CHAPTER 1

UNDERSTANDING SPORT SPONSORSHIP

INTRODUCTION

Sponsorship, in its essence, is based on a mutual exchange between a sport entity and a corporation (Copeland, Frisby, & McCarville, 1996; McCarville & Copeland, 1994). This reliance on exchange theory suggests that both entities can simultaneously provide and receive benefits. Thus, a symbiotic relationship can be attained. In the case of Adidas' sponsorship of the New Zealand All Blacks rugby team, Motion, Leitch, and Brodie (2003) noted that "in sponsorship both the sponsor and the sponsored activity become involved in a symbiotic relationship with a transference of inherent values from the activity to the sponsor" (p. 1,083). In the United States and many other nations, sport organizations have aggressively marketed themselves to sponsors in an effort to obtain the funds necessary to operate programs. Seaver's research with 50 of the top U.S. sponsors indicated that 10% of sponsoring companies get more than 1,300 proposals per year (2004). North American 2016 sponsorship spending reached $22.4 billion, up 4.5% over 2015 (International Events Group, 2017). North American sponsorship growth slightly lagged behind the rest of the world's 4.6% growth in 2016. However, the overall spending on worldwide sponsorships totaled $60.1 billion, with a 4.5% projected growth for 2017, indicating that by any measure sponsorship is a powerful marketing tool (International Events Group, 2017).

The major areas of the economy where sponsorship spending is apportioned remained constant over the last few years and are noted by the following data (Chipps, 2016; International Events Group, 2017):

Sports: 70%

Entertainment: 10%

Cause Marketing: 9%

Arts: 4%

Festivals/Fairs: 4%

Associations and Member Organizations: 3%

Financial expenditures on sponsorship activities are growing in all regions of the globe. Among the total $60.1 billion spent in 2016, Europe accounted for $16 billion, Asia $14.8 billion, Central and South America $4.4 billion, and all other countries $2.6 billion (International Events Group, 2017). Much of the European sponsorship spending resulted from sponsorships surrounding the Union of European Football Associations (UEFA) tournaments. Much of the spending in South America was focused on the 2016 Rio Olympics. The area that projects to grow the fastest in the near future is Asia, particularly as China continues its worldwide economic and sport expansion. Sponsorship partnerships present an opportunity for a growing list of multinational companies to conduct business around the world.

Given this environment, there is an increasing need for sport administrators and managers to understand the methodologies of this marketing component. Sponsorship has been defined as "a cash and/or in-kind fee paid to a property (typically sports, arts, entertainment, or causes) in return for access to the exploitable commercial potential associated with that property" (Ukman, 2004a, p. 154).

Some concerns exist as to whether the sport sponsorship field is saturated or will continue to grow in the years ahead. There is also an emerging trend toward both convergence and competition between sport and entertainment. This can be seen when the network that secures broadcast and digital rights for a league leverages those rights for cameo appearances by popular athletes and entertainers. The leagues also suggest product placement in television shows with items like team jerseys or background screens of league games. According to Spanberg (2011), "Each of the major leagues has one, if not several, executives working on vetting and making pitches to be included in shows and movies" (p. 22). This is an exciting but complicated trend. If a player is used in a TV shot wearing his jersey at the team stadium, the process requires negotiations with the player's agent, the league for use of its licensed jersey, and the owner of the stadium. Yes, it's a crazy world of sport business, which is much more complex than just a few years ago.

Another trend, noted by PricewaterhouseCoopers, is that sport managers must develop more sophisticated measures for sponsorship activities ("PwC Outlook," n.d.). Historically, sport properties have pursued and negotiated with sponsors in a singular and direct manner. However, Burton and O'Reilly (2010) forecast that sponsors may be trending toward developing "sponsor alliances" wherein groups of sponsors band together and negotiate collectively with sport properties. Burton and O'Reilly ask, "What if the sponsors from all major North

American sports were to form a syndicate?" (p. 21). This would surely constitute a shift in power and propel massive changes across the industry.

Many sports are heavily engaged in selling sponsorships (e.g., professional football, basketball, tennis, and golf) while others are building their formally nascent sponsorship activities into more formal programs. From high school sports to college programs to professional leagues, sport managers seem to want to be involved in sport sponsorship. High schools in California, Texas, and North Carolina (to name a few) have gone so far as to pursue naming rights for their facilities, a practice once reserved for professional teams with national or international exposure. One high school near the Dallas Fort Worth International Airport secured $4 million from Dr. Pepper to place a logo on the school's roof to be seen by airline passengers (Popke, 2002). High school state athletic associations are also moving into the sponsorship realm. Revenues for "all sports—all championships" range from a high of about $500,000 (California) to a low of $200,000 (New Mexico). In all, about 24 of the 50 high school athletic associations have some type of sponsorship program (Carey, 2012).

At the collegiate level, about 10% of income for the National Collegiate Athletic Association (NCAA) Division I programs comes from sponsorship revenue, with the average sponsorship for an NCAA Division I institution at $1.13 million (Drayer, Shapiro, & Morse, 2012). The trend in major college athletic departments has been to outsource their sponsorship and media rights to agencies for greater efficiency. The third-party rights holder typically provides the college athletic department a fee and a percentage of all generated sales. IMG College and Learfield Communications are two of the leading agencies, with each having bought out significant competitors over the past few years. IMG College and Learfield Communications each represent over 100 colleges and universities, respectively. Despite the recent growth of IMG College and Learfield Communications, other agencies do represent clients in the college sport space. Fishbait Marketing secured the rights for the American Football Coaches Association and several major collegiate conferences. Potential sponsors can negotiate with Fishbait for opportunities across several games. These creative one-stop-shopping scenarios in college sports mimic many of the advantages of the International Olympic Committee's TOP program (see Chapter 4).

Professional sport leagues have been able to increase sponsorship revenues substantially over the past few years, with sponsorships having now become one of the most important revenue sources for most franchises. Control and distribution of league sponsorship revenues are continually a topic in owners' meetings. Many owners want to preserve marketing rights for the individual teams, while others, principally in small-market cities, advocate league-wide sponsorships in which revenues are shared equally across all teams. Leagues must determine the optimal mix of individual team sponsorships, which incentivize teams to be creative, and equally shared league deals, which help create competitive balance.

In an effort to minimize the overabundance of signage inside sport stadiums, some professional teams (e.g., Florida Marlins with their 2012 Marlins Park) began to segment their stadiums. This concept involved the development of sponsor zones, each dedicated to a single sponsor extending from banners on parking lot light poles to entrances and culminating with

field, court, and scoreboard signage inside the facility. Similarly, MetLife Stadium in New Jersey secured four "cornerstone" partners in addition to the naming rights sponsor. The cornerstone partners (Bud Light, SPA, Pepsi, and Verizon) have exclusivity from the entrances through to the seating areas inside the stadium. The Daytona International Speedway opted for branded entrances as additions to its 2016 $400-million facelift.

Park and recreation departments are also engaged in sport sponsorship activities. Beyond the longstanding traditions of sponsors for Little League teams and outfield signage at the ballpark, some park and recreation mangers are exploring new ground. For example, Gatorade signed a deal with the Virginia Beach Parks and Recreation Department in which Gatorade did not pay an upfront fee but based their fee on product sales. They provided $6,000 for the first 1,600 cases of Gatorade sold, $3,000 for the next 1,600, and $1,000 for every additional 1,600 cases sold. The entire sponsorship fee amounted to $15,000 over three years.

What initially attracted sponsors to sport was the ability to reach consumers in a less *cluttered* environment than traditional advertising (Pitts & Stotlar, 2013; Skildum-Reid, 2012). The clutter in advertising is such that the average consumer is exposed to over 5,000 messages every day. Sponsorship had the potential to deliver advertising messages more effectively than established advertising channels. However, some sport sponsorship opportunities may now have become oversaturated. According to Skildum-Reid (2012), many sport events have become cluttered with title sponsors, presenting sponsors, supporting sponsors, co-sponsors, official product sponsors, pouring rights, and licensing rights. Clutter and dilution are in direct opposition to what sponsors want. The 2015 National Sports Forum Corporate & Industry Survey revealed that the greatest threat indicated by respondents was sponsorship clutter, which was viewed as more concerning than increasing prices, poor service, lack of activation, ambush marketing threats, or the overall economy (National Sports Forum, 2015). Skildum-Reid also noted that the clutter and overabundance of signage is atrocious. What sponsorship intends to do is "connect with people through something they care about" (Skildum-Reid, 2012, p. 3). As an example of the clutter issue, Spanberg (2012a) noted that fans at a NASCAR race are exposed to 2,000 brand images compared to about 200 at the average Major League Baseball (MLB) game. Clutter interrupts, rather than enhances, the audience's experience with the event. In a cluttered market, many sponsors are seeking alternatives to mainstream sport, moving instead to action or extreme sports or, in some cases, eSports. Not only have they found these markets less cluttered, but the events also have a strong psychographic pull with 18–24-year-old consumers (Cordiner, 2002; CGO Europe, n. d.)

Several authorities note that some sponsors are changing their strategy for sponsorship given increasingly cluttered environments. The emerging, dominant theme is often fewer, bigger, better. Poole (2003) said that sponsors "would rather spend more money on bigger properties than spread their sponsorships around to more numerous, smaller properties" (p. 14). In 2010, the University of Michigan moved to a "less is more" stance for their sponsorship offerings. Their goal was to reduce clutter and provide better service to their marketing partners by decreasing the total number of sponsors. A similar trend was seen at the World Cup in soccer,

where the number of sponsors was reduced to 28: 15 partners plus official suppliers and licensees. Seaver's corporate survey revealed the same trend. One executive commented, "We are doing fewer programs in the coming year; however, the programs that we're staying with will be bigger and better" (Seaver, 2004, p. 19). Another said, "What we'll be doing, we'll be doing at a higher level. Big impact is better for us, we feel, than a lot of small sponsorships. This will affect the second-tier sports and the number of people we will be talking to" (p. 20). The issue of clutter also affects the methods with which sponsors choose to communicate with consumers. Researchers at an event in Holland found that some sponsors were labeled "uncool" because their presence was too obvious, while sponsors that had relevant *activation* were perceived more favorably. According to Ukman (2003a), "There is a huge gap between how marketers want to reach people and how people want to be reached" (p. 2). Similarly, Dan Migala, author of the industry insider newsletter *The Migala Report,* noted that sponsorships are most effective when they enhance the participant's experience rather than detract from it. Visiting with participants in the New York City Marathon, Migala found that they particularly liked the activation by Gatorade and Dunkin' Donuts, which provided refreshments during the event. UPS also enhanced the runners' experiences by having its Big Brown trucks deliver runners' personal belongings from the starting area to the finish line (Migala, 2007). Thoughtfully designed sponsorships can bridge the gap between interruption and enhancement.

SPONSORSHIP BACKGROUND

In the early history of sport marketing, sponsorship activities often primarily served the personal interests of corporate CEOs rather than the overall corporate financial bottom line. It was as if many CEOs were saying, for example, "Let's sponsor golf, because I like golf." These early sponsorship relationships often allowed company executives to mix socially with elite athletes and also to provide client entertainment activities. However, these rationales as the primary motivation have almost disappeared in the modern era of sport sponsorship as more and more sponsorship expenditures must be viewed as providing a tangible benefit to the sponsoring organization. Nevertheless, most major sporting events continue to provide hospitality areas as part of sponsorship packages where executives can meet with celebrity-athletes before and after the competition.

SIDEBAR 1.1

Change in the Focus of Sport Sponsorship

During the 1980s and 1990s, greater sophistication in the evaluation of sponsorship opportunities became the norm as greater emphasis was placed on *return on investment* (ROI) and *return on objectives* (ROO) rather than executives having the opportunity to socialize with athletes and other dignitaries. In addition to an emphasis of measuring tangible returns, some organizations began to seek sponsorship opportunities with nonprofit organizations to merge philanthropy with sport sponsorship.

There has been a considerable amount of debate about whether some companies engage in nonprofit sponsorship activities primarily for philanthropic reasons or for financial benefits. Moreover, an interesting new term was recently introduced into the realm of business management. *Strategic philanthropy* has been defined as "a company's long-term investment in an appropriate cause that does measurable good in society while enhancing the company's reputation with key audiences" (Jones, 1997, p. 33). In 2004, IEG began conducting seminars on strategic philanthropy for its corporate clients. The seminars focused on "Leveraging Philanthropy with Marketing" and "Putting Hope and Heart into Sales" (International Events Group, 2004). In a similar vein, corporate social responsibility has been an important aspect of business philosophy for many years. Within some organizations' corporate social responsibility, *cause-related marketing* activities may occur. Corporations have donated to many different programs, and through this corporate giving, they have assisted programs in art, sport, medicine, and culture, often with a tangible or intangible return on their activities. In many cases, corporate motives must be examined when evaluating actions.

SIDEBAR 1.2

Sponsorship or Philanthropy?

It is vitally important that any sport entity desiring to sell a sponsorship or solicit a donation understand the motives of the potential corporate partner. Sponsorship and philanthropy are not the same, but elements of each may be involved in a potential partnership with a nonprofit sport entity (such as a college or high school athletic program, a nonprofit organized sporting event, etc.). A purely philanthropic deed is an anonymous donation, where there is no recognition of the donor. The financial support is provided because the donor believes in the organization. A pure sponsorship, on the other hand, is an open exchange of benefits between two parties. Each party is providing and receiving through the transaction. In the case of a donation made by a wealthy individual to build a new college athletic complex, it may be primarily motivated by assisting the athletic department, but if the donor receives their name on the building and/or access to tickets, it probably should not be perceived as a purely philanthropic activity. It certainly would fall somewhere on the continuum closer to philanthropy than sponsorship, but there are exchange motivations occurring.

For those working in revenue development for a nonprofit sport organization, it is critical to understand the motivation of the organization or subunit of the organization that is approached for financial support. Many companies have distinct departments that deal with philanthropy and others that control sponsorship investments. The philanthropic department may also have specific dollar amounts allocated for donations in the community. When approaching members of the organization that deal with donations, it is important to position the pitch in a manner who will enable the potential donor to understand how their assistance enhances the ability of the supported organization to enhance their capability to further their nonprofit mission. However, when dealing with the sponsorship unit of the organization, the proposal should focus primarily on the aspects of the partnership that enhance the sponsors' ability to increase their revenues.

With the implementation and enhancement of many corporations' strategic philanthropy initiatives, the lines have often become blurred between what is done

SIDEBAR 1.2, *continued from page 6*

primarily as a donation and what is done with the primary goal of creating greater revenue opportunities. As an example, many college athletic departments seek both sponsorships and donations to fund their yearly activities. When approaching those interested in donating (with or without some reciprocal benefits exchanged), the primary message will be focused on how the donation can assist the athletic department with providing more scholarships, acquiring new equipment, expanding their program offerings, etc. When approaching a sponsor, the primary thrust of the proposal should not be about what the sponsors' partnership will do to enhance the athletic department, but rather should focus almost exclusively on how the sponsor will increase their sales, build their brand identity, etc.

Unfortunately, in far too many cases, sponsorship agreements are not able to be created because the nonprofit entity is selling a donation rather than a sponsorship. If the organization is "selling" a donation but the potential sponsor is looking for an open exchange-related sponsorship, there is unlikely to be an agreement. Figure 1.1 shows how the positioning of the nonprofit solicitation may vary. Before approaching any sponsor or donor, the nonprofit organization should understand what they have to offer and how they intend to position the "pitch" and then seek the appropriate potential partners.

Figure 1.1. ***Sponsorship and Philanthropy Continuum***

Whether or not a company engages in altruistic philanthropy, research has shown that consumers are influenced by a company's charitable activities. It has been found that 14% of consumers sought out companies with viable corporate philanthropy programs and 40% saw a company's corporate citizenship as a tie-breaker when deciding which company to patronize. Research also showed that the overlay of a cause could lead to increased purchase intent if there is little difference between brands on quality and price. There are many corporations that tie sport and cause-related marketing together. Verizon Wireless has collected over 12 million phones and raised $7 million in 2015 alone to benefit HopeLine, Verizon's initiative to help victims of domestic violence. Verizon and the Miami Heat also created a program in which Heat fans could donate any carrier's wireless phones, handsets, batteries, and accessories at the Verizon Wireless kiosk inside American Airlines Arena. The donated products were refurbished and given to victims of domestic violence ("HopeLine Success Stories," n.d.). The Miami Dolphins teamed up with AARP for the Million Meal Pack wherein the Dolphins players and staff packed over one million meals to feed the homeless in south Florida.

The positive effects of cause-related marketing appear to diminish as the difference in competing brands increases (Roy & Graeff, 2003), indicating that positive corporate activities cannot fully overcome a significantly better perceived product or service. In addition, when some corporate officers talk about "owning a cause" (Jones, 1997, p. 36), the public often perceives that more as a marketing strategy than a philanthropic activity. According to Jones (1997), "It [doesn't] take long for consumers to see these tactics as sales pitches thinly veiled in the guise of social activism" (p. 34).

Granted, there may be corporations that engage in sport sponsorship for truly philanthropic reasons. However, the record shows that charitable approaches have limited success in securing corporate sponsorships. Corporate self-interest has been considerably more viable as a motivation for involvement with sport sponsorship. (A closer look at the reasons why businesses would be attracted to sport is detailed in Chapter 3.)

Some of the more prominent justifications reveal that sport is attractive to sponsors because it can provide a cross-sectional demographic exposure when compared to other marketing avenues. The diverse demographics represented by many sport activities and events is crucial to corporations and, thus, to the creation of potential sponsorship affiliations.

Sponsoring sport often adds a double exposure for sponsors with onsite promotional activities and media coverage. Typically, when an athlete wins a major tournament or event, his or her picture shows up on media websites and newspapers across the country. An old marketing adage is that one can buy an advertisement on the back of a magazine but not the front.

SIDEBAR 1.3

Are Sponsorships to Charitable Organizations Tax Deductible?

In general, the Internal Revenue Service (IRS) will scrutinize donations provided to a nonprofit organization. For the donation to be considered tax deductible, the donation must primarily support the nonprofit organization's mission without providing extensive benefits for the donor. In the case of companies engaging in activities that may be sponsorship or philanthropy, a number of issues will be investigated by the IRS, most of which will deal with value the "donor" receives in return for their financial support. According to the National Council of Nonprofits (n. d.), some of those issues might include:

1. If the donation provides the donor some sort of product exclusivity, then it is probably a sponsorship rather than a charitable contribution.
2. Donors may have a general link to their website on organizations' materials, but there should not be a direct link to webpages that solicit sales, nor should there be extensive advertising on event materials promoting the "donor."
3. Donors may not receive special tickets to events or lavish receptions not normally available to the general public.

In most cases, nonprofit organizations should err on the side of telling their sponsors that their support is not tax deductible if there is any question as to benefits provided.

On the other hand, not all sponsorship is positive or even intentional. For example, an interesting yachting incident occurred when an America's Cup boat sponsored by Oracle obtained significant exposure for its sponsor by capsizing under the Golden Gate Bridge during the race. The overturned boat was in range of television and news cameras, and it appeared on networks and newspaper front pages worldwide, displaying the sponsor's name. Although it was not the type of publicity that the sponsor had in mind, many people around the globe turned their newspapers sideways to read the sponsor's name on the side of the boat.

DEPENDENCE ON SPONSORSHIP

There are some authorities who believe that sport has become overly dependent on corporate sponsors to meet expenses. Two examples show that too much dependence on sponsors could have disastrous effects. In China, an international badminton tournament was canceled when sponsors pulled out during an economic downturn. Also, during the economic difficulties from 2008–2009, the Ladies Professional Golf Association (LPGA) lost several title sponsors.

Dependence on sponsorship monies is also evident with colleges and universities that rely on corporations and sponsorship revenues for additional income. Though there were some all-sport deals consummated in the early 2000s, by the end of the decade, more and more big-time college athletic departments had pooled their various team sponsorships. In 2008, the University of Nebraska combined all of its sponsorship and media assets and signed a 13-year agreement with IMG. Including the sponsorship rights held by the athletic department, the total value of the 13-year package was $143 million (University of Nebraska Board of Regents, n.d.). Nike now has all-sport agreements with 25 top college programs while Adidas has deals with about 30, including Texas A&M University and Nebraska. The Texas A&M deal was reportedly worth $60 million in cash and merchandise with a $6.5 million signing bonus. Relative newcomer Under Armour (UA) also has a significant group of universities under contract but is angling to sign more. In 2016, UA signed the largest university-level sponsorship of all time. The 15-year, $280 million deal was reported to pay UCLA $11 million per year, with $7.4 million in clothing and equipment. In addition, UCLA was paid $15 million up front in cash. Many educational institutions have realized the cash and other benefits associated with sponsorship deals include:

- free or reduced-cost equipment, including staff member apparel,
- promotion of events through sponsor's marketing actions,
- supplements to coaches' salaries, and
- television revenues for regular and post-season games.

Colleges and universities in the US have also realized profits in the millions of dollars from corporate-sponsored football bowl games. The old Bowl Championship Series paid out $18 million per team for participating in one of the top four bowls. Under the new bowl and

college football playoff format, payout figures have been staggering. Each of the power five conferences receives an estimated $50 million, whether or not it qualifies a team for the playoffs. An estimated $6 million bonus will be paid for each team a conference sends to the semifinals, and a $4 million bonus for participating in one of the other New Year's six bowls. Though there is not additional payment for making the championship game, each participating school will receive an estimated $2 million for expenses. All of the "Group of 5" conferences (Conference USA, Mid-American, Mountain West) will receive an estimated $18 million each (Dosh, 2016).

With UA, Nike, and many other sponsors continuing to expand their presence on campuses, and many corporations ready to sponsor the NCAA's ever expanding list of officially licensed products (which include an official ladder sponsor for the NCAA Basketball Tournaments), many have become concerned that sponsor support might morph into undue sponsor influence and access. Though sponsorship is still largely an "add on" to the overall revenue portfolio of the NCAA and its members, it is not difficult in the age of weekday midnight start times and highly commercialized programming to imagine that sponsors are wielding increasing power in college sport, an environment that is supposed to be primarily educational (Southall, Nagel, Amis, & Southall, 2008; Southall, Nagel, Southall, & Brown, 2014).

In an attempt to gain greater control over sponsorship, the NCAA (along with many professional sports teams) has imposed rules regarding the size of corporate logos that can be displayed on team uniforms and equipment because of overt commercialization. However, in a lawsuit against the NCAA, apparel companies questioned the NCAA's motives when the bowl game corporate sponsors were allowed to place logos that exceeded the mandated size limits on uniforms during the postseason games.

Other sport organizations have also noted concern for increasing sponsorship influence, even if they enjoy the higher rights fees often being paid. Major League Baseball implemented rules about the size of logos on bats after an All-Star Game when a player held his bat up to the camera to display its oversized logo: a promotional tactic ski racers have been known to do at the end of a race as well.

The National Football League (NFL) created significant controversy by controlling the display of logos on player apparel. Their regulations state that manufacturers must pay the league a fee for the right to display their marks during a game. Thus, an NFL player who has an endorsement deal (see Chapter 5) cannot display a corporate logo on his shoes if the shoe company has not paid the league a rights fee. To illustrate the height to which this controversy has risen, the NFL fined San Francisco 49ers' quarterback Colin Kaepernick $10,000 for wearing Beats by Dre headphones because Bose is the official NFL headphone sponsor. NFL policy states that players cannot wear unapproved brands 90 minutes before or after a game, or at any other league-organized media event. In subsequent weeks, Kaepernick continued to wear the headphones but covered the logo with tape. In 2012, the NFL contracts for emerging quarterbacks Andrew Luck and Robert Griffin III contained clauses that required the players to make "good faith efforts" to work with team sponsors (Mullen, 2012).

MLB has not operated without controversy in this area either. MLB owners relinquished their rights to sign exclusive team agreements with uniform shoe manufacturers. Previously, each individual team could sign with a single company (e.g., Adidas with the New York Yankees). However, in an out-of-court legal settlement, the uniform rights for all teams now reside with Major League Baseball Properties. In another control-oriented issue, the Baltimore Orioles attempted to stop three players from promoting Pepsi products because the team had an agreement with Coca-Cola.

The aforementioned examples, combined with concerns regarding expanding sponsorship categories, such as video games, and emerging platforms, such as those offered via digital, create questions regarding the future of sponsorship agreements. It is likely that the battle for the control of player sponsorships between players and leagues will continue to be a point of contention in collective bargaining agreements.

CREATING WIN-WIN-WIN STRATEGIES

According to Skildum-Reid (2012), the old sponsorship paradigm largely focused on the sponsor and the property and gauged success without evaluating the impact upon the most important aspect of the agreement—the sponsor's target market. A true win-win agreement cannot be created unless the sponsor equation includes "the connection between the sponsor's brand and the target market" (p. 17). In this way, the sponsorship should create a win-win-win for all three parties involved: the property, sponsor, and the sponsor's target market(s). This is "the number one concept that drives best practice" (p. 16). Sports activities and corporations can create symbiotic relationships that are greater than the sum of the separate entities. Ukman (2004b) reported that "combining the assets of allied organizations creates sponsorship platforms in which the whole is worth more than the sum of the individual parts" (p. 2). Sport managers want to increase their revenues and the exposure of their programs. Coincidentally, sport sponsors want to increase their revenues and the exposure of their products to participants and spectators. A sport sponsorship arrangement can fulfill these needs for each organization. In general, corporations are interested in marketing their products and services to potential customers. If sport can provide a vehicle for this endeavor, then a successful relationship can be established. The task for the sport marketing professional is to make it clear to the sponsor just how this can be accomplished through his or her organization or event. It is also critical that sponsorships enhance the experience of the participants and spectators rather than detract from it.

CONTROVERSIES

Not everyone agrees that involvement with corporate sponsorships is beneficial for sport organizations. Sport marketers should, therefore, be aware that not all members of the community embrace their involvement with certain corporate sponsors. Many feel that blending alcohol

and tobacco with the healthful benefits of sports is hypocritical; as a result, there have been several moves on the part of government entities and regulating bodies to restrict alcohol and tobacco advertising in sport settings. In addition, though gambling and sport have been related for centuries, there is increasing concern about gambling activities and sponsorships.

Tobacco, Alcohol, and Gambling Sponsorships

A variety of legal products, particularly those associated with tobacco, have been restricted from advertising in various countries around the world. Most Commonwealth countries, including Canada and Australia, now ban most tobacco advertising and sponsorships. A number of African and Asian nations also have tobacco bans. Considerable debate surrounded a European Union ban on tobacco advertising in sporting events involving cross-border events. In the mid-2000s many of the European Union countries implemented tobacco sponsorship and advertising restrictions, but not every country implemented the same system. While a ban in the United Kingdom went into effect in 2006, the German government contended that smoking was a health issue and, therefore, should be within the control of the individual nations. Most tobacco sponsorships had eroded in Europe by the mid-2000s, although the heavy dependence of Formula One racing on tobacco sponsorship was an exception. This led some organization executives to plan for races at venues in countries more sympathetic to tobacco advertising (Currie, 2004). In addition, some companies implemented creative ways to circumvent the various tobacco bans. Longtime Ferrari sponsor Marlboro created a red and white bar code to replace where its logo once was located on its Formula One racecars. When the cars sped by at 200 miles per hour, the barcode appeared suspiciously like the old Marlboro logo (Cullers, 2010). Eventually, Marlboro was accused of using subliminal advertising, and the barcode was removed.

In the US, the Family Smoking Prevention and Tobacco Control Act (Tobacco Control Act) became law in 2009. It gave the Food and Drug Administration the authority to regulate the manufacturing, distribution, and marketing of tobacco. This legislation banned "tobacco product sponsorship of sporting and entertainment events under the brand name of cigarettes or smokeless tobacco" (FDA, 2012, "What the Tobacco . . ." section, para. 2). Previous laws had severely limited the ability of tobacco companies to utilize sporting events for promotional purposes. For many years, longtime NASCAR title sponsor R.J. Reynolds Tobacco Company (RJR) encountered legal restrictions on what it could and could not implement at NASCAR events. Beginning in 1971, RJR was extensively involved in NASCAR as a sponsor, but changes in laws made it more difficult for RJR to maximize its sponsorship efforts, particularly in the 1990s. In 2003, RJR dropped its relationship with NASCAR.

The controversy of alcohol advertising has not been as well publicized nor elicited as much concern as tobacco, but there are issues to consider. Internationally, laws vary between countries. In many places, beer and wine can be advertised but not spirits. In the US, for many years, most professional and amateur sporting events did not permit spirits to have a presence during competitions. However, during the economic crisis of 2008–2009, the National

Basketball Association (NBA) altered its long-standing rules against spirit sponsorships. Individual franchises were permitted to seek spirit sponsorships, a source of revenue previously ignored for public relations purposes. By 2010, the NBA had signed a sponsorship deal with Bacardi, making it the first major North American sports league to have such a deal (Lefton & Lonbardo, 2010). Other professional leagues have since relaxed some of their alcohol sponsorship and advertising restrictions.

The NCAA had a longstanding policy to limit alcohol advertising and prohibit alcohol sales at its championship events, though it did allow individual schools to make choices regarding regular season games. For most of the 1990s and 2000s, the vast majority of schools chose to avoid selling alcohol because it was perceived to conflict with educational values. However, as anyone who has attended a big-time college football or basketball game can attest, alcohol, and in many cases covert binge drinking, are prominent components of fandom. Despite criticism from a variety of sources, in 2011, West Virginia University decided to permit alcohol sales at some sporting events. The decision generated additional revenue and helped to decrease the number of alcohol-related onsite issues since many fans no longer felt the need to imbibe an unsafe level of alcohol to sustain their inebriation throughout a 3–4 hour game. West Virginia University's actions and the generated results have caused other athletic departments to loosen their restrictions on alcohol sales and sponsorship opportunities (Nagel, 2014). Even the NCAA has recently decided to allow some alcohol sales at the 2016 Women's College World Series and the College World Series. With safe alcohol consumption becoming a trend, it is likely that in the near future alcohol sponsorships may become a source of considerable college sports revenue (Dodd, 2016).

Gambling and sports have an uneasy relationship, as many people enjoy placing a wager on a sporting event. However, fans will not be ardent consumers of sports if they feel that the outcome has been predetermined. During the early years of MLB, a variety of gambling scandals occurred, with the 1919 Chicago White Sox World Series fix by the players nearly causing irreparable harm. In the aftermath of the "Black Sox" debacle, MLB and most other sports leagues adopted and enforced strict player and coach antigambling rules. Though these rules effectively curtailed participants' gambling, fans continued to increase their sport gambling activities, particularly as television became a staple of most households in the 1950s, and then when cable television was introduced in the late 1970s. With greater access to sports programming in the 1980s and 1990s, sport gambling skyrocketed both in participation and total dollars wagered. As gambling activity increased, professional and amateur sport organizations essentially declined any direct relationship with the industry.

In the 1980s, another form of sport consumption was introduced. Fantasy sports, in which individuals assemble a "team" of players and use the corresponding statistics to participate in leagues with competitors, rapidly increased in popularity in the late 1980s and then exploded in the 1990s as the widespread proliferation of the Internet enabled casual fans to easily participate. While fantasy sports were expanding in popularity, the four major North American professional sports leagues and the NCAA were lobbying the U.S. Congress to pass legislation

restricting sport gambling activities. In 1992, the Professional and Amateur Sports Protection Act was passed and signed into law. The act limited future expansion of sport gambling throughout the United States. With the rapid proliferation of the Internet, by the early 2000s the four leagues and the NCAA had joined other entities desiring Congress to pass a law further restricting Internet gambling, including sports wagering. Though the Unlawful Internet Gambling Enforcement Act of 2006 defined and limited online sport gambling, an exception was made for fantasy sports (Heitner, 2015).

In 2006, most fantasy sports were played by friends and family members for low stakes over the course of an entire season. However, with the creation of online, daily fantasy sports, the entire industry began to morph. No longer were fantasy sports drafting opportunities limited to the beginning of the season. Now, avid fantasy sports participants could play every day and enter to win financial prizes. The two dominant daily fantasy sites, DraftKings and FanDuel, expanded quickly and soon began to sponsor a variety of individual franchises and entire sport leagues, with some leagues taking an equity position as part of their sponsorship partnership. The NBA had permitted a Women's National Basketball Association (WNBA) franchise, the Connecticut Sun, to play its home games in an arena attached to a casino in 2003. In 2015, the WNBA made an investment in FanDuel, while NBA Commissioner Adam Silver indicated that the long-standing rejection of gambling and gambling sponsorships may not be good for the NBA or sports leagues in general (Herbert, 2015). While some sports leagues are embracing daily fantasy sports and the sponsorship revenues that can be generated, various jurisdictions, with the state of New York being one of the most prominent, have expressed their concern about the legality of the enterprise. As of this book's press date, a number of outstanding legal challenges to daily fantasy are pending, particularly as DraftKings and FanDuel made plans to merge their operations (Heitner, 2016). Despite these objections, most observers see a future where various forms of gambling become more prevalent and sport leagues permit greater formal association with gambling interests through sponsorships.

EMERGING OPPORTUNITIES

Virtual Signage

Virtual signage has been one of the recent developments that provides both opportunities and challenges to sport marketers and event owners. With the technology behind virtual signage, an advertiser can insert logos or brand messages on the consumer's view of the playing field even though it is not physically there in the facility. A variety of sport organizations allow for use of this technology while others restrict or prohibit its use. Major League Baseball has been the most prolific user, placing virtual ads behind home plate during regular and postseason play. Other sports have also explored the use of this new technology. FIFA, World Wrestling Entertainment, the X Games, and various professional tennis tournaments have readily implemented virtual signage. With the ability of media partners to continue to narrow the marketing messages to smaller and smaller markets, the potential exists for virtual signage to

eventually be "individualized" to a specific household, rather than a city or other broad metropolitan market. In addition to the concern that some critics have regarding the presence of "big brother" in a person's television or electronic device, there is concern regarding control of the images that are presented on the field. Many facility owners convinced sponsors to purchase stadium advertising with the idea that these signs would be seen by those in the facility and on television. However, with the emerging technology, not only could existing stadium advertising be blocked out and replaced by a totally different product or service, but a direct competitor's advertising could be inserted. As virtual signage continues to be developed and implemented, teams, facilities, leagues/conferences, sponsors, and media partners will need to ensure that sponsorship arrangements are well designed and specified in contracts.

Another point of contention has been the inclusion of sponsor signage in video games. Electronic Arts (EA), one of the leading producers of video games, has used a marketing theme: "If it's in the game, it's in the game." Up to this point, they have included signage in almost all of their games. Many sport marketers feel that these actions present an excellent opportunity to market to children and adolescents in an authentic environment. Recent research indicates that video game signage sponsorships are noticed and retained by players, indicating they may be an effective advertising platform (Hwang & Ballouli, 2017). Despite the apparent sponsor benefits, there are others who believe that this step represents another unconscionable intrusion into society.

Jersey Sponsorships

In most European countries, sponsor logos on jerseys are common. Some uniform (also known as "kits") sponsorships in the top European soccer leagues can be sold for millions of dollars each year. In the Barclays Premier League, 11 of the 20 franchises received 5 million euro or more for the 2015–2016 season, with Manchester United earning 53 million euros for their kit sponsorship with Chevrolet (Totalsportek2, 2016). Among the greatest bargains was the 1 million euros paid by King Power to Leicester City. Though long shots to even avoid relegation, Leicester City won an improbable 2016 championship, yielding a tremendous amount of return for their Thailand-based sponsor. In the United States, Major League Soccer (MLS) began selling jersey sponsorships in 2007, with some clubs earning more than $6 million a year in 2016 (Gelston, 2016).

Despite the success of MLS and NASCAR in selling sponsorships on athletes and vehicles and the selling of stadium and arena signage, the big four North American professional sports leagues have had long-standing restrictions on jersey sponsorships. That tradition appears to be changing. In 2009, the NFL decided to allow sponsor patches to be placed on team practice jerseys, though they expressed at the time that it was unlikely for game jerseys to be sponsored in the near future. In 2016, after allowing Kia to have a sponsorship on the NBA All-Star Game jerseys, the league permitted teams to sell one 2.5-inch-square patch to sponsors for use on jerseys for the 2016–2017 season. The Philadelphia 76ers were the first team to negotiate an agreement, with StubHub buying the patch for $5 million a year for three years (Marcin, 2016).

The NBA projected over $100 million in overall league revenue for the first year, with each team allowed to keep 50% of the jersey sponsorship money and the other 50% required first year to be distributed throughout the league. Scott O'Neil, CEO of the 76ers, expressed why it was likely that other leagues would soon follow the NBA's lead:

> I've always been jealous of the English Premier League teams. NASCAR figured it out a long time ago. For some reason, the big four sports in North America have not. I think it's an unbelievable opportunity. I think there's a push to figure out new sources of revenue and the NBA seems to be a leader in that. (Gelston, 2016, paras. 8–9)

SUMMARY

Sponsorship is an important and growing revenue source for most sport organizations. Though there are many creative ways that sponsorships can be implemented, the relationship between sport organizations and sponsors must include advantages for all parties, including the participants and spectators who comprise the sponsor's target markets. Creating a win-win-win

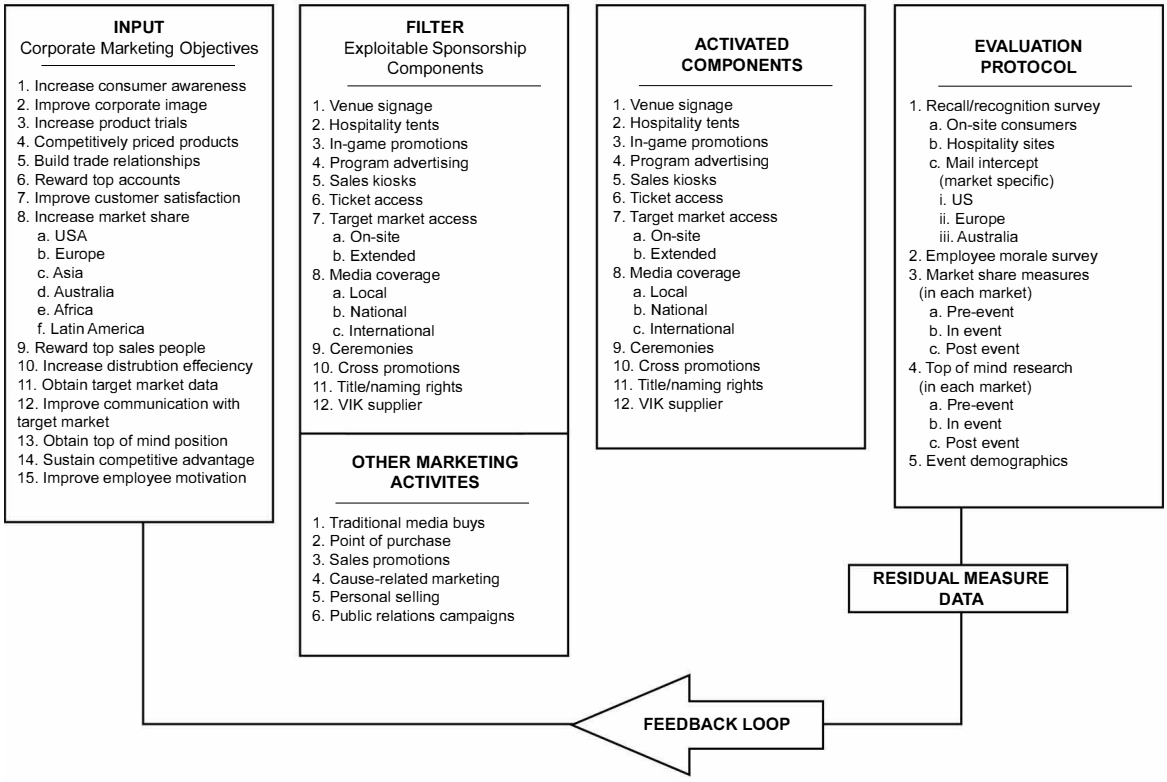

FIGURE 1.2. **Sponsorship Evaluation Model**

situation can provide market value and higher profits for corporations, and increase operating revenues for sport organizations and events. An overall view of the sponsorship process is provided in Figure 1.2. The task for a sport marketing professional is to make it clear to the sponsor just how this can be accomplished through a particular sport organization or event.

An Interview with Ian Anderson, Special Assistant to the President, San Jose Earthquakes

Can you describe your career path?

I studied economics and played four years of varsity soccer at Claremont McKenna College (CMC) in Southern California. I knew I wanted to pursue a career in the business world and figured I would start in consulting or finance, both very common tracks for CMC grads. However, having played soccer competitively for more than 10 years, I was intrigued by the business of professional soccer—specifically the massive growth opportunity for the sport in the US.

I took an internship at Major League Soccer headquarters in New York City directly out of school as I was looking to get a macro-level introduction to the sports business. I worked in the partnership marketing group assisting on major sponsor accounts—including AT&T, Continental Tire, and VISA among others—across the Soccer United Marketing (SUM) portfolio of properties. I was able to meet and learn from many of the leaders of the soccer business, and was introduced to Dave Kaval—President of the San Jose Earthquakes—while in Los Angeles for MLS Cup 2011. At the time, the Earthquakes were pushing to build a soccer-specific stadium in San Jose. As a Bay Area native, I knew what the project could mean for the club, its fan base, and the league. Personally, I saw a great opportunity to make an impact.

I was hired by the Earthquakes in January 2012 as Manager of Business Development. I was tasked with helping build the club's nascent commercial business leading into the new stadium launch. I focused on opportunities for companies in Silicon Valley to market their products by integrating them into the physical stadium build. After helping negotiate our $20M naming rights deal and technology partnership with Avaya, I led all aspects of our search for a jersey sponsor—from sourcing to proposal to contract. The search culminated in signing the largest sponsorship deal in club history with local healthcare giant Sutter Health.

I was promoted to Special Assistant to the President in 2015, where I led initiatives across the organization, including the development of a new affiliation agreement with Reno 1868 FC of the United Soccer League (USL). As of fall 2016, I am attending Stanford Graduate School of Business.

Can you discuss the SWOT analysis you and the other Earthquakes' staff members executed when you arrived in 2012? What was your assessment of the business opportunities? How did you think the organization could position itself in the marketplace?

In determining a go-to market strategy for our two major commercial assets (stadium naming rights and jersey sponsorship), we first looked at key strengths and challenges for our product

and marketplace. From a product standpoint, we had a fantastic growth story to tell around our sport, our league, our young audience, and our new stadium. From a market standpoint, we were surrounded in Silicon Valley and San Francisco by many Fortune 500s. On the other hand, however, our regional media reach was still growing and we lacked the broad awareness that other more established properties had with the corporate community. We were competing for sponsor dollars with six professional sports teams, two major NCAA Division I college athletics programs, and a range of other world-class entertainment properties in the Bay Area.

Additionally, we found that many of the biggest companies in Silicon Valley were reticent consumer advertisers. Sports sponsorship was often not part of their existing marketing strategies, with most of the region's companies falling into one of the following buckets: companies with products that were very far removed from consumers (e.g., technology components), companies selling services primarily to businesses (e.g., SaaS), or consumer technology companies that simply didn't buy advertising and media in the same way as traditional consumer products companies.

Given the situation, what did you think would be your best approach/pitch to potential sponsors?

We positioned our offering as different from the traditional sports sponsorship as a way to appeal to a broader swath of potential partners (not just the usual players in the sponsorship space). We focused on integration—how potential partners that were not necessarily consumer-facing could utilize our new stadium as a showcase venue in the heart of Silicon Valley for their products. And we targeted challenger brands—established organizations and companies that were new market entrants, were facing significant competition, or were revitalizing their brand.

Besides the naming rights, what were the key components that comprised Avaya's sponsorship?

The Avaya sponsorship focused on deploying Avaya products in the stadium to enhance fan experience and business operations. Avaya's 150+ wireless access points power a best-in-class WiFi network that provides reliable Internet connectivity for 18,000 fans during games. The Avaya Stadium mobile app—built by Avaya—gives fans access to team content, stadium information, social media feeds, and ecommerce. The proprietary "Fan Engagement Wall" on the main concourse displays fan-generated social content to all stadium patrons. Avaya's phone and video communications infrastructure also serves as the backbone for front office and stadium operations.

Moreover, in a highly competitive IT infrastructure and enterprise communications market, Avaya is able to showcase its products to clients, partners, and prospects in a creative, high-profile setting. Avaya has also launched an entirely new vertical—Avaya Sports—that builds solutions specifically for sports and entertainment venues worldwide.

Jersey sponsorships are a relatively new sponsorship opportunity for professional sports teams in the United States. Did Sutter Health have any questions about how the value of the jersey sponsorship could be evaluated?

Yes, we used a third-party media group to help value the impressions generated by the sponsorship. Importantly, jersey sponsorship in soccer provides a level of engagement from fans that is—in our opinion—unmatched by other sponsorship offerings. Soccer fans around the world embrace their clubs' jersey sponsors—it's an authentic part of the game. In our case, fans eagerly awaited the announcement of a sponsor, posting on social channels about brands they would like to see on the jersey. This type of engagement is what makes the jersey sponsorship so valuable, especially given that millennials—who make up a big part of our fan base and are a key demographic for Sutter Health—are not as receptive to more traditional mediums of advertising.

What other components of the partnership did Sutter Health particularly appreciate and utilize?

Outside of the branding, the key component of the partnership for Sutter Health is promoting health and wellness—specifically combatting childhood obesity—in the community. Sutter is the presenting partner of our "Get Earthquakes Fit" program, which brings our players and Sutter doctors to elementary schools across Northern California where they engage with youth on ways to live healthier and more active lifestyles. Sutter also supports our Youth Academy program, which develops the next generation of professional players for the Earthquakes first team.

What do you think are the major challenges facing the Earthquakes and their marketing and sponsorship activities in the next 5–10 years?

We need to continue building our brand and growing our audience. We've created a fantastic in-stadium experience at Avaya—we need to expose more folks to that experience and to the excitement of the soccer product more broadly. We know we have significant tailwinds given that our core of young, avid fans are just now becoming adult consumers, but our job is to do everything we can to promote the club and provide a product that ultimately makes the out-of-stadium experience—watching game broadcasts, highlights, or other digital content—as attractive for fans as the experience at Avaya Stadium.

SPONSORSHIP WORKSHEETS

These worksheets provide a guide to developing various sections of a sponsorship plan. The following sheets cover possible corporate rationale for sponsorship, legal restrictions, and controversies. Complete this worksheet as you would prepare a sponsorship plan.

Determine possible rationale(s) that corporations may have for sponsoring your team, organization, or event.

_____

_____

_____

_____

_____

Discuss any legal restrictions (e.g., tobacco, alcohol, and gambling laws) that would affect the sponsorship of your team, organization, or event.

Consider any possible controversies that may influence the sponsorship of your team, organization, or event.