

## **SPORTS SPONSORSHIP IN THE FUNCTION OF MARKETING AND BRAND BUILDING**

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### **Abstract**

The link between sports industry and marketing is inevitable. Athletes and companies that have activities related to sports and achieve top results on the sports field, must have an image that attracts the public. It is the image that is the foundation of business success. In other words, any significant sport result could be financially evaluated. The more the athlete is successful, the more the marketing is demanding.

In economic terms, sport has become a respected promotional channel of big companies, at the same time. Sports sponsorship is a marketing tool that is frequently used by companies to reach a wide audience on a global basis so as to be placed higher than their competitors, to create awareness as well as make a higher profit margin. Nowadays, the value of marketing - business investment is measured in thousands of billions of dollars.

The objective of this paper is to explain the importance of the connection between sports and the athletes in advertising, also their maximum utilization for the purpose of presenting the certain products, as well as athlete's personal name and work itself, for the purpose of obtaining large financial gains.

**Keywords:** sponsorship, sports marketing, brand, sports industry

### **Introduction**

Sport is the most popular activity on the Earth, today. Over the last few decades, sport has evolved from relaxing activities, entertainment and mass amateurism into a complex industry. By definition, the sports industry is an economic area in which it is performed concentration of capital and human resources in order to achieve productive mission.

Athletes sell their work as sporting goods (sports scores). Customers, club owners, the state and the public, logically pay for it. Customers are offered products intended for sports, recreation and leisure in mind: things, goods, services, people, destinations and ideas.

Sports industry is a market where there is the exchange of products and services from internal to external environment and where two functions are equally realized:

- Sports - competitive, because the athletes are require better results everyday
- Business - managerial, including management, marketing, PR, financial and human resource activities. They are necessary for sports organizations to generate profits

Sports industry today is a serious business, which consists of:

- Sports manufacturers (athletes, coaches, managers, sports organizations, the organizers of sport events)
- Sports consumers (sports companies and other sports public)
- Sports products (achieved results of athletes and coaches, as well as the results of other sports manufacturer).

### **Sports marketing**

Sports industry can be divided in several ways. The most common is the one that divides the sports marketing into two categories:

- Marketing of Sports (sports marketing and equipment)
- Marketing with Sport (promotion of non-sports products combined with sports events and athletes used to promote sports and non-sporting goods).

Shortly speaking, sport marketing is the process of linking sports offerings and sports demands, the actors of sports activities and the audience.

The link between sports industry and marketing is inevitable. Athletes and companies that have activities related to sports and achieve top results on the sports field, must have an image that attracts the public. It is the image that is the foundation of business success. In other words, any significant sport

result could be financially evaluated. The more successful the athlete, the more the marketing is demanding.

Athletes and companies that have activities related to sports and achieve top results in the field of sports, must have an image that attracts the public. It is the image itself that is the foundation of business success. In other words, any significant sports result can be financially evaluated.

### **Sponsorship in sport**

For many years sponsorship and sports marketing have been in existence and have now been greatly improved upon. A couple of years ago, sponsorship could be regarded as more charitable or philanthropic, but in recent years, that has significantly changed. Hardy, Mullin and Sutton (2007, p. 315) define the term of sponsorship as “the acquisition of rights to affiliate or directly associate with a product or event for the purpose of deriving benefits related to that affiliation or association. The sponsor then uses this relationship to achieve its promotional objectives or to facilitate and support its broader marketing objectives“.

Skinner and Rukavina (2002) point out that the Olympics held in Los Angeles was a rapid market’s expansion for sponsorship deals. The event’s organizers were able to raise over \$400 million worth of sponsorship deal which opened the doors for other Olympics as well as the other big events, such as the FIFA World Cup. In recent times, many new opportunities have opened up for companies to compete with one another in creating sponsorship deals that is both favourable to them as well as the sporting entities they get involved with.

Nowadays, many companies are fully aware of the fact that they need their customers to stay in business and many of them know the high significance which marketing plays in making them compete successfully amongst their competitors. Companies need to satisfy their customers by creatively managing their marketing mix in order to have a competitive advantage over others (Jobber 2007, pp. 793-794).

Promotion is the way for the company to communicate with their target audiences through mass communication (Jobber 2007, p. 21). Promotion, however, includes much more than the traditional forms of advertising. It involves all forms of communication to consumers. For many organizations, sports are quickly becoming a rather effective and efficient way to communicate with both current and potential target markets (Shank 2009, p. 263).

Renowned authors in the field of marketing and sports have all given different notions to the definition of sponsorship. ESA defines sponsorship using the ICC Code of Sponsorship definition as “any commercial agreement by which a sponsor, for the mutual benefit of the sponsor and sponsored party, contractually provides financing or other support in order to establish an association between the sponsor’s image, brands or products and a sponsorship property in return for rights to promote this association and/or for the granting of certain agreed direct or indirect benefits” .

Lagae defines sponsorship as “a business agreement between two parties. The sponsor provides money, goods, services or know-how. In exchange, the sponsored party (individual, event or organisation) offers rights and associations that the sponsor utilizes commercially” (Lagae 2005, p. 35).

Shank regards it as “investing in a sports entity (athlete, league, team or event) to support the overall organisational objectives, marketing and promotional strategies” (Shank 2009, p. 324).

Despite the fact that different authors gave different definitions, majority of them have some similarities and majority of them lay emphasis on the relationship advantage between an organisation and the sponsored object that sponsorship offers.

Sports sponsorship is one of the most efficient and economical ways to promote brands and products through an emotional environment. Sports promotion helps in finding the right “fit” for brands to reach their respective target market and overall objectives. Sponsors gain high visibility and a fully-comprehensive platform for brand building and campaigning.

## **Brand in sport**

The brand is a market term which has its own value and identity. It is the unique market code helping business, company, institution or product to be more recognized. Brand must be more than just a name and basic characteristics of the identity. Brand has to motivate, promotes action, causes emotions, associations and creates trust.

Brand Management includes a set of activities relating to the design and brand positioning, brand management through all phases of its life cycle and measuring its real value. The aim is to create the perception in the minds of consumers that at the whole market there is no product as that exact brand, that it is one of the kind and should be remembered as something completely new and unique.

It is believed that today the most important functions of marketing is just the brand building. Scott Bredbury provides a definition of branding as "Branding is when you improve and refine something very ordinary so that it becomes more valuable and meaningful."

Endorsement is one of the most popular forms of advertising in sports and very often we have the possibility in certain commercials that involve sports or do not have anything to do with sports at all to see an athlete as a star of certain advertising campaigns.

Therefore, athlete's career extends beyond the boundaries of sport and on; his name and everything that his name represents in the industry of modern sport is slowly turning into a brand that has a certain price at the market.

### **Promotion of products and services by the athletes**

The advertising of products and services by athletes (Celebrity Endorsement) McCracken defined as an individual who enjoys public recognition in the name of consumer goods, appearing with it in the commercial. On the other hand, Brooks points out that a renowned athlete who advertises the product, uses his fame to help the company to sell or promote the company's image, product or brand.

This type of advertising takes one or a combination of the four styles of advertising products. McCracken called them:

- Explicit model (I guarantee for this product)
- The implicit model (I use this product)
- Imperative model (You should only use this product)
- Co-promotional model (Athletes only make public appearances using the product)

Since advertising is invented, promoters have used popular athletes to advertise products. It is about the connection of products with well-known athletes that leads to an improvement of the positive attitude of the consumers.

The most successful advertising is the one that makes the minds of consumers realize direct associations between the celebrity and the product. Athlete's natural attraction is insufficient, because the expertise of the person who advertises the product is more significant than physical attractiveness, where it is the impact on the attitude toward advertising brands.

Managers and researchers are defining the criteria for the selection of the famous personality to advertise certain products. Screening changes depending on how celebrity will be used in promotion, whether he or she will be the central figure or will serve just to increase interest.

Erdogan and Baker represent a long list of selection criteria, including:

- The athlete has to match the advertising idea
- The celebrity has to fit the target market
- Value of the celebrity
- Harmonization and possible connection of the celebrity and the product
- The popularity of the celebrity
- Availability of celebrities
- Physical attractiveness of the celebrity
- Credibility
- Earlier participation in advertising
- Availability of celebrities at that moment
- If the celebrity uses certain brand.

In addition, it is necessary to consider the extent to which there is harmony between sports, athletes and products, as a first step in selecting the best athletes to advertise a specific product.

Any well-established and well-known individual can be seen as a separate brand. By building your name and reputation, every individual, consciously or unconsciously, builds out his own brand.

### **Personal branding**

A person who manages to upgrade his/her competence in a particular field of social action through adequate communication and valorize it financially, can become a brand.

There are many examples of the world famous athletes who have managed to commercialize their popularity and success. Once David Beckham, Michael

Schumacher, Tiger Woods, Michael Jordan; nowadays LeBron James, Novak Djokovic, Usain Bolt ...

A few good matches in the jersey of Manchester United, the recognizable free kicks style and a marriage to a famous pop star, made Beckham become interesting for those sponsors who have invested in the sports market but also for those who have nothing to do with sports.

Due to a conflict with the manager of Manchester's, Beckham moved to Real Madrid for a record transfer fee of 105 million euros, making it one of the best paid players in Spain and acquired the status of a real star. Much has been speculated that the club is not hired him because of his gaming skills, but for the millions of dollars that he had in sponsorship contracts.

Back then Beckham had a contract with Adidas, while Real has with Nike, and people from Real Madrid consider this as an advantage to improve its position at the market of Asia, where Beckham was extremely popular. Props club with his name, were an important source of income for Real during that period of time.

Many companies saw Beckham as a growing brand, and made the sponsorship and advertising contracts with him. Among others: Vodafone, Adidas, Gillette, Police, Pepsi, IBM, Calvin Klein, Marks & Spencer. Analysts have estimated that Beckham earned over 200 million pounds of his brand at that time.

Beckham is an athlete who advertises products not only because of his football talent, but because of his "un sports feature": good looks, style, charisma and way of life.

There are so many younger and still sport active athletes who have millions in sponsorship and advertising contracts, but somehow the name of David Beckham is still globally recognizable, perhaps the best example, for the following reason: Although he is not the best athlete of all time, not the best football player ever, not even the best free kicker, there is one thing that he is definitely the best in - in his own branding. He signed his great professional football contracts because of his huge marketing potential, not on the sports talent and results.

### **Corporate - personal Co-Brand**

This is a situation in which the company uses the services of well-known personalities in the long term for their promotional activities. The most famous co-brand in the history of sport and the sports industry in general, is certainly the cooperation agreement between Nike and Michael Jordan's.

This story begins in the year of 1984, at the time when the NBA courts were ruled by Converse, promoted by the biggest stars of basketball back then, Ervin "Magic" Johnson, Larry Bird, Isiah Thomas and others. Nike company also wanted to be a part of the NBA.

Sonny Vaccaro was a manager by Nike who had a job to find a basketball player who will help the company in the basic idea of designing sneakers that will bear the name and signature of the player. By designing and producing shoes for a particular basketball player, naming it by his name and promoting it by that player, Nike hoped that increasing of the popularity of the selected player would cause the growth of sales.

For Nike's advertisement, Vaccaro wanted shooting guard or small forward, due to the assumption that the players of street basketball and the kids would find easier to identify with him because of the style of the game; he wanted someone who brings the ball down the court, someone who does dribbling and passes, who is able to shoot from a distance and above all – someone who knows to dunk. Dunk makes the top of the popularity of the NBA basketball.

Vaccaro had noticed Jordan for the first time in 1982, when he scored the winning shot as a freshman for the team of Tar Heels against the Georgetown Hoyas in the NCAA championship. Two years later, Jordan left College, unanimously considered the best college player. Vaccaro wanted to meet the young Jordan.

The story of Nike was launched in November 1983, when potentially interesting players were identified. The most interesting were, however, Charles Barkley and Hakeem Olajuwon. It was a very good generation of basketball players back then. Jordan was elected as the third pick in the draft by the team of Chicago Bulls. During the first interview, it turned out that Jordan had never seen or even played in Nike's sneakers.

Jordan was explained the plan about the subject of the creation and promotion of the sneakers with signature of a new brand called "Air Jordan". It was the first official meeting and it was agreed that Jordan visits the company Nike in Oregon, where the deal will be resumed.

The Nike company had not been even close to this great company that is today. The owner, Phil Knight, did not have anything special to show to Jordan. There were no factories, Nike City didn't exist. Nike did not even have its own building, but was housed in a couple of rented containers that were converted into offices.

During one of the meetings Jordan was shown the logo of the new Air Jordan Brand, a pair of outstretched wings, similar to what pilots wear and prototype shoes. Jordan's excitement was far from expected.

Vaccaro has assured the officials of Nike that Jordan is exactly what they need. Basically a great player, with a dose of "street basketball" in his game, a player who's style can easily be copied by the kids, polished and with good verbal skills, a player in the league dominated by blacks, and again in the community dominated by whites, absolutely the perfect choice. It was a risk that the Vaccaro was ready to take over, he even accepted the bet in his business position.

Then he exposed the plan of co brand and splitting the profit with the player. At the same time, Adidas also presented its offer, worth \$ 500,000. Nike has offered 250,000 dollars and a share of sales of shoes. Jordan's manager, Falk, demanded 500,000 dollars and a percentage of sales. In the end they reached agreement for the amount of 500,000 and a smaller percentage of sales of shoes. In the long term, Jordan lost a lot of money in due to demands for higher fixed part. This, however, was the first agreement of the division of property rights over the shoes.

Jordan's popularity began to grow rapidly in 1986, during his second season for the Chicago Bulls's, when during the play off final game against the Boston Celtics Jordan scored 63 points. Soon, his popularity, and thus the sale of common brand has reached such proportions that caused euphoria in the Nike company. Jack Joyce, responsible for production, suggesting that all products should be colored in red-black, even jokingly said they should paint bricks in red-black color and sell them.

Two years later, Nike's sales reached \$ 1 billion, and the company moved up to the first place in the industry. In 1997, sales of the Nike company in the world has reached 9.1 billion dollars. More than 1000% increase in sales in comparison to 1987 (when it stood at 887 million dollars). In 1998 sales amounted to 9.89 billion dollars and it represents a record in the industry.

Michael Jordan had a contract with Nike during the period of four years for the promotion of sports equipment, worth over \$ 80 million. The company paid Jordan far more than for example all the workers in Malaysia in 2002. The most famous model launched by the Nike "Air Jordan 17", was packed in a metal briefcase and it cost \$ 200.

The success of Nike was explained the representatives of the press, when they said that there was no marketing philosophy rather than just focusing on a few passions of young men- music, technology, sport and entertainment.

Michael Jordan shoes have become the best-selling in the history of the company. They were so popular that since 1988, the company was forced to do promoting of new models on Saturdays, because the children who wanted to see and buy them were running away from school, waiting in lines in front of the stores. Each subsequent model sneakers increased in sales of the previous model and was admired for the promotion and for its technological innovation.

Meanwhile, Jordan won five NBA-MVP awards, six NBA championships with the Chicago Bulls and has become the best basketball player of all time. In his career, Jordan set the incredible standards. During the highlight of his career, his annual income was 16 million from Nike, mil.5 from Gatorade, 5 million of the Bijan Cologne, 4 million of MCI, 2 million of Ray-o-vac, 2 million from Hanes, 2 million of Ball Park Franks, 2 million of Wheaties, 2 million of Wilson, 2 million of Oakley, 1 million dollars from AMF Bowling 1 million from CBS Sportline, 1 million dollars from the Chicagoland Chevrolet ...

After Jordan definitive withdrawal from the court, he remained the world's most popular athlete.

This inspiring story is a challenge for all companies dealing with these and similar jobs. The search for the proper athlete is always in the first place.

Finally, the Nike company and Michael Jordan develop two brands at the same time. Nike brand, which is from year to year more and more profitable and Jordan brand, which initially consisted of only one product, but today of the entire range of different sports products.

Jordan officially ended his career in 2003, in his forties. The brand that is built up with Nike is still popular, and on an annual basis Jordan earns more from his brand than during his entire sports career in the NBA.

### **The most valuable company brands in sport industry today**

#### 1. Nike

Brand Value: \$15,000,000,000

Beginning in 2012 Nike, which has an industry-leading 38% share of the branded footwear market, will replace Reebok as the NFL's licensed-apparel maker in a five-year deal.

## 2. ESPN

Brand Value: \$11,500,000,000

ESPN generated over \$4 billion of operating income (earnings before interest, taxes, depreciation and amortization) in 2010 as its average monthly fee-per-subscriber has grown almost 40% over the last 4 years and is now \$4.08, the highest across all U.S. basic cable channels.

## 3. Adidas

Brand Value: \$5,000,000,000

In 2010, Adidas equipped more than 200 players and 12 teams as the official sponsor of the FIFA World Cup in South Africa, an event with a cumulative television audience of 26 billion.

## 4. Sky Sports

Brand Value: \$3,000,000,000

Added live broadcast rights earlier this year to all Formula 1 racing from 2012 to 2018 in the United Kingdom and Ireland to its heavy arsenal of sports programming. Its German paid-TV subsidiary is making its programs available on mobile phones and laptop computers in a bid to add subscribers in Europe's biggest TV market.

## 5. Gatorade

Brand Value: \$2,500,000,000

Gatorade's sports drink sales volumes were up 15% in 2010 thanks to new its G Series, but competition from rivals like Powerade has eroded market share to 71% of the \$6.7-billion sports-drink category from over 80% five years ago and increased marketing spending has eroded profitability.

## 6. Reebok

Brand Value: \$1,500,000,000

Reebok's brand is down \$500 million from 2010 as the company now has only a 1.6% share of the \$2.4 billion U.S. basketball sneaker market versus 93% for Nike.

## **Conclusion**

In economic terms, sport is becoming well respected promotional channel of large companies.

Professional athletes are celebrities, the most common role models for the youths, and therefore suitable to be "employed" as the promoters of the large companies that are interested in added their "big name" along with their products or services.

In the modern sports industry, there are an increasing number of athletes who are earning enormous sums of money, thanks to the great public interest for the sport. But for only few of them we can say that they managed to build up the brand. Certain sports skills and human characteristics are required for the athletes to build up the brand out of his name, or become part of a big brand that has a price at the market.

A strong brand is the one who takes care of himself, an individual, a bit self-centered, focused on his "athletic" attributes.

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