Effects of Sports Sponsorship on Supporting Company

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[Abstract] Global scale of sports sponsorships has been steadily growing. The important aspect of this sports sponsorship is that, not only the sports-related corporations such as Nike are sponsoring, but also corporations like Samsung, which has nothing to do with sports event, are sponsoring. This report includes survey results and reviews of the theories of sports marketing to identify the reasons why sports unrelated companies are sponsoring sports event.

In this report, results of the survey correspond to theories of sports marketing. First, it can be assumed that increased number of participants of the survey means that interest in sports has been grown. Second, most of the participants of survey, who are fans of particular sports team, are familiar with corporations that are sponsoring. In fact, maximization of sports marketing effect was done by sponsoring firms intensively using the symbols or brand names in uniform, stadium, and advertisements. Furthermore, fans who are aware of the sponsoring firms had more loyalty to the products of the firms. The positive effects are divided into two parts: promotion of image of corporations, and promotion of total revenue of the firm. Lastly, sports sponsorships and revenue of the firm during especially sports event season have positive correlations.

As a result, corporations are sponsoring sports teams for marketing effects, which include improved loyalty of fans, promotion of total revenue of the firm, and improvement of firm’s image to the mass.

[keyword] Sports sponsorship, Sports marketing, brand value, loyalty, brand symbols, intangible asset, advertisement, brand image, promotion of revenue

Introduction

In 2017, global sponsorship market’s investment scale increased 4.3% from previous years, up to 627 million dollars. It is estimated to grow continuously at 4.9% to reach 658 million dollars (Statista, 2018). Adidas, Coca-Cola, Pepsi and many other companies spend over 1 million dollars on sponsorships each year. Sports related sponsorship occupy 70% of the entire sponsorship investments (MediaPost, 2018). For sports-wear brands like Nike or Adidas to advertise about sports are natural. However, why would companies without any sports association like Coca Cola, Pepsi, or Samsung sponsor sports? The following will be discussed throughout the research paper.

In modern society, effects of media is maximized and diversified. Advertisement has been strongly correlated with media's development. New platform and differentiated advertisements can raise brand awareness and image improvements. According to Meenaghan (1983), sponsorship is defined as an exchange of financial or
logistical assistance to a property in order to achieve commercial objectives. There is a difference between sponsorship and advertisement and charity activities. Javalgi et al. (1994) indicated that unlike commercials, sponsorships’ intended messages aren’t as restricted. In addition, the main audience of commercials are the viewers while those of sponsorships are active participants, spectators, and particular enthusiasts (Hastings, 1984). Sponsorship is differs from charity work that it expects a profit from mercantile target, thus altruistically motivated (Cornwell, Maignan, and Irwin, 1997). In another words, it is not a distribute - benefit relationship but rather both parties of sponsorship benefit. Hyun Jong Park (1996) defined sponsorship as all cavities regarding companies providing assistance in cash, objects, know-how, or organizational services to athletes, teams, leagues, associations to reach marketing and communications goals. Unique characteristics of sponsorship and its effects on goal achievement will be discussed throughout the research paper.

Body
The first question on a survey was “Do you support at least one or more sports teams?”. The sample survey consisted of 165 people while age, gender, region, education and economic level were not factors.

Table 1 Survey Result 1

According to question one on the survey, it is evident that 91% of the responders have at least one or more sports team that they continuously follow.

Today, representation of sports within our society has been correspondingly increasing with leisure society (freizeitgesellschaft). As income level rises and less hours of work, more time is available for leisure activities. Traveling as well as sports activities were ranked highest for leisure activities preference. Sports activities especially have benefited from rising value both quantitatively and qualitatively (Opaschowski, 1993). As modern society put health as an important topic, they view sports as active activity as well as a medium for healthier lives. Motivations for modern people include media, sportspassivitat, vicarious achievement, acquisition of knowledge, aesthetics, social interaction, drama, escape, family, physical attractiveness of participants, and physical skill of participants (Trail et al.,2000).

A team-based sports may even be considered as an educational function. Sports has a good societal image of providing people the sense of accomplishment, victory, drive, youth, competition, and fairness. Such characteristics act as a modem to give a sense of individualization, and self confidence to those struggling from the fast urbanization and industrialization (Hyun Jong Park, 1996). Majority of people have a positive impression towards sports, thus sports events are prime locations for marketing strategies. Objects that consumers want can be related to marketing strategies. Second question was directed towards the fans and asked if they knew the sponsoring companies of their supporting team(s).
Of 150 people, 114 (76%) responded yes to the question. Recognition of the sponsoring group increased with the team’s name including the company and/or having big prints on the uniforms. In addition, having the company name be part of the event increased recognition. The goal in modern business is to spread the brand name via marketing. According to the American Marketing Association, a brand is a name, sign, logo or a design that a company uses to differentiate their service and product from those of other competitors. Consumer’s image of the brand embodies in forms of high market share, price premium, and low-price resilience. More recently, people expend by brand rather than products; this shows the importance of brand in a company’s marketing. Companies use different media and platforms simply to make consumers recognize the brand, which is called “Brand Assets Building Process”. Brand Assets Building Process consists of five main categories; brand’s current status → brand identity establishment → brand positioning setting → communication with consumers → routinely examining brand’s assets. Through these steps, companies can build brand image assets, brand strength, and finally brand value. Thus, brand is formless, invaluable, and intangible asset of a company.

According to Hye-Rin Choi (2018), sports sponsorship consists of five main constituents.

In examination of previous studies relating sports sponsorship and communication, Sleight (1989), sports is an important way of effectively connecting and a source of communication towards different audiences. Crimmins and Horn (1996) stated that unlike other forms, sponsorship is much more effective as a mean of communication for companies. It differentiates itself from traditional commercials by indirectly persuading. Hae Rong Song (1997) believed that sponsorship is an improved version of sports marketing because it specifically targets a mass’s attention, which has a clear message. In addition, sports sponsorship is void of national, linguistical, cultural and racial differences. In conclusion, it incorporates a universal interest of sports into an advertisement with an effective and improved means of communication than the past.

The third question of the survey asked about if the sponsoring company seem amicable.
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Table 3 Survey Result 3

If the sports fan recognized the sponsoring group, their image of the company is very good. However, if the audience fails to recognize the sponsoring company, the results are similar to those who aren't fans. This result corresponds to McDonald (1991) research result that events and sports directed people have higher interest rate in companies than those who aren't. This provides companies motive to have a amicable image to the audience. Sports sponsorship relatively have a very positive impact on a company's image as supported by increased brand value after big sporting events like the World Cups or the Olympics. In summary, interests in a competition can flow into an interest in a sponsoring company, thus increasing brand image (Mullin et al, 2000). In a company's standpoint, sponsoring an event can lead into a massive increase in product purchase rate (Pope and Voges, 2000).

Consumers' fidelity towards a company strongly depends on good impression, credibility, and satisfaction rate. Loyalty is a critical factor in marketing especially about the re-purchase rate (Dick & Basu, 1994: Engel et al, 1995; Pride & Ferrell, 1997). Consumer fidelity can be divided into two categories: attitude and behavioral. According to Beckman & Crompton 1991; Day, 1969; Dick & Basu, 1994; Jacoby, 1971; Mahony, Madrigal & Howard, 2000) Jacoby(1971), behavioral fidelity leads to a clear and repetitive repurchasing rate while attitude fidelity is the fundamental mental drive of consumers to act so. So, in order to increase consumer fidelity, there must be an increase in emotional attachment towards products, which leads into the behavioral change.

To connect these theories into sports sponsorship, consumer fidelity strongly correlates to team identification. Team identification is defined as the magnitude of a person's attachment towards a sports team. Team attachment transitions into sponsorship attachment.

In addition, sponsorship activity relates to a company's community contribution and services, which increase interest rates. By supporting a relatively unpopular sporting event or supporting a developing athlete, the general image of a company may change.

By meeting the golden standards of societal demand, companies are going beyond the CSR to CSV (Creating Shared Value). Many believe that this also creates job opportunities, which further enhances and supports people's interest rate.

Fourth question on the survey asked about the purchase rate from the sponsoring company.

Table 4 Survey Result 4
The results suggested that there was no significant difference between three groups. However, it seems inevitable for those to not encounter the S electronics, a mega company based in Korea, due to its widespread use. So, there seem to be no relation between fan status and repurchase rate. When looking at Maeil Dairy company’s sponsorship to the same team, it can be identified that there was an increase in repurchase rate. The following is a short section of Maeil Economic Newspaper.

『Avid fan of Suwon, Seohyun (29) started to purchase specifically Maeil Dairy Company. She believe that this may contribute even slightly to her supporting team of Suwon Samsung Bluewings, a professional K league soccer team. Seo said that “I would purchase any brand to support my team”. K league classic Suwon Samsung started to put Maeil brand on their uniforms for three years after their sponsorship contract in 2016. Since, Suwon fan started a trend on social media, following the Icebucket Challenge, called #repurchase campaign. The motive for this campaign was to drink at least one Maeil milk if you are a suwon fan. The main way was to post a picture of Maeil drink and tag three other people.』
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Figure 3 Instagram Searching 11 Nov 2018 “Repurchase”
Figure 4 Facebook Searching 11 Nov 2018 “Repurchase”

<table>
<thead>
<tr>
<th>Official Olympics Partner Stock Increase Rate</th>
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<tbody>
<tr>
<td>Company Name</td>
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<td>----------------</td>
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<tr>
<td>Coca Cola</td>
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<td>Visa</td>
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<td>Panasonic</td>
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<td>McDonald’s</td>
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<td>GE</td>
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<td>Acer</td>
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<td>Dow Chemical</td>
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<td>P&amp;G</td>
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*Event Date: 7/27~7/31

Figure 3 2012 Official Partner Stock Increase Rate during the Olympics
Source: Soojung Shin (2012.08.02), Samsung Electronics, #1 in Stock Increase Rate during the Olympics Harold Economics

According to the above data, 7 of 11 2012 official Olympics Partners had an increase in stock rate. Thus, sports sponsorship can provide the positive outcomes that companies desire.

Figure 4 Impact on sampling and support Sports business (April, 27, 2015)

The figure above from National Collegiate Athletic Association is a survey about attitude towards sponsorship. People who scored 4 or 5 from a question regarding how much of a big fan one is considered AVID. Compared to CASUAL group, AVID group purchased at least 10% and up to 18% of official NCAA sponsored products. So, it can be concluded that sports sponsorship directly influences the purchase rate of AVID group. The second question was how much people supported the sponsoring companies by purchasing their product(s)? Over the course of three years, AVID group responded 48.5%, 49%, 46%, which are all close to 50%. This question also had significant difference than CASUAL group, thus further supporting the importance of AVID group. The third question was would you recommend sponsoring groups’ product to close friends or family? AVID group also rated high for this question as well.
Figure 5 Sponsorship Significance and Assessment Source: Sports business (April.27. 2015)

The above table shows the difference in intention before and after realization of sponsoring company. First column is percentage considered for buying product when not clearly identified the sponsor. The second column is percentage considered after correctly identified the sponsor. Although sponsoring itself may influence purchase rate, helping people recognize the sponsor is another task of the marketing team.

Figure 6 ‘Which of the following is an official sponsor of the NCAA?’- Soft Drink Source: Sports business(April.27. 2015)

Figure 7 ‘Which of the following is an official sponsor of the NCAA?’– Rental Car Source: Sports business(April.27. 2015)

Figure 6 and Figure 7 shows how AVID and CASUAL groups both recognized the sponsor.
*mark means official NCAA sponsor. Like already mentioned, AVID rated higher.

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<tr>
<td>Buick</td>
<td>21.5%</td>
<td>20.5%</td>
<td>14.5%</td>
<td>14.4%</td>
<td>19.5%</td>
<td>14.0%</td>
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<tr>
<td>Ford</td>
<td>20.5%</td>
<td>15.0%</td>
<td>15.5%</td>
<td>11.4%</td>
<td>13.5%</td>
<td>7.5%</td>
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<tr>
<td>Chevrolet</td>
<td>16.5%</td>
<td>15.0%</td>
<td>18.5%</td>
<td>11.5%</td>
<td>12.0%</td>
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<tr>
<td>Toyota</td>
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<td>17.5%</td>
<td>12.5%</td>
<td>7.9%</td>
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<td>10.0%</td>
<td>7.9%</td>
<td>11.0%</td>
<td>7.5%</td>
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<tr>
<td>I'm not sure</td>
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<td>42.5%</td>
<td>44.5%</td>
<td>60.4%</td>
<td>50.0%</td>
<td>62.0%</td>
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Figure 8 'Which of the following is an official sponsor of the NCAA?'-Automobile
출처: Sports business(April,27. 2015)

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<tr>
<td>Samsung</td>
<td>20.0%</td>
<td>15.0%</td>
<td>10.5%</td>
<td>11.4%</td>
<td>11.5%</td>
<td>11.0%</td>
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<tr>
<td>LG</td>
<td>13.5%</td>
<td>19.0%</td>
<td>23.0%</td>
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<tr>
<td>Sony</td>
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<td>7.5%</td>
<td>9.0%</td>
<td>9.4%</td>
<td>4.0%</td>
<td>6.0%</td>
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<tr>
<td>I'm not sure</td>
<td>50.5%</td>
<td>46.0%</td>
<td>51.0%</td>
<td>60.4%</td>
<td>62.0%</td>
<td>61.5%</td>
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Figure 10 'Which of the following is an official sponsor of the NCAA?'- Consumer Electronics
출처: Sports business(April,27. 2015)

However, in Figure 8, 9, 10, it indicates that there is only a 1% difference between recognition or not of the sponsor. There are times when AVID and CASUAL groups show no difference. If research done right, only 7 categories of 11 total sponsor categories are recognized: soft drink, credit card, rental car, casual dining, wireless service, candy, and insurance. However, categories like shipping services, automobile, life insurance and consumer electronics were not correctly identified. If the audience don't even recognize, then there is no significant results. Allowing people to identify the sponsor is an imminent issue. Finding the differences in results between type of industry and awareness rate can be a good reference point.

Figure 9 'Which of the following is an official sponsor of the NCAA?'-Services
출처: Sports business(April,27. 2015)
Conclusion

As modern society grow in leisure time, time spent in sports grow linearly. Sports can act as a medium to increase both physical and educational health. With an increase in elite sports nationally, sporting events have become strategically good for marketing. Change in society's aspect in life created a new form of commercial called sports sponsorship. It differs itself from traditional commercial that it can be directed towards more diverse and number of people. Numerous research articles suggest that sponsorship awareness and preference strongly correlate. Although exact numbers can't be measured, increase in brand recognition and preference most definitely leads into increase in product sales. So, sports sponsorship can give a positive effect on a company's total sales. In addition, healthy and proactive image of sports transitions into a company's image. By sponsoring in mega events like the Olympics, brand image will be built and considered as a global brand. Having such positive outlook can also increase stock trend. With sports sponsorship, a company's authority level and community service level increase. All of these characteristics effect a brand’s favorability and consumers’ attitude loyalty.

Suggestion

Although sponsorship has plethora of positive aspects, it's excessive industrialization can't be evaded. There must be a sly and intrinsic way for people to unconsciously accept the marketing strategy. With future researches, one can maybe correlate company's favorability and sponsorship more effectively. However, there is a limitation on the magnitude of measurement. So, there must be a way to overcome this obstacle.

References


