

# Module 1. Sponsorship the pros – The financial benefits of sponsorship deals

## Unit 1.1

In this module, we will explore the first business focused monetization strategy within sport, sport sponsorship and its benefits to both the sport industry and the sponsors. This module will introduce and analyse in detail sport sponsorship and its components, before its significance in the sport industry is examined, illustrating its importance in modern sports' revenue landscape. Further on, the evolution of sport sponsorship and its motivations will be elaborated upon, before the reasons behind the growth of sport sponsorship are explored. Finally, we will provide in-depth analysis of the objectives and benefits of sport sponsorship, which represent the reasons for which sponsors engage in sponsorship agreements with sport.

### 1.1.1 What is sport sponsorship

Sports sponsorship refers to a commercial deal between a sporting entity which could be any of the following: an athlete, a sport club, a sport organization, a sport governing body, a sport league, a sport competition, a sport event, or a sport tournament, and most commonly a non-sport related organization or business (Manoli, Anagnostou & Liu, 2022). It is worth mentioning that while some of the latter organizations that engage in sport sponsorship might, in fact, be relevant to sport, such as a sports equipment company or sport services, most of them are businesses and organizations which are not related to sport, such as telecommunications companies or finance institutions. Sports sponsorship therefore refers to the commercial agreement made between those two entities, a sport related entity and a non-sport related entity or as they are referred to in academia, the sponsee and the sponsor respectively.

The commercial deal that we call sport sponsorship entails an agreement in which one side, the sponsor, pays money to the sponsee, in exchange for a number of benefits that are often referred to as the sponsorship components (Meenaghan, 1991). These components are the following (Jagodovic & Mateša, 2018): firstly, signage which refers to the right to place the organization's (sponsor's) logo on official products produced by the sponsee, their stadium, equipment, as well as their official communications, such as the sponsee's print publications, their website, or even their digital media; secondly, the right to use the sport entity's trademarks and logos in the sponsor organizations' official communication, including their print and digital media. Regarding particular agreements



based around the production of sport merchandise, sports sponsorships can include the rights to distribute the branded merchandise of the sponsee using the sponsor's network. For example, the right to sell Barcelona FC shirts in Nike's shops. Another component of sport sponsorship is the sponsor's right to use hospitality areas in the sport stadia and events the sponsee holds for free. These areas can be used by the sponsor either for external marketing purposes, for example, to host potential customers, or for internal marketing purposes, for them to be used by the sponsor company's employees (Farrelly & Greyser, 2007).

An additional sponsorship component is the complimentary advertising the sponsor company can achieve through their association with the sport sponsee (Jagodic & Mateša, 2018). In this way, the sponsor can use their relationship with the sponsee to advertise other products they are producing as part of their overall sponsorship agreement. Moreover, free tickets to sport events in which the sponsee is participating or organizing can be offered, which again can be either used for external marketing purposes for the sponsor, allowing them to build relationships with potential customers, or for internal marketing purposes, i.e. to potentially reward their employees.

Furthermore, category exclusivity seems to be an important sponsorship component, as recent years have demonstrated (Cobbs, 2011). Category exclusivity means that a sponsor can demand that no other organization that is involved in the same industry in which they operate signs in agreement with the sponsee. This gives the sponsor an advantage over their competitors according to the audience of the sponsee. Finally, the last component of sports sponsorship, and one that has been gaining particular attention, in recent years, is the access to the sponsees property mailing list or database (Morgan, Taylor & Adair, 2020). This allows the sponsor company to gain access to the data that the sponsee has collected on their current and previous customers.

Sports sponsorship represents the biggest source of revenue for sport worldwide today. While a fluctuation can be noted around the world, with some leagues, reporting that broadcasting revenue is indeed their primary source of income, sports sponsorship still represents the biggest source of income for the majority of sport entities, such as sport leagues, sport clubs and athletes worldwide (Deloitte, 2020).

We will discuss the financial benefits that sport sponsorship has on sport entities, and therefore the financial importance of sport sponsorship for sport, in the next section.

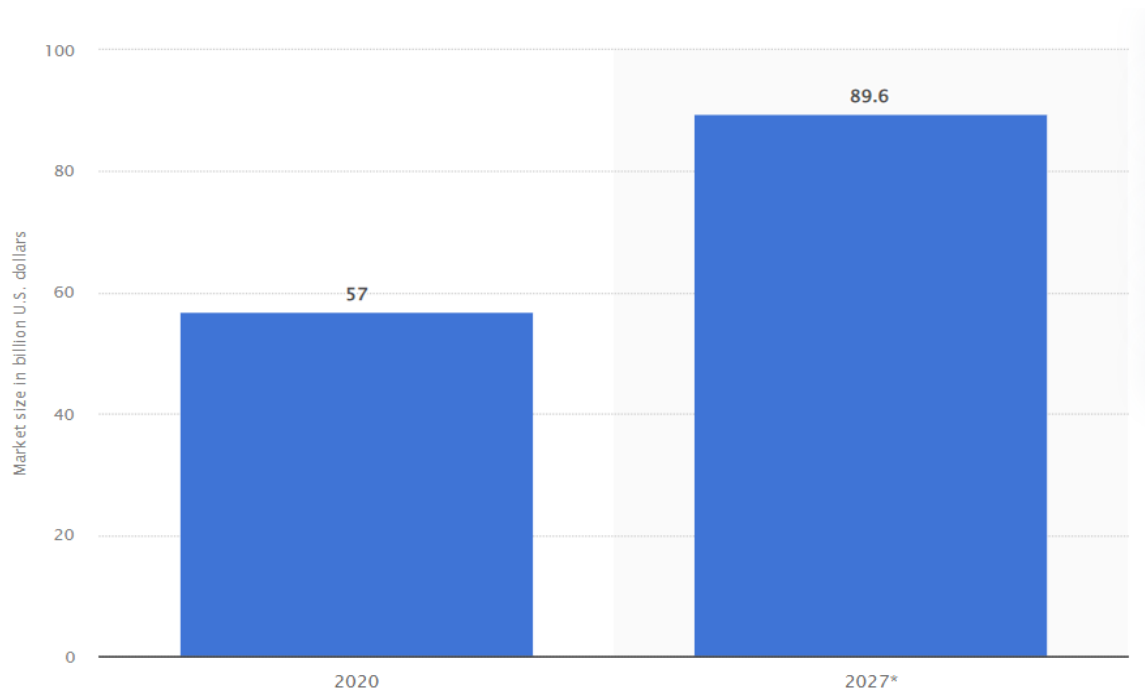
### **1.1.2 The financial importance of sport sponsorship**

Currently, it is estimated that sports sponsorship accounts for 57 billion US dollars (51.36 billion euro) worldwide. Out of this spent, the market is widely dominated by businesses based in North America (36.7%), Europe (26.7%) and Asia Pacific (25.2%) (Deloitte, 2020). It is estimated that in 2027 this number will be around 89.6 billion US dollars (80.77 billion euro) showing a steady and significant increase, as the figure below shows. This increase



in the total worth of sport sponsorship worldwide, as well as the significant already existing number, reflects the significant importance sport sponsorship has for the sport industry. It also illustrates the attraction and confidence the wider business world has for sport as an industry in and through which they can advance their own objectives, as it will be discussed later on in this module.

**Figure 1: Sports sponsorship market worldwide in 2020**

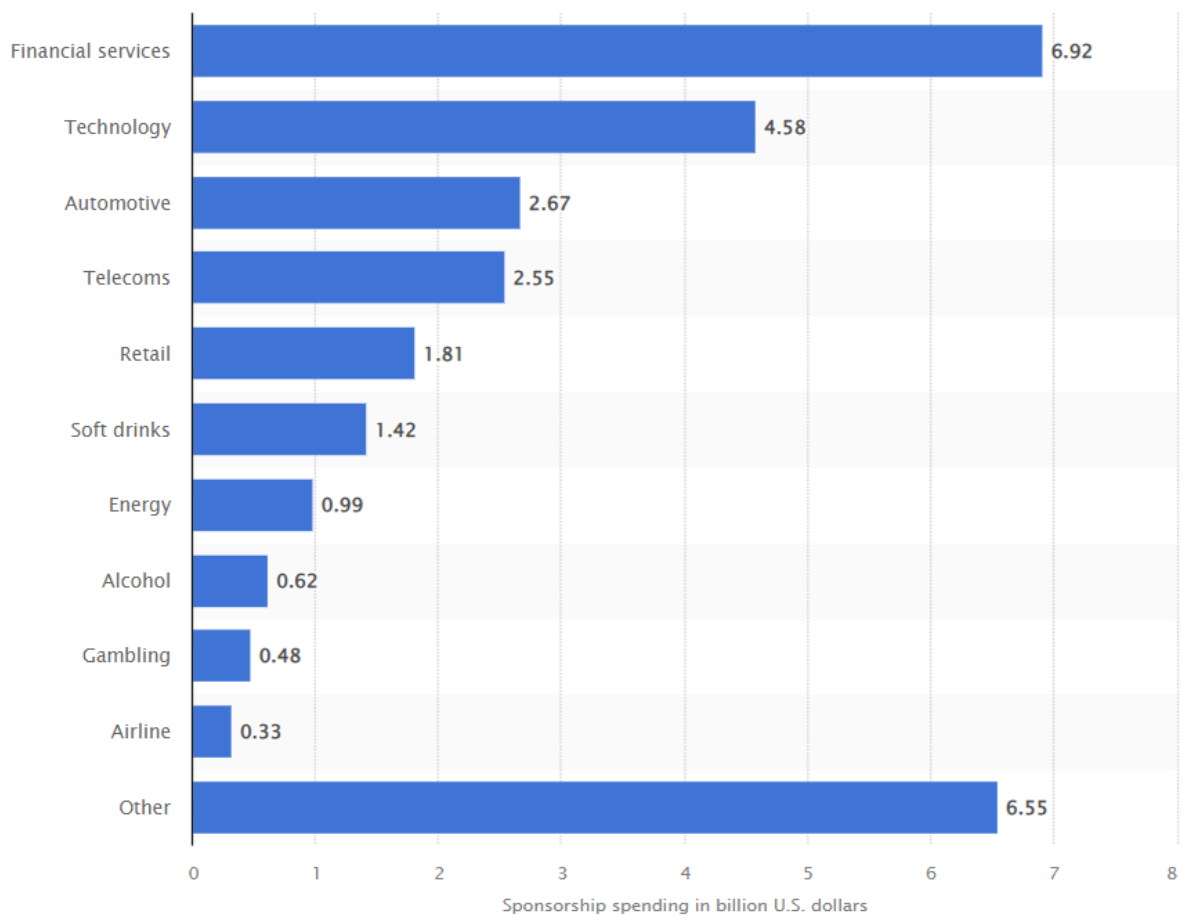


From Size of sports sponsorship market worldwide in 2020 and 2027 (in billion U.S. dollars), in Statista, 2020, retrieved on April 12, 2022, <https://www.statista.com/statistics/269784/revenue-from-sports-sponsorship-worldwide-by-region/>

This above-mentioned size of sport sponsorship represents the revenue that is being generated from the commercial deals between sport entities worldwide and a number of interested businesses. As demonstrated by the figure below, it appears that the lion's share of income generated by sports sponsorship comes from financial services, followed shortly by technology companies, and to a lesser extent by automotive companies and telecom businesses. Retail companies, soft drinks and energy are also included in the list of companies with a remarkable spending on sport sponsorship. However, their numbers appear rather small compared to the ones invested by financial services and technology companies.



**Figure 2: Sports sponsorship spending worldwide in 2020 by sector**



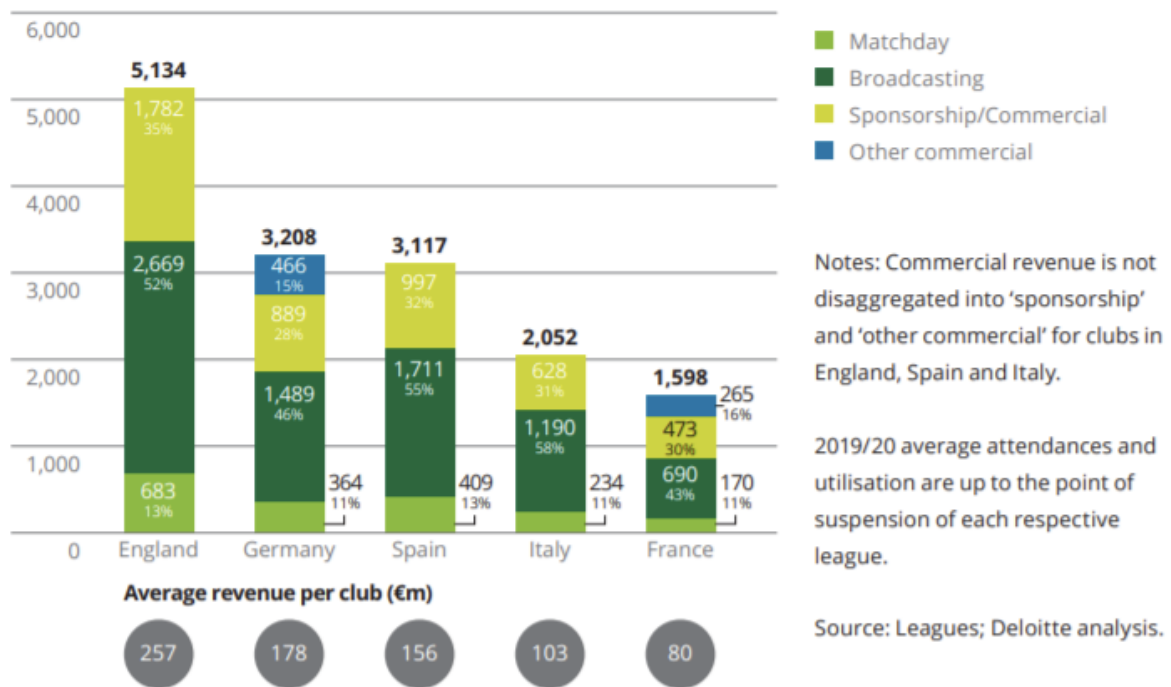
From Sports sponsorship spending worldwide in 2020, by sector (in billion U.S. dollars), in Statista, 2020, retrieved on April 12, 2022, <https://www.statista.com/statistics/269785/sports-sponsorship-deals-worldwide-by-industry-sector-in-2009/>

While sport sponsorship is undoubtedly the biggest income source for sport worldwide, a notable difference exists between highly commercialized and less commercialized sport leagues and events (Deloitte, 2020). By looking at the top division football leagues around Europe for example, the sources of income and the financial importance of sport sponsorship within the wider revenue generation landscape can be highlighted, as well as the said difference in the order of income sources. As the figure below shows, the income that is generated in the English Premier League comes primarily from broadcasting rights, with sponsorship and commercial income accounting for approximately half that amount.

The first football leagues in Germany, Spain and Italy follow a similar pattern in which broadcasting rights represent the highest source of revenue, with sponsorship following second. In France, things seem to be more evenly split, with sponsorship revenue, appearing to be almost as high as broadcasting rights revenue.



Figure 3: 'Big Five' European leagues clubs' revenue in 2019/20 season in €m

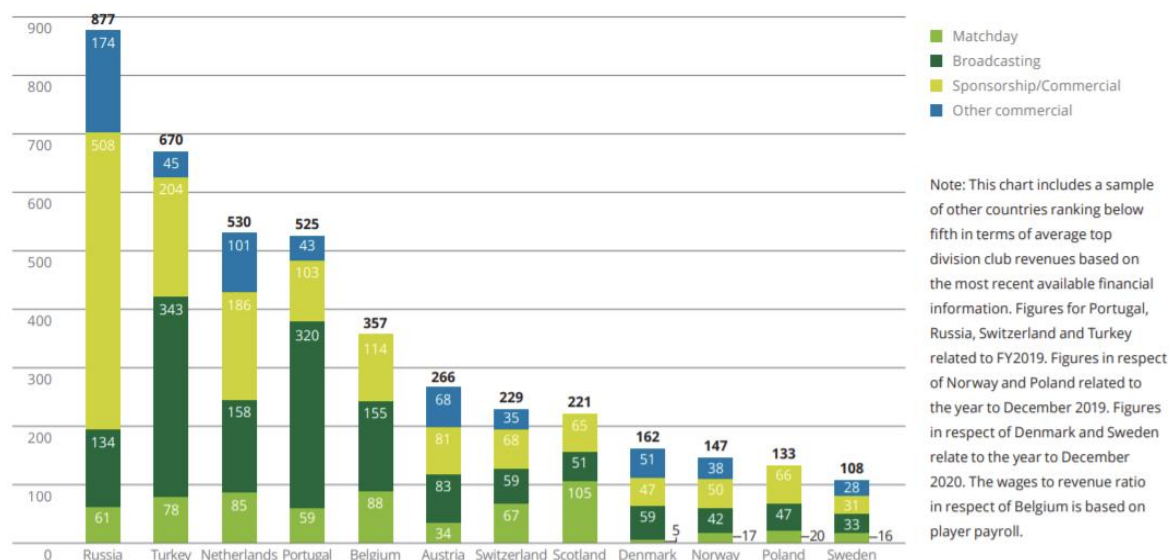


From Annual Review of Football Finance 2021, by Sports Business Group, 2021, p. 14, in Deloitte, <https://www2.deloitte.com/content/dam/Deloitte/fi/Documents/about-deloitte/ARFF21%20Report.pdf>

What is also worth looking at, however, is the figure below, which illustrates the current revenue landscape in smaller (not top five) first division leagues in Europe. In figure 4, we can see that the top division leagues in Russia and the Netherlands report that sponsorship and commercial income represents their primary source of income. A more even split between sponsorship and broadcasting income can be seen in the rest of the top division leagues in the figure with the leagues in Turkey and Belgium, for example, reporting a slightly higher broadcasting rather than sponsorship revenue and the leagues in Austria, Switzerland and Scotland reporting sponsorship as their primary source of income.



**Figure 4: Selected other European league clubs' revenue in 2019/20 season in €**



From Annual Review of Football Finance 2021, by Sports Business Group, 2021, p. 23, in Deloitte, <https://www2.deloitte.com/content/dam/Deloitte/fi/Documents/about-deloitte/ARFF21%20Report.pdf>

As we examine different sport leagues around the world, as well as different sports, clubs or athletes, we can see a similar fluctuation between the different sources of income. The pattern noted worldwide is that in some highly developed and highly commercialized leagues, broadcasting revenue might indeed be considered the primary source of income. However, it is reported that in the majority of sport entities around the world, sports sponsorship still represents the biggest source of income (Manoli, Anagnostou & Liu, 2022).

What reports such as the one by PwC (2018) suggested is that while sport sponsorship remained the biggest source of income for the sport industry, it was not growing as fast as other sources, with an average of 5.5% increase projected for the coming years (compared with a 11.5% increase expected in digital media rights). However, in their latest report, PwC (2021) changed this prediction, and highlighted that commercial and sponsorship rights are increasing at 3.9% rate, which is higher than the expected increase in media rights (3.2%). This in turn allows us to expect for sport sponsorship to keep growing as it is reported, in a pace that allows it to remain a significant source of income for the sport industry.

### 1.1.3 The evolution of sport sponsorship

Before we start analysing what sport sponsorship is in further detail, it is worth exploring how we got to today's state of sports sponsorship. Sport sponsorship is not a new phenomenon, with early findings suggesting that it in fact dates back to ancient Greek and Roman times.

Back in ancient Greek and Roman times, sports sponsorship was viewed as a way of demonstrating one's wealth and position in society (Deloitte, 2020). At the same time, it



was also seen as a way to highlight that a particular place (at the time called a city-state) had prestige and standing. In other words, based on the wealth demonstrated in such events, sport sponsorship was viewed as a way to illustrate that if a particular place has enough wealth to support such a cultural or sporting activity, it is a city to be feared. This would therefore act as a warning to potential opponents that an attack on the city itself would be devastating.

What we see in the following years is a move to ego-driven sponsorships. These sponsorships are the ones initiated by the CEOs or the owners of a company (Meenaghan, 1991) and they were considered ego-driven because the decision-making would be done by that individual and was often done based on their preference, without any additional strategic planning. For example, if the CEO or the owner of a company would have a preference for a particular sport, such as golf, then the company in which they would have a decision-making power would sponsor a golf event.

Shortly after, we see a move towards a more philanthropic attitude (Meenaghan, 1991). This in turn would mean that sports sponsorship was beginning to be viewed as a way to donate to a cause. In this way, the organizations were promoting themselves as members of a society in which they had to offer something, and therefore use their extra resources to financially assist local events. Again, we might see an ego-driven element in it, particularly in the way a sport event, sport club or athlete was selected to be sponsored, but first and foremost sport sponsorship was viewed as a way for a company to demonstrate they're giving something back to society.

From the 20th century onwards, we see a different focus on sports sponsorship (Deloitte, 2020). Organizations that decide to sponsor sport entities (events, competitions, tournaments, athletes, leagues, etc.), see sports sponsorship as an investment and, therefore, their decision-making is based on the return on said investment. This is what economists call ROI (Return on Investment). Return on Investment means that sports sponsorship is no longer considered a mere expense for the sponsoring organization. Sport sponsorship is instead viewed as a strategic decision made with particular targets, and thus one that can be then evaluated by the individuals within each sponsoring organization.

The particular motivations behind these decisions are also worth exploring (Deloitte, 2020). In the early 20th century, we see that the overall motivation for sport sponsorship was product placement. Therefore, a company that produced a particular product or service that could be related to a sport, might choose to offer that product or service to the relevant sport entity (i.e. a sport organization, sport event, sport tournament, sport league or athlete) for free. By doing so, they would then expect the individuals who are attending the event, watching the broadcast of the league or competition, or following the athlete or league to assume that their product or service is being used by the individuals involved in the sport. This in turn may lead the viewers or fans to be potentially convinced to purchase said service or product for themselves.



While product placement is still one of the objectives of sport sponsorship as we will discuss later on in this module, a change in the overall motivation of sport sponsorship was noted, in the mid and late 20th century. In these times, we observe brand visibility becoming the main motivation for sports sponsorship (Deloitte, 2020). This would suggest that sports sponsorship itself becomes a means by which the logo of an organization or a company can be placed and promoted in stadia and on particular athletes, equipment or sport organizations' merchandise.

As we move on to the 21st century, we see that the overall aim of sports sponsorship becomes fan engagement and gradually building a relationship with the fans (Deloitte, 2020). This in turn would suggest that sport sponsorship is no longer a mere tool for the promotion of an organization's brand, but it also becomes a means by which an organization that is not related to sport can tell their own story and develop a relationship with their customers or potential customers while using sport. The emergence of digital media has further assisted in this aim, as we will discuss in more detail in module four of this course.

Following this evolution analysed above, it becomes clear that, nowadays, sponsor sponsorship remains a big strategic investment for the sponsoring organization, and one that has grown due to various macroeconomic factors as it will be discussed below.

#### **1.1.4 Reasons for growth of sport sponsorship**

While sport sponsorship has indeed been around for a very long time, understanding why it grew into the biggest source of revenue for sport nowadays is of the utmost importance. As data suggest, sports sponsorship is today the biggest source of revenue for athletes, sports organizations, sports leagues, and tournaments worldwide (PwC, 2021). The reasons behind this growth are multifold. First, at the beginning of the 21st century, we saw the emergence of bans of tobacco and alcoholic drink advertising. Sports sponsorship then presented itself as an avenue for non-direct advertising channels. We can see that illustrated clearly in motorsports, for example, where tobacco advertising is still prominent, with data suggesting that motorsport teams can receive the majority of their funding through sponsorship income from tobacco companies (Carter et al., 2013).

At the same time, the emergence of digital media and the multiplication of media overall saw too much noise being created in print and electronic media. This in turn meant that a negative attitude among consumers was gradually developed as a response to media multiplication. Indeed, we can now safely assume that we have been driven into what marketers refer to as the 'permission marketing era', an era in which individuals have developed filters by which they can ignore the messages they want to avoid receiving (Boshoff & Gerber, 2008). The multiplication of media has intensified this consumer behaviour, making people able to block out any news or messages that they are not interested in. When this is combined with the rising prices of traditional media



commercials, especially around big sporting events such as the Super Bowl, sports sponsorship becomes an alternative channel for the promotion of the brand.

Another noteworthy factor that has assisted in the growth of sport sponsorship was the increase in the interest consumers have expressed in sport. The interest to 'consume' more sport, not only in person by attending a sporting event, but most importantly through traditional or digital media has indeed skyrocketed, and as data suggests, such an increase is not likely to stop in the coming years (Deloitte, 2020).

Consumer lifestyles have also changed dramatically, allowing individuals more spare time not only to practice sport and 'consume' it by attending a sport event, but also and more importantly, it has significantly increased the time spent in front of a screen. As individuals have now access to a screen 24 hours a day (with mobiles available in people's hands), we also see their consumption habits increasing to a double or even a triple screen consumption, thus altering their consumer behaviour drastically (Funk, 2017).

Furthermore, an increase in non-traditional sport activities has occurred. This would include extreme sports, action sports and adventure sports. Sports sponsorship in these occasions allows for a particular demographic that is often referred to as Generation X to be reached effectively that might have otherwise been impossible to attract (Deloitte, 2020).

Moreover, we have seen changes in governmental policies in various places around the world. In some countries, government funding was until recently considered to be the primary source of income (Berry & Manoli, 2018). Such a phenomenon was more common in non-commercialised sports, which would still get their lion's share of income through government funding. However, reducing this funding from the government meant that these non-commercialised sports had to find alternative ways to support themselves. Sports sponsorship presented itself as a solution to this problem, often allowing a sport entity (e.g. an athlete or a sport club) to continue to exist.

The final reason for the growth that we have noticed in sport sponsorship can be considered the globalization of marketing. The lack of boundaries between countries for particular brands suggests that companies based in one part of the world can now utilize any sport entity, such as an athlete, a sport event, a sport tournament, a sport league, or a sport club, anywhere in the world. Equally, it means that athletes can attract sport sponsors from anywhere in the world, and therefore a connection and a close partnership can be created between individuals and organizations that was not possible before globalization (Meenaghan, 1991).

### **1.1.5 The objectives of sport sponsorship**

Having discussed what sponsorship is, what its financial importance is for the sport industry, as well as how it evolved. It is now worth focusing on what the objectives of this commercial agreement between the sponsor and the sponsee are. These objectives



represent the financial and wider benefits sponsorship can have for the sponsor. There are seven main objectives in sport sponsorship.

### **1. Brand awareness**

First is the element of awareness. By awareness, we are referring to brand awareness, which signifies the extent to which a company is known in the minds of the audience (Manoli & Kenyon, 2018). This could be the main target audience of an organization or a company, or any potential or prospect customer that can be referred to as the wider audience.

The element of brand awareness becomes particularly useful in an international level, since a number of brands that might operate in a particular geographic region might not be known in different geographic areas. Brand awareness does not refer to any particular preconceived assumptions or preferences that individuals might have of a brand. It only refers to one's ability to recognize a logo, a symbol, a colour, or any other aspect of the brand. Sports sponsorship can therefore assist non-sport related brands, sponsors, to place their logo on individual sport gear, sport shirts, equipment, stadia, etc., as well as on official publication (e.g. websites, social media) of sport entities, and thus promote their brand using sport as a means.

Brand awareness focuses mostly on indirect TV or other media spectators rather than direct spectators of sport events (Manoli & Kenyon, 2018). Through sports sponsorship, non-sport related brands that act as sponsors can get media exposure for a minimal cost. They can also get consistent exposure, which can help them reinforce other media ads that they are promoting at the same time. This media exposure for a minimal cost can be better highlighted if one is to calculate how much money would have to be spent for the same amount of exposure to be achieved using traditional advertising means. Additionally, there is the element of presumption on which a sponsor might be counting. This presumption refers to the idea that the audience of a particular sport entity might assume that the brand advertised is, in fact, used by the athletes or the stars of the sport which they are sponsoring.

Brand awareness does not concern companies that already have a high awareness rate. For example, big multinational companies, such as Coca-Cola or McDonald's, do not sponsor sporting events to gain brand awareness, since their brand awareness is already high. But smaller, or less successful, brands might opt to sponsor different and widely reaching sports entities to ensure that their brand is promoted and thus awareness of it is built.

An appropriate example to examine the use of sports sponsorship to build a brand's awareness is the Europa League sponsorship by FedEx (FedEx, n.d.). FedEx is a multinational courier company, based primarily in the US, that has been operating for more than 40 years. In the European market, other companies like DHL and PNP were dominating the market, with FedEx not achieving the same popularity. FedEx' decision to



sponsor Europa League was made after a careful consideration of how they can improve their brand known in the European market. Similar sponsorship agreements with similar objectives were also signed with ATP World Tour and Roland Garros complex in Paris (French Open).

Their decision is clearly highlighted in the following two comments by the company's executive vice-president for global strategy, marketing and communications and vice-president for brand experience marketing as they were reported on the media when the deal was signed in 2016.

Raj Subramaniam, FedEx's executive vice-president for global strategy, marketing and communications, stated that some key Europa League matches took place in "secondary cities", precisely where they needed to expand their brand presence.

This sponsorship was perfect for them as they not only focus on the business-driving benefits but also on the brand awareness aspect, as stated by Patrick Fitzgerald, FedEx vice-president for brand experience marketing.

As the above comments suggest, FedEx, the sponsor in this case study, made the carefully planned decision to sponsor Europa League to ensure that their brand received the exposure needed in order for the company to gain brand awareness.

## **2. Brand image**

The second objective for which a company might engage in sports sponsorship is brand image or brand perception (Manoli & Kenyon, 2018). A brand's image or perception refers to the sum of beliefs, ideas and impressions consumers hold about said company and its products. This might refer to a number of attributes that individuals hold for brands, and which could be either positive or negative.

The objective of sport sponsorship is to be associated with someone or something that is famous or interesting, in order for some of their positive values to transfer to the company's image. This would suggest that the sponsoring a sport entity that is received positively in people's minds would allow a sponsoring company to gain some of this positivity for themselves (Manoli & Kenyon, 2018). Legitimacy in this connection is required, but sometimes it may not be obvious. This would suggest that brands might engage with particular sport entities because they would like some of their attributes to be transferred to them, after a careful consideration of how a connection between their attributes can be made in order for the desired transfer of positive brand image to be achieved from the entity that they have chosen to sponsor.

In examining this image transfer, several levels can be noted (Henseler, Wilson & Westberg, 2011). Firstly, the element of sport values as compared to any other cultural event. These values can be traced back to the ideals of sport being fair (fair play), competitive and entertaining. Secondly, the idea that specific sports are associated with particular attributes. Different attributes are associated with football, cricket, basketball,



rugby, figure skating, or even motor sports. Choosing to associate a company's brand with one of them suggests that the image transfer they are aiming for is relevant to the particular sport's attributes.

For example, when examining the sport sponsorship agreements of two world renown brands, Red Bull and Rolex, the carefully planned association with particular sports based on their attributes can be noted. Concerning the former, Red Bull, it is noted that it is always associated with danger and speed, whilst the latter, Rolex, is associated with wealth and precision. Therefore, the sports they have so far chosen to sponsor reflect those attributes. Red Bull prefers extreme and dangerous sports, like snowboarding, whilst Rolex tends to opt for sports like golf which can be considered a sport associated with wealth.

A similar consideration on the different levels of attributes can be noted in different events or championships, with some having prominent features that brands would like transferred to them through sponsorship. Similarly, specific teams are often associated with different aspects, and on an individual level, specific players, referees and coaches might also be known for different elements that a brand might be aiming to gain.

The attributes that individuals associate with sport entities can vary. Some of them might be referring to their physical appearance, their success in achieving sporting success or even on a deeper, more meaningful level (Manoli & Kenyon, 2018). These deeper and more meaningful attributes are referred to as experiential or symbolic, originating from the fans' own feelings when they are 'consuming' the brand. By 'consuming' the brand, in this case, we are referring to either watching a sporting event or following any aspect of fandom (e.g. reading about a sport entity, following them on social media, purchasing a branded merchandise, etc.). By engaging with this sport entity, for which individuals have a meaningful, symbolic or experiential relationship with, non-sport related companies that act as sponsors would aim for the positive associations of the former to be potentially transferred to their own brand. As for highly identified fans, it has been suggested that the excitement of sport 'consumption' produced by them following their favourite team or athlete (by buying a ticket to watch them in action, by watching them play on TV or other media, by visiting the stadium in which they play, by purchasing a branded product or even liking one of their posts on Facebook) can be translated in benefits that are then subsequently ascribed to another associated brand, such as the sponsor.

### **3. Advertising**

The third objective of sport sponsorship is advertising. Sport sponsorship can reinforce and even replace classical advertising because people tend to remember sponsorships more than adverts. Regarding televised sport, sports sponsorship tends to create a closer link with the sponsored sport entities, due to the close connection they can have to the sporting action when compared to the advertized products promoted before, after, and in the breaks of a sporting event (Manoli, Anagnostou & Liu, 2022).



Through sports sponsorship more exposure can be achieved for less money as the following comment to the media from MasterCard's executive, Marianne Fulgenzi, shows. She stated that during the last World Cup, the average time Mastercard's logo is on camera is 7 and ½ minutes per match. So, 3.7 billion people are exposed to Mastercard's logo for that period of time.

Therefore, sport sponsorship can be appreciated as a successful and cheaper means for advertising (Campaign, 2006).

Sports sponsorship can also assist in overcoming restrictions that might exist in advertising. For example, where bans might exist against advertising alcoholic drinks and tobacco, while similar bans do not exist in being sponsored by an alcoholic drink or a tobacco company, as we have seen in motor sports (Amis, Pant & Slack, 1997). An illustrative example to see how sports sponsorship can overcome the barriers of advertising could be the sponsorship of Team Ferrari by Marlboro, the tobacco brand owned by Philip Morris.

Formula One team Ferrari agreed a multi-year extension in their long-term partnership with Philip Morris International and in particular their Marlboro cigarette brand in 2017 (Edmondson, 2017). This partnership started over 45 years ago, with the company also sponsoring the outfits of the drivers due to (and despite) the ban on tobacco advertising. While the Marlboro logo itself is not featured anywhere in the team's race car since the 2007 Chinese Grand Prix, the vehicle that is still being used is red and white, which are the colours of the company's brand. The agreement signed in 2017 was estimated to be worth approximately 100 million US dollars (90.15 million euro) a year.

At the same time, sports sponsorship can cut through the advertising clutter (Amis, Pant & Slack, 1997). This suggests that while organizations that are advertised before in the breaks and at the end of a sport event, might not get that much attention, with the spectators of the event not actively paying attention to the broadcast at those particular moments. Sponsoring the event can ensure that exposure is gained at the moments in which the audience is involved and engaged in the broadcast. Finally, sports sponsorship can assist in reaching small and niche segments that are following particular niche sports, and who might not be accessible otherwise through traditional advertising, as it is discussed in the fourth objective below.

#### **4. Effectively reaching market segments**

From all aspects of brand associations that the two most prominent academics in brand research, Aaker (1991) and Keller (1993) have identified, it is the element of uniqueness on different aspects associated with sport that can separate them from most brands. This uniqueness suggests that an association of any brand with sport can allow for a more effective promotion of said brand, when compared to advertising through other means. This in turn leads to the fourth objective of sport sponsorship.



The fourth objective of sports sponsorship can be considered the promotion and effective reach of particular market segments. Since sport can reach a wide audience worldwide, with particular demographics being attracted to particular sports, sports sponsorship can allow brands to reach those demographics and advertise to them in a more effective manner. This would in turn suggest that a non-sport related company would need to identify a sport entity which attracts the particular market segments that they are interested in. Sponsor companies then need to be selective in their sponsorship to achieve the desired effect, while identifying their desired target audience and the sport entities that share it as well (Amis, Pant & Slack, 1997).

An example by which we can see how successful this strategy can be is the case of Coors Brewing. Their marketing strategy consisted of them exploring various sport events that they could sponsor to approach the particular demographic that they were interested in. As they argued, they turned down offers to sponsor tennis and golf events, and instead opted to sponsor NASCAR. Coors Brewery clarified that according to their demographic and lifestyle studies, the audience 'consuming' these events, mostly through broadcasting, would be the demographic that they were interested in. Securing this commercial agreement entailed Coors Light becoming NASCAR's official beer for the price of 20 million US dollars (18 million euro) a year in a deal signed in 2007. The agreement allowed Coors to promote the NASCAR logo in their ads, their packaging and promotions, while allowing them to provide their fans with personalized NASCAR experiences.

Their decision was welcomed by both NASCAR and Coors, with both highlighting how strategic this partnership was (Chief Marketer, 2007).

Coors Brewery has since continued to form carefully designed strategic sponsorship deals, with their most recent sponsorship deal entailing them becoming the first-ever official beer sponsor of ESPN's 'College Game Day' (Frost, 2019). They argue that this deal brings them even closer to college football, which they suggest:

College football is appealing across all legal-drinking age groups, especially our brand target of 21- to 34-year-olds," Ryan Reis [vice president of the Coors family of brands] says. "College Game Day' is especially big with the freshly out-of-college age group because the program captures the excitement of actually being there (Frost, 2019).

As the above quotes illustrate, sport sponsorship has in the case study of Coors Brewery allowed them to effectively target their desired market segment, something that might not have been possible with traditional advertising.



This targeted marketing strategy can allow a company to set themselves apart from competitors whilst achieving better and more effective results than traditional advertising.

## 5. Sales

The fifth objective of sports sponsorship can be considered sales (Bai et al., 2021). Sport sponsorship can help an organization increase the sales of some of their products by creating a link between the product sold and the sponsee, i.e. the sport entity that is being sponsored. By sponsoring a particular event, the consumer can be stimulated to potentially try a new product of the sponsor, especially if the association between the new product and the sponsored sport entity is strong. Sponsoring an event can also motivate the commercial team working for the sponsor to help build that relationship and achieve the expected result in sales.

Sports sponsorship is not only based on the exposure of the sponsor's brand, but it can also be considered as point-of-sale promotions when, for example, the sponsor company creates opportunities for their products to be sold around a sport event (Bai et al., 2021). Adapting packaging can also assist in this effort. By adapting packaging, we refer to festive packaging of the already existing product of a sponsor company that illustrates and further promotes the link they have through the sponsorship agreement with the sponsored sport entity. Further games or contests developed around the sponsored event or the event in which the sponsored entity participates, can help boost the sales of a product. Similarly, organizing other events before, after, or even on different dates than the sponsored event can further boost sales and assist in generating tangible benefits (sales income) out of a sport sponsorship.

A good example to illustrate how sports sponsorship can help boost sales for the sponsors is the activation strategy that Coca-Cola has been implementing to utilize and exploit their sponsorship of the Olympic Games (Wall Street Journal, 2022). In order for Coca-Cola to ensure that sales are achieved, festive packaging can be seen in all their products leading to the event as well as during and shortly after the event. Specific competitions encouraging people to purchase their products are also organized online and offline, while festivals around the locations in which the events are taking place are set up promoting their sponsorship of the Olympic Games and increasing their sales.

The effects of a successful activation strategy can be translated to tangible results for the sponsoring organization (Levin, Beasley & Gamble, 2004). NASCAR, for example, reports that 60% of its fans show a high level of trust towards the sponsors' products. This percentage is higher than the one reported by other sports (e.g., 30% of NBA fans show a high level of trust towards sponsors' products). Interestingly, over 40% of NASCAR fans purposely switch brands when a company becomes a NASCAR sponsor. This would suggest that sport sponsorship is a commercial agreement that can have tangible



financial implications for the sponsoring organization, while simultaneously being a lucrative deal for the sponsored entity.

## **6. Internal marketing**

An additional objective for a sponsoring organization can be the enhancement of their internal marketing. Sports sponsorship has been proven to have a positive effect in employee morale and increase the feelings of pride and belonging in a company (Inoue, Havard & Irwin, 2016). Sports sponsorship can be a cohesive tool to gather people on a particular project and make them feel important or special to be part of this team. Indeed, team spirit has been suggested to develop in sponsoring companies, while sponsoring a particular event, athlete or team can help build or further strengthen organizational culture in the sponsoring company, especially when the company is going through a change, such as a merger or acquisition.

An example to how sports sponsorship can be used to assist in internal marketing can be seen in UBS, one of the world's leading financial firms, and their sponsorship of Team Alinghi, the current titleholder of the America's Cup yacht race (Farrelly & Greyser, 2007). What UBS decided to do before sponsoring the team was to identify the values that the two companies share, such as teamwork, responsibility, informed and rapid decision-making, drive to succeed, and the identity of being Swiss. After identifying these values and initiating the sponsorship deal, they designed the internal communication to illustrate those values to employees and to unite, motivate and improve the output that the company's 67,000 employees have. Since UBS is a company operating worldwide, sponsoring team Alinghi and ensuring that the sponsorship deal and values were filtered through the internal communications worldwide, has assisted them in motivating and improving the output of the employees, even if they were scattered around the globe.

UBS, in fact, references the sponsorship in various internal communications and newsletters sent to employees around the world and ensures that similar references exist in the professional development programmes, such as leadership education certificates that are offered to those employees (Farrelly & Greyser, 2007). The values that they highlight in their communications ensure that the sponsorship is used as a vehicle to reinforce the corporate messages about the company's approach to their employees and clients. UBS ensures that the sponsorship is integrated into a number of incentive programmes offered to employees, including the ones that reward the employees who are performing well. This allows UBS to reward employees by sending them to regattas around the world, for example.

UBS has also created an intranet site that they call the World of Alinghi, which offers information about the sponsorship, its objectives, and even provides a toolbox of presentations, images and materials that employees can utilize to leverage the sponsorship when approaching potential clients (Farrelly & Greyser, 2007). The website does not only act as a tool for external marketing, but is also created in a way that can



help build enthusiasm for the sponsorship internally. The employee engagement created and stimulated by internal marketing based on the sponsorship enhances the external effectiveness of the programme. Regarding UBS, it is argued that the sponsorship has been instrumental in motivating employees to help build the UBS brand.

Similar examples can be seen in the French banks BNP and Banque de Paris et des Pays-Bas (Paribas) which used their sponsorship of the French Tennis Federation as a unifying tool in employee communications to promote and develop a feeling of acceptance of their identity after their merger, and to showcase the new company's future direction to their employees (Farrelly & Greyser, 2007).

## **7. Community**

The final objective that sport sponsorship has is the one of community. True to its origins, sports sponsorship can assist non-sport related organization to position themselves as a concerned and interested citizen, trying to return something back to the community in which they operate. In other words, sports sponsorship can act as public or community relations tool towards the local or wider community (Irwin et al., 2003). This objective reminds us of the early objective sports sponsorship had, in which the companies used their support to sport entities to return something back to society.

Sport sponsorship can therefore demonstrate an organization's awareness of local issues and allow them to attempt to potentially influence prospective customers and local social and governmental agencies, by promoting a positive image for the organization. The sponsor can thus show their philanthropic intentions through sport sponsorship. This could be often linked to what marketing academia calls cause related marketing. Cause related marketing entails the involvement and promotion of an organization's philanthropic actions in order for the socially responsible image of the organization to be highlighted to its audience (Irwin et al., 2003). Sport sponsorship can be a tool assisting in such efforts, allowing the philanthropic and socially responsible view of an organization to be illustrated to a wider audience, including potential and prospective customers.

As research and practice increasingly underlines, nowadays, consumers expect brands to not have functional benefits, but also a social purpose. As a result, companies around the world are ensuring that their social stance is taken in very visible ways. Sport can assist as a vehicle for this stance to be made public. Various successful examples of cause related marketing can be seen in a number of sports around the world. Looking into European football, for example, an interesting case to examine is the one of Fiorentina FC. The Italian club Fiorentina, decided to play the second half of the 2010 season with a logo of the organization Save the Children on their shirt, since they were originally unable to secure a sponsor. This logo replaced the logo of Toyota when the sponsorship with the car manufacturer expired, and was selected to promote a good cause on behalf of the club. Interestingly, when the club signed in a multi-million-dollar deal with another



Japanese car manufacturer, Mazda, the latter which was the paying sponsor in this deal, decided to allow the Save the Children logo to remain on the front of the club's jersey (SportsProMedia, 2011). This decision allowed both the sponsor and the sponsee to draw significant attention to their philanthropic image, while ensuring that the wider audience, including prospect customers of the sponsor, are aware of their commitment to their corporate social responsibility.

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