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Comparing the impact on a sponsor's brand of community relations focused, cause-related and commercially-oriented sponsorships: A case study

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Abstract

Companies are increasingly turning to sponsorship to address their corporate social responsibilities (CSR). It is the ability of sponsorship to generate goodwill towards a brand that sets it apart from other forms of marketing. Yet, measurement of the intangible outcomes from sponsorship has proved challenging for the industry with sponsorship recall often used as the proxy measure. This is relevant for companies looking to enhance their reputation in the community as research suggests sponsorships that are overtly commercial in nature can diminish sentiment towards a sponsor's brand and potentially erode brand equity. Using six years of brand tracking data provided by a large Queensland utility corporation, this study compares the impact on reputational brand equity of commercially-oriented, community-relations focused and cause-related sponsorships. By combining sponsorship recall with impact on brand attributes it was found that cause-related sponsorships and community-relations focused and make greater contributions to brand equity than commercially-oriented sponsorships.

Keywords: corporate social responsibility, sponsorship

Track: Marketing and Society

1.0 Background

The growth rate in annual global sponsorship investment now exceeds that of advertising, with total investment predicted to top \$53b US in 2013 (IEG 2013). Accordingly, researchers have devoted increased attention to the effects of sponsorship using a consumer behaviour lens (Cornwell 2008). However, limited academic focus has been applied to sponsorship's impact on a sponsor's brand equity in terms of reputation and the majority of research has been concerned with commercially focused sponsorship of professional sport as opposed to more community relations focused activities such as grass roots sport or cause-related activities (Mack 1999; Quester & Thompson 2001; Walliser 2003). This is important given almost a third of sponsorship investment is directed at sponsorship types other than commercially-oriented professional sport (IEG 2013; Olson 2010; Walliser 2003) and there is evidence to suggest that companies are increasingly looking to use sponsorship in support of corporate social responsibility (CSR) agendas (Repucom & Sponsorship Australasia 2011).

Previous research has identified sponsorship's capacity to provide, along with brand awareness, affective outcomes of image transfer and goodwill towards a sponsor and these are elements that set it apart from traditional advertising for winning the hearts and minds of consumers (Meenaghan 2001). Therefore, companies view sponsorship as a way of delivering competitive advantage and building brand equity in strategically targeted commercial markets (Cornwell *et al.* 2001) as brand equity is not only achieved through delivery of brand awareness but also by enhanced brand reputation (Hoeffler & Keller 2002). However, brand equity extends beyond the hearts and minds of end consumers (Ambler 1997). This is particularly relevant for companies who engage in corporate societal marketing activities with the view that perceptions of a company as a whole, and its role in society, affect its brand equity (Hoeffler & Keller 2002). Sponsorship, by providing opportunities for companies to engage and personally communicate brand values with broad audiences beyond their end consumers (Geldard & Sinclair 2005) has the potential to impact a sponsor's reputation either positively or negatively, which is critical for their CSR and the building of brand equity.

Research has shown consumers welcome sponsorships that enable community related activities such as grass roots sports; as well as cause-related activities (Mack 1999; Quester & Thompson 2001). To generate goodwill from sponsorship it has been found that attitudes towards a sponsored activity along with sponsor sincerity and perceived congruence between sponsor and the activity are important influencing factors (Meenaghan 2001; Olson 2010). Furthermore, to have the best effect, a sponsorship needs to not be perceived as overly commercial in nature and is best directed at activities that are perceived to be more "needy" (Olson 2010). However, the notion that community relations focused and cause-related sponsorships are better suited than commercially-oriented sponsorships to building brand reputation and, ultimately, brand equity (Cornwell 2008; Walliser 2003) is yet to be empirically tested beyond short-term studies (Olson 2010; Quester & Thompson 2001).

Additionally, measuring the affective results of sponsorship has proved a rudimentary challenge and many companies either don't bother to measure or rely on simplistic awareness, media exposure or indirect sales results as proxy metrics (Cornwell 2008; Walliser 2003). These metrics are inadequate for substantiating the value of intangible affective outcomes such as goodwill or image transfer delivered by sponsorship. An investigation of these issues is important because comparing various types of sponsorship without considering the intangible outcomes leads to perceptions that community relations focused sponsorships and cause-related sponsorships have lesser value than commercially-oriented sponsorships such as

professional sports that are often valued by level of media exposure achieved (Masterman 2007; Meenaghan 1999).

While the potential for sponsorship to build brand equity has been acknowledged (Cornwell *et al.* 2001; Keller 2003) the link between sponsorship and brand equity and how to measure its impact has not been rigorously researched (Cornwell *et al.* 2001). In measuring brand equity five dimensions are noted as particularly important, those being a) brand awareness, b) brand associations, c) brand attitudes, d) brand attachment and e) brand activity (Keller 2003). Brand awareness, brand image and credibility are also viewed as important dimensions in determining brand equity from a corporate societal marketing perspective (Hoeffler & Keller 2002). In considering how to measure a sponsorship's impact on brand equity the extant literature examining high-level sponsorship effects suggests a link with the cognitive outcomes of brand awareness, associations and attitudes; as well as an indirect link to behavioural outcomes of brand attachment (loyalty) and activity (usage) (Dolphin 2003; Gwinner & Swanson 2003; Meenaghan 2001). This being the case, combining a consumer's awareness of the sponsorship with consumer's brand associations or brand attitudes towards a sponsor (which is generated through goodwill and image transfer) would provide a measure of sponsorship impact on brand equity that is framed within a corporate societal marketing agenda. This study combines measures of consumer's sponsorship recall (SR) with the effect on consumer's perceptions of the companies brand attributes (SE) so as to generate a measure of "sponsorship recall impact" (SRI) that enables evaluation of the ability of a sponsorship to effect a sponsor's brand through its impact on brand awareness, associations and attitudes.

2.0 Case Study Background

Ergon Energy, as a Queensland Government-owned corporation, is a non-competitive supplier of electricity to around 700,000 consumers across an area of over one million square kilometres of regional Queensland (excludes South East Queensland). Prior to July 2007 Ergon Energy also operated as a competitive retailer of electricity proactively targeting commercial consumers in South East Queensland and throughout Australia. This study examines brand-tracking data collected by Ergon Energy from 2005–2010. Across this period Ergon Energy maintained a portfolio of major sponsorships targeting both brand awareness and reputational outcomes. Initially, Ergon Energy employed a sponsorship led market penetration strategy targeting brand awareness growth in both the national and South East Queensland markets. In 2007 the Queensland Government sold the competitive retail arm of Ergon Energy leading to a revision of its sponsorship strategy with the emphasis shifting from commercially-oriented professional sports sponsorships to community relations focused and cause-related sponsorships. Six major sponsorships undertaken by Ergon Energy during the period that are of interest to this study are two commercially-oriented sponsorships of professional sports (PS1 and PS2); two community relations sponsorships of community-based sports (CBS1 and CBS2) and two sponsorships of cause-related activities (CRA1 and CRA2). *Note:* the sponsorships cannot be identified due to commercial confidentiality.

Ergon Energy commissioned a research company to undertake a regular brand-tracking program. The program's aim was to monitor the performance of Ergon Energy's marketing and communications campaigns and to gain insights into community held perceptions about the Ergon Energy brand. The program was a quantitative study consisting of 60 weekly telephone interviews conducted across the state of Queensland. Over 15,500 surveys were conducted during the period from 2005–2010. Each interview was

approximately 15 minutes in duration and initially ascertained awareness levels of Ergon Energy's advertising, sponsorship and other marketing and communications activity. Then respondents' perceptions of brand attributes were measured using scales based from 0 – 10 with 0 = "strongly disagree" and 10 = "strongly agree". From this research comparisons can be made of responses made by those who could recall, and those who could not recall, Ergon Energy sponsorships.

Respondents were sourced from Ergon Energy's customer base and had to be 18 years of age or older, not working in the electricity industry, not involved in marketing and communications and be the person solely or jointly responsible for payment of their household's utility bills (e.g. electricity, telephone and/or gas). In analysing the supplied data, five research statements were identified as relevant metrics for perceptions of brand attributes that firstly, were asked consistently across the research period and secondly, aligned with the constructs of brand image and goodwill/reputation posited as contributing elements to brand equity in a corporate societal marketing agenda (Hoeffler & Keller 2002). The five statements the respondents in Ergon Energy's brand-track research were asked to provide their perception rating for were: Attribute 1: 'Ergon Energy is a trustworthy organisation'; Attribute 2: 'Ergon Energy is an innovative organisation'; Attribute 3: 'Ergon Energy places safety first'; Attribute 4: 'Ergon Energy is committed to customer service'; Attribute 5: 'Ergon Energy is an active participant in the local community'.

3.0 Analysis Methodology

Based on the extant literature two elements are integral to measuring the effectiveness of a sponsorship to have an impact on brand equity, those being: a) the level of awareness of the sponsorship (i.e. sponsorship recall (SR)); and, b) the level of affective outcome or increased goodwill towards a brand as a result of awareness (i.e. sponsorship effect (SE)). SR measures exposure level to, and engagement with, a sponsorship and its ability to generate brand awareness (Meenaghan 2001). As a dependant variable it can be identified in brand tracking research by a yes/no response (Masterman 2007). SE can be measured in brand tracking through an interval scale measuring attitudes, perceptions and intentions towards a sponsor's brand and comparing the results of those who can recall the sponsorship with those who cannot, with the difference being the level of SE (Masterman 2007).

The Ergon Energy data was originally provided as annual means of impact for each of the sponsorships against each of the five, brand attribute statements. However, some of the sponsorships were not in place across the whole period (e.g. one community relations focused sponsorship of a grass roots sport commenced in 2006, while another concluded in 2007). Therefore, to provide relevant perspective, a mean result was calculated based on the active years of each of the six sponsorships. Following this, to calculate a single SE measure for each, the impact results for the five statements were added together and divided by five. To calculate a final mean SR figure for each of the six sponsorships, the annual SR levels for each active year were added together and divided by the number of active years. Finally, by adding the SR and SE measures together, the tangible outcome of sponsorship exposure is combined with the intangible outcome of goodwill resulting in a measure of the full impact of a sponsorship, or Sponsorship Recall Impact (SRI). This formula ($SRI = SR + SE$) produces a single metric, SRI, by which various types of sponsorships can be compared so as to ascertain their contribution to brand equity from a corporate societal marketing perspective.

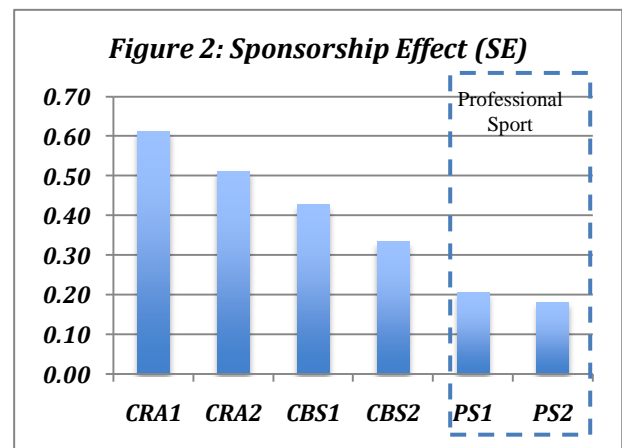
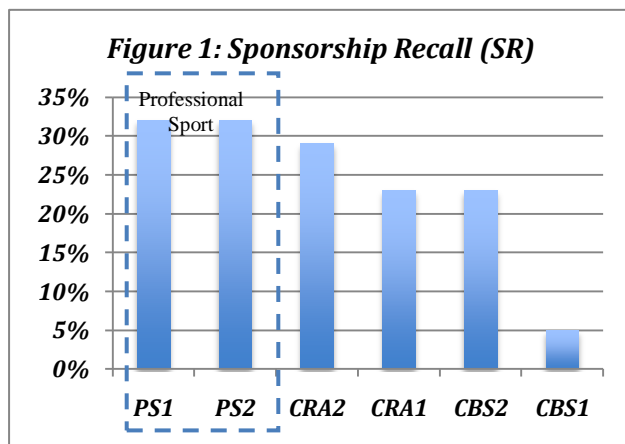
4.0 Results and Discussion

Table 2 presents the results for each of the sponsorships in order of SRI value. The attributes scores are the mean difference in ratings provided by those aware and those unaware of the sponsorships.

Table 2: Results from Ergon Energy brand tracking data

Sponsorship Type	Effect on					SE	SR	SRI
	Attribute 1	Attribute 2	Attribute 3	Attribute 4	Attribute 5			
Cause-related Activity 1	0.53	0.6	0.38	0.63	0.93	0.61	23%	0.84
Cause-related Activity 2	0.33	0.53	0.65	0.40	0.65	0.51	29%	0.80
Community-focused Sport 2	0.20	0.37	0.20	0.30	0.60	0.33	23%	0.56
Professional Sport 1	0.13	0.20	0.10	0.10	0.50	0.21	32%	0.53
Professional Sport 2	0.07	0.13	0.08	0.10	0.53	0.18	32%	0.50
Community-based Sport 1	0.28	0.35	0.28	0.35	0.88	0.43	5%	0.48

The following figures illustrate the differences in performance based either on SR or SE. Comparing the SR and SE it can be observed that there is an opposite order of achievement for the commercially-oriented versus cause-related sponsorships.

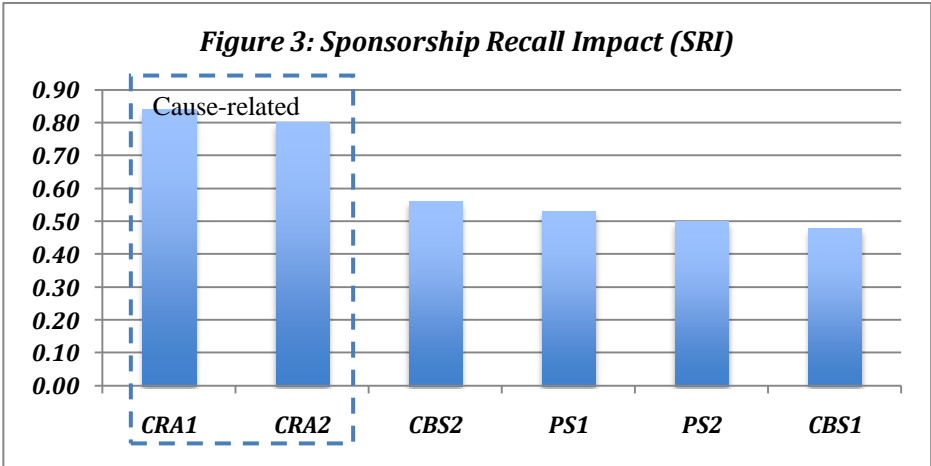


In terms of SR, as expected due to the extent of media coverage of professional sport, those commercial oriented sponsorships achieved higher levels of awareness than the others with the exception of the CRA1 sponsorship, which achieved almost the same level (Figure 1). This can be attributed to Ergon Energy's promotion of their association with this cause by providing consumers the opportunity to donate through their electricity bill.

In terms of SE the data shows all of the sponsorships had a positive effect across all five brand attributes thereby providing further support for the general position that sponsorship can generate goodwill for a sponsor. However, Figure 2 shows that the level of effect on brand attribute metrics is higher for the cause-related sponsorships, particularly in comparison to the commercially-oriented sponsorships. The community relations focused

sponsorships also have greater impact than the commercially-oriented sponsorships. These trends occur across all five brand attribute metrics providing strong support for the position that cause-related and community relations focused sponsorships contribute greater brand equity in terms of goodwill than commercially focused sponsorships.

Given the respondents were drawn from across the community and are not necessarily direct consumers of any of the sponsored activities, the results lend support for the proposition that sponsorships are more effective at generating goodwill when provided to recipients who are viewed as “more needy” and when the intentions of the sponsorship are sincere (Olson 2010). The results also lend support for the proposition that sponsorship of community relations focused and cause-related activities are worthwhile in establishing brand equity as part of a corporate societal responsibility agenda. When applying the SRI formula, it can be seen that the combination of high SR and high SE produces the greatest impact on brand equity (Figure 3). Despite commercially-oriented sponsorships enjoying the highest levels of SR, the cause-related sponsorships achieve the best results for building brand equity due principally to their higher SE on the brand attributes.



5.0 Conclusions

The majority of extant literature on sponsorship has focused on commercially-oriented sponsorship of professional sports (Walliser 2003) neglecting community relations focused and cause-related sponsorships. Yet more companies embrace a corporate societal marketing agenda and are looking to sponsorship as a means of generating goodwill towards their brand (Repucom & Sponsorship Australasia 2011). The volume of data collected across a six year time scale in this study provided a robust data set to work with and negated any short-term market related impacts that may have occurred during the period. These findings have contributed empirical support for the ability of community relations focused and cause-related sponsorships to build higher levels of brand equity than commercially-oriented sponsorships. Additionally, the SRI formula provides a method of comparison across various sponsorship types when considering a corporate societal marketing agenda. Nonetheless, testing of the SRI formula across other sponsorship types, such as the arts and in other industry segments, would be beneficial. It is also noted the brand attribute metrics used were specific to Ergon Energy and a more generic set could be developed to suit diverse application.

In conclusion, it is posited the way forward for sponsorship is to return to its altruistic roots. That, for sponsors to achieve reputational brand equity through goodwill and image transfer they must be perceived as a sincere enabler of activities that benefit the target

audience or community. Community relations focused and cause-related activities, in general, cost less than commercially-oriented sponsorships. Therefore, the findings indicate these sponsorships, combined with an increased focus on building awareness of them, would provide a larger return on investment dividend than a high cost commercially-oriented sponsorship. The managerial implications are equally important for rights holders of sponsored activities. Professional sports could add value to their sponsorship offerings, and may experience increased pressures from sponsors and fans alike to leverage their profiles and lend support for community relations focused or cause-related activities. Community relations focused sponsorships could increase their levels of support from sponsors by placing greater emphasis on the broader community perceptions and outcomes of their activities as well as helping to position sponsors as sincere enablers of those outcomes.

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