

# **Introduction to Sponsorship**

© 2002 *The Sponsorship Unit Pty Ltd.* ABN 49 182 798 366; ACN 061 500 954

This book is copyright under the Berne Convention. All rights reserved. Apart from any fair dealing for the purposes of private study, research, criticism or review, as permitted by the copyright act, no part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without written permission of the publisher.

The purchasing educational institution and its staff have the right to make copies of the whole or part of this book, beyond their rights under the Australian *Copyright Act 1968* (the Act), provided that:

1. the number of copies does not exceed the number reasonably required by the educational institution to satisfy its teaching purposes;
2. copies are made only by reprographic means (photocopying), not by electronic/digital means, and not stored or transmitted;
3. copies are not sold or lent;
4. every copy made clearly shows the footnote :©The Sponsorship Unit Pty Ltd., 2002. This sheet may be photocopied for non-commercial classroom use.

Any copying of this book by an educational institution or its staff outside of this blackline master licence may fall within the educational statutory licence under the Act.

The Act allows a maximum of one chapter or 10% of this book, which ever is greater, to be copied by any educational institution of its educational purposes provided that that educational institution (or the body that administers it) has given a remuneration notice to Copyright Agency Limited (CAL) under the Act.

For details of the CAL licence for educational institutions contact:

Copyright Agency Limited  
Level 19, 157 Liverpool Street  
Sydney NSW 2000  
Telephone (02) 9394 7600  
Facsimile (02) 9394 7601  
E-mail: [info@copyright.com.au](mailto:info@copyright.com.au)

## **COPYING BY OTHERS**

Except as otherwise permitted by this blackline master licence or under the Act (for example, any fair dealing for the purposes of study, research, criticism or review) no part of this book may be reproduced stored in a retrieval system, or transmitted in any form or by any means without prior written permission. All inquiries should be made to the publisher at the address provided.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional person should be sought. From a declaration of principles jointly adopted by the American Bar Association and the Committee of Publishers.

Written by Edward Geldard & Laurel Sinclair

# Introduction to Sponsorship

## Chapter 1

### Sponsorship Defined

#### Sponsorship - the Potential

Sponsorship, of all the marketing communications tools, has the greatest potential to allow a company to form a relationship with their customers via a personal medium. We are reading all the time how the world is becoming an impersonal place, and that people are yearning for a sense of community – of belonging. We email instead of talk; many of us no longer worship; stranger danger means that children are unable to play in their neighbourhood without supervision, and we are all so consumed with our careers, or just the business of living, that we do not have the time to make, and maintain those friendships that used to give us a sense of community and of belonging. Often the only sense of belonging comes from our interests – sport, arts, charitable beliefs, educational institutions and so on – each of us relate to at least one of these, often passionately. This is particularly so in the sports arena, where you are likely to see the same fans sitting in the same seats week after week.

It is not enough for a company to offer a brand to the market – even if it is an excellent one. The brand must now “stand for something” – in other words have some cultural meaning. People like to think that their purchases stand for something – consumers are informed and discriminating, and there is ample evidence available that they will change their purchase habits based on how they perceive the product/brand/company. Many companies have now realised that they need to invest their brand(s) with cultural meaning, and then communicate those values to their customers in a personal (and acceptable) manner. Sponsorship offers the opportunity to connect with people when they are experiencing or undertaking an activity that they enjoy and have chosen to be involved in.

In other words, sponsorship can offer the opportunity to communicate (or speak) *with or to* your desired target audience, rather than speaking *at*, which is often the way with conventional methods of marketing communication.

We have all seen the passion and excitement generated by sports and arts events, and the enthusiasm generated by the activities of major charities and medical research institutes. The hearts and minds of the public and the media alike can be captured by these events in a very positive manner. In becoming involved in sponsorship, companies are buying the right to associate themselves with these events, organisations and people; in order to positively impact on sales, release new products or perhaps heighten or improve company or corporate image. Many sponsorship properties offer the potential to gain both reach and frequency within a very targeted market, which as we all know is an integral part of getting the marketing message to stay with the consumer.

In our not too distant past, many companies just handed over the sponsorship money and then sat back waiting for the benefits to roll in. They either put no effort in, or expected the sponsored person or organisation to make it work for them. It will come as no surprise that the benefits did not ensue, and they never will, from such a lax arrangement.

Sponsorship has for many years now been a discipline in its own right. It is a business tool in competition for marketers and communicators budgets along with advertising, sales promotions, public relations and direct marketing. An effective marketing, communications or public relations program may use one or all of these tools for totally different effect. Sponsorship is now an integral part of almost every major company's marketing mix and can provide a substantial return on investment when well selected and managed to deliver objectives. However, it must be said that the added expense of human resources commitments and leverage dollars can disadvantage sponsorship when compared with other marketing and communications mediums.

Companies are seeking tangible benefits from their sponsorship programs such as: increased sales, access to hospitality, product sampling, signage rights, exclusivity (the ability to lock out the competitor), merchandising, networking, client entertainment, media coverage, publicity opportunities, use of personalities, image association, generation of awareness and goodwill, and retail and trade incentives.

## **Sponsorship's Effect on the Community**

Sponsorship is vital to the survival of numerous non-profit sports, arts, charities, environmental organisations, events, and even professional sports and arts organisations and the like. Without sponsorship support ticket prices at many events would be forced up to exorbitant levels, and the events could well become non-viable. Sponsorship has become vitally significant to our community in a number of very important areas. Sponsorships help fund much of the entertainment we attend and view on television, from basketball to motor racing, to arts events and historical exhibitions. Sponsorship support is now making possible numerous environmental initiatives that do not enjoy government funding, and supporting the works of both charities and medical research institutes. Without significant sponsorship revenue many activities and events would not be made available to the community, and certainly not at the same level of expertise.

## **Sponsorship Defined**

Sponsorship is generally recognised as the purchase of the, usually intangible, exploitable potential (rights and benefits), associated with an entrant, event or organisation which results in tangible benefits for the sponsoring company (image/profit enhancement).

New jargon/terms commonly come and go in the sponsorship arena. The common feature of all of the following is that they utilise a sponsorship relationship in order to achieve marketing and/or communications objectives:

- Cause related marketing activities
- Event marketing
- Sports marketing
- Arts marketing
- Experiential marketing

Sponsorship support can be of; an event, organisation, individual, team, object, television program, venue etc., and the benefits offered to the sponsor by the sponsored organisation can include:

- Exclusivity (the ability to lock out the competitor)
- Image association
- Product sampling at venues
- Sales rights
- Licensing rights
- Association with a lifestyle
- Signage rights
- Merchandising
- Hospitality for client entertainment
- Networking with people of importance
- Media coverage
- Publicity opportunities
- Use of personalities for advertising and promotions
- Retail and trade incentives to encourage your members to purchase the sponsor's product

The benefits, when leveraged can result in some or all of the following tangible results for the sponsor:

- Increase in brand, product and corporate awareness
- Significant media coverage
- The ability to influence opinion leaders
- Increase sales
- Generate awareness and goodwill within defined target audiences

Successful execution of sponsorship generally utilises most marketing and communications tools in its execution. Successful management of a sponsorship program can involve the use of advertising, public relations, sales promotions, cross promotions, television coverage, merchandising, licensing, media relations, on-pack promotions, and the creation of events.

It must be pointed out that **sponsorship is not a donation**. Donations are either free goods or money given with no return benefits expected. Sponsorship offers monetary support to an individual, team or organisation in return for an agreed benefit or list of benefits that are to be provided by the sponsored entity.

**Grants are not sponsorship.** Grants are most often a once only financial payment (assistance) provided by government, foundation or trust in order to assist in the development of a project, purchase of an artwork, educational endeavours or similar.

Grants are almost always non-commercial in nature, in fact in some places it is illegal to ask for commercial benefits in return for the bestowing of a grant, so it is worth checking local legislation. Generally the benefit is in the delivery of the activity or item supported by the grant.

## The Beginning

The first documented sponsorships were of the arts during the renaissance period. These involved support of the arts and the artists of the time by rich and powerful persons who wanted to socialise and associate themselves with the artists' image and works.

The first modern sponsorships occurred at the turn of the century in the area of motor sport. The beginnings were humble, with a number of cars receiving contra support (free goods) from oil and tyre companies in exchange for signage and demonstrating the sponsor's product to the motor racing audience. Acknowledgement of that support was initially just a list of suppliers, not the brand signage that we now see on racing cars.

Of course, we went through a phase where some sponsors wanted a sign on everything that did (and didn't) move (the logo slap!). However, in most cases sanity has prevailed, and sponsors are now far more aware of whether their signage is appropriate and aesthetically acceptable.

## Why Companies Use Sponsorship

Sponsorship in the past was in many cases a form of altruism by the Chief Executive and was a way of ensuring she got to play in the Pro-Am, or perhaps of pleasing their partner because they liked, for example, the Opera. This sort of altruistic (non marketing) sponsorship is on the decline due to the tightening economy and companies being accountable to Boards that are taking a far greater interest in justifying expenditure and getting a return for their shareholders.

Sponsorship is now more closely aligned to marketing and communications departments rather than the 'bosses' office. Too many companies, however, still have a few of the bosses 'pet' sponsorships lurking in their portfolio that are outside the scope of the company strategy and policy. (There are obviously still some advantages to being the boss!) However, increasingly even these have to be justified in terms of return on investment.

Companies undertake sponsorships to achieve or further many and varied objectives. The following are some reasons why companies become involved in sponsorship programs:

- **Change attitudes and behaviours** of trade, consumers, staff and corporate clients.
- **Generate consumer awareness** - used to introduce or build brands.
- **Purchase of a significant marketing advantage.** The right to exploit the sponsored organisation's or individual's image or lifestyle through: naming rights, use of mailing lists, creation of licensed and premium merchandise, on site concessions, exclusivity, signage, and use of personalities. A caution here – when a club, organization etc. gets personal name/address details from members, they should at the same time gain permission to pass these details on to sponsors. In some countries and states, significant privacy legislation exists, and it would be prudent to familiarise yourself with any requirements.
- **To generate goodwill towards the sponsor (company).** Relationship marketing, media coverage, lobbying, access to VIP's, ie., government ministers. There is increasing evidence that responsible corporate citizenship can and does result in an increase by consumers in propensity to purchase.

- **As a cost effective alternative** to mainstream advertising and other marketing tools, and a way to connect with your target audience in a more personal and lifestyle relevant manner.
- **Facilitate community activities/relations** – within the area of operation. Sponsorship is regularly undertaken by a company within its immediate area of operation in order to facilitate good relations within that community, and ultimately to assist it in operating within a climate of consent.
- **To generate or increase sales through utilising the relationship.** Directly, sales could be gained by selling product into related venues, such as sports stadiums and theatres. Indirectly, sales might be affected by change in audience attitude or knowledge, which leads to purchase.
- **To participate in relationship marketing.** Sponsorship often provides the platform to develop or strengthen relationships with clients or potential clients.
- **To generate brand awareness and acceptance.** Sponsorship is often used to raise the awareness of a company's brand or corporate identity, and to generate goodwill towards the sponsor.
- **To identify product with a lifestyle, through, for example, naming rights.** An example of this is Nikes sponsorship of high profile athletes, which sends a message that Nike products are both functional at a top level, and that they are desirable enough for high profile sports people to be seen wearing them.
- **Exclusivity - lock the competitor out of an activity.** With a high profile sponsorship such as soccer which receives many hours of television coverage, and has a huge number of fanatical supporters, it may be well worthwhile for a company (such as an airline for example) to ensure that their major competitor cannot get access to the supporter, (or for that matter the travel business of the teams and fans).
- **Access niche/target markets.** Sponsorship is often the only way to access a particular niche market. For example, a manufacturer of horse riding products would gain access to their target market if they undertook to sponsor all pony club activities, or cross country riding events.
- **Client entertainment/hospitality.** Sponsorship is often the only way to gain access to a large number of premium (A Reserve) seats at any given event, such as the Opera, the ballet, the Cricket and so on.
- **Demonstrate product attributes.** Sponsorship offers the opportunity to demonstrate product attributes in more than one way. You will often gain the right to sample your product in a venue if you are a sponsor. Alternatively, you could have the team or stars actually use your product during an event, which clearly showcases it during use.

Initially sponsorship was not much more than a list of sponsors on a vehicle, but it has now developed into a sophisticated medium that can be a cost effective alternative to mainstream advertising and other marketing tools. Sponsorship should only be used as an alternative to conventional advertising and marketing programs when it is clearly the best or most cost effective method of achieving the sponsoring organisation's objectives and goals.

## The Value of Sponsorship

The value of sponsorship can be measured by its effect on the sponsor's bottom line and their publics' perceptions of the company and its products. If the public and trade are unaware of, or disinterested in the sponsorship, attributable returns are likely to be minimal at best.

Sponsorship can be relatively inexpensive in comparison to other marketing tools, however companies using sponsorship in their armoury are only doing so if they are well serviced by the seeker and the relationship is rewarding and problem free. Far too often this is not the case – we could cite dozens of examples here – consultants tend to be invited on board when the going gets tough! To achieve and maintain a mutually beneficial relationship requires the sponsored organisation to initiate opportunities for the sponsor. These might include cross promotions, event promotions, or significant media coverage of the sponsor's key messages.

## Marketing and Communications Defined

As mentioned, sponsorship is used as a marketing and communications tool therefore it is important that we define the terms marketing and communications:

**Marketing** is an activity that has existed for the past one and a half centuries. Marketing activities commenced when farmers and tradespeople had a surplus of goods and decided to barter those goods in exchange for an item or service owned by someone else.

### Text Book Definition of Marketing:

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organisational goals.<sup>1</sup>

In essence, marketing involves the following elements:

1. Possessing or producing a product or service required by others that is surplus to your requirements (identifying product or service).
2. Locating potential customers for your product (research potential customers needs).
3. Pricing the product or service at market price.
4. Ensuring that potential customers are aware of your product (advertising).
5. Demonstrating how the product or service can help them and why they should purchase from you (distribution and selling).

**Communications** is defined in the Collins Dictionary as being:

"The imparting or exchange of information, ideas or feelings."

---

<sup>1</sup>Bennett, Peter D., Ed., 1988, Marketing, American Marketing Association, p.54

For effective communication to occur the communicator must decide on the information to be disseminated, select a medium via which to transmit the message and encode the message to ensure it is interesting and has relevance. The message then has to be decoded by a receiver who will act on the contents of the message. Depending on the effectiveness of the communication, the receiver may ignore the message, retain the information for future reference, or act on the message immediately by, for example, purchasing the goods mentioned.

## **Typical Company's Marketing Communications Mix**

Marketing and communications tools are all regularly used in the execution of sponsorships to communicate key messages to the company's target audiences. The aim is to generate consumer interest that will motivate consumers to take in the sponsorship message. The marketing communications mix is usually made up of some or all of the following tools:

### **Advertising**

Sponsorship communication often includes an advertising component that is paid for usually by the sponsor, sometimes by the seeker, but communication also takes place through general media coverage, editorial, press and video releases, and signage.

Sponsorship differs from advertising in that advertising is where a company pays a fee for the right to place advertising. In this instance, the company retains complete editorial control of the advertisement. This means that all messages are scripted and approved and appear as scheduled advertisements. Editorial control of the conventional advertising component of sponsorship is generally shared by both the sponsor and the seeker, and from time to time even a sub-sponsor.

Advertising has the capacity to be transmitted cheaply, on a cost per person basis, to vast audiences through non-personal mediums such as television radio and print. If, however, marketers are aiming to influence a 'niche' market, which consists of a relatively small number of people, television, radio and print can be very expensive on a cost per person basis. This is where a sponsorship property that delivers to that niche audience can be a very cost effective way of communicating to your desired audience.

### **Sales Promotions**

Sales promotions are short-term marketing tactics designed to generate additional sales through the use of inducements, incentives, and/or added value. These include competitions, money back offers, sweepstakes, redemption's, two for one offers, etc. Sales promotions are regularly themed around a sponsorship program.

### **Public Relations**

Public relations is the communication of information to consumers through the strategic use of non-cost mediums. Sponsorship can quite often be a catalyst for, or the subject of, public relations activities that will generate the necessary interest to communicate a message at no cost. This can be delivered through items such as news stories and editorial. Stories which are disseminated via

public relations channels are often seen as being more credible than other sources, simply because they are not paid for advertising.

## **Niche Marketing**

Niche marketing is often undertaken by a company or brand in order to gain a position of strength or give the appearance of being the dominant or only brand in their particular segment. Companies commonly have an identified target market (niche) for their activities, which will often match the audience provided by a particular organisation. Most events and organisations seeking sponsorship have strongly defined audiences (membership, publics and audience). These audiences have unique demographic and geographic trends, which can make sponsorship an ideal vehicle for accessing these niche markets. Identifying the niche markets a sponsorship property can deliver ensures you are able to match your target audience with a sponsorship property that can deliver that unique audience. Some examples of niche markets include:

- Various ethnic communities
- Youth
- Gay community
- Grey power (over 60's)
- Football Fans
- Punters

## **Categorising Sponsorship**

Sponsorships can be broken down into three broad categories. These are ***Corporate, Marketing and Philanthropic***. (The vast majority of sponsorships being signed are Marketing sponsorships.) The reason for this breakdown is based on the end use of the property by the sponsor, and to an extent, the budgets that they are funded from.

### **Marketing Sponsorships**

Marketing sponsorships are the provision of cash or contra (free goods) in return for access to the exploitable potential associated with an entrant, event or organisation. These are used primarily to promote products and services to targeted market segments, and/or to reinforce a product or brand, or promote sales activities.

Sponsorships are often used in addition to advertising to ensure brand recognition. Examples of marketing sponsorships include the sponsorship of:

- Football teams
- Local festivals
- Pop concerts
- The Olympics

Marketing Sponsorships are taken out by businesses of all sizes for the *sole reason* that the sponsorship will have a positive quantifiable effect on the company's bottom line (ie, will generate profit, usually through increased sales).

## **Corporate Sponsorship**

Corporate Sponsorship is the provision of financial or material support (cash, services, or product) by a company for an independent activity not directly linked to the company's normal business. Corporate Sponsorships are generally National or State sponsorships of major events or organisations. Examples include:

- The Arts
- The Environment
- Charitable sponsorships (not to be confused with philanthropy /donations)

### **The Objectives of Corporate Sponsorship can Include:**

- Reinforcing the public's positive perceptions of a company, through positive media exposure and associating with the sponsored organisation's image.
- Communicating key corporate messages to defined target audiences.
- Supporting and reinforcing a company's corporate image.
- Building and/or maintaining the desired image of the company's identity.
- Establishing and maintaining a climate of consent for the company's activities by:
  - Providing opportunities to entertain key clients, opinion leaders and people with significant political and bureaucratic leverage.
  - Supporting worthy causes over prolonged periods.
  - Generating recognition within the general community that the company is a good corporate citizen and is supporting worthy causes.

## **Philanthropic Sponsorships**

Philanthropy is the intersection of societal and corporate needs. Philanthropic support is provided by large companies or philanthropic foundations, and these are undertaken to give something back to the community in which a company operates. Philanthropy makes a company feel virtuous, can provide taxation concessions on occasion, and at times generates goodwill towards the company.

Philanthropic sponsorships are generally in the arts, education and medical research areas and generally yield little direct benefit to the sponsoring organisation. They are basically an investment by individuals or companies for the public good.

## **Cause Related Marketing**

Cause related sponsorships involve the sponsorship of an organisation or cause that will generate emotion, or tug at consumer's heart strings. This type of sponsorship is designed to generate sales by linking a consumer purchase to funding or assisting the cause. In some cases the money spent on promoting the sponsorship will far exceed the donated amount.

## **Triple Bottom Line Reporting**

In these days of triple-bottom line reporting, cause related programs are growing in popularity – they are being included in company strategies, and proving that expecting a return from “cause dollars” is indeed realistic. There is increasing evidence that people want to feel good about the company that they purchase their products from. Cause related marketing/sponsorship programs are being increasingly recognised as one way of achieving a feel good connection with the consumer.

The Triple-bottom line is a term coined by John Elkington (1997), author and management consultant, which refers to the three prongs of social, environmental and financial accountability. It is a term that has found increasing and widespread international acceptance within the corporate community and one that is informing and transforming corporate reporting practices.

The notion of reporting against the three components (or ‘bottom lines’) of economic, environmental and social performance is directly tied to the concept and goal of sustainable development. Triple-bottom line reporting, if properly implemented, will provide information to enable others to assess how sustainable an organisation’s operations are.

The perspective taken is that for an organisation to be sustainable it must be financially secure; it must minimise (or ideally eliminate) its negative environmental impacts; and it must act in conformity with societal expectations. These three factors are obviously highly inter-related. (source: [www.ecosteps.com.au/sustainabilitytree/3bl.html](http://www.ecosteps.com.au/sustainabilitytree/3bl.html))

## **Integrated Marketing Programs**

Integrated marketing is an attempt to stop the ambush marketer (a company that associates with an organisation or event when it has no right to do so). Integrated marketing eliminates competitive advertising and almost guarantees the sponsor wont be ambushed at any level.

Integrated marketing is an effective way of packaging sponsorships. This packaging sees media broadcast rights, advertising, and project and event management as a complete package. This form of packaging is being used extensively in prominent sports like Golf. It makes the outcome of the sponsorship far less risky for companies and requires less human resources input.

Integrated marketing programs incur a premium but they do have the definite advantage that competitors are deterred from attempting the ambush because of the complexity of the task, not to mention the expense of topping a well-planned integrated marketing program.

## **Television Sponsorship**

Sponsorship is purchase of the exploitable rights associated with an event or organisation or entrant. Television sponsorship, on the other hand, is basically an advertising package with extra rights, ie - pull throughs, opening and closing billboards and exclusivity, which associate the advertiser more closely with the event being televised then, say, a one spot advertiser in the same segment. Television sponsorship costs a premium on normal advertising and is one way that television

networks maximise advertising revenue during coverage of high profile events. However the viewing public is quite often left with the perception that the television sponsor is an actual sponsor of the event they are viewing, which may or may not be the case.

The danger for event sponsors is that, if they don't also purchase the television sponsorship package on top of the property purchase, they could be ambushed by a competitor and receive little or no coverage of their own logo or brand. It is very simple, and not uncommon, for a television crew to shoot an event and totally exclude the event sponsor's signage.

## Growth of Sponsorship

Sponsorships have been embraced worldwide with even China and other Communist nations accepting and encouraging sponsorship. However, this medium has been widely utilised by the Australian, American, Japanese and European communities, as a legitimate and cost effective marketing tool. As long as sponsorship can be proven to be a value for money alternative to mainstream marketing mediums it will have a role in the marketing mix of companies. With sponsorships moving into the marketing plans of major companies, sponsors are increasingly demanding a proven return on investment.

## The Advantages of Sponsorship

The value of sponsorships can be measured by the effect they have on the trade and the public. As mentioned earlier, if the public or trade, or worse still both, are not aware of, or uninterested in your sponsorship, returns will be disappointing at best. It is critical that the benefits offered within a sponsorship package can generate the desired returns for a sponsor. Sponsorship programs are proven effective in the following areas:

- **Relationship Marketing.** Sponsorships are an effective vehicle to use when you want to personally relate to a particular group or individual. They provide opportunities to meet at events, host high level client entertainment, entertain the trade, or meet with people of importance. Often an invitation to a high profile event is accepted, where a request for a formal meeting is not.
- **Cost Effective.** Sponsorship, if used properly, can be a very cost effective alternative to mainstream marketing tools such as advertising, direct marketing etc.
- **Self Funding.** Through on-site concessions. For example, beverage companies are unlikely to enter into a relationship that doesn't include vending rights at a major venue.
- **Community Involvement.** Sponsorship allows a company to get involved at the grass roots level, and offer positive benefits to the community it operates within. This obviously generates goodwill and projects a good image for the company involved.
- **Competitive Selling Advantage.** Can be gained through positively influencing the members of the target market provided by the sponsored organisation.
- **Customer Motivation.** Surveys that our company has undertaken have consistently supported the theory that customers are more likely to buy the sponsor's product than a competitors if they

approve of the sponsorship. This is providing the product represents good value and is of comparative price to the competitors product.

- **Image Enhancement.** There is no doubt there is a significant rub off for sponsors. When it comes to sponsoring events like the Ballet, Opera, etc. a company's image can be 'refined' considerably.
- **Sell Product.** Most sponsorships offer the ability to sell product, either directly on-site at an event, via an order form in the program, or perhaps by using insertions in a medical charity's mail-out; for example, a medical supplier inserting advertising material and an order form in a medical charity's mail-out to subscribers.
- **Creation of Premium Products.** Premium products are normal products such as t-shirts, caps, key-rings, beer bottle holders, glasses, scarves – the list is virtually endless. These products have both the sponsors badging or association and the sponsored organisation featured on them. This makes them highly desirable items for fans, and an effective advertising medium for the sponsor.
- Sponsorships are excellent for **Niche Marketing** - targeting small defined markets, so it is very important to be able to identify your audiences.
- **Introducing Brands and Products.** Brand introduction works well under sponsorship. Australian telephone company Optus (Singtel) sponsored the opera event Turandot to launch its free call service, with all bookings made on the freecall service.
- **Reinforce Brand Position.** The perception of a consumer brand can be adjusted (positively or negatively) through the sponsorship of high profile events, activities, teams and individuals.

An early example is that tobacco companies' sponsorship of major sports and their stars in the 1970s reinforced the position that it was 'trendy' and 'the thing to do' to smoke the brand of cigarettes being promoted.

- **Associate With Winners.** If a company wants to be seen as a leader in its field, it definitely helps to associate themselves with the winner in another field – usually a sporting endeavour. It is particularly helpful if high profile, well thought of personalities affiliated with the sponsored property endorse the sponsors product or service.
- **Product Sampling.** Sponsorship can offer the opportunity to provide sampling programs at an event/ground etc. For example, a Dairy food supplier providing samples of its products at a major netball tournament.
- **Improve Corporate Image.** Through association. For example a company that sponsors, and therefore associates itself with, a major national counselling service is hoping to send a clear message that it cares for the people within its community.
- **Customer Hospitality.** VIP premium position ticketing is available through most sponsorships, whether it be tickets to a match, show, or an annual charity ball. Through sponsorship you would expect access to the best seats in the house, and usually verbal and visual acknowledgement at the event.

- **Media Exposure.** Can be of brand or company logos or key messages. There is little point in just placing a logo if your company already has very high recall. A “call to action” is of far more value in most cases than just a logo placement.
- **Communicate Product Attributes.** For example if a car is loaned to an international fashion model, the fact that she is using your product can communicate that car's attributes (desirability) to members of your target market.
- **Attitude and Behavioural Change.** Where a sponsorship property is well exploited and utilised, it has the ability to change consumer attitudes and behaviours. A good example of this is the affinity credit cards, whereby a purchase on a certain credit card accrues financial reward for an organisation (usually a charity) supported by the consumer and sponsored by the card issuer.

## The Risks

Well selected and professionally managed sponsorships are unlikely to fail to deliver their benefits, or cause embarrassment. There are however exceptions to the rule - the sponsorship of individuals is always risky. Some individuals who have a high profile are hard to control and there is always the danger of the individual's personal habits bringing disrepute to the sponsoring organisation. These habits have, in past years, included: drug violations, allegations of child molestation and violence, to name just a few.

Association with any event or organisation exposes an element of risk through the possibility of accidents etc. To minimise possible damage, it is important to identify and predict all possible risks and then have a suitable crisis management plan in place.

Every sponsorship program is susceptible to risks, which include:

- **Cost blow out.** If a sponsorship is not well managed and does not have the appropriate budgets and plans completed, costs can blow out enormously, negating any benefits that may have been gained from the program.
- **Inappropriate image association.** A sponsorship program can send negative messages if, for example, the star you are sponsoring has a drug habit revealed or is caught cheating.
- **Sponsored organisation's lack of interest or knowledge.** On occasions, the only thing a sponsored organisation is interested in gaining is monetary support. On these occasions, the sponsored organisation does not get to know its sponsor, or their needs, much less deliver benefits to their sponsor/s.
- **Ambush.** It is becoming more and more common for companies to actively seek opportunities to ambush competitors' sponsorship programs.
- **Insufficient allocation of “leverage” funds.** All too often a company will fund the purchase price of a sponsorship, and then not allocate enough budget to allow for leveraging the program to achieve company objectives. (Which were of course in place prior to purchase?)  
No sponsorship program will deliver benefits without a genuine effort being made by both sides.

## **Sponsorship and Company 'Downsizing'**

Sponsorship can attract criticism, particularly in difficult economic climates or when a company is downsizing and shedding personnel. If the sponsorship portfolio has been selected for business reasons, and there are clearly stated objectives to be achieved by the program, and it is well managed, it is easy to demonstrate to unions, workforces and media that sponsorship is an integral part of the marketing mix and that the program is contributing to the health of the company.

It should also be remembered that most sponsorships are signed up for a period of 3-5 years. Therefore, a sponsorship may have been signed in a buoyant economic environment, and still be contracted when a company has a downturn, for whatever reason. To pull out of contracted sponsorships during such a period can have a twofold negative effect. Firstly, it gives a negative message to the financial market – when companies pull out of contracted obligations, this is an indication that things are really bad. Secondly, it can expose the company to legal costs that can only make the financial situation worse, and if you have signed a watertight contract, you will inevitably end up having to fulfil your financial obligations to your sponsorship partner.

## **Legal Entitlements**

Sponsors expect, and are legally entitled to, certain rights and benefits with the purchase of a sponsorship. Sponsorship, for sponsors, is a method or a tool to assist them to increase either their bottom line or the public's perception of their organisation.

Sponsored organisations have a legal and moral obligation to deliver agreed rights, to protect their sponsor from ambush and to service their sponsor.

Sponsors have a legal and moral obligation to make payments as and when scheduled in the contract (or otherwise agreed), and to provide any other contracted benefits to the organization or individual they have sponsored.

## **Longevity**

The benefits accruing from sponsorship programs generally accrue over time, and because of this a large number of sponsorships are signed for reasonably long periods. Commonly three-year contracts with the option to renew for a further three are undertaken. Unless you are particularly innovative, or your program/event is continually evolving, it would be unusual to see a sponsorship agreement run past 7 – 10 years.

## **Summary**

- **The sponsor and seeker, on entering a sponsorship, have entered into a commercial agreement or partnership that allows the sponsor to exploit the relationship for commercial gain.**
- **Many activities come under the heading of sponsorship due to the sponsorship being the basis of the relationship. Examples are: cause related marketing, event marketing, sports marketing, arts marketing, experiential marketing etc.**
- **The value of sponsorship can be measured by the effect that they have on the target audience.**
- **So don't forget "SPONSORSHIP IS A BUSINESS TOOL" not a donation!**