in marketing, namely (a) relationships; (b) neo-relationships and (c) networking marketing relationships.

By using these two classification models, Rao and Perry (2002) developed another classification system. This classification system begins with a single
transaction between an organisation and a customer. This transaction is conducted as a discrete market-based exchange with virtually all the necessary information contained in the price of the product exchange. The single transaction becomes repeated transactions when organisations use different marketing strategies to win customers’ loyalty (Grönroos, 1994). The presence of repeat transactions means that the exchange has shifted from a one off transaction to repeated transactions. Pelton, Strutton and Lumpkin (1997) argued that these repeated transactions indicate the beginning of the formation of trust and commitment. In turn, the beginning of trust and commitment in the repeated transaction classification may become closer social bonds when a contract is signed, in hard long-term contractual relationships.

Contractual long-term relationships can be developed into strategic alliances. These alliances are comprehensive, contractual relationships that could lead to networks. Networks cover more complex relationships (or webs) of three or more parties within the relationship (Rao & Perry, 2002). In conclusion these types of relationships evolve over time as each party makes investments in and adapts to the other as structural and social bonds emerge and evolve.

In the research done by Patterson and Ward (2000) they identified conditions that they consider important to be present for customers to develop and maintain a relationship. These include firstly the individual need and mutuality. This implies that both parties want the relationship to exist. In the second place, value (both parties involved must perceive that they will benefit from the relationship. This implies that the perceived benefits need to outweigh all the sacrifices involved) is identified as a condition for the development and maintaining of a relationship. Customer satisfaction and effective communication (the existence of an effective two way communication channel and process between the parties, is necessary for a relationship to be successful in marketing) are identified as the fourth and fifth conditions necessary for relationship development.
Sin, Tse, Yau, Lee & Chow (2002) stated that an organisation, in order to maximise its long-term performance in areas such as customer retention, sales growth and profitability, should build, maintain and enhance long-term and mutually beneficial relationships with its target markets. It is within this context that sport could play a role to support the maintaining and enhancing of relationships between a sponsoring organisation and a sport federation. Literature suggests that certain elements within relationship marketing are necessary in order for it to be successful.

### 3.3.7 Elements within relationships

Authors such as Arais (1998); Evans and Laskin (1994); Gronroös (1990); Morgan and Hunt (1994) and Patterson and Ward (2000) list various elements within relationships necessary for them to be successful. However, the following: trust, loyalty, bonding, empathy and reciprocity appear (Figure 3.6, p.100), consistently in all these authors’ research. Each one of these elements will be discussed in detail in the sections to follow.
3.3.7.1 Trust and relationship from a marketing perspective

The first element identified is trust. Halliday (2004) defined trust as “the reliance by one person, group or firm upon a voluntarily accepted duty on the part of another person, group or firm to recognize and protect the rights and interest of all others engaged in a joint endeavour or economic exchange”. Within the context of this study, this definition of trust may refer to the reliance of a high performance athlete (one person), a specific sport team or club (the group) or a sport federation (firm), upon a mutually and voluntary agreed upon sponsorship agreement with a specific corporate sponsoring organisation. Both parties involved in this agreement undertake to protect the rights and the interests of the other party engaged in the sponsorship agreement. Gordon (2000) proposed that trust building is a process and stressed that trust building evolves around the basic sales principle of putting customers first, rather than merely reducing risk.
Various definitions of trust exist within the literature. Trust is seen as the essence and/or the “critical success factor in service relationships” (Coulter & Coulter, 2002) or the “essential ingredient for successful relationships” (Rao & Perry, 2002), and Grossman (1998) refers to it as the degree of confidence and reliability individuals feel within this relationship. Moorman, Zaltman and Deshpande (1992) defined trust as the willingness of the one partner (for example a corporate sponsoring organisation) to rely on an exchange partner (such as a sport federation) in whom they have confidence, while Bejou and Palmer (1998) see it as one of the major building blocks of a relationship. Ndubsi (2004) further states that healthy relationships are characterised by trust.

Anderson and Weitz (1992) see trust as the situation where one party within a relationship believes that its needs in the future will be fulfilled and met by the actions of the other partner in the relationship. Crotts and Turner (1999) are of the opinion that trust involves the belief that within a relationship, one partner will act in the best interest of the other partner involved in the relationship. Trust as conceptualised by Sin, Tse, Yau, Lee and Chow (2002), is that dimension of a business relationship that determines the level to which each party feels he can rely on the integrity of the promises offered by the other party. Trust can therefore be seen as the essential belief that an individual / organisation will deliver what it has promised (Callaghan, McPhail & Yau, 1995).

Trust in the context of a sport sponsorship agreement, should therefore be built on the belief and confidence of a corporate sponsoring organisation that a sport federation (or vice versa) will act in the best interest of the corporate sponsoring organisation, that the two parties will protect each other’s rights, and through this, the corporate objectives and goals (and/or the objectives and goals of the sport federation) will be met. This is achieved by the integrity of the promises made by the parties such as that in exchange for a certain amount of money (given by the corporate organisation), the sport federation undertakes to host a minimum of 12
internationally broadcast events (for example the Super 12 Rugby Series). A betrayal of trust can lead to customer disappointment, dissatisfaction and defection (Koeszegi, 2004). Using the previous example, the customer could be the corporate sponsor being dissatisfied as the sport federation only hosted 10 instead of the agreed upon 12 events. Again using the previously stated example, the dis-satisfied customer could also be the sport federation. The situation may arise where the corporate sponsor decides to withdraw from the event either shortly before the scheduled first date, or maybe some time before the last scheduled event. Per definition, a betrayal of trust could therefore lead to the cancellation or elimination of sponsorship relationships which translates in the cancellation of sponsorship agreements.

Rich (2000) states that the relationships in marketing are centred around good communication between the parties involved in the relationship. This communication comprises expanded forms beyond the essential description of features and benefits to seeking out a greater understanding of each prospective customer. The resulting objectives are to change behaviour so that loyalty replaces the threat of defection to competitors. This loyalty is based on a developed trust that creates an inelastic demand in the mind of the customer. Trust according to Rich (2000), contributes to satisfaction and long-term association over and beyond the effects of the economic outcomes of the relationship. Within the context of this study, it may be reflected in the continuous multi-million rand sponsorship agreements between a corporate sponsoring organisation and a specific sport federation and/or team or club. Both trust and economic outcomes are conclusive success factors in relationships (Geyskens, 1998). Trust is therefore a central element in the effort to form strong and lasting relationships (Morgan & Hunt, 1994).

Gounaris and Venetis (2002) state that quality of service provided by one partner (the provider), influences the degree of trust that another partner (the client)
places on the first mentioned partner (the provider). This can imply that the quality of service (such as the reliability, serviceability and application of technology such as the “third umpire” in cricket) supplied by the corporate sponsoring organisation, may influence the degree of trust the South African United Cricket Board has in the relationship with this corporate organisation.

Service quality is divided into three levels by Szmigin (1993) as reported by Gounaris and Venetis (2002). The first level is the hard quality level that pertains to what (the actions) is being performed (the professionalism, the accuracy and reliability of the “third umpire” technology for example) during the service process. The next level is the soft quality level that indicates how the service is executed during the service process. The third level, is the outcome quality level. This level indicates the eventual accomplishment of the provider of the service (for example the success of this “third umpire” technology in cricket matches). The hard and soft quality are two dimensions that describe the service process itself. Soft quality pertains to the contact personnel and the interaction it develops with a partner, while hard quality refers to the service “blueprint” the provider uses, as well as the accuracy with which the service is delivered. Outcome quality on the other hand, illustrates the partner’s (the client’s) evaluation of the end-result of the soft and hard quality parameters. Outcome quality is further divided into two categories namely immediate outcome quality, and final outcome quality (Gounaris & Venetis, 2002). These authors describe immediate outcome quality as the quality that relates to the success of the partner (provider) to provide a solution to another partner’s (the client’s) problem. Final outcome quality refers to the effects that this offered solution will create and have for the client.

In their research, Izquierdo and Cillan (2004) summarized the function of trust as follows. “Trust acts as a substitute for hierarchical control (Rindfleisch & Heide, 1997) and allows the development of flexible structures (Zaheer & Vankatraman,
1995) in as far as it removes the fear of opportunistic behaviour. This can imply that when an element of trust exists between a corporate sponsoring organisation and for example the SA Tennis Federation, that trust could foster an environment in which both parties can freely make decisions, decisions such as what amount can be spent on appearance fees for players without having to ask permission of the corporate sponsoring organisation. Trust also increases satisfaction with the relationship (Mohr & Spekman, 1994) enhances continuity expectations (Ganesan, 1994), and ferments cooperation, coordination, collaboration and communication (Joshi & Stump, 1999). A positive outcome can therefore be expected from a partner on whose integrity one can rely (Wong & Sohal, 2002). Again using the example of the Tennis SA and their corporate sponsors: When Tennis SA was successful to attract players in the Top 10 on the ATP ranking for the SA Open, the corporate sponsors were very pleased with the exposure the event received in the media, as well as through increased ticket sales. This increase satisfaction could lead to the possible extension of the sport sponsorship agreement.

Trust within relationships for the purpose of this study, can be summarised as follows. Trust can be seen as the level or degree of confidence one party has in another. Trust also implies that the parties involved will act in the best interest of each other by protecting one another’s objectives and goals. A positive level of trust between the parties involved in the relationship, could eventually lead to increased stronger commitment to the relationship as well as a willingness to continue with the relationship.

It can thus be theorised that in the context of this study, the higher the level of trust between the sponsoring organisation and the sport federation, the greater the probability of a long-term sport sponsorship relationship. Trust therefore could lead to a better cooperation between the two parties, a situation which in turn could lead to a better coordination of the overall sponsorship package. Trust
may also increase the collaboration between the two parties as well as improve the communication (formal as well as informal) between the parties involved in the sponsorship relationship. For example, honest and effective communication is required in order to establish the goals and objectives of the partners in the sponsorship agreement, as well as to determine the roles and responsibilities of each partner (the corporate sponsoring organisation and the sport federation) within the agreement. The next element considered to be important for the success of relationships, is the element of loyalty and it will be discussed in detail in the next section.

3.3.7.2 Loyalty and relationship from a marketing perspective

Loyalty is viewed by various authors (Dwyer, Schurr & Oh, 1987 and Gundlach, Achrol & Mentzer, 1995; Morgan & Hunt, 1994; Ndubisi, 2004) as an important element for understanding relationships in marketing. Ha (1998) provides a definition of loyalty in which he states that “loyalty is a function of a brand’s relative frequency of purchase in both time-independent and time dependent situations”. Another definition cited by Ha (1998) concludes that loyalty is “biased (i.e. not random); it’s a behavioural response (i.e. purchase); it’s expressed over time by a decision making unit with respect for one or more brands out of a set of such brands, and is a function of a psychological (decision-making, evaluating) process”. It’s also useful in measuring the customer’s commitment (for example when a fan continues to support a losing team even when they are experiencing a bad season), as well as predicting a customer’s future purchase behaviour. (This can refer to the fact that due to the continued commitment, regardless the ‘losing’ season, the fan may still purchase tickets to attend the games). Loyalty implies that both parties in the relationship have an emotional, as well as a psychological commitment to that relationship. Shani (1997) stated that when relationship marketing is done correctly and is successful, it could lead to brand
loyalty. Brand loyalty per se “binds the consumer to the marketer, even when it is contrary to the consumer’s self-interest”. In other words, brand loyalty (for example consumer loyalty to the soft-drink Sprite) can bind a supporter of the National Basketball League (NBL) to the corporate organisation Coke (the producer of Sprite) due to Sprite’s sponsorship of the National Basketball League (NBL).

Loyalty is therefore an individual’s desire to remain within and to continue a relationship with an organisation (Bennett & Barkensjo, 2005), and is a process rather than an outcome (Ball, Coelho & Machas, 2004). These authors further distinguish between two types of loyalties namely, attitudinal loyalty and behavioural loyalty. Behavioural loyalty is defined as repeated transactions (or percentages of total transactions or total expenditure). Attitudinal loyalty on the other hand, is defined as the positive effect towards relationship continuance, as well as the desire to continue to remain in the relationship (Ball, Coelho & Machas, 2004). Loyalty formation occurs through the psychological process of customers reconciling an organisation’s artefacts (for example physical appearance of products, location and/or corporate identity) with organisation-related information (such as brand name or corporate identity or image) they have stored in their long-term memory (Foster & Cadogan, 2000). Loyalty therefore develops when a partner (a customer) experiences the other partner’s (the provider) product and/or service, and makes positive associations between the quality of the product and/or service and the provider of these products and/or services.

For example, supporters of the Wimbledon Tennis Tournament may reconcile the image of the watchmaker Rolex (as a superior design and high quality) and its corporate image of style and upper class affordability with its (Rolex’s) involvement with the sponsorship of the tennis tournament. This may occur since this specific tournament is often perceived as a high quality, stylish an expensive event. This perceived association could lead to repeated purchases (behavioural
loyalty) of Rolex watches as well as the supporters’ desire to be associated with an organisation that has the image of style, wealth and class (attitudinal loyalty).

The assumption can thus be made that when a sport sponsorship relationship exists where the partners share a bond of loyalty towards each other, they will be more committed to their relationship. Within the sponsorship context, it can be argued that loyalty between a sport sponsoring organisation and a sport federation could lead to additional investment to the initial sponsorship agreement, and this can be done through the leveraging of the original agreement. To illustrate this in the context of the study, it can be suggested that the corporate sponsoring organisation committed only to the financial aspect in the sponsorship agreement could decide to, through additional leveraging of the agreement, get involved with activities such as the selling of event related merchandise and/or sponsoring the half-time shows, or sponsoring prizes for give-aways. This increase in leveraging activities could lead to a better association between the sponsoring organisation and the sport federation, which is to the benefit of both partners.

Loyalty can thus be summarized as the process when (in which) the parties involved in the relationship choose (desire) to continue with the relationship. Two types of loyalties (attitudinal and behavioural) were identified. In this section, the concept of loyalty was discussed and the third element necessary for successful relationships is bonding. This concept will be addressed in the next section.

3.3.7.3 Bonding and relationship from a marketing perspective

Bonding is defined as the mutual state where two or more parties involved in a relationship agreement, act in such a way that a bond can be formed between them, since they are acting in a unified manner towards a desired goal (Sin, Tse,
Yau, Lee & Chow, 2002). A mutually rewarding relationship can thus be sustained (Gounaris & Venetis, 2000). This bond between the parties involved in the relationship is valued by the customer (for example a sport federation), just as much as the specific product and/or service that is offered by an organisation (for example a sport sponsoring organisation) (Kolesar & Galbraith, 2000).

Bonding as an element of RM is an “accepted fact in the practitioner community for years”.

Cann (1998) describes bonding as a process that is progressive over a period of time. This process starts on the one hand as the basic need of a seller to find a buyer for his product, and on the other hand the need of the buyer to purchase a product that will satisfy his needs. The process of creating bonds within the context of this study, can therefore be translated into the need of a corporate sponsoring organisation to find an alternative means to reach its current (or potential new) target market. On the other hand, the sport federation/club/individual may have a need for funds in order to operate and manage the sport code/club/participant they represent. Since the sport federation may be positively influenced by the demographics of people the corporate organisation wishes to reach, it could be beneficial for the two organisations to form a bond to address each other’s needs. This could result in the forming of a sport sponsorship relationship that can satisfy the corporate organisation’s need for exposure to a target market, and the sport federation’s need for additional funds.

Bonds also address the similarities between two parties in terms of origin, and they serve to remove doubt, create trust and form close relationships between parties (Hinde, 1997). The closer the relationship between the two parties, the more effectively a positive bond between them can serve to remove doubt and to create trust. Bonds can thus be seen as the “glue” that holds partners together (Nielson, 1998), and the author further suggests that it can be “critical” for close
relationships. The dimension of bonding, according to Sin, Tse, Yau, Lee and Chow (2002), consists of developing and enhancing customer loyalty (refer to paragraph 2.3.2), which results directly in feelings of affection (that two parties have towards each other), a sense of belonging (a feeling that the sponsorship relationship agreement is the correct agreement to be associated with) within the relationship, and indirectly in a sense, of belonging to the organisation. The research done by Wilson & Mummilaneni (1986) found that stronger bonds lead to a greater commitment between parties to maintain the relationship.

Rao and Perry (2002) and Zeithaml and Bitner (2003) identified two types of bonds, namely, social and structural bonds. These authors defined social bonds as investments of time and energy that produce positions of interpersonal relationships between partners. Structural bonds on the other hand are defined as those bonds which are forged when two organisations adapt to one another in some economic or technical way that would be difficult to retrieve when relationships break down. An example here would be the economic (financial) and technical (expertise and knowledge) support provided by tyre manufacturers to Formula I racing cars. If the relationship of the tyre manufacturer and a specific racing car owner (example Ferrari) breaks down, it could impact on more than just the outcome of the Formula I season. The reason being that this specific racing car owner may not be able to negotiate another tyre supplier agreement in time to complete the current season. It may result in a loss of sales of the tyre manufacturer because supporters of Formula I may blame the tyre manufacturer, for the fact that their team could not complete the season, or showed a poor performance in the season.

Rao and Perry (2002) proposed three types of structural bonds. The first is product and process adaptations, which are a visible and important components of a relationship since the product characteristics largely determine relationship marketing, as well as the nature of the exchange relationship. The second type of
structural bonds is called financial exchanges and these should be present within an exchange in a market setting. The third structural bond identified by Rao and Perry (2002) is the information exchanges within the relationship. These exchanges permit persuasive information to be provided in the communication process within the relationship, they foster participative decision-making between the parties, coordinate programme and increase loyalty.

Within the context of the study, the three types of structural bonds can be illustrated as follows. For example, the manufacturer of Tiger Woods' golf clubs, may change the design of its clubs to the specific needs and recommendations of Woods. Woods on his part may need to adapt his golf swing to fit this new club (product and process adaptations). For the golf club manufacturer to change the design of its clubs may require additional financial expenses, and for Woods to change his swing action may improve (or not improve) his ability to play the game of golf. However, if the newly designed clubs are perceived by the supporters to be the reason for Woods' success, it may lead to an increase in sales for the manufacturer. Woods' association with the manufacturer through the use of the specific clubs, can result in a sponsorship agreement (financial exchanges) where Woods has the right to use the clubs and the manufacturer has the right to promote the use of its equipment by Woods. Lastly, during the product adaptations, Woods may have suggestions on how to improve certain clubs while the manufacturer has the technology and skills to implement and/or improve on these suggestions (information exchange).

In contrast, social bonds are viewed to be more personal than being organisational of nature. In other words, social bonds focus more on the relationship of the individuals within the relationship, rather than the organisational policies, procedures and structures. The social exchange is viewed by Rao and Perry (2002) as a dynamic process which plays a controlling role in ongoing exchange episodes by fostering symbiotic adaptation. (That is to
initiate, maintain and further a relationship of two parties with different objectives and goals in order to achieve mutual benefits). According to the above-mentioned authors, social bonds could be strengthened and adapted through multi-level contacts between the parties involved in the relationship, from formal organisational contacts to informal personal contacts. By using the example of Tiger Woods and the golf club manufacturer, social bonds could be fostered when Woods plays in tournaments with the representatives of the manufacturing organisation, or Woods may be the keynote speaker at the organisation’s stakeholders meeting. Rao and Perry (2002) conclude that social bonds are not necessarily independent of structural bonds. For example social bonds may need to be in place before knowledge based structural bonds develop, while contractual arrangements between parties in a relationship can be an antecedent to trust. It is important to keep in mind that bonding (social or structural) occurs over time, and needs to have value for both parties involved in the exchange (Szmigin & Reppel, 2004).

For the purpose of this study, it is theorised that a long-term successful relationship between a sponsoring organisation and the sport federation requires a strong bond that could create loyalty and trust within the relationship. The next section will be devoted to a discussion of empathy.

3.3.7.4 Empathy and relationship from a marketing perspective

Studies done by Berry, Zeithaml and Parasuraman (1990); Brunner, Chen, Sun and Zhou (1989) and Smith and Johnson (1993) indicate that empathy plays a major role in building and maintaining relationships. Empathy refers, according to Ndubisi (2004), to the caring for and giving of individual attention (will give special attention to the very specific needs and objectives of the other party). The reason being that in one specific situation, one party will be the customer of
the other. For example, the sport federation is the customer of the corporate organisation when the corporate organisation is looking for a specific demographic of supporters. The corporate organisation can be the customer of the sport federation when the sport federation is proposing to satisfy specific corporate needs in exchange for financial support to customers, as well as to the compassion or benevolence (thus acting in a kind and helpful manner) which promotes kindness or goodwill on the part of both partners in the relationship. Empathy occurs when both parties have an appreciation, as well as a mutual concern for one another. Sin, Tse, Yau, Lee and Chow (2002) view empathy as the dimension within a relationship that enables the two parties involved to see the situation from the other's perspective. These authors define empathy as "seeking to understand somebody else's desires and goals". This can result in the reduction of the dependence on legal governance, since the parties who are governed by the principle of empathy are more likely to treat others in the same manner as they would like to be treated.

Within the context of the study, the concept of empathy may imply that the corporate sponsoring organisation and an individual athlete have an appreciation as well as a mutual concern for one another. For example when it was announced that the cyclist Lance Armstrong was suffering from cancer, a chain of action followed. Cancer drug manufacturers got involved in providing prototype treatment and the drugs necessary to help Armstrong to fight the disease (mutual concern). Cycling enthusiasts (and the general public) were emotionally touched by this compassion, which related to Armstrong being personally as well as professionally supported. This in turn led to an increase in the interest in the sport of cycling. It also increased the interest in the type of drugs used in his treatment, since it helped to put the cancer into remission.

Empathy has the benefit that it can reduce the reliance on legal governance, since exchange partners governed by the principle of empathy are more likely to
treat others the way they would like to be treated. However, empirical research indicates that relational exchange participants rely more often on extra legal governance in order to maintain their relationships and resolve disputes. This suggests the importance of ethical virtues for honest relational exchange (Ndubisi, 2004).

Empathy allows individuals (or exchange partners) to understand each other and to predict how the others might respond in certain situations (Rogers, Clow & Kash, 1994). The fore-mentioned authors state that understanding and predicting your exchange partner’s behaviour, make empathy a tool for the development not only of effective communication between the parties, but also of relationships. Empathy therefore pertains to the caring individualized attention that one partner provides to another (Durvasula, Lyonski & Mehto, 1999 and Lassar, Manolis & Winsor, 2000), and is “the level of commitment perceived to which the service provider is prepared to be flexible, and to go beyond consumer needs” (Kolesar & Galbraith, 2000).

Based on these past studies, the conclusion can be drawn that empathy is a necessary condition to foster a positive sport sponsorship relationship. It could make the management of the sponsorship relationship easier, since empathy allows the partners (for example the corporate sponsoring organisation and the sport federation) to see the relationship from each other’s viewpoint (which fosters a better understanding of one another). Empathy could also make the sport sponsorship relationship more predictable, because the partners involved know how the other party will respond given certain situations.

The fifth element identified in successful relationships is reciprocity and this concept will be discussed in the following sector.
3.3.7.5 Reciprocity and relationship from a marketing perspective

According to Koeszegi (2004) the concept of reciprocity can be considered to be culturally universal, and people may feel guilty when it is ignored. This author further states that reciprocity creates the expectation that doing a favour to another person, is a good investment which will result in possible future return in the form of other favours. Reciprocity can therefore be described in terms of give-and-take within a relationship between parties (Westlund, 2003), who to a certain extent, are equals. Callaghan, McPhail and Yau (1995) defined reciprocity as “the dimension that causes either party to provide favours or make allowances for the other, in return for similar favours or allowances to be received at a later date”. Reciprocity is identified as the situation where both parties involved in the relationship act in such a way that they both gain and/or benefit from the relationship. This refers to the objective of obtaining mutual benefits (by both parties) by means of organising the people within the two organisations (coordination) in such a way they will work helpfully with each other (cooperation) in order to accomplish a specific task (collaboration). The hosting of a special event would be a good example of cooperation, collaboration and coordination (Izquierdo & Cillan, 2004). O'Malley and Harris (1999) further explain that the concept of reciprocity creates the need of the parties involved within the exchange relationships to have mutual rewards and not only financial gain, and therefore reduce uncertainty within the relationship by adding more value to it.

Sin, Tse, Yau, Lee and Chow (2002) state that reciprocity can be summarized by three inter-related aspects of social interaction between two individuals (or people representing two organisations). These aspects are bilateral contingency, interdependence for mutual benefit, and equality of exchanged values. When a person does a favour for another person, he/she may oblige the recipient to repay this favour by also doing one of his own. This action is labelled bilateral
contingency. For example a sunscreen manufacturer gives small samples of its products during an international surfing competition. The objective behind these free gifts is that the people who receive this free sample will support the manufacturer by buying its products in future.

Interdependence for mutual benefit is the rationale where a person gives something to another person with the intention to obtain something else that is needed from the recipient. This aspect can be illustrated within the context of this study as follows. The clothing manufacturer Nike sponsors top tennis players such as Andre Agassi and Roger Federer. It can be assumed that these players receive remuneration from Nike to wear their logo-ed clothes during tournaments. Nike therefore gives these players money as well as clothes, and in return it is expected that these players will wear these clothes that are branded with the Nike logo (interdependence for mutual benefit). Thirdly, the reciprocal process will eventually approach a converged value (equality of exchanged values). Stated differently, what a person gives will be equivalent to what he/she receives from the recipient in the long term. By using the previous example again, it can be assumed that the money that Nike spends on financial compensation of the athletes as well as the cost involved in supplying the clothes, will be regained (and maybe even increase) from sales of their branded products to not only tennis players and tennis supporters, but also the public at large.

Links of reciprocity to relationships have been studied by Houston, Gassenheimer and Maskulka (1992) as a basis for the interface between exchange interactions and marketing activities, and it is suggested that the highest level of relationship building requires reciprocity that stimulates both parties to exert efforts to maintain the relationship (Rao & Perry, 2002). It can therefore be theorised that reciprocity is an essential dimension of relationships in sport sponsorship.
Since the above-mentioned elements are also present within sport sponsorship relationships (Shani, 1997), it can be argued that sport can provide an ideal platform for the practice of relationships in marketing (Figure 3.6, p. 100). Shani (1997) further states that in general, highly involved sports consumers have a desire for long-term association with a team or a branded product, thus creating the opportunity for relationship marketing in the sports industry. Since long-term association with either an organisation or branded product is an ideal goal when entering into sponsorship agreements, sponsorships can become an excellent vehicle for organisations to establish long-term relationships with their target markets. In a situation where the parties involved in a sport sponsorship experience a positive influence of trust, empathy, loyalty, bonding and reciprocity within their relationship with each other, it could lead to the desire and willingness of the parties to extend and maintain the sponsorship relationship (the sport sponsorship agreement), as well as to invest further in the sponsorship relationship (possible in case of the length of the sponsorship agreement, or the organisation may also start to invest in other aspects previously not covered by the existing agreement. However, when parties involved in the sport sponsorship experience a negative perception of trust, empathy, loyalty, bonding and reciprocity within their relationship, these negative influences could lead to the elimination of such sponsorship relationship (which can lead to the cancellation of the sport sponsorship agreement).

3.4 MARKETING AND SPORT SPONSORSHIP

Organisations have used sponsorships for decades, resulting in the increase of its importance in the marketing communication mix (Erdogan & Kitchen, 1998). The basic function of sponsorships lies in achieving the communication objectives of the organisation and sponsorships’ ability to reach all major corporate target markets in a single campaign. Sponsorships provide
organisations with opportunities to reach their target markets by appealing to the emotions of the target market, thus presenting sponsors with a back-door opportunity to promote their organisation and brand (Nicholls, Roslow & Dubish, 1999). Sport sponsorships fulfil the central function of a marketing communication medium (Meenaghan & Shipley, 1999), because they simultaneously attract and provide access to an audience.

Commercial sponsorships, however, can no longer be viewed in isolation, but need to be viewed as a strategic combination of all marketing communication tools, in order for sponsorships to be successful as a promotional vehicle. For a sponsorship to be successful, it needs to be incorporated into the overall marketing mix of the organisation (Cornwell, 1995; Cunningham, Taylor & Reeder, 1993, Pham, 1991 and Thwaites & Carruthers, 1998).

Integrating the sponsorship into the overall marketing communication plans of the organisation, may lead to the forming of a sponsorship relationship. Authors such as Meenaghan (1996); Thwaites (1995) and Van Heerden (2001) state that sponsorships have a definite role within an organisation’s marketing communication mix. This integration is illustrated in Figure 3.7

FIGURE 3.7 PLACE OF SPONSORSHIP IN THE MARKETING MIX (VAN HEERDEN, 2001:166)
Advertising, sales promotion, personal selling, corporate public relations (which includes sponsorships), marketing, public relations, direct marketing and sponsorships are the elements included in the marketing communication mix. Van Heerden (2001) states that sport sponsorships can extend the impact of other elements of the marketing communication mix, “to achieve particular objectives such as sales increase, in a sport marketing environment where sport-users and consumers are more open and receptive, making key messages more relevant and persuasive”. On the other hand, sponsorships isolated from the other elements of the marketing communication mix will not be effective. The reason is that the other elements of the marketing communication mix are required for the leverage of the sponsorship programme. All the elements of the marketing mix should link together to enable the communication plan to work together in its entirety in achieving the overall objectives of the organisation (Van Heerden, 2001), and vice versa. The possibly ultimate objective would be to establish a long-term sponsorship relationships between the parties involved.

The impact of sponsorships is perceived to not only have an influence on those who attend the event or are associated with a sport, but also have an impact on the community at large (Van Heerden, 2001). Sponsorships as a marketing tool become more effective when long-term relationships with the sport or event or the community at large are established.

However, Meenaghan (1991) argues that in order to establish the most cost-effective marketing communication mix, all the various elements/methods of communication must be combined to complement one another and contribute to the achievement of the overall marketing communication objectives of the organisation (Meenaghan, 1993). Commercial sponsorships (Meenaghan, 1994) involve that the sponsor funds activities as a method of marketing communication.
Sponsorships are described as the element within the communication mix in which an organisation provides financial support to an entity (which can be either an individual, an organisation or a group), in order to allow this entity to pursue its activities and simultaneously benefit from the association with the image and consumer awareness of the organisation’s market offering (d’Astous & Bitz, 1995).

Meenaghan and Shipley (1999) state that sponsorships have the ability to achieve particular communication effects within a selected target market. For example, if an organisation needs to increase product or organisational awareness, the organisation could seek linkage to an event or activity (through sponsorship) that emphasises social consciousness, thereby ensuring exposure for the product and/or the organisation.

It is believed (Meenaghan & Shipley, 1999) that where sponsorships are used to create image, the process becomes more complex. This stems from the view that each sponsored activity possesses its own personality, imparting a unique set of attributes or values to the perceptions of the audience.

The process of matching the event and the sponsor is assisted by the image of the brand and of the event (Ferrand & Pages, 1999). When organisations consider a sponsorship as a promotional tool, it is necessary to make an assessment of the compatibility between the organisation and the event, and/or how sponsoring the specific event would enhance the image of both the event and the organisation (Ferrand & Pages, 1999). In an attempt to describe and clarify this image of sponsorship management, Ferrand and Pages (1999) introduced a model. This model, called the image sponsorship management model, is illustrated in Figure 3.8 (p. 120).
Indications are that there has been a dramatic growth and rise in corporate spending on sponsorships in many countries (Copeland, Frisby & McCarville, 1996; Gardner & Shuman, 1988). According to Wilson (1994), this growth in spending can be attributed to the benefits that have been derived through this form of marketing.

Sponsorships have become an effective marketing communication strategy, as well as an equally effective revenue producer for sports organisations. Increased competition has created a need for organisations to find ways to differentiate their products and services from the growing number of advertisers that they compete against in the marketplace (McCook, Turco & Riley, 1997). Sponsorships offer the means for such differentiation. Through increased visibility via a sponsorship, an organisation should be able to succeed in increasing consumption of its products/services (Turco, 1994).

Westberg’s (1994) states that sponsorships have the potential to communicate strategic elements that are difficult to communicate in traditional advertising, such as those of being caring or trustworthy. A second benefit is sponsorship’s ability to reach specific and sometimes limited groups of the target market.
Sponsorships therefore enable organisations to achieve awareness effects on the consumers generated by the event, as well as benefiting from image terms by being associated with the sponsored activities (Doust, 1997 and Meenaghan, 1995). Thirdly, sponsorships allow greater flexibility for targeting the target market. Finally, sponsorships also avoid some of the problems of channel switching and recording that occur during regular broadcasting advertising, as well as the effects of clutter in other forms of marketing (Westberg, 1994).

By sponsoring events, organisations can get the target market’s attention without competing with competitors in the same market. Sponsorships can, therefore, break through the clutter associated with some of the other forms of marketing communication.

3.5 ADVERTISING VERSUS SPONSORSHIPS

Factors such as clutter, audience fragmentation and increasing media costs have led to the dilution of the effectiveness of traditional advertising. This contributed to an increased consideration of, reliance on and usage of alternative media coverage, such as sponsorships (Cunningham, Taylor and Reeder, 1993 and Meenaghan, 1995).

While the investment in sponsorships has grown in all major markets, especially within the sports sponsorship market, it still remains a small percentage of the total advertising expenditure (Meenaghan, 1998). The figures shown in Table 3.4 (p. 122) are extracted from the table in Meenaghan’s (1998) research, and used here to illustrate Meenaghan’s above-mentioned statement.

Although sponsorships may share goals similar to advertising, it is the increasing
of brand and organisational awareness, and the promoting of a positive message regarding the product and organisation that differentiates sponsorships from advertising. Erdogan and Kitchen (1998), however, argue that sponsorships are a means of persuasion, which is fundamentally different from traditional advertising. This view is also supported by authors such as Abratt, Clayton and Pitt (1987), Crimmins and Horn (1996) and Hastings (1984).

### TABLE 3.4 WORLDWIDE SPONSORSHIPS EXPENDITURE IN 1996 (MEENAGHAN, 1998:7)

<table>
<thead>
<tr>
<th>Continent/Country</th>
<th>Sponsorships rights value in 1996 (S$m)</th>
<th>Continent/country as % of world Sponsorships total</th>
<th>Sponsorships as % of advertising expenditure continent/country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>5,500</td>
<td>33.2</td>
<td>7.0</td>
</tr>
<tr>
<td>France</td>
<td>639</td>
<td>3.8</td>
<td>6.0</td>
</tr>
<tr>
<td>Germany</td>
<td>1,648</td>
<td>9.9</td>
<td>7.2</td>
</tr>
<tr>
<td>Italy</td>
<td>791</td>
<td>4.8</td>
<td>13.6</td>
</tr>
<tr>
<td>UK</td>
<td>792</td>
<td>4.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Americas</td>
<td>6,600</td>
<td>39.8</td>
<td>5.2</td>
</tr>
<tr>
<td>US</td>
<td>5,525</td>
<td>33.3</td>
<td>5.5</td>
</tr>
<tr>
<td>Canada</td>
<td>375</td>
<td>2.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Africa</td>
<td>249</td>
<td>1.5</td>
<td>7.6</td>
</tr>
<tr>
<td>South Africa</td>
<td>194</td>
<td>1.2</td>
<td>13.2</td>
</tr>
<tr>
<td>Others</td>
<td>55</td>
<td>0.3</td>
<td>3.1</td>
</tr>
<tr>
<td>Asia</td>
<td>3,400</td>
<td>20.5</td>
<td>4.8</td>
</tr>
<tr>
<td>Japan</td>
<td>2,200</td>
<td>13.3</td>
<td>4.8</td>
</tr>
<tr>
<td>Korea Republic</td>
<td>400</td>
<td>2.4</td>
<td>5.7</td>
</tr>
<tr>
<td>Pacific</td>
<td>713</td>
<td>4.3</td>
<td>12.7</td>
</tr>
<tr>
<td>Australia</td>
<td>650</td>
<td>3.9</td>
<td>13.8</td>
</tr>
<tr>
<td>New Zealand</td>
<td>58</td>
<td>0.3</td>
<td>6.6</td>
</tr>
<tr>
<td>Middle East</td>
<td>110</td>
<td>0.7</td>
<td>4.7</td>
</tr>
<tr>
<td>WORLD TOTAL</td>
<td>16,572</td>
<td>100.00</td>
<td>5.7</td>
</tr>
</tbody>
</table>
Erdogan and Kitchen (1998) regard the interaction between sponsorships and advertising in the heightened marketing communication ambience of the early 21st century, as a strategic rather than an uneasy alliance. Furthermore, sponsorships have, because of powers of persuasion, the ability to overcome some of the difficulties advertising faces by operating in conjunction with advertising and other marketing communication tools as the strengthening force(s).

Although Riley (1997) states that sponsorships are viewed as a cheaper, less cluttered and more innovative alternative to advertising, it needs to be pointed out that sponsorships have been accused as having some of the same negative effects as traditional advertising (Burke, 1997 and Thomas, 1985). Nevertheless, sponsorships allow for the sponsored brand to live in the reflection of the sponsored activity. This approach differs from the direct approach offered by traditional advertising, and enables sponsors to suggest associations for the brand which advertising can only convey in a more overt and clumsier fashion (Meenaghan & Shipley, 1999).

Javalgi, Traylor, Gross and Lampman (1994) as well as Mescon and Tilson (1987) state that sponsorships are used to reach specific target markets, and are therefore a valuable and potentially powerful tool for setting strategic communication links. It is further proposed that by associating its name with an event through sponsorship, an organisation can share in the image of that event itself, in much the same way that a product shares in the image of a celebrity who endorses it (Javalgi, Traylor, Gross & Lampman, 1994).

In recent years, sponsorships have become more and more significant in the total communication expenditure. In 1999, the top 20 sports advertisers in the USA spent a total of $360.6 million (Stotlar, 2000). In the UK the 1998
sponsorships expenditure was £353 million (Bentley, 1999), while the world-wide sponsorship expenditure reached $4.55 billion in 1998 (Sherry, 1998).

There are four factors that need to be taken into account when deciding upon an appropriate communication mix and the role sponsorships will play. Bradley (1995 & 1997) identifies these factors as firstly available funds (i.e. cost of the sponsorships package); secondly the market (whether the organisation’s target market fits the profile of the people associated with the event/activity); thirdly the product (is the product compatible with the sponsorship); and lastly the stage of the lifecycle (the stage will determine the best tool to use).

3.6 RELATIONSHIP MANAGEMENT IN SPORT SPONSORSHIPS

There are numerous aspects which need to be examined and decided on prior to entering into a sponsorship relationship. One such aspect is the management of the sponsorship relationship.

The importance of the sound management of a sponsorship relationship can be seen in the strategic use of that sponsorship. The strategic use of sponsorship has been studied in a limited number of articles (Cornwell & Maignan, 1998). Thwaites and Carruther (1998) studied the corporate sponsorship of both rugby league and rugby union leagues within the United Kingdom. These authors investigated whether club officials in these two leagues applied academic theories in their management of sponsorships. The study concluded that rugby league sponsors incorporate a more systematic management approach to the setting of objectives, evaluation, and leveraging of their sponsorships. The results also indicated that a more systematic management approach by rugby union sponsors would increase their sponsorship contribution to communicate the objectives of the organisation.
Sponsorship relationships per definition imply an exchange between at least two parties, which results in the establishment of a relationship between these parties. The way in which this relationship is managed, will in part determine the success of the sponsorship relationship. Various authors introduced management models for the management of sport sponsorships. Arthur, Scott, Woods and Booker (1998) developed a process model for the implementation and management of sport sponsorship programmes. This model consists of 10 steps which potential sponsoring organisations may need to consider before entering into the sponsorship agreement. Carter’s (1996) model is similar to the model of Arthur, Scott, Woods and Booker (1998). However, he stressed that organisations need to do a strengths, weaknesses, opportunities and threat (SWOT) analysis before entering into any sponsorship agreement. Irwin and Assikopoulos’ (1992) model is known as the Sponsor Evaluation Model. Van Heerden (2001) proposed a sponsorship management model for the South African context.

The first step in managing sport sponsorships should include a revision of the organisation's overall marketing objectives (Irwin & Assikopoulos, 1992). This could be done through a SWOT analysis as suggested by Carter (1996) in order to define the role of sponsorships within the marketing strategy (Arthur, Scott, Woods and Booker, 1998 and Van Heerden, 2001). These authors stress the importance of identifying of sponsorships objectives, and the integration of this within the overall marketing strategy. They also agree on the necessity of evaluating the sponsorship agreement in order to ensure that it is effective in achieving prescribed objectives. However, the models proposed by Arthur, Scott, Woods and Booker (1998) and Carter (1996) are the only two that specifically address the concept of ambush marketing.

The above-mentioned four models form the basis of framework for the management of relationships in sport sponsorships.
### TABLE 3.5 FRAMEWORK FOR THE MANAGEMENT OF RELATIONSHIPS IN SPORT SPONSORSHIPS (ADAPTED FROM VAN HEERDEN, 2001)

<table>
<thead>
<tr>
<th>STEP 1: Managing the sport sponsorship</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Selecting the appropriate event or programme to sponsor</td>
</tr>
<tr>
<td>• Outline management principles on which the sponsorship will be based</td>
</tr>
<tr>
<td>• Selection of appropriate target audiences</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STEP 2: Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Integrate the sport sponsorship into the marketing and marketing communication plans</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STEP 3: Setting sport sponsorship objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Corporate objectives</td>
</tr>
<tr>
<td>• Media objectives</td>
</tr>
<tr>
<td>• Product / brand / service objectives</td>
</tr>
<tr>
<td>• Sales objective</td>
</tr>
<tr>
<td>• Hospitality objectives</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STEP 4: Leverage, tie-in &amp; cross-impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Plan leverage, tie-in and cross impact of sport sponsorship with other elements of the marketing communication mix</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STEP 5: Sport sponsorship evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Relate evaluation procedure to:</strong></td>
</tr>
<tr>
<td>• Objectives set in step 3</td>
</tr>
<tr>
<td>• Leverage and tie-in of sponsorship</td>
</tr>
<tr>
<td>• Other elements of the marketing communication mix</td>
</tr>
<tr>
<td><strong>Extent to which objectives set in step 3 were achieved:</strong></td>
</tr>
<tr>
<td>• Corporate objectives</td>
</tr>
<tr>
<td>• Media objectives</td>
</tr>
<tr>
<td>• Product / brand / service objectives</td>
</tr>
<tr>
<td>• Hospitality objectives</td>
</tr>
<tr>
<td><strong>Measure leverage, tie-ins &amp; cross impact effects between sponsorship and the other elements of the marketing communication mix:</strong></td>
</tr>
<tr>
<td>• Advertising</td>
</tr>
<tr>
<td>• Sales promotion</td>
</tr>
<tr>
<td>• Personal selling</td>
</tr>
<tr>
<td>• Corporate public relations</td>
</tr>
<tr>
<td>• Marketing public relations</td>
</tr>
<tr>
<td>• Direct marketing</td>
</tr>
<tr>
<td>• Promotional licensing</td>
</tr>
</tbody>
</table>

### 3.6.1 Selecting the sport sponsorship relationship

The first aspect that an organisation needs to address in the management of a sport sponsorship relationship, is the selection of the appropriate sporting event
or sport programme (or sport organisation) and the sponsor. The process of
target market segmentation and selection has been discussed in detail in
Chapter 2. Within the context of this study, an organisation may need to address
the following aspects in their selection process when a potential sponsorship
relationship is considered:

- Sponsorship objectives need to be set so that they relate to the event which
  includes a focus on defining the appropriate target markets.
- The above-mentioned objectives should be derived from the overall corporate
  and marketing objectives and strategies.
- The selected event should create leverage and cross impact opportunities
  with the organisation’s other marketing communication variables.
- The selected event should create long-term commercial benefits for the
  sponsoring organisation.

The second aspect that needs to be considered is the principles on which the
sponsorship relationship will be based. The decisions that sponsoring
organisations should make, are whether the sponsorship budget should be
integrated into the marketing budget as part of the marketing communication
budget, and who the individuals should be who would be responsible for the
implementation and control of all aspects of the sponsorship. Van Heerden
(2001) strongly suggested that the sponsorship programme should be managed
by professionals who are members of a sponsorship division within the marketing
department of the organisation.

The third aspect is the selection of the appropriate target market that the
organisation wants to reach, and this needs to match the intended target market
to every sponsorship objective that has been set. Cornwell (1995) states that
sponsorship objectives can address a variety of target markets such as the
buying public, and the non-consumer target markets (for example the media,
potential investors and/or stockholders and consumers).

Grobler (1992) argues that a productive sponsorship relationship could reach an organisation’s target market. However, the building of such a relationship occurs over time (Watkins, 1997). A fundamental requirement of a sponsorship is that it reaches the target market (Otker & Heyes, 1987 and Pham, 1991) with which the organisation wishes to communicate (Smith, 1993). Through his research, Armstrong (1998) discovered that only a minority of organisations involved in sponsorship, attempted to survey their target market before entering into the sponsorship. To ensure greater success with a sponsorship relationship, the needs, wants and demands of the potential target market and those of the sponsoring organisation’s product and/or service, need to be matched to create the synergistic effect (Armstrong, 1998). This will also lead to the creation of a more successful marketing relationship within sponsorships.

Therefore, one of the first questions an organisation should address is the reason why they consider entering into a sponsorship agreement (Brown, Sutton & Duff, 1993). Based on the overall organisational and marketing objectives (and per implication a sport sponsorship relationship), specific sponsorship objectives need to be set (Irwin & Assimakopoulos, 1992; Mount & Niro, 1995; Otker & Heyes, 1987 and Pham, 1991).

A successful sponsorship relationship heightens the visibility of the parties involved, reinforces brand image and builds brand equity for the organisations involved with sponsorship (Ives, 1998). For example, Blais, (2000) reported that Edison International, a global energy organisation, relies heavily on sport sponsorship to extend its brand and win business in newly deregulated markets in the United States and abroad.
Sponsorships should, according to Copeland (1991) only be considered on grounds of their ability to deal with specific corporate objectives alongside other forms of marketing communication tools such as advertising, public relations, sales promotions and personal selling.

### 3.6.2 The integration of sport sponsorship relationships

Integrating sport sponsorships within the overall marketing communicating mix was discussed in detail in paragraph 3.2.3.

### 3.6.3 Objectives of sport sponsorship

Sponsorship objectives have been well documented and compared to the traditional marketing objectives of the organisation. Organisations list various reasons or objectives for their involvement in sport sponsorships (refer to paragraph 2.7).

### 3.6.4 Leverage, tie-in and cross-impact of sport sponsorship relationships

In order to maximise a sponsorship relationship, this relationship may need to be supported by the other elements within the organisation’s marketing plan. A technique that an organisation can use to maximise this association, is leveraging the sponsorship relationship. Leverage is defined by Meenaghan (1991) as the additional efforts by an organisation, largely promotional, in which the sponsoring organisation invests in the original sponsorship agreement in order to properly exploit the communication opportunity provided as a result of securing particular sponsorship rights. Cornwell (1995); Coulton and Kotler
(1999); Dodd (1997); Lee, Sandler and Shani (1997); and Thwaites, (1995) have different opinions as to what the successful leverage ratio may be. According to Lee, Sandler and Shani (1997) the successful leverage ratio is 1:1. This means that for every R1 spent on direct sponsorship, an additional R1 should be spent on leveraging the sponsorship through advertising and promotions. Thwaites (1995) on the other hand is of the opinion that the leverage ratio needs to be at least double (1:2) in order to be successful. This implies that for every R1 spent on direct sponsorship an additional R2 should be spent on leveraging the sponsorship through advertising and promotions. Coulton and Kotler (1999) however stated that a leverage ratio of 1:4 is appropriate. Although these authors disagree on the correct leverage ratio, they do agree that leveraging a sponsorship agreement is essential to the overall success of a potential sponsorship. Leverage within the marketing of a sport sponsorship will influence the success of the relationships within the sport sponsorships.

3.6.5 Sport sponsorship relationship evaluation

Both Javalgi, Traylor, Gross and Lampman (1994) and Witcher, Craigen, Culligan and Harvey (1991) are of the opinion that the measurement of predetermined objectives is not so easy or clear as the initial setting of the sport sponsorship objectives.

Arani (1992) and Sleight (1989) are of the opinion that evaluation of sport sponsorships should be linked directly to the predetermined objectives that have been set for the sponsorship. Pope and Voges (1994) reported a direct link between the setting of objectives, the evaluation of a sponsorship and the length of a sponsorship agreement. Per implication there should be a link between these areas and relationships within the sport sponsorship.
Various researchers measure different variables in order to ultimately measure the effectiveness of sponsorship (Blais, 2000). Authors such as Cuneen and Hannan (1993); Pope and Voges (1998) and Stotlar (1993) assessed the recall of a sponsor's advertisements. Whereas the awareness of, and attitudes toward sponsors and their products were the focus of studies done by Nicholls, Roslow and Laskey (1994), Sandler and Shani (1993) and Turco (1995), the image effects can be subdivided in term of corporate image (Javalgi, Traylor, Gross & Lampman, 1994 and Turco,1995); brand image and country image (Nebensahl & Jaffe, 1991).

One of the more frequently used tools to measure the effectiveness of a sponsorship, is the reviewing of sales figures (Blais, 2000). However, the effects from other marketing and communication programmes going on at the same time as the sponsorship, make it difficult to measure the effects of the sponsorship in isolation (Blais, 2000).

Meenaghan (1991) discussed five main methods of measuring sponsorship effects. These methods include in the first instance the measuring of media coverage and/or exposure gained. This type of measurement consists among others of the measuring of the duration of television coverage, monitoring of radio coverage and calculation of the extent of press coverage in terms of single column centimetres.

The measuring of the communication effectiveness of sponsorship involvement is the second method of measuring of sponsorship effects. This could include the measuring of the awareness achieved, the attitudes created, the perceptions changed, or associations suggested, with the sponsorship. This measurement can be accomplished with prompted and unprompted name awareness of the respondents' association of the organisation and/or product with the sponsored property (sport federation). Within the context of this study, prompted name awareness can occur when respondents are asked to pick the name of the actual
sponsor of a sport team from a list giving to them. This list will include the name of the actual sponsor. Unprompted awareness in this example will occur when the respondents are asked to supply the name of the sponsor without being given options to choose from.

Fourthly, attention is given to the monitoring of guest feedback. This method would be used when the objective of the sponsorship is guest hospitality. Lastly, focus on the concept of advertising as a cost-benefit analysis. This method might be used when the motivation for sponsorship is more philanthropic of nature. If this is the case, it would be necessary to employ methods other than the traditional marketing measures in order to evaluate the effects achieved.

However, Meenaghan (1991) and Pham (1991) agree that these above-mentioned measuring methods have shortcomings. For example, the measurement of sales effectiveness is difficult due to the simultaneous usage of the other marketing communication tools; the carry-over effect and taking into account of previous marketing communication efforts; and the uncontrollable variables in the business environment, such as competitor activity or changing economic conditions (Blais, 2000). Howard and Crompton (1995) feel that the measurement of media coverage could inflate real values. This inflation occurs in three ways. Firstly, the length of the article is measured and equated with advertising space, even though the sponsor’s name may only be mentioned a few times throughout the article. Secondly, the rates used to qualify the equivalent advertising space are maximum rates, which large organisations seldom pay. The third source of inflation occurs when organisations measure background signage or logos on television and equate this to a 30-second commercial.

Evaluating the impact (awareness) of the sponsorship will influence the success of the relationship between the parties involved in the sponsorship agreement. However, the awareness created by sponsorship is not well documented in
literature (Cuneen & Hannan, 1993; Javalgi, Traylor, Gross & Lampman, 1994; Pope & Voges, 1998; Shilbury & Berriman, 1996 and Stotlar & Johnson, 1989). When Thwaites and Cur ruthers (1998) expanded Thwaites’s earlier study, they found that more sponsors were attempting to evaluate the effectiveness of their activities. The measuring methods used were mainly monitoring guest feedback and measuring gains in media coverage. They concluded their research by stating that these measuring methods used by organisations were generally unsophisticated and used intermittently.

In the previously mentioned sections, a broad review was given on the management relationships in sport sponsorships. Based on this discussion, the following model for the management of relationships in sport sponsorship may be proposed (Figure 3.9).

![Diagram of the management of relationships in sport sponsorships](image)

**FIGURE 3.9  THE MANAGEMENT OF RELATIONSHIPS IN SPORT SPONSORSHIPS**
3.7 SUMMARY

The processes and methods that different organisations use to communicate with their target markets, are fundamentally the same. The means (channels) that organisations choose to convey their messages, however, are as unique as each organisation. The marketing mix consists of marketing communication, personal selling, advertising, sales promotion, public relations and direct marketing.

One of the goals of this chapter was to give a brief overview of the concept of marketing. This resulted in a discussion of the process of marketing, marketing segmentation, the exchange theory as well as the communication within marketing. The concept of relationships in marketing was also discussed in detail. This discussion led to the identification of the elements of trust (the willingness of one partner to rely on an exchange partner in whom there is confidence), loyalty (an organisation’s desire to remain in and to continue a relationship with another), bonding (the state where the parties involved in the relationship act in such a way that a bond is formed between them while they are working towards a mutual goal), empathy (the caring for and individual attention given to another’s needs) and reciprocity (that dimension that causes parties to provide favours or make allowances for one another in return for similar favours or allowances) are argued in literature as to be important in the forming of successful relationships. These elements form the basis of the questionnaire that was used in the empirical research of this study (refer to Chapter 4).