

The Rise of Sponsorship Spending

Ever since advertisements first appeared on a national scale in the mid-1800s, companies have allocated money toward advertising from their marketing budget. Originally, print advertising was the primary form of marketing, but the development of various technologies resulted in marketing money spreading to radio, television, and even the Internet (Campbell, 2006). Not only do marketers target various forms of media for advertising, but they also use other forms of marketing such as product placement and sponsorship to reach consumers. According to IEG, the leader in sponsorship research, sponsorship is a transactional agreement in which a fee is paid to an organization "in return for access to the exploitable commercial potential associated with that property" ("IEG Lexicon & Glossary"). GroupM predicts that spending on sponsorship will grow faster than spending on traditional advertising (Smith, 2008). The rise of sponsorship spending in marketing budgets is an important contemporary media phenomenon to examine because of the large quantity of money and reputation at stake. The rise of sponsorship spending can be attributed to the regulation of tobacco and alcohol advertising, an increase in research showing the effectiveness of sponsorship, and the ability to reach the desired target audience in a fragmented media world.

While traditional North American media spending is expected to increase 3.9 percent in 2008, sponsorship spending in North America is forecasted to rise 12.6 percent this year according to the IEG Sponsorship Report ("Sponsorship Spending", 2008). Sponsorship is commonly seen as a transactional arrangement that can include a variety of types of opportunities. These opportunities can include signage at a sporting event, a logo on a jersey, website advertisements, exclusive suites, the ability to use the

sponsored team/player/event's logo for one's own company's use, etc. While sport properties do dominate the landscape of sponsorship, corporations also sponsor entertainment tours and attractions, fairs and annual events, causes, arts, and associations and membership organizations ("Sponsorship Spending", 2008). For the purpose of this paper, the primary focus will be on sport sponsorships as 69% of all sponsorships are of sport properties ("Sponsorship Spending", 2008).

Whether a company wants to sponsor a team (e.g. Detroit Red Wings), event (e.g. Super Bowl), league (e.g. NFL), or a player (e.g. Tiger Woods), there are plenty of options and different levels of commitment asked from the sponsoring organizations. The differences between these levels of sponsorships are typically the level of reach provided as well as the fee for such an arrangement. For example, a sponsorship of a Detroit Red Wings player like Henrik Zetterberg will allow the firm to reach Red Wings' fans, particularly those in the Detroit market. However by sponsoring the NHL, that same firm could better target fans league-wide increasing the potential consumer base exposed to one's firm, but also costing the firm a lot more in the process because of the expanded reach of the sponsorship.

A firm will examine the different possible sponsorship opportunities and how well these opportunities align with their company's core values and objectives before selecting which one would be the best fit for them. According to research currently under review by Cunningham and Cornwell, the type of company can impact which sponsorship opportunities are chosen by the firm. They found that success-oriented firms were more likely to sponsor "individual athletes, environment, health, and education" while employee-focused firms tended to sponsor "entertainment, sport (teams), and religious, business and community oriented events/activities" (Cornwell,

2008). It truly is up to the discretion of the firm to determine which type of sponsorships to pursue and how many the firm hopes to include in their sponsorship portfolio.

Sponsorship is an important contemporary media phenomenon to examine because of the large quantities of money and the corporation reputations at stake. In 1998, global spending on corporate sponsorship reached about \$17.35 billion (Stotlar, 1999). In 2007, that number was estimated at \$38 billion ("GroupM Global Ad Forecast"). That's an increase of 45.7% in sponsorship spending. Companies are spending hundreds of millions to be associated with big properties like the Olympics, the Oscars, or the World Cup of Soccer.

In addition to the cost of the actual sponsorship fees, many corporations' advertising dollars are actually being spent to activate their sponsorships, which simply means using tactics that try to reap benefits from their sponsorship. By activating a sponsorship, companies are essentially forging a link in the mind of their target audience between the brand and the sponsorship via public relations, promotion, advertising, merchandising, and direct marketing (Crimmins and Horn, 1996). In fact, it is quite common for companies to spend twice their sponsorship fee on advertising (Carvajal, 2006). Why are companies willing to spend that much money on sponsorship and why are companies continually spending more and more of their marketing budgets on sponsorship spending? There are three primary causes for this spending increase: the regulation of tobacco and alcohol advertising, an increase in research showing the effectiveness of sponsorship, and the ability to reach the desired target audience in a fragmented media world.

The macrostructure of regulation in the advertising industry has resulted in an increase in sponsorship spending. The US federal government regulates advertising of

specific products like alcohol, tobacco, and drugs through different branches. In 1971, the US government banned broadcast advertising for tobacco products and brands (Amis & Cornwell, 2005). This change in regulation resulted in the tobacco companies looking for a way to circumvent these governmental advertising bans. Not only does sport sponsorship allow a tobacco brand to find its way onto television programming, but it is not required to be accompanied by the Surgeon General's warning that is required for tobacco print advertising (Crompton, 1993). In this instance, sport sponsorship functions as "an implicit form of social marketing that attributes socially desirable qualities to the actions of drinking and smoking themselves, not simply to brands" (Amis & Cornwell, 2005). By trying to transfer the enjoyable and fun characteristics of motor sport racing onto the usage of tobacco products, these companies are trying to get fans to associate tobacco with these positive qualities and thus encouraging them to try an addictive product.

By sponsoring high profile athletic events such as F1 auto racing and the Indy Racing League (IRL), tobacco companies are attempting to obscure "the connection between cigarettes and chewing tobacco and disease" (Crompton, 1993). Not only do sport sponsorships encourage viewers to make the connection between a healthy lifestyle and their product, but by also using sport, tobacco companies are able to easily penetrate the youth market. These adolescents are easily susceptible to the tobacco messages, as they haven't developed the strong independent thinking yet allowing them to get swept up in the advertising message more easily than adults (Crompton, 1993). Since tobacco companies can no longer use broadcast advertising and alcohol companies have to limit what they can advertise (e.g. hard liquor), spending on

sponsorship has increased so that these companies can still find a way to target the youth demographic in an attempt to get them to start using their products.

A second reason for the rise in sponsorship spending is the increase in research extolling the effectiveness of sponsorships. In the past, sponsorship was seen as more of a way for executives to interact with athletes and entertainers while offering a way for the company to entertain clients and even reward employees (Stotlar, 1999). Today, shareholders would not support a company paying millions of dollars on a sponsorship deal if the primary reason was for socialization. Instead, shareholders now want to see data explaining the benefits of the sponsorship arrangement, which reflects this change in economic practices. One of the reasons why marketers are increasing their spending on sponsorships is that studies have shown the effectiveness of sponsorship to improve brand equity, or the value of the brand, and have now established valid ways to measure a company's return on their investment (ROI) by seeing if there was an increase in sales or market share since the start of the sponsorship arrangement. For example, Mercedes-Benz sponsored the ATP Tour in 1997. That year, the company sold over 8000 ATP special edition cars as well as 40 cars, which were sold to tour players (Stotlar, 1999). These sales can be directly attributed to the sponsorship of the ATP Tour and thus provided a strong return on Mercedes-Benz's investment.

Research has also shown that the "image of a sporting event will transfer to a sponsoring brand's image when the two are linked through a sponsorship" (Hensler, 2007). Thus this level of image transfer can have a positive impact via association on both the sponsor and the property. For example, Nike sponsors Tiger Woods in the hope that his image as a prestigious golfer will transfer onto their brand and consumers will see Nike as a prestigious apparel company used by the best athletes. In addition,

research demonstrates that the more individuals are exposed to a stimulus (e.g. a sponsorship sign at a stadium or a brand logo), the more the individual will like the stimulus (Cornwell, Weeks, & Roy, 2005). Therefore, Nike sponsors a wide variety of top athletes and teams so that the more a potential consumer sees the Nike swoosh on high level athletes and teams, the more they associate positive qualities to the swoosh and consequently the Nike brand. The large quantity of research supporting the effectiveness of sponsorship has caused an increase in sponsorship spending.

This kind of research allows companies to pre-determine which sponsorship opportunities would likely be the best and most congruent fit with their brand in order to increase its effectiveness. For example if a company like Sony, which produces HDTVs, wanted to look into sponsorship it would make sense to consider sports as avid sports fans have historically been a "major driver of HDTV sales" (Lefton, 2008). According to the congruence theory, these appropriate similarities and relationship between sports fans and HDTVs make it easier for individuals to store information and then recall this information about the product from his/her memory making a sponsorship with a sports team like the Detroit Red Wings valuable (Cornwell, Weeks, & Roy, 2005). Because it's easier to recall from one's memory, the individual is thus more likely to name the correct sponsor and more likely to have a good opinion about the sponsor. Research has already been done to confirm this positive relationship between HDTV buyers and sports fans as sports viewing is heavily associated with HDTVs. "According to a study by market research firm Parks Associates, one in three HDTV buyers expects to watch more sports after his or her purchase, and 71% of sports fans up their intake after getting a hi-def set" (Finn, 2008). It's the advances in sponsorship research that allows companies

to make educated estimates at how well the sponsorship opportunity will fit with their brand and thus help ensure the success of the sponsorship relationship.

In today's fragmented media world, it's hard for marketers to reach the same audience one once could back in the days of the three networks and budgets have seen an increase in sponsorship spending as a result. The digitalization of today's media has resulted in television viewers using Tivo to watch their favorite shows while skipping the commercials. Sports are a popular choice for marketers as games are primarily watched live instead of on Tivo with the commercials skipped. Even if someone did Tivo a game, sponsorship with stadium signage would still reach that target audience during the game action. As a 2007 article in *Advertising Age* reports regarding this reach of sponsorship, "Unlike the traditional 30-second TV spot, sponsorship embeds the message in the content, so it has the power to engage consumers even when they have the remote in hand" (Nardone & See, 2007). Marketers select sporting events because they can target a large audience within the desired demographics increasing the number of viewers they can build their brand with, sell products to, and overall maximize their profits. In addition, the prevalence of cable in the household is high and thus fragments the audience even further with the availability of specialty programming. Sport is one of the few televised events that can still draw a large quantity of people together as part of a live audience. Andrew Laft, a spokesman for Heineken, explains why the brewer decided to shift most of their advertising budget from traditional television ads to print ads and sponsorships of popular sporting events, "We're looking at ways to reach young men, guys between 18 to 23. They're often technologically literate, and they may be skipping through the ads. But they do watch sports" (Carvajal, 2006). In this manner, sport sponsorship has become a popular way for marketers to reach a large audience that

they used to be able to capture before television became as fragmented as it did. As a result, spending on sponsorships will continue to rise over the next decade.

This contemporary media phenomenon of the increasing spending on sponsorship, particularly sport sponsorship, is especially noteworthy because of the billions of dollars companies are investing in this relatively new marketing service. Not only are billions at stake, but also the reputation of the corporations involved. Between the increasingly strict regulation of tobacco and alcohol advertising, the increase in research extolling the effectiveness of sponsorship, and the ability to reach the desired target audience in a fragmented media world, marketers will likely continue to increase their spending on sponsorship opportunities. As the broadcast sector, in particular, continues to become even more fragmented and digitalized, sponsorships should increase in even more popularity as companies continue to desire to target those large television audiences that sporting events can draw and their options for broadcast advertising continues to shrink. Perhaps one day, there will virtually be no television commercial breaks and instead sporting events will only be sponsored by corporations who "advertise" their brand via signage in the stadium, a logo on the screen, field, or a jersey.

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