FACTORS THAT HAVE STIMULATED THE GROWTH OF SPONSORSHIP OF MAJOR EVENTS

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Nine external factors are identified that have stimulated the emergence of sponsorship of major events over the past two decades as a fifth element in the promotion mix. These have been complemented by increased recognition of this vehicle's intrinsic utility in positioning products and in enabling companies to establish a more intimate and emotionally involved relationship with their target audiences than is feasible with the other four communication vehicles.

Sponsorship Special events Growth

Sponsorship investments by companies have grown exponentially in the past decade, so that by 1992 it was estimated that 4500 companies spent $3.3 billion on event sponsorship (International Events Group, 1992). Two-thirds of this sponsorship was invested in sports events, almost 20% went into music/entertainment and festivals, and a further 7% was associated with the arts.

Although there do not appear to be any longitudinal data documenting the magnitude of sponsorship investments a decade ago, there are at least two indicators that demonstrate the rate at which it has grown. First, the managing director of a prominent North American sports marketing firm claimed that in 1979 there was nobody in the sports marketing business in the U.S., but that by 1992 there were 450 agencies in sports marketing who claimed to represent the interest of sponsors (Cunningham, Taylor, & Reeder, 1992).

Second is the dramatic growth in corporate interest associated with the biggest special event, the Olympic Games. In 1984, the Los Angeles Olympic Organizing Committee invented the idea of acquiring a substantial proportion of funding for the Games from corporate sponsorships. The Committee charged $4 million apiece for its 30 major sponsorships. In 1992, eight corporations paid at least $23 million each to be joint partners with the Barcelona Games organizers. At the 1996 Atlanta Games, the organizer's goal is to sell $500 million worth of corporate sponsorships, most of which are to be forthcoming from 10 national "Partners" in different commercial categories such as automobiles, fast food, telecommunications, insurance, and beer. The cost to each Partner is $40 million in cash, services, or equipment, and Partners are guaranteed exclusively in their market category (Johnson, 1993). Thus, the Olympic sponsorship fee has increased 10-fold in the 12-year period, but in return there has been an attempt to remove "clutter" by having fewer sponsors involved.
The purpose of this article is to review factors that have stimulated the extraordinary growth in sponsorship. Some of the growth can be attributed to changes in companies' external environments that have caused them to invest in sponsorship. At the same time, there has been a growing recognition of the intrinsic worth of sponsorship as a medium through which companies can effectively communicate with targeted publics.

External Factors That Stimulated Sponsorship Growth

Nine major changes have taken place in the external environment affecting event sponsorship, which have contributed to its recent sustained growth. The first four of these relate to television.

1. Rapid increases in the number of television channels, radio stations, and magazines meant that the number of advertising messages vying for attention made it difficult for a particular message to make an impact. In the case of television, the problem of clutter arising from media proliferation was accentuated by an increase in the growth of 15-second spots and in the commercial time inserted into programs by the networks. "The constant clutter of traditional media is like a roomful of people talking. If you cannot separate your voice, then you are wasting your money" (Morse, 1989, p. 4). For the first time in 30 years, advertising spending in the U.S. declined in 1991. The 1.56% decrease was the largest since World War II (Marketing News, 1992). At the same time, sponsorship investments continued to grow rapidly. Sponsorship was seen as an alternative means of giving exposure that avoided advertising clutter and was sufficiently distinctive that the associated message was likely to be seen and heard.

2. The cost of television advertising escalated while the influx of new cable channels reduced the viewing audience a program could deliver. The proliferation of sports, arts, and music/entertainment events shown both on the networks and on cable systems fragmented the viewing audience. The impact on these smaller audiences was further reduced by the introduction and widespread use of the "zapper," which enabled people to tune-out commercials without leaving their armchair, and of the videocassette recorder enabling them to fast-forward commercials. Sponsorship was perceived to be a more cost-efficient alternative medium for gaining exposure.

Ironically, among the main reasons cited by companies for terminating their involvement with sponsorship of an event are that the profusion of sponsorships associated with televised events has created clutter, and the demand by companies interested in such sponsorships has caused the costs to escalate too high! For example, Sunkist, who were early sponsors of the Fiesta Bowl in 1985, withdrew after the sponsorship fee rose to $1.6 million in 1990. Not only did the company consider the cost to be too high, but also the entry of a dozen other companies to bowl sponsorship since Sunkist pioneered it created clutter and diminished Sunkist's impact (McCarthy, 1991).

3. The introduction of color television increased the viewer appeal of televised events and, together with the proliferation of channels created by cable, this led to substantial growth in the amount of televised events, especially sports events, produced. Thus, many more opportunities for sponsors interested in television exposure were created. Sport attracts a relatively high percentage of television air time because it is inexpensive to produce and widely popular.

4. With the banning of tobacco and liquor advertisements from television in the early and mid-1970s, companies making these products had to seek alternative promotion avenues. Sponsorship partnerships with events were appealing for three main reasons. First, the association gave these potentially harmful products an aura of public respectability. Second, the extensive television coverage of events provided them with access to that medium from which they were technically banned, even though their messages had to be indirect. Third, their association with music and sports events enabled them to access the youth market, and recruiting adolescents to smoke and drink alcohol is crucial to the future viability of these industries in the U.S. As a result, companies producing these two products have emerged as the leading sources of sponsorship.

5. Commercialization of sport events has become increasingly accepted by organizing bodies. The author recalls participating in a meeting with the chairman of a leading English professional
soccer club in the early 1970s, who was also chairman of the Football League, which is professional soccer's organizing body in England. He was genuinely outraged and scornful of the idea of sponsorship saying, "You'd have all our players running round with Texaco on their shirts." Ten years later, all major British soccer clubs were doing just that! In the U.S. a similar "acceptance curve" of sports sponsorship appears to be percolating down from professional sports organizations, through colleges, to the high school level.

6. The success of sponsorships associated with the 1984 Los Angeles Olympic Games received high visibility and helped legitimize sponsorship to the corporate sector as an effective promotional medium. Thirty U.S.-based corporations advanced or guaranteed $4 million each in cash, products, or services for the right to be designated an official corporate sponsor of the Games. Another category of companies (some 50 in all) were granted licenses to sell goods that carried the Olympic logo, and they paid $500,000 for the rights. Two points from these Games emphasized the potential viability of partnerships between sports and business organizations: the sponsoring companies attained substantial media exposure and a measure of positive image building, and the Games were an unprecedented financial success.

7. Acceptance and implementation of the concept of marketing segmentation was not widespread until the late 1970s (Brooks, 1990). Market segmentation is the process of partitioning large markets into smaller homogeneous subsets of people with similar characteristics who are likely to exhibit similar purchasing behavior. In the 1960s, most companies were moving products by mass marketing. By the 1980s, successful companies recognized that a mass market did not exist, but rather the market place consisted of segments or clusters of potential customers with a different propensity to purchase particular products and services. Acceptance of segmentation was accelerated by the high profile documentation provided by demographers of the fragmentation of society into yuppies, single-parent families, dual-income households with children, and so on. This fragmentation made a company's potential consumer more elusive and difficult to reach.

Sport, music, and arts aficionados are spread widely across the full range of demographic and psychographic types, so sponsors can target specific audiences by their choice of event. This has been reflected in the growth of more narrowly focused media outlets that cater to special interests. For example, 30 years ago sports magazines were dominated by generic publications such as Sports Illustrated and were relatively few in number. Today, there are likely to be between two and six magazines catering to each individual sport such as golf, running, baseball, etc. Similar trends are apparent in music and the arts. Their readership profiles offer the potential for sponsors to reach a large proportion of their target market through association with events conveyed as news by these media. The advent of cable and satellite dishes has created similar targeting opportunities for sponsors in the television media. Sleight (1989, p. 42) notes, "Sponsorship works because it fulfills the most important criterion of a communications medium—it allows a particular audience to be targeted with a particular set of messages."

8. The proliferation of products and services, and increased competition, which has characterized the market place in the past decade, has been accompanied by a consolidation of companies through mergers and takeovers. Thus, in many industries fewer but larger companies exercise more control and influence in distribution channels. This has made it more critical for producers to enhance relations with distributors. Sponsorship of events offers entertainment and communication opportunities to do this. A related stimulus has been the evolution of large national food and drug chains who stock their own "No Name" and house brands. This has persuaded some consumer goods companies to invest more heavily in sponsorship promotional tie-ins that offer incentives for the trade and "push" volume through trade channels to consumers (Cunningham et al., 1992).

9. The financial difficulties experienced by many cities and counties are causing more of them to charge for city services, such as police, garbage collection, and fire and ambulance standbys, which are used in association with an event. This has raised the costs of staging festivals and events and stimulated a more intensive search for sponsorship. This trend was documented in annual surveys undertaken by the International Events
Group (1992). In 1983, 76% of events received free city services. This declined to 50%, 31%, and 25% in 1990, 1991, and 1993, respectively.

The Intrinsic Worth of Sponsorship

In addition to the external environmental changes that have facilitated growth in sponsorship, there has been increasing recognition of unique qualities that give it intrinsic merit. The marketing mix consists of four components: product, price, distribution, and promotion. Promotion is basically an exercise in communication. Its role is to facilitate exchange with present and potential clients by informing, educating, persuading, or reminding them of the benefits offered by a company, its products, or services. Traditionally, messages have been communicated through some combination of four vehicles: personal selling, advertising, publicity, and incentives (sometimes termed sales promotions). Sponsorship offers a fifth vehicle that can contribute to the total communication effort of a company. It complements the other four vehicles, rather than supplanting any of them.

The question, "Which of these five vehicles is the best to use?" is the wrong question for a company to ask. The correct question is, "How can each of these vehicles link with the others to achieve our communication objectives?" Sponsorship offers a way to focus the attention of a specific target market, which can then be accessed by the full range of a company's communication tools. It is likely to be most effective when its use is integrated with the other four vehicles (Crompton, 1993). Sleight observes (1989, p. 30), "Without a cohesive approach to communication no company can successfully integrate sponsorship with the other marketing activities." In the Los Angeles Olympic Games, Fuji spent millions of dollars as an Official Olympic sponsor, but failed to tie it in with a strong promotional effort beyond the sponsorship itself. Research showed Americans were more likely to associate Kodak with the Games because Kodak sponsored the U.S. Olympic Team and spent heavily on television advertising during the network's coverage (Gross, Taylor, & Shuman 1987).

Sponsorship has two special strengths. First, positioning has become a central concept in marketing strategy, and corporate and brand image development are key factors in positioning. Image is used to differentiate and position products that are essentially similar. Sponsorship is particularly suited to image enhancement. Sponsors seek to "borrow" desired image attributes of an event, so consumers come to associate these attributes with the sponsor's products.

A second strength is that sponsorship may offer opportunities for a company to establish a more intimate and emotionally involved relationship with its target audience than is feasible with the other four communication vehicles. A company's relationship with most of its audiences is usually rather distant and obviously commercial, whereas sponsorship of an event enables a target market to be approached through activities in which they are personally interested. The intent is to communicate with audiences through their interests and lifestyle activities. Sponsorship of events allows a company to deliver its message to consumers who are relaxed, in a state of mind and in an environment that makes it likely they will be receptive. It may facilitate potential customers spending quality time with a company and its products: "When you reach prospects who are interested in or are attending an event, they are yours. They are there because they want to be. They're part of the event and in a receptive mood" (McCabe, 1989, p. 4).

Sponsorship's potential contributions are not limited to these two special strengths. Indeed, its role in a company's total communications effort is likely to vary widely in different industries (Meenaghan, 1983, p. 7):

When used by tobacco companies its function is similar to that of advertising. In the case of building companies using sponsorship for guest hospitality purposes it can be regarded as related to personal selling. When used by the large multinational oil and banking groups its function lies broadly within the realms of public relations while its usage in motor sport by oil companies and car manufacturers may be regarded as promoting sales.

Concluding Comments

This article has identified reasons accounting for the growth of sponsorship. The initial stimuli
were primarily external, but growth in the past 5 years appear to be more attributable to wider recognition of the strengths of sponsorship. In life cycle terms, event sponsorship has probably completed its take-off phase, and complaints from sponsors about clutter and loss of distinctive impact suggest it is entering a period of maturity. This is characterized by slower growth and more sophisticated applications.

Some of the early growth may have stemmed from some companies becoming involved as a reaction to their competition's commitment to sponsorship. Future growth is likely to be determined by a careful appraisal of results and be governed by three factors, all of which relate to the intrinsic worth of sponsorship. First, the ability of companies to empirically demonstrate, in quantitative terms, the contribution of their sponsorship investments to a company's profitability. Second, the extent to which sponsorship can be leveraged by imaginatively integrating it with other communication activities. Third, the degree to which sponsors of major events can be protected from "ambushing" (Crompton, 1993).

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References