

# Service Sector Industry and Sports Sponsoring Strategies of United Kingdom Market

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## Abstract

The aim of this study is to explore the capabilities of sports sponsorship as a services issue which can be profitable for the company. It looks at how sports sponsorship can derive good return on investments for the firms. To understand the impact of sports sponsorship in generating superior brand and corporate images and thereby influence consumer and customer attitudes towards sponsoring brands. It explores and identifies factors that are creating challenges and influences the direction of sports sponsorship marketing. A case study research strategy has been adopted apart from other methods in collation and interpretation of data. It gives an insight on the organization's key strategic service marketing issues.

**Keywords:** Sports Sponsorship, Mega Events, Brand Tool, Ambush Marketing

## INTRODUCTION: The Concept

Sports sponsorship as a service sector industry is booming in the recent times. With the proliferation of trade and commerce, sports are becoming specialized, professional and have turned to be a recreation for people. To make the events widely circulated through advertisements, agencies are bidding, booking and selling time slots to be aired in between the regular prime time programs for the entertainment of the viewers, thereby by positing the quality of services (Kasper & Vries, 2000).

In today's world one of many ways to create brand awareness and advertise one's products / services is through sponsoring mega events. The current global trend seen is sponsorship of major sporting events by leading brands. Such sponsorship helps to reinforce the image of the company as a responsible corporate citizen in today's world.

Sponsorship promotion by companies, firms and brands are usually done for the specific type of products and services, which ultimately in the process of publicity gets wider exposure. In order to create an atmosphere for the company's products and services, corporations are generating awareness so as to influence the consumers and convert them as customers. They effectively target a specific consumer segment and generate consumer effects which have elements of promotional mix.

Sports sponsorship provision could include, sponsor's brand appearing in the championship title, on team shirts, cars and equipments used in the championship, PA announcements, athlete appearances in the events, rights to use photographs, official merchandise rights, VIP hospitality areas, media partnerships and sponsoring broadcasts of sport on television or radio.

This is a sector in the services industry which calls for issue-based attention. The study looks at the issues affecting the organizations relating to sports and financial services. It relates to the investments made by different business organizations/firms for creating brand equity. Major focus is on U.K. based financial institutions for understanding its redefining competitiveness. The selected service company identified for the introspection is a financial institution of U.K. for a discrete analysis of market potential for investments made on sponsorships. The study looks at the marketing environment and has made an assessment of the opportunities and threats facing the sector. It stretched on a coherent analysis in discerning the communalities and differences between the current marketing strategies. The key strategic service marketing issues of sports sponsorship by firms has been looked into and assessed for an estimation of return on investment in a macro scale. It dwells on the relevant theories applicable for services marketing.

## LITERATURE REVIEW: Sports and Sponsorship Activities in United Kingdom

As per the statement of some of the international event groups a definition of sponsorship could be "A cash and/or in-kind fee paid to a property in return for access to the exploitable commercial potential associated with that property". Sponsorship can also be defined as "an investment, in cash or in kind, in an activity, in return for access to the exploitable commercial potential associated with this activity".

Sponsorship provides an opportunity to differentiate brands and convey strong corporate branding messages

(Roy and Cornwell, 1999; Meenaghan and Shipley, 1999 cited in Alexander 2009). Sponsorship itself of course, can take various forms ranging from a relatively crude level of financial support that has a limited association with the branding strategy of the sponsor and which might be said to border on the philanthropic (Gwinner and Swanson, 2003 cited in Alexander 2009).

Over the years, sport sponsorship has become an effective marketing strategy for many corporations and equally effective source of revenue for sport organizations. Increased competition has created a need for businesses to find ways to differentiate their products and services from the growing number of advertisers in the market place and to get more return for their promotional dollars (O'Neal, Finch, Hamilton & Hammonds, 1987 as cited in Faed, 2006).

It is observed that sponsorship deals are different and unique in their behaviour making it almost impossible to calculate the accurate dollar value of the industry in a spectrum. As per the available statistics gathered, out of a calculated amount of around \$ 26.2 billion, 81% is specific to sports sponsorship (Lagae, 2003) while another study shows that out of around \$ 24.4 billion, approximately 67% is spent on sport sponsorship (Roy and Cornwell, 2003).

The approximate global scale and size of investment done for advertising and promotion by the sports sponsorship industry is around \$15 billion, which is in the range of £ 7 billion to around \$ 22 billion or say around £10 billion. In 2006, Ipsos / MORI data report estimates the UK market to be around £ 428 million, which is around 5% of the global industry.

Despite the economic gloom and shrinkage of marketing budgets, sponsorship spending remains positive for 2009. Growth has slowed from 15% in 2008 to 3.9% in 2009. These estimates are provided by IEG which has been tracking global sponsorship expenditure for more than 10 years.

Growth is characterised by the industry ratings earning through few players, but large sponsorship deals (Drewer, 2006). It is seen that UK sports sponsorship generate the most significant amounts of investment.

An estimation by Drewer says that the value of team sports like football, rugby and cricket is 5%, motorsports is 5%, outdoor sports like golf, cycling and climbing is 20%, equestrian is 40%, racket sports is 5%, athletics is 5% and others is 20%. The promotions and values of services market is mostly in terms of media attention and participation.

In London 2012 Olympics, athletics category is expected to get a sizeable growth because UK and other international companies are interested to invest to become a part of the sporting event. It shall be quite huge in relation to Commonwealth Games of 2002. In UK itself, currently Norwich Union is the biggest investor in athletics sponsorship.

The wide array of benefits in sponsorship is due to the services marketing and communications mix. Sponsorships shall overcome the weaknesses of services marketing techniques involved in advertising (Erdogan and Kitchen, 1998). These are built upon the media-based benefits of sponsorship and marketing benefits, which include building stronger brands through image transfer between sponsored property and sponsoring firm and improving consumer goodwill towards the sponsoring brand. Services marketing objectives could also be achieved through sponsorship. Increase in sales through impacts on consumer choice behaviour is achieved. It can be helpful by generation of additional consumer value through corporate hospitality opportunities, co-branding partnerships, ability to cut through increasing clutter, reaching fragmented audiences, direct distribution channels and enhanced customer interaction, enhancing employee morale and company pride. A large number of benefits can be harvested through well-engineered sponsorship strategy.

It is seen that sponsorship and media advertising were viewed similar in terms of effects during the early stages of the concept of development in the late 1980s. Today sponsorship is a very powerful tool with dramatic competitive capabilities. This is being increasingly utilised by firms in the range of industries to achieve services marketing and media-driven goals.

The complexity of the business has called for amendment of legislations for organizing the market turbulence. A good number of situations are being encountered by the sponsoring firms, and sponsored properties, because of the impact of dynamic competition at UK.

These changes have originated from the laws that are enacted and amended from time to time. In the European Union, stringent legislation has been framed, against tobacco and alcohol products and services for sponsorship. This has become an alternative to the banned advertising media. Though alcohol is being still advertised on television in the UK, tobacco was withdrawn from mass media in February 2003. This shifted the segment of service industry and increased sponsorship to retain market exposure and market prominence.

These restrictions shifted the business to sports sponsorship deals, from the tobacco firm advertisers. It laid extra pressure on sports events and teams. Particularly it was seen in snooker and darts competition and Formula car racing.

Recent situation in the business environment has invited ambush marketing as a significant threat to the traditional advertisement industry. Ambush marketing relate to 'any communication or activity that implies, or from which one could reasonably infer, that an organisation is associated with an event, when in fact it is not'

(Payne, 1998). This refers to a surrogate market portal created to attract the customers.

Today major events of U.K. have introduced stricter advertising legislation regarding the use of official logos, phrases and associations. But studies are demonstrating the consumers feeling of it as highly unethical. Contextually ambush marketing has become a strategic move for counter balancing the refraining role of the enforced legislation. Ambush marketing has become a strategic intent to exploit the potentials in a critical moment of business. These ambush strategies include, sponsoring the media coverage of an event, sponsoring a sub-category within an event and exploit the investment aggressively, make sponsorship-related contribution to the players' pool, plan advertising that coincides with the sponsored event. It can develop imaginative ambush strategies like creating advertising extremely close to a team or event, but cannot be legislated against.

### **OBJECTIVES OF THE STUDY**

The objective of the study is to gain an understanding on the status of sports sponsorship on the financial service providers of U.K. and on U.K. banks, who have been major sponsors in the domestic U.K. sporting competitions. The objectives of evaluation are:

1. To understand what firms can achieve by using sports sponsorship as a service marketing activity. How firms should select events or teams to sponsor, to achieve their marketing goals.
2. To understand the activities that is potential for the firms to leverage sports sponsorship strategies, to achieve greater effect.

This study shall logic out regarding the stature of the tool of sports sponsorship to corporations around the world and particularly for developed Western markets.

### **FINDINGS & DISCUSSION ON SPORTS SPONSORSHIP STUDY**

As the study is related to services marketing and financial instruments and is based on banking and financial services corporation with significant global activities, it is importantly probed. It analyses the presence of sports sponsorship in domestic English football, golf and a range of other sports. The other organization/organizations which have been introspected are an U.K. based financial services company with sports sponsorship involvement in English domestic cricket. This is a relatively new sports sponsor company, but has a plenty of experience in the field of advertising.

The study reveals that, most common aspects of all the firms reflect that the purchase of sponsorship rights was an opportunistic purchase for the company to grow in brand building. The availability of the sports property prompted the organization for a swift decision to purchase and secure lucrative rights. Many organizations have taken advantage of the availability of sponsorship rights and sponsorship was intended to alter consumer perceptions and selection process. It assessed the following aspects:

1. Sponsorships reach the target consumers
2. Consumers thought about brand
3. Consumers thought about the sport or event

It has been seen that the imagery and consumer perceptions are integral to selecting the right sport in which investments can be made. It identified a trade off in the decisions regarding the selection of sports to sponsor. The company has opted for a wide-reaching sponsorship which may not be suitable in terms of brand image perceptions.

The other aspects which influence the brand objectives are exposure, image transfer and liking and favourability awareness objectives. It could be for achieving commercial objectives like ROI for example. It may look for business development like developing new business and relationships through each strategy. It could again be for developing internal objectives like recruitment, staff retention and morale. Besides it could also be for achieving community objectives for positive social impacts. The information from the firms suggests that the objectives set for sports sponsorship deals are wide and varied, and can be very particular to certain firms in distinct situations.

It is seen that in the U.K., ownership of the sponsorship lead to innovative but cohesive activities deriving greater results for the firm. The areas of activity focus on few objective areas given below. The leveraging activities included are:

1. Mass media advertising campaign
2. Consumption-based promotions and articulation
3. Tickets given to business and high-value customers of the business
4. Development of new business through the expanding formal and informal network in the B 2 B market
5. Gaining customers within the sponsored property and being involved with investment management. It is for the sporting property which they have purchased and for the rights to sponsor.

There are many significant cases which leverage for a wide array of on- and off-site PR events, link to the press and media, corporate hospitality, develop products/services linked to the sponsorship (domestically and abroad) i.e. for example credit cards displaying football teams' names. They also go for obvious benefits of

brand exposure and image transfer.

In some other cases, sports sponsorship rights are used to reduce costs, attract and retain all value levels of customers. It is also to develop well-targeted and successful products into its product portfolio. Firms have similarities in the field of financial products. Dissimilarities are innumerable.

Some leverage by emphasizing and gearing towards strengthening the link between brand and sport, gaining brand exposure and breaking through the advertising clutter. A key focus in addition to this for the firm was to ensure that the surrounding activities reached people not at the grounds only but necessarily by the watching crowds of the games on television.

If we discuss about sponsored fantasy leagues in which, in a point of time, two newspapers were identified as key media sources for their target markets. It is seen that they conducted press advertising to affirm and broaden the reach of their sponsorship. They avoided without generating the huge costs of mass media advertising because it could be lost in the clutter.

It is observed that micro methods are also good for public presence and for strategic partners. It can be done by virtue of distributing newsletters. It helps for consumer focus and can gear the interest level towards other stakeholders. It can be involved in product distribution, and internal marketing services efforts and special offers promotions.

### **TENTATIVE OUTCOME OF THE STUDY**

It is seen that categorization of sponsorship can be done in three ways which are similar and peculiar in their domain. They can be taken as an objective which could be achieved through obtaining of marketing of sponsorship rights. They will be useful to model the modes of operations in the business.

The categories broadly identified are media objectives on cost effectiveness and reaching target markets, corporate objectives on image related affairs and services marketing objectives on brand promotion and sales increase.

Nevertheless, the study has browsed into different areas of concern. The analysis shows that the strength of sports sponsorship has the ability to cut through media clutter and to reach the fragmented audiences in the isolated pockets. This has led to the growth in the appeal of sponsorship as a communications tool and can further be compared to traditional advertising media, to see how suitable are the purchasing of sports rights in achieving media objectives. Sponsorship can essentially be used as a media extension and can create a market for the sponsoring organization to an incredible limit.

It is noticed that sports sponsorship utilises the globalisation of sport as a vehicle to transmit branding around the whole world (Lagae, 2003), encouraging the use of sports sponsorship rights as a valuable asset for trans-national brands.

### **CONFLICTING ISSUES OF SPORTS SPONSORING IN UNITED KINGDOM**

It is seen that in U.K., increasing satellite and pay-per-view coverage is creating a conflict between sponsors and sports governing agencies. There is a clear clash of interests in sports bodies reach to Sky TV, which is by far the main satellite broadcaster in U.K. In order to generate increased television revenue, sponsors encourage sports to be shown on terrestrial channels like BBC and ITV, wherein levels of exposure are far higher.

Moreover, using sponsorship as a method of achieving media objectives is not cost-effective in one way. In order to achieve media goals, well-targeted mass media is advisable, wherein greater media control can be possible for business. As an example, to purchase the shirt sponsorship rights to place Vodafone logo on the shirt of Manchester United, it shall cost Vodafone approximately £30m over a period of 2 years. To avail that level of exposure Vodafone should potentially purchase 6 NFL Superbowl advertising slots, the most expensive in the firmament of business.

Studies have demonstrated that mere exposure effects on consumers' attitudes or behaviours towards a brand can sometimes be very weak for high familiarity brands which consumers are already aware of. Therefore, strategic sensitive radar designs are important for detailed understanding of the wave of the brand flow. There are several cases of advertisers in the U.K. using the sponsorship of sporting programmes to achieve cost-effective brand and image-related goals. Example of using small scale campaigns to great effect in recent years are Dromona-Dale Farm Dairy. It was noticed that Dromona sponsored local athletes and sports participants to create 4 million exposures to brand imagery based upon £22,000 worth of advertising spend in addition to the sports. Similarly, another company named Specsavers was able to boost national sales by 22% through their sponsorship of the Referees Association for the Scottish Premier Division. These cases are unique and instances to replicate.

### **SPONSORSHIP IMAGE TRANSFER AND CUSTOMER PERCEPTION IN MARKET SENARIO**

In essence, the 'softer side' of sponsorship-image transfer and consumer perception has been tested against tangible effects of customer behaviour and purchase intentions, which express the true value of sports

sponsorship. As a matter of fact, sports sponsorship is able to display firms in all manner of industries as good corporate citizens and increasing general consumer perceptions of the sponsor's image. It makes their image as a sportive character ready to services marketing business. Services Marketing looks into the essential need of softer access into the customer psychology. Entering into the mind of a potential customer is done through mind-tree positioning, drawing self-reference criteria (Zeithmal & Bitner, 2003).

It is seen that, change in consumer attitudes and perceptions can happen towards a brand, when it is based on sports sponsorship. Array of studies have demonstrated that effective sponsorship can result not only in superior brand association and a more favourable corporate identity, but sponsorship can achieve goals such as improved purchase intentions which fits succinctly into services marketing.

Interestingly it is seen that modern studies have expanded upon sales on revenue-based objectives which can be achieved via sports sponsorship. This sponsorship has sizeable impacts on internal marketing and in the recruitment market, due to the company stature. CRM can be used in conjunction to sports sponsorship in order to fuse brand and sports together to support strongest image transfer.

### **COMPARING SPORT AND BRAND**

The study uses the premise of comparing descriptors about sport and brand, to find where they have links and fissures. It scoops in to spot and identify the image change in the brand via sponsorship. Examples are many and are applicable in the sports sponsorship market at U.K. and in the global market places.

In U.K. examples of image-based similarity include, Cadillac Automobiles & Masters Golf Tournament as prestige image, Barclay's Bank & English Football League as modernising and adventurous and Norwich Union & UK Athletics as preparing for the future theme between insurance and funding youth athletics development. Apart from that Adidas & New Zealand Rugby Team had the core shared values of tradition, authenticity and inspiration which laid the foundations for later co-branding success.

### **SPORTS SPONSORSHIP AND CO-BRANDING**

Co-branding is an important organ of business development. Co-branding as such is defined in the literature as 'a form of co-operation between two or more brands with significant customer recognition, in which all the participants' brand names are retained' (Blackett and Boad, 1999). It is where image transfer management focuses on creating a 'symbiotic relationship' which allows values to transfer between sport and sponsor.

It is seen that, 'duration of link' has been used by Visa to a great amount, who have enjoyed a sponsorship relationship with the Olympics games for a number of years, to the point where consumers consider Visa, Olympic games and 'brand DNA' to be synonymous due to the level of attributes and emotions which connect the relationships. They have a bond of relationship which has strengthened over a period of 20 years.

### **GAPS INEVITABLE**

It becomes quite difficult to analyse co-branding. Even though a suitable link between sports sponsorship and co-branding is seen, a wider body of knowledge is missing and is under the scanner for future study. Moreover, measurement of sports sponsorship effects is critical to be measured tangibly. Detail research in the field can redress the problem of accuracy detection on the sponsorship strategies.

### **CONCLUSION**

The study dealt on the subject of sports sponsorship from a number of dimensions, developing relevant perspectives. It is believed that sports sponsorship is capable of achieving the target effectively. It is a springboard to enter new markets, and provides the foundation for developing new business and networking. Sports sponsorship is a significant weapon in a marketer's armoury just as television or radio advertising. For practitioners, the key issues could be outcome through sports sponsorship investments. To calculate as to how these processes can be managed to secure a return on investment, and how to increase this return through additional leveraging in a society in developed economics is ardent.

In analyzing the sports sponsorship services market, details on the organizations key strategic service marketing issues have been elucidated speculating future markets. Though the market is complex and dynamic it is found to be a booming market in the services industry wherein monetary involvement as investment can harbour promising return in terms of business prospects and profits. Theoretical principles of services marketing emphasize on the mind share and heart share of the customer and truly sports sponsorship can create a emotional market niche in the heart of the buyer.

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