CHAPTER ONE
INTRODUCTION, PROBLEM STATEMENT, AIM, METHODOLOGY AND STRUCTURE OF THE STUDY

1.1 INTRODUCTION

Sport sponsorship is considered to be the fastest growing element of the sport business world (Stotlar, 2001). Meenaghan (1996) observed that the world-wide sponsorship market was an estimated US$ 13.02 billion in 1994. In 2001, the world-wide sponsorship spending was estimated at US$24 billion (Geng, Burton & Blakemore, 2002). A steady increase in sponsorship investments has been documented in Australia, Canada, France, the United Kingdom, the United States, as well as in South Africa. In South Africa, the amount of money spent on sport sponsorships has grown from R63 million in 1985 to R1 049 million in 1999 (Koenderman, 2000).

Despite the large amounts of money spent on sponsorships and per implication sport sponsorship, little research is available concerning sponsorship practices in South Africa (Van Heerden, 2001). Appendix A (p.278) will provide an illustration of the amount of rand spent on sport in South Africa.

1.1.1 Growth in sport sponsorships

The South African sport industry is substantial if the amount of money it generates is taken into consideration. According to SISA (Sport Information and Science Agency), the sport industry contributed respectively R8.9 billion and R11.2 billion to the South African economy (in 1996 and 1997) and employed 31
450 (1996) and 34 095 (1997) people directly. The sport spectator expenditure reached the R700 million mark in 1996 and it capped the R847 million in 1997. In 1996 the business expenditure reached R1.13 billion, while it was R1.625 billion in 1997 through *inter alia* sponsorships and advertising. Direct and indirect sponsorship contributed just more than R1.1 billion to the economy. Direct sponsorships (67%) and media expenditure (19.8%) were responsible for the highest percentages of contribution to the more than R1.1 billion in commercial expenditure and they also created most of the jobs (42%). The largest portion of the sponsorship money (more than R30 million) went to motor racing in 1996. In 1997 rugby surpassed motor racing when close to R35 million was poured into this sport. It is estimated that close to 1.5 million South Africans actively participated in soccer, while approximately 20% of the South African population watched their favourite teams in action, thus making soccer South Africa’s largest sport federation (Van Heerden, 2001). Compared to the 1996 Gross Domestic product (GDP) of R571 billion, the total sponsorship market is approximately 0.1% of the GDP and the total sporting expenditure is close to 0.2% of the GDP (S.A. Reserve Bank, 2001).

1.1.2 Challenges in the marketing industry that lead to sport sponsorship growth

Challenges within the marketing industry lead to research by Mishra, Bobinski & Bhabra (1997) who identified several reasons for the continuing growth of corporate sponsorship. The first reason identified was that industries such as the alcohol and tobacco industries had come under increasingly strict government regulations. These regulations prohibited or constrained efforts of organisations within these industries to use traditional media tools for communicating with their target market. This resulted in organisations using alternative media such as sponsorships, to reach their proposed markets (Meenaghan, 1991).
A second reason for sponsorship growth, cited by Mishra, Bobinski & Bhabra (1997), was that marketers found that it was becoming more difficult to differentiate their products and/or services from competition through the traditional media such as advertising. Consequently, sponsorship is emerging as an important promotional tool for aiding product differentiation and building brand equity in target markets.

The third reason given was that organisations understood that sponsorship offers an alternative tool for practising cause-related marketing and for reaching specific target groups whose interests may be aligned with an organisation's image and overall marketing strategy. Finally, marketers are being sensitised to the potential of special events through which they can reach a broader spectrum of potential customers, as well as a more cost-efficient way of access to their potential customer groups. For example, it is estimated that 3 million people watched the 1994 World Cup Soccer games in the United States of America (USA), while the gross cumulative worldwide television audience for the entire event was approximately 32 billion viewers. Access to that kind of exposure, coupled with the overall positive image of the event provides organisations with an excellent vehicle for marketing their products (Farrell & Frame, 1997).

1.1.3 Sponsorships and marketing

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

Authors such as Adcock, Bradfield, Halborg and Ross (1995); Dibb, Simkin, Pride and Ferrell (1994); Siegel (1996); Van Heerden (2001) and Wilmhurst (1993) include sponsorship as an element of the marketing communication mix in their literature. While other authors such as Belch and Belch (2001) place sponsorships as an element of promotions, Lancaster and Massingham (1993) view sponsorship as a public relations technique. This has led to the statement made by Javalgi, Traylor, Gross and Lampman (1994) that corporate sponsorship has become an increasingly important element of marketing.

The importance of sponsorship as a marketing tool has turned into a significant, rapidly growing component of an organisation’s overall financial investment in marketing and promotion activities (Bacigalupo, 1996; Meenaghan, 1991; and Sandler & Shani, 1996). Meenaghan (1983) identified sponsorship, within the marketing context, as one of the elements of the marketing communication mix. The conceptualised framework for promotion (Kuzma, 1990) in which sponsorship forms an internal part of the framework, led to the research by Meerabeau, Gillett, Kennedy, Adeoba, Byass & Tabi (1991) through which they established the importance of sponsorship as a part of the marketing communication mix.

Van Heerden (2001) states that sponsorship has a set vital to play in an organisation’s overall marketing communication mix. This is illustrated in the discussion by various authors on this subject. Authors such as Arens (1999); Hart (1988); Kitchen (1999); O’Guinn, Allen & Semenik (2000) and Wilmhurst
(1993) offer a definition of sponsorship within the marketing communication mix. Other authors (Belch & Belch (2001); Coulson - Thomas (1990); Hill (1994); Shimp (1993; 1997) and Siegel (1996) do not offer a definition of sponsorship within the marketing communication mix per se, but they do however state in their research that sponsorship can not be excluded from the marketing communication mix. Instead, it has an important role to play within the marketing communication mix.

Sponsorship for the purpose of this study will be defined as a relationship through which support (cash or in-kind contribution) is offered in return for certain rights (Kerstetter & Gitelson, 1995 and Sleight, 1989); it involves an exchange between two or more parties (McCarville & Copeland, 1994); it can be used to accomplish the pre-determined objectives of the organisation by implication corporate organisations as well as sport organisations (sport federations) (Callecod & Stotlar, 1990), and it can also be a valuable and cost effective medium through which image can be developed (McDonald, 1991 and Nebenzahl & Jaffe, 1991).

1.1.4 Relationships and sponsorships

The amounts of money spent on sport sponsorships on national as well as international level, underlines the importance of sport sponsorship as a marketing communication tool and ‘relationship marketing’. Various authors such as Crowley (1991); Meenaghan (1983) and Sleight (1989) placed sponsorship as an integrated element within the marketing mix. Javalgi, Traylor, Gross and Lampman (1994) stated that sponsorship is often used to reach specific audiences, and is therefore a valuable and potentially powerful tool for setting strategic communication links. One of these links is the relationship between two parties. Various definitions of relationships exist within the marketing literature according to Gronroös (1990); Gummesson (1996); Morgan and Hunt (1994) and
Patterson and Ward (2000). Gronroøs (1990) stated that in this context a relationship is the establishment, the maintaining, the enhancing as well as the commercialising of the customer relationship (these relationships are often, but not always, long-term relationships). Morgan and Hunt (1994) defined relationship marketing as relationships, networks and interaction, and it refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges. A similar view is shared by Gummesson (1996). By implication it includes the relationship in sport sponsorships between corporate sponsors and sport federations (sponsoree).

For a successful long-term relationship to exist between a sport organisation and a corporate sponsor, the sport organisation needs to identify and satisfy the needs of the corporate sponsor (above those of the other sport organisations that are competing for the same sponsor organisation’s funds) and vice versa.

Patterson and Ward (2000) identify five conditions to be present for the successful development and enhancing of relationships. These conditions include the specific individual needs for the relationship to exist; vision which both parties have that they will receive value if this relationship is developed and is successful; customer satisfaction (if one party in the relationship is not satisfied, that party may decide to take its business elsewhere and thus end the relationship); both effective and efficient two-way communication necessary for successful problem solving if problems arise, and lastly, both parties must want the relationship to be successful (mutuality). Since sponsorships per se imply an agreement between at least two parties, these conditions also need to be present for relationship marketing within sport sponsorships to be successful.

The above-mentioned conditions are complimented by specific elements (or variables) that play a role within relationship marketing. Authors such as Crosby, Evans and Cowles (1990); Gronroøs (1994); Morgan and Hunt (1994) and Sheth (2002) identify five elements necessary for the forming of relationships in
marketing. The first element identified by these authors is trust. Morgan and Hunt (1994) consider trust as being the essence of a relationship, and it is defined by Ward, Frew and Caldow (1997) as “having confidence in the ability of one party to act in the long-term best interest of the other party”. Bonding, the second element, is the mutual state where both parties involved act in such a manner that a bond of trust develops between the parties. Authors identified empathy as the third element for successful relationships. Empathy between parties exists when both parties have an appreciation, as well as a concern for each other. The fourth element is reciprocity. A state of reciprocity exists when both parties act and operate in a way that is beneficial to both. The last element identified is loyalty. Loyalty is defined as the condition when the parties involved in the relationships have an emotional as well as a psychological commitment.

Olkkomen, Tikkanen and Alajousijärvi (2000) stated in their research that relationships are essentially formed by interpersonal communication processes, which in turn are affected by contextual and structural factors. It can thus be argued that sponsorship relationships evolve as a result of interpersonal communication which occurs within communicative and cognitive processes between two parties (which for the purpose of the study, are the corporate sponsor organisation and sport federations). Relationships are therefore seen as a fundamental element for sponsorships to be successful.

The argument can be made that the same conditions (necessary for the development and maintenance of relationships in marketing) need to be present for sport sponsorship relationships to be developed as well as maintained. The elements that contribute to the long-term successful, traditional, marketing relationships, can also contribute to the developing and maintaining of a long-term successful sponsorship relationship.
1.2 PROBLEM STATEMENT

1.2.1 Contributing factors

From the above-mentioned paragraphs (refer to paragraph 1.1.1-1.1.4), the argument can be made that a number of challenges relating to the relationships in sport sponsorships within a marketing context, exist. Some of the problems were addressed in the previous sections. A review of these problems is given in order to better define the problem statement of this study.

Literature shows that there is a need to understand the relationships in sport sponsorships in order to be able to establish and maintain long-term successful sponsorship agreements. Most international as well as local research on the subject, focused on the establishing of the sponsorship objectives (Abratt & Grobler, 1989; Mattheus, 1996; Polonsky, Sandler, Casey, Murphy, Portelli & Van Velzen, 1996 and Spence, Abratt & Mattheus, 1997). Although this problem occurs in the broader field of sponsorships, the focus of this study is on the maintaining and enhancing of the sponsorship relationship between a corporate sponsoring organisation (the sponsor) and sport federations (the sponsoree).

- The problem that has been identified here is that there is a need to develop a framework within the marketing context, which could guide the establishment and maintaining of relationships between a sponsor and sponsoree, within the South African situation.

It has already been stated that there is a lack of research concerning the relationship in sport sponsorships. The growing popularity of the concept of sport sponsorships in South Africa highlights the need for a better understanding of the relationships within this context.
The problem referring to the identifying, describing, analyzing and contextualizing of relationships within sport sponsorships are considered as central to the present study.

One of the possible reasons for the above mentioned problem may lie in the need for an understanding of the place of relationships in sport sponsorships. However, before an argument can be made for the importance of relationships in sport sponsorships, a study of the concept of marketing, and the place of relationships within marketing, is necessary.

The problem of identifying, analyzing, describing and contextualizing of marketing and relationships is therefore seen as relating to the first mentioned problem.

The identifying and describing of these concepts provide a framework from which the relationships in sport sponsorships from a marketing perspective can be studied. In order to develop a framework from a marketing perspective that could guide the establishment and enhancing of relationships in sport sponsorships, it is necessary to study the South African situation. Without determining the current situation in South Africa relating to the relationship in sport sponsorships, the primary problem of this study would not be addressed properly.

The description and analysis of the South African situation relating to relationships in sport sponsorships, should also be addressed in order to highlight the primary problem of the current study.
1.2.2 Problem formulation

In order to find possible solutions to the abovementioned problems, answers to the following questions needs to be found:

- How should a framework look for the establishment and enhancing of relationships from a marketing perspective between a sponsor and a sponsoree, within the South African context?
- How do relationships relate to sport sponsorships?
- What is the marketing process, and how are relationships positioned in the overall marketing concept?
- What should marketers (sponsors) and sports organisations (sponsorees) in South Africa consider in order to establish and enhance healthy relationships between a sponsor and a sport federation?

1.3 AIM OF THE STUDY

By means of the following objectives the aim of this study is to find possible solutions to the problem statement (paragraph 1.2.1), as well as answers to the questions (paragraph 1.2.2) that stemmed from the statement.

The primary objective of this study is to develop a framework from a marketing perspective that could guide the establishment and enhancing of relationships in sport sponsorships between a sponsor and a sponsoree in South Africa.

In order to achieve this, it will be necessary to:

- Identify, describe, analyze and contextualize the relationships within sport sponsorships.
Investigate, describe and argue the theoretical framework of marketing and the position of relationships therein.

Compare the theoretical framework of relationships in sport sponsorship with the current practices within the South African context.

After formulating the aim and objectives of this study it will be necessary to describe the research methods employed in this study.

1.4 RESEARCH METHODS

It will be important to research the concept of marketing in order to develop a framework from a marketing perspective that could guide the establishment and enhancing of relationships in sport sponsorships between a sponsor and a sponsoree in South Africa. From this literature research, the concepts of marketing and relationships will be contextualized and described. In the study of marketing, the role of relationships within marketing can be identified, as well as analysed.

After the identification, analysis, description and contextualization of marketing and relationships, the concept of sport sponsorships and related concepts will be researched from literature.

It will also be necessary to analyse the relationships in sport sponsorships within the South African context, before conclusions can be drawn concerning the relationships in sport sponsorships in general. This will be accomplished through quasi-experimental research and a conceptual analysis of the relationships in sport sponsorships in the South African context. The analysis will be done by using the quantitative research method which implies the formulation of a structured questionnaire. The information will be gathered from two different groups of individuals.
Ideally, all South African corporate organisations that sponsor sport, or all the sport federations receiving funds (in cash or in-kind contributions) should be regarded as part of the population surveyed in the study (Van Heerden, 2001). However, to compile such a complete list (which could range from multi-million rand contracts to donating only a couple of rand to a local rugby or tennis club), would be very costly and time consuming and also somewhat impossible to implement. It was therefore decided to limit the survey to the 461 organisations affiliated to and identified as corporate sponsors by the Marketing Federation of Southern Africa (MFSA). The second target group is those sport organisations which are registered with the South African Sports Commission (SASC), and are listed on the SASC website (www.sasc.org.za). Being registered with SASC gave these organisations a form of legitimacy within the South African sport world, and the fact that the contact details are listed on the website, made compiling the contact list easier.

The reflection of the results should provide a clear picture of the current situation as it pertains to the relationships in sport sponsorships within the South African context. This would help in the development of a framework within the marketing context that could guide the establishment and enhancing of relationships in sport sponsorships in South Africa between a sponsor and a sponsoree.

1.5 CONCEPTS

Some concepts used in the present study need to be defined in order to clarify their use.
1.5.1 Sport sponsorships

Throughout the world, corporate organisations and sport federations have entered into partnerships wherein each agrees to assist the other in forwarding and favouring their own objectives (Stotlar, 2001). One such partnership is sport sponsorships.

Cornwell and Maignan (1998) suggest that sponsorships consist of two main activities. There is an exchange between a sponsor and a sponseree whereby the latter receives a remuneration (either cash or in-kind payment), and the former obtains the right to associate itself with the activity sponsored, and secondly through the marketing of the association by the sponsor. Sport sponsorship can therefore be defined as “the acquisition of rights to affiliate or directly associate with a product or event for the purpose of deriving benefits related to that affiliation or association (Lough, 2000)”.

Sport sponsorship for the purpose of this study, will therefore be defined as a relationship between a corporate sponsoring organisation and a sport federation through which support (by the corporate organisation) is offered in return for certain rights to be associated or affiliated with the sport federation.

1.5.2 Relationships

A successful long-term relationship according to Patterson and Ward (2000), does not happen by chance, it requires work 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 that he wants the relationship to exist, and that it should be to the mutual benefit of both parties.
Gronroös (1990) defined business-to-business relationships as the establishing, maintaining, enhancing and commercialising of a consumer 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 relational exchanges.

Within the context of this study relationships will be viewed as the relational exchange between a sponsor and a sponsoree, which is founded on the establishing, maintaining, enhancing and commercialising of that relationship, in order to meet the objectives of both parties involved in the relationship.

1.5.3 Marketing

The concept of marketing has been defined by the American Marketing Association (1985) as the process of planning and exacting the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and to satisfy organizational objectives.

Kotler and Turner (1998) further expanded on this definition when they proposed that marketing is 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 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.

Marketing for the purpose of this study can thus be viewed as the marketing relationship between producers (corporate sport sponsoring organisations) and
consumers (sport federations) concentrating on the exchange of value between these two parties for the purpose to satisfy needs and wants.

1.6 STRUCTURE OF THE STUDY

In Chapters 2 and 3 the relevant literature regarding marketing relationships and sport sponsorship will be reviewed. Chapter 2 will be devoted in its entirety to the concept of sponsorships and sport sponsorships in particular, while the focus of Chapter 3 will be on the concept of marketing and relationships in marketing.

Chapter 4 will be devoted to the empirical research of the study. The details of the methodology, sampling, procedure and analysis of the data/information will be provided. All findings of the empirical research are recorded in this chapter as well.

Chapter 5 will contain recommendations concerning the theoretical framework of relationships in sport sponsorships within the South African context. Furthermore a framework for the application of relationships within sport sponsorship by both the sponsoring organisation and the sport organisation (federation), will be made. The limitations of the study and possible areas for future research will also be addressed.

1.7 SUMMARY

In Chapter 1 the foundational context for the study was established by discussing the problem statement, the aim, the methodology and structure of the study.

The first phase of the study will involve an intensive study of the available literature on the subject that includes local as well as international resources
such as articles from journals, textbooks, websites, etc. This will provide the academic as well as the theoretical basis for this study. A detailed discussion of the literature will be documented in Chapter 2 and 3.

The second phase of the study will focus on the empirical research of the study (Chapter 4). During the empirical research phase the theoretical framework for the research instrument (the questionnaire) will be established. This framework will facilitate the study of the South African situation. For the sampling in this study, respondents were divided into two groups. These two groups were chosen for the fact that corporate organisations represent that sector of the population that looks at sport sponsorships as a means to reach their target market(s). On the other hand, the different sport federations will provide a broader perspective concerning relationships within sport sponsorships, instead of the perspective of only the corporate organisations.

The next chapter will focus on the discussions around sport sponsorships and relationships.