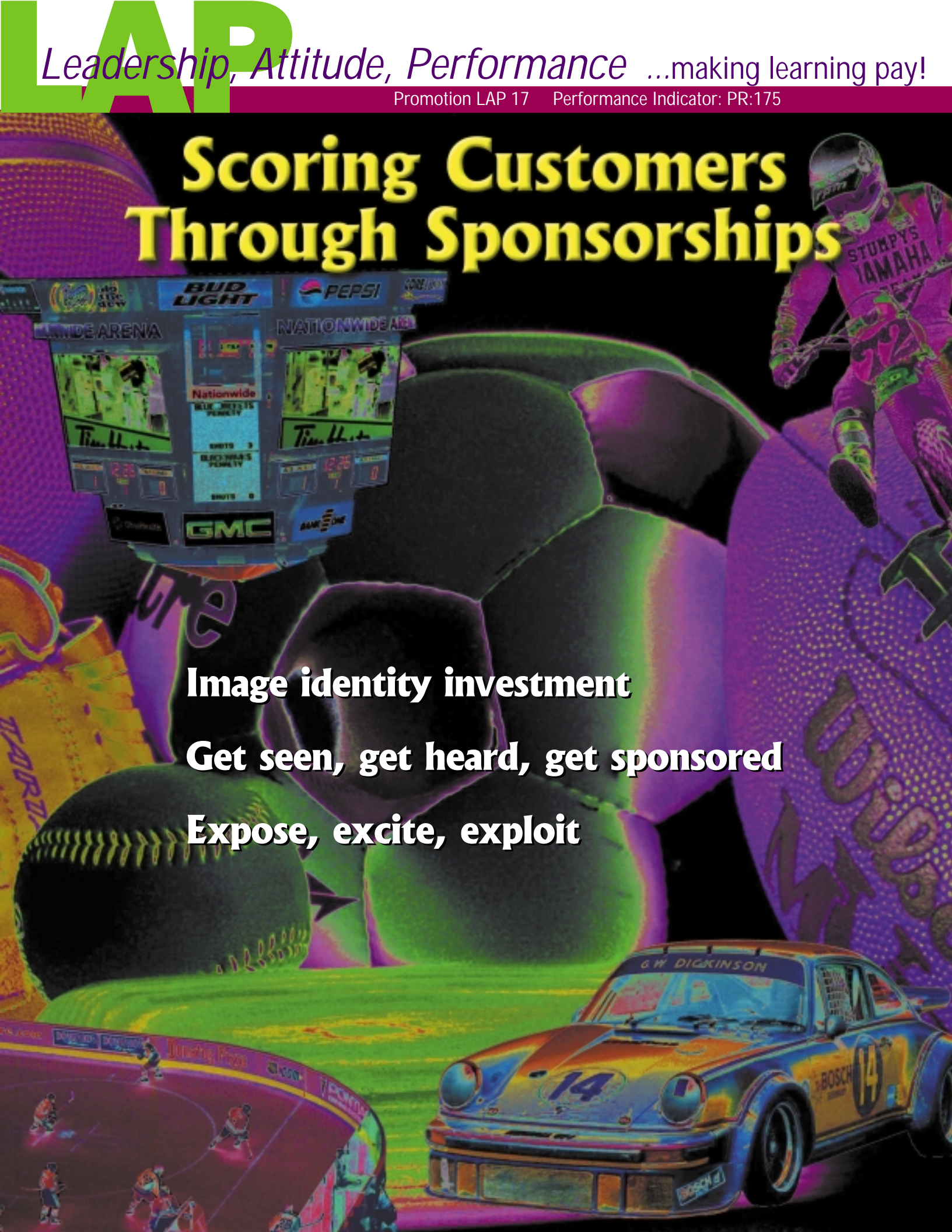


Scoring Customers Through Sponsorships

Image identity investment

Get seen, get heard, get sponsored

Expose, excite, exploit





So What

Sponsorship is one of the fastest growing marketing activities today, with nearly \$20 billion dollars spent on it globally each year. And why shouldn't it be? People are passionate about the sports that they follow, oftentimes because sports provide them with an escape from the pressures of life. Because they are able to let their guard down, they are more receptive to the company names that appear on banners, stadiums, cars, uniforms, equipment, and promotional materials. At events such as rock concerts, fans stand in long lines to buy T-shirts and other memorabilia of their favorite group. In fact, many fans are even willing to switch brands just to patronize a sponsoring company.

So why not just pick any sport/event, pay the sponsorship fee, hang up some signs, and call it good? In order to truly achieve your marketing goals, there is so much more to learn about sponsorship—things such as how to pick a sport/event that will properly reflect your company's image and how to exploit the sponsorship so that people will buy your products. There are also risks, some of them unique to sponsorship, that you should be aware of in order to protect your financial investment.

Even if you're not ready to play the sponsorship game just yet, you should know something about sponsorship. Sponsorship drives the sport/event industries. In fact, around 70 percent of pro-sports teams are sponsored in some form or another. These teams might not be able to survive if it weren't for the financial support given by the sponsoring companies. This may also be true of your favorite individual athlete or the team that your younger relative plays on. Even your high-school athletic program could be affected without the benefit of the new scoreboard that was paid for by local companies. Sponsorship makes things that you might have never dreamed about possible. So, don't you think it's time to wake up to the reality of sponsorship?

Sponsorship: More Than Just Banners

What do you think of when you hear the word *sponsorship*? Perhaps the phrase "VISA: The Official Sponsor of the Summer Olympics" pops to mind. Or, you imagine a college football coach wearing a Nike shirt while coaching the team to a national championship. You might even think of the list of sponsors identified in your high-school sports program or on a concert T-shirt you wear. Indeed, sponsorship comes in many different forms, and as you'll soon discover, it is a marketing tool capable of making lasting, emotional connections with spectators.

Sponsorship is the act of providing financial or other support to a sport/event in exchange for public exposure. Take Community Bank, for example. Each year it sponsors a local youth soccer event. The top three teams of the two-day competition each receive a trophy. Each of the team players, regardless of ranking, receives a free T-shirt, all compliments of



the bank. Proud parents are given a pennant to cheer on their child, and later they can turn it in to the bank for a free box of checks when they open a new account. The bank's web address and a special promotional code are listed on the banners prominently displayed on the sidelines. People who type the word *Soccer* under the promotional code on the bank's web page can sign up to receive free Internet banking for a year. By integrating the sponsorship into its other marketing activities, Community Bank is hoping its investment will turn into future profits.

Objectives



Describe the use of sponsorship as a promotional tool.



Describe considerations in sponsoring a sport/event entity.



Sponsorship has become such an instrumental part of sports that even video-game programmers have included it as part of their game programs. Dave Mirra Freestyles BMX 2 for PS2 game allows players to build their own BMX rider and choose their own sponsor for game play.

Large vs. Small Sponsors

There are sponsorship opportunities available to businesses of all sizes practically everywhere. Not surprisingly, small businesses such as Community Bank typically sponsor athletes, teams, leagues, and stadiums within local and regional communities; whereas, large corporations tend to focus their sponsorship efforts on entities with national and/or international audiences. This approach makes sense because the businesses want to reach the people who typically buy their products. As examples, Gillette attempts to reach males 14 and older across the globe by sponsoring the FIFA World Cup. Mountain Dew is expanding its reach into the grassroots, extreme-sports audience by becoming the title sponsor of NBC's and Clear Channel's action sports franchise, the Dew Action Sports Tour.



Another consideration is that smaller businesses simply do not have the budget that larger ones do to spend on sponsorships. Do you know of any small businesses in your area that could have competed with Coke by spending \$50 million to sponsor the Olympics? That's not to say that smaller sponsorships cannot be as valuable in terms of return on investment. If a bicycle shop cannot afford a cash contribution, it could instead supply water bottles, jerseys, and tire repair kits during a community bike race. The community goodwill that results from this gesture has the potential to be more profitable than Coke's investment in terms of dollars spent.

Why Play the Sponsorship Game?

Perhaps no other sport/event illustrates the benefits of sponsorship better than NASCAR racing. Just ask any NASCAR fan to identify the sponsors featured on drivers' clothing, helmets, and cars. You might be surprised at the instant brand recognition that occurs. Brand names such as Valvoline, Dupont, Texaco, Target, and Cheerios may be identified in their replies. NASCAR sponsorships have a proven track record of creating brand awareness. Moreover, more than 70 percent of fans surveyed indicated a willingness to patronize the sponsors. One reason is so that the sponsors will continue to provide financial support to NASCAR. And, of course, the increased media coverage that results from the sponsorship allows fans to enjoy NASCAR racing in front of the television at home. It's no wonder that more than a billion dollars is spent on motor sports sponsorship every year. Everyone wins—the sponsors, the drivers, the crews, and the fans!



Sponsorship also provides an opportunity to engage in business-to-business marketing. The lavish tents surrounding the golf course at the PGA Tournament are proof of this. For fees ranging anywhere from \$165,000 to more than \$300,000, a sponsor can rent a tent filled with elaborate spreads of food, fine beverages, elegant furnishings, ornate decorations, air-conditioning, Internet access, and a spectacular view of the game. Talk about impressing the clients!



Yours Exclusively,

Sometimes, businesses don't want to share the public exposure, so they purchase exclusive sponsorship rights. The term commonly used to describe this arrangement is *exclusivity*. Exclusivity often involves a larger financial commitment on the part of the sponsoring company, but there are big payoffs. For one, the sponsor usually has the sole rights to any merchandising and/or marketing activities within a specific category. For example, perhaps Coca-Cola is an exclusive sponsor of your favorite rock group in the category of carbonated beverages. If so, you won't be able to buy a Diet Pepsi during intermission. Yet, if you're thirsty for water instead, you might be able to buy an Aquafina which is part of the Pepsi-Cola brand. To keep this from happening, Coca-Cola might purchase exclusivity rights for all beverage categories, including soft drinks, sport drinks, tea drinks, and water. Can you think of exclusivity categories that might be associated with automobiles? Personal care products? Home improvement products?

What's in it for the Sponsors?

Sponsorship designations vary from event to event and so do the accompanying benefits. At a skateboarding tournament, gold sponsors might receive 40 free tickets to the event, a full-page ad in the sport bulletin, and their name and logo on all promotional materials—all for the price of \$5,000. Silver sponsors might pay \$3,000 for 25 free tickets, a half-page ad in the sport bulletin, and mention in all promotional materials. Bronze sponsors might receive even fewer benefits, but they also pay fewer costs.



A different event might designate its top sponsors as corporate partners. In fact, the term *partners* is frequently used to describe the relationship between a sponsor and a sport/event entity. The two are basically a brand extension of each other.

The Proposal Pot Runneth Over

There are two basic ways in which sponsorship relationships are formed. First, a business may have a particular sport/event entity in mind that is aligned with its brand image. If so, it might contact the entity with an offer to provide support in exchange for certain sponsorship privileges. There is also the strong possibility that things may work out the other way around, and the sport/event entity may be the one to submit a sponsorship proposal to the business.



Large corporations receive hundreds of sponsorship proposals each year. Often, they won't even look at a proposal unless it follows specific guidelines. Among other things, Kodak requires detailed information about the sponsorship, sponsorship costs, marketing

opportunities at the event, list of committed sponsors, expected attendance at the event, and audience demographics. This information helps Kodak determine if the sponsorship will be a good investment.

If the terms of a sponsorship proposal are not acceptable, the business may try to negotiate with the sport/event entity. So, rather than paying a single, up-front sponsorship fee of \$12,000, the business may agree to pay three equal payments of \$4,000. Payments and other sponsorship terms are written in a formal contract, a letter of agreement, or a confirmation letter. A contract is the most desirable because it is legally binding, and it is often used for sponsorships involving more than \$20,000. Needless to say, when Reebok agreed to

give Venus Williams \$40 million to market tennis products, a contract was involved. A letter of agreement is more commonly used for smaller investments, and it requires the signature of both the sponsor and a representative of the sport/event entity. A confirmation letter is not recommended because it does not provide solid legal backing in case of a dispute.



Reebok

Sponsorship proposals work the other way around, too. A ski store might know exactly what sport/event entity in the community is most properly aligned with its brand image. So, it contacts the coordinator of the local downhill skiing race about supplying equipment in exchange for sponsorship privileges.



Summary

Sponsorship is the act of providing financial or other support to a sport/event entity in exchange for public exposure. Businesses of all sizes can be sponsors, but they have to keep their budget in mind. Sponsorship helps to create brand awareness, to build sales, and to conduct business-to-business marketing. Sponsors can purchase exclusivity rights within a certain category so that they don't have to share the spotlight with other businesses. Sponsorship designations and benefits vary from event to event. It is not uncommon for businesses to receive many sponsorship proposals every year.



1. What is sponsorship?
2. Explain how a small business that does not want to pay a cash fee can still be a sponsor.
3. What are the benefits of sponsorship?
4. Explain exclusivity.
5. Why are sport/event entities and their sponsors sometimes referred to as *partners*?
6. What types of information are included in a sponsorship proposal?
7. Explain how the terms of a sponsorship are agreed upon.

Winning Sponsorship Strategies



Compare these two sponsors:

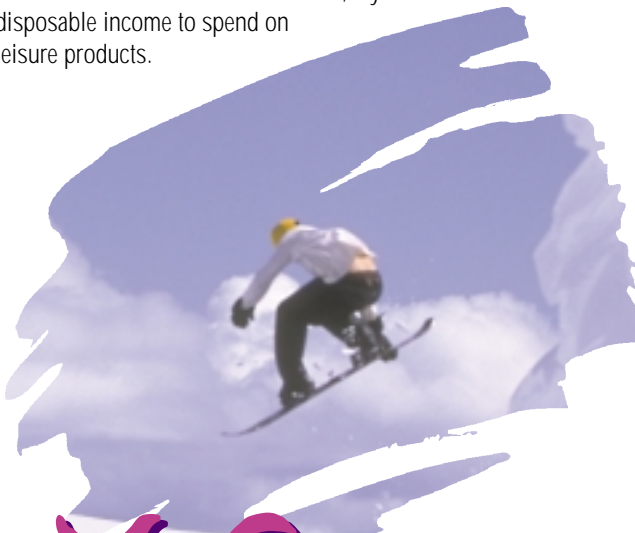
Company A agrees to pay a sponsorship fee to the first sports team that asks for support. Then, it sits around and waits for things to happen.

Company B knows that it wants to target the ever-growing population of Spanish speakers. It does some research and discovers that many Spanish speakers follow soccer. Before signing on to sponsor the World Cup, it inquires about the number of cosponsors that will be present. Then, it creates a marketing team to come up with promotional activities to support the sponsorship.

You've probably determined that Company B has the best sponsorship strategy. It has carefully taken many sponsorship issues into consideration, including:

Goals of the Sponsorship

The most basic question of any sponsorship should be "What does the business hope to achieve?" The answer is likely to have something to do with sales, especially in terms of keeping existing customers or gaining new ones. The goal of sponsoring the Extreme Games (X-Games) might be to reach male members of Generation X, a youthful market that has a large disposable income to spend on leisure products.



X-Games

Even when businesses do not really want to be sponsors, they may change their minds when they find out about a competitor's involvement. How might a printing company that refused to sponsor Race for the Cure, a fund-raising event for breast cancer research, be affected when a competitor prints the informational flyers instead? The goal of sponsorship, in this case, might simply be to keep up with the competition.



Attracting media attention is another possible goal of sponsorship. Nearly 40 billion people worldwide see the billboards strategically positioned just off the World Cup playing field. On a smaller scale, an annual marathon held in a metropolitan city might not even be televised. However, a marathon sponsor could be mentioned on the evening news, which is viewed by several hundred thousand people.

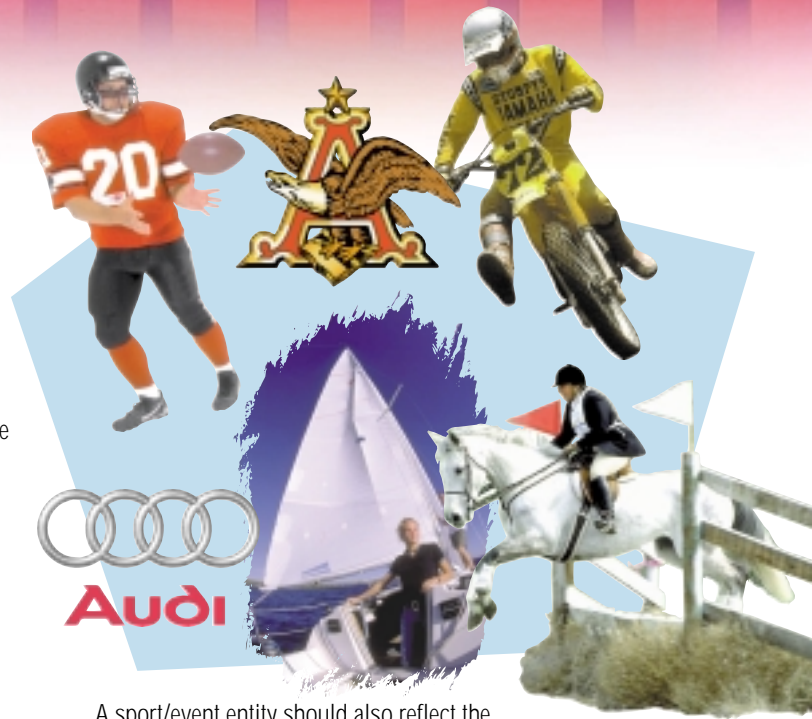
Selection of a Sport/Event Entity

Sometimes, business owners choose a sport/event entity that they like rather than one that their customers are passionate about. A more logical approach is to determine what sport/event entity makes the most business sense.

A sport/event entity could be an athlete, a team, a league, or an event. It might exist on a local, regional, national, or international level. It could compete at the recreational, high school, collegiate, amateur, or professional level. For example, a Little League team competes locally at the recreational level, and the Orange Bowl is a national event played at the collegiate level.

There is also the option of creating an entirely new sport/event entity. Sometimes this is referred to as "owning an event." VANS created its Triple Crown Series to build awareness of its skateboarding, snowboarding, motorcross, surfing, and other extreme-sports products. Among other things, this allows VANS to maintain more control over all marketing activities during each event.

The company can wisely choose cosponsors that share similar dedication to building extreme sports.



A sport/event entity should also reflect the interests of the business's target market. Anheuser-Busch invests more than \$200 million in sponsorship every year. Much of it is devoted to football and motor racing because the fans like to drink beer more than wine. Likewise, Audi, an upscale automobile manufacturer, sponsors sailing and equestrian events to reach affluent patrons that follow these sports. Can you think of some sponsors that would make a good match with mountain biking, rock climbing, tennis, and bowling events?

The Gray Zone

NASCAR fans are some of the most loyal in the sport arena. Avid fans show their support for their favorite driver by collecting everything sporting their favorite driver's name or number. Hats, T-shirts, bumper stickers, even adorning their personal cars with their team's sponsors are commonplace among the NASCAR family of fans. Fans also patronize the sponsors of their chosen driver, realizing the importance of sponsorship and the continuation of their team's racing.

Sponsorship has been a major player in the financial world of NASCAR. Sponsors benefit from the attendance on race day as well as the broadcast viewers at home. Track-side family campgrounds are dotted with booths and tents filled with sponsors' products, memorabilia, and souvenirs. Properly exploited, a NASCAR sponsorship, even of a nonwinning driver, has proven very lucrative.

RJ Reynolds has been a grassroots sponsor of NASCAR for 33 years through the Winston Cup Race Series. The exclusivity of the contract prohibited any competitor's direct competition. With RJR's decision to relinquish its sponsorship position with NASCAR, Nextel was quick to pick up the opportunity, leaving NASCAR with a dilemma. In the future, should cigarette companies be allowed into the sponsorship arena?



Proponents of the idea see no problem in continuing the cigarette sponsorship tradition. The sport needs money to function. Drivers need funds to build and maintain the automobiles and pay their crews. The target market has already been exposed to cigarette and tobacco advertisements for many years through the Winston Cup sponsorship. What difference will it make now?

Opponents recognize that the target market NASCAR reaches is changing. The typical audience, today, consists of families of all ages as opposed to the male-dominated stands of the past. NASCAR should be held accountable for the types of messages it is sending to its audience through its sponsorship selection. The sponsors of their favorite driver directly influence the fans. What kind of message does NASCAR intend to send?

NASCAR already prohibits several types of sponsorships (i.e., hard liquor, pornography) because they feel an obligation to their audience and want to continue the sport's popularity with families.

Do you believe that blocking cigarette advertisement/sponsorship from NASCAR is ethical? Is it ethical to prohibit cigarette and tobacco product advertisements while still accepting beer sponsorship? With sponsor loyalty so dominant in NASCAR, what impact do you feel cigarette advertisements would have on fans?

Sponsorship Risks

As with all marketing activities, sponsorship has its own inherent risks. These include:

- **Ambush marketing**

Ambush marketing occurs when a business tries to associate with an event in order to gain recognition as a sponsor, even though it is not. Suppose during a basketball game, 100 people wearing the same company jersey sit directly behind the home-team bench. Fans might wrongly jump to the conclusion that the company sponsors the team. This kind of behavior, although highly controversial, is perfectly legal and quite common because it typically works.

Ambush marketing can take on many different forms. During the Olympic Games, Nike held press conferences featuring the high-profile athletes that it endorsed. Of course, the Nike logo was visibly present, and many people incorrectly assumed that Nike was a sponsor. How do you think that this made Reebok, the true official sponsor, feel?



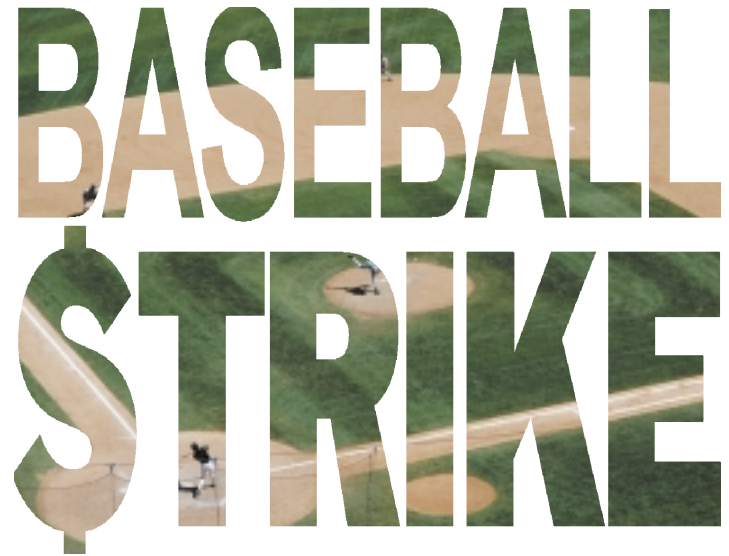
Another ambush tactic is purchasing large amounts of commercial time before or during an event, giving the impression that the business is an official sponsor. Quantas, an Australian airline, accomplished this goal prior to the Olympic Games by airing commercials featuring two well-known Australian athletes. The attempt to gain worldwide exposure with a minimal financial investment is a major reason why ambush marketers target the Olympics.

- **Sponsorship clutter**

As with other types of advertising, too many sponsors can spoil it for the whole group. Sponsorship has grown dramatically over the last 10 years. A single event might have 15 or more sponsors, all sporting banners at the venue. Consequently, fans might tune the clutter out.

- **Guilt by association**

What if a riot breaks out at an event; a sponsored athlete demonstrates poor sportsmanship; or even worse, gets arrested for a criminal activity? These behaviors are most certain to reflect poorly upon the sponsor's image. The problem is that it can be difficult to predict exactly when, or if, the bad behaviors will happen.



- **Strike—You're Out!**

Sponsors of Major League Baseball fell victim to the large salaries demanded by high-profile players. The sponsors lost valuable public exposure when the players went on strike, and consequently, the scheduled games were not shown on prime-time television. Also, many members of the target market turned their attention to other sports, including minor league baseball.

- **A losing streak**

What if the Detroit Lions never win a single game in the Ford Field stadium over the next couple of years? Ford Automotive Company might find that its 50-million-dollar investment is not as valuable as it once was. A similar fate might await the sponsors of the top NASCAR driver who all of a sudden started consistently falling into the bottom of the rankings.

Exploiting the Sponsorship

Business owners also sometimes make the mistake of spending all of their marketing budget on sponsorship fees. Then, there is no money left over to make people aware of the company's investment. This is a huge mistake, especially given the risk of sponsorship clutter mentioned previously. Some marketing experts recommend that sponsors plan to spend at least twice as much on exploiting the sponsorship as they do on sponsorship fees.



The Kellogg's NASCAR Challenge is a perfect example of an attempt to exploit a sponsorship. It is an online game on the Kellogg's web site in which a player attempts to steer through an obstacle course of water puddles, blown tires, crashed cars, oil barrels, tire piles, and signs. S/He can pick up a red letter "K" (for Kellogg's) to replace lost oil. The virtual race car that the player drives is none other than the Kellogg's car driven by Terry Labonte.

Kellogg's also posts close-up snapshots of Terry Labonte's car, both inside and out, on its web site. There is also access to the latest racing schedule and a mini-biography featuring Terry Labonte's racing accomplishments. Next to it is a rather large picture of Terry Labonte displaying the Kellogg's logo on his hat and race-car clothing. Kellogg's also makes sure to mention that it is the "Official Breakfast Food of NASCAR."

Summary

There are several important sponsorship considerations. The most fundamental is determining what the business hopes to get out of the sponsorship. Another is selecting a sport/event entity that is a good match with the business. There are also some sponsorship risks to deal with, including ambush marketing, sponsorship clutter, guilt by association, a possible strike, and a losing streak. Special care should also be taken to ensure that enough money is left over after paying the sponsorship fee to exploit the sponsorship.



1. What are some common goals of sponsorship?
2. Choose three businesses in your area, and identify a sport/event entity that makes the most business sense for each.
3. Explain ambush marketing.
4. Why is there a problem with having too many sponsors?
5. How can a sponsor's image be damaged by supporting a sport/event entity?
6. What might happen to a sponsor if a sport entity started losing all of its games?
7. Explain how a business with which you are familiar has exploited its sponsorship.

Make It Pay!

You just finished a day of competition against other DECA members from your district, and you are wriggling in your seat at the awards dinner impatiently awaiting your event to be called. Finally you are called to the stage and that First Place Overall award is yours! What next? On to State Conference, and maybe if you do well, you will have an opportunity to compete at the International Career Development Conference. There is one catch. Your DECA advisor tells you that there isn't enough money in the treasury to send everyone. We need to raise more money, and time is short. What can you do?

State and National DECA conferences provide opportunities for thousands of students to learn and have fun in a professional conference setting. Competition is just one part. Seminars and workshops, leadership academies and vendor booths, dances, and

sight-seeing opportunities add to the enjoyment and cost of the conference. Transportation, lodging, as well as registration fees to offset the expense of the conference activities sure do add up fast. You know you want to go, but how can you raise the money?

This is a perfect opportunity to put that sponsorship knowledge to work. Can local businesses benefit from the sponsorship of a student? Brainstorm a list of benefits for a business that sponsors a student (publicity, logo on T-shirt, community goodwill). Review these benefits and see if any would appeal to local businesses and training stations. Draft a letter to the identified businesses presenting your sponsorship request. Be sure to include how you plan to use the sponsorship funds and how the business will benefit from the sponsorship. Hang on to the letter. It could be you in the winner's circle.