Establishing and maintaining win-win relationships in the sports sponsorship business

Gerd Nufer* and André Bühler

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*Reutlingen University, ESB Business School Reutlingen, Alteburgstrasse 150, D-72762 Reutlingen, Germany
Tel: +49 7121 2716011; Fax: +49 7121 2716022; E-mail: gerd.nufer@reutlingen-university.de

Gerd Nufer is Professor of Marketing and Management at ESB Business School, Reutlingen University and Associate Professor of Marketing at FOM Stuttgart, Germany. Previously he worked as a project leader for an international strategy and marketing consultancy and as a key account manager for a large marketing research company. His research foci are sports marketing and management, event marketing and management, sponsorship and ambush marketing.

André Bühler is Professor of Sports and Event Management at Macromedia University for Media and Communication in Stuttgart, Germany. Previously he was Head of Market Research at the world’s leading sports research consultancy IFM Sports and worked as a research and scholarship consultant for the Heidelberg International Business Academy. He has published numerous papers on sports management and contributed to various books on sports marketing.

ABSTRACT

The emphasis on relationships — as opposed to transaction-based exchanges — is redefining the marketing domain. Sports sponsorship is an important source of income for professional sporting organisations and an effective marketing tool for companies aiming at commercial objectives through sports sponsorship. The most successful sports sponsorships are based on a good relationship between the sports entity and its sponsor. This paper describes the nature of relationships between a professional sporting organisation and its most important primary and secondary customers with special emphasis on sponsors. Based on recent studies, the main factors for successful relationships in the context of sports sponsorship are identified and discussed.

Keywords: relationship marketing, transaction marketing, sports sponsorship, sporting organisations, stakeholders, customers

PRINCIPAL MANAGEMENT IMPLICATIONS

• Relationship marketing has been one of the key developments of modern marketing and has generated enormous interest both in theory and practice. The emphasis on relationships continues to redefine the marketing domain.
• Externally, relationship marketing challenges organisations to support long-term relationships with a broad range of stakeholders. Internally, cross-functional change management is required to implement the ideas of relationship marketing.
• Nowadays, professional sporting organisations can be compared with medium-sized companies in terms of annual turnover and number of employees.
• Sports sponsorship is an important source of income for professional sporting organisations and an effective marketing tool for companies aiming at commercial objectives through sports sponsorship. Both sponsorship partners have to work hand in hand to make the sponsorship a success.
• Relationship marketing in sports refers to the establishment and maintenance of positive, enduring and mutually beneficial relations between professional sporting organisations and their stakeholders.
• The most important stakeholders of a sporting organisation are sponsors, fans/spectators and the media (primary customers) and governments/authorities, employees, agents/agencies and competitors (secondary customers).
• Based on recent studies, five main factors can be identified which are essential for successful relationships in the context of sports sponsorship: trust, mutual understanding, a long-term perspective, communication and cooperation.
• To make the sponsorship a success, sporting organisations should work proactively on the relationship and commit significant resources such as time and staff to the sponsorships.

INTRODUCTION
Managing relationships has become the core of marketing. With product and service quality being a common standard in many industries and no longer a major source of competitive advantage, organisations are adopting a relationship marketing approach as a means of differentiating themselves. Based on the fact that it is less expensive to retain satisfied customers than to attract new ones, marketers focus on gaining and maintaining profitable, loyal customers by building up long-term, mutually beneficial relationships. In recent years, relationship marketing has also become a key topic in the sports sector. While the concept of managing relationships with customers has long been well established in the sporting goods industry, sporting organisations (ie clubs and associations) have just started to adopt the concept of relationship marketing with their sponsors. The fact that many sporting organisations are nowadays acting like commercial enterprises has strongly influenced the adoption of relationship marketing, above all on the professional level.

FROM A TRANSACTIONAL MARKETING APPROACH TO RELATIONSHIP MARKETING
Figure 1 illustrates the development of central marketing foci over the last 100 years, emphasising the long-time dominance of the product, the subsequent market focus and, since the 1990s, the adoption of relationship marketing, which has been practised most widely in the service area up to now.

Academic and practitioner interests in relationship marketing took off to the extent that many marketers viewed it as the new key marketing issue. Indeed, many marketing experts propose that there has been a ‘paradigm shift’ away from the traditional transaction marketing approach towards a more relationship-oriented approach during the last few years. An initial starting point for relationship marketing was the notion that, in order to retain customers in the long term, marketing exchanges need to be seen not just as transactions between the seller and the buyer, but as a set of individual activities in which relationships are developing. Another factor influencing the
development of relationship marketing was above all the maturing of service marketing in the service industry. The dimensions of customer care and quality arose and overlapped with the traditional marketing philosophy. Advances in the information and communication technologies further facilitated the effectiveness of relationship marketing. So the relationship marketing orientation combines service, quality and marketing philosophies (Figure 2).

To provide a deeper understanding of the development from transaction to relationship marketing, the main differences between these two marketing concepts are summarised in Table 1. Transaction marketing considers the satisfying of customer needs as an exchange of goods and services for money. With its short-term goal of making the sale through single transactions and minimal communication or interaction, it contrasts sharply with the relational-based approach. Relationship marketing puts major emphasis on close, personal and long-term provider–customer relations as well as on high-level interactions, and focuses on the maintenance of existing customers rather than on the acquisition of new ones. Depending on the products sold and customers served, both relationship and transaction marketing can coexist in a company’s strategic marketing plan. Conditions under which transactional marketing is most likely to apply include generic commodities or low-value consumer products and services as there are usually no or low costs associated with switching suppliers, so customers have little interest in building a particular relationship with the provider, but prefer transactions. Relationship marketing is most appropriate in competitive, saturated markets with few key providers or suppliers, where switching costs are high and when there is a consumer’s ongoing need and desire for a certain product or service.

DEFINING RELATIONSHIP MARKETING

As a result of its various roots, theorists developed a range of conceptual models to represent the nature of relationship marketing, as for example:

- **From a services perspective:**
  ‘Relationship marketing is attracting, maintaining and — in multi-service organizations — enhancing customer relationships.’

- **From an industrial marketing perspective:**
  ‘Marketing concentrated towards strong, lasting relationships with individual accounts.’

- **From a network perspective:**
  ‘To identify and establish, maintain and enhance relationships with customers and other stakeholders, at a profit so that the objectives of the parties involved are met; and that is achieved by mutual exchange and fulfilment of promises.’

All these definitions include statements about attracting, maintaining and enhancing mutually beneficial relationships characterised by interactions.

Figure 3 demonstrates a hierarchy: customer management means tactical, proactive management of the customer and their interactions with the organisation, and serves as the basis for both customer relationship management and relationship marketing. The goal of customer relationship management is the identification and selection of target customers. Relationship marketing is the peak of the pyramid: it is a philosophy and shift towards a stakeholder orientation. This means relationship marketing is not limited to an organisation’s relationship with its customers.

Although the customer is the centre of attention concerning relational marketing activities, relationship marketing includes many parties other than the buyer and seller, or the sports fan and the sporting organisation. Therefore, the following definition of relationship marketing in sports is proposed: relationship marketing in sports refers to the establishment and maintenance of positive, enduring and mutually beneficial relations between pro-
professional sporting organisations and their stakeholders.

CHARACTERISTICS OF PROFESSIONAL SPORTING ORGANISATIONS

Some decades ago, many sports clubs and associations operated on a non-professional level with voluntary staff. Gate receipts and membership fees were the main sources of income. Nowadays, sporting organisations can be likened to medium-sized companies in terms of annual turnover and number of employees. Although gate receipts from spectators and fees from members and/or participants are still a considerable revenue source for professional sporting organisations, they become less important in comparison to the other revenue streams. Presently, the biggest share of many sports entities’ annual turnover comes from sponsorship and television revenues. Merchandising and other commercial revenues (eg hospitality and licensing) are another important source of income, at least at the top level. Further money might come from shareholders or external investors. This is well illustrated in the case of some English football clubs taken over by foreign businessmen. For example, Chelsea Football Club (FC) was bought by the Russian oil tycoon Roman Abramovich in 2003, the American billionaire Malcolm Glazer took control over Manchester United in 2005, and in 2007 the American businessmen Tom Hicks and George Gillett became the owners of Liverpool FC. Another revenue stream

Table 1: Key differences between the concepts of relationship marketing and transaction marketing

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Relationship marketing</th>
<th>Transaction marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary object</td>
<td>Relationship</td>
<td>Single transaction</td>
</tr>
<tr>
<td>General approach</td>
<td>Interaction-related</td>
<td>Action-related</td>
</tr>
<tr>
<td>Perspective</td>
<td>Evolutionary-dynamic</td>
<td>Static</td>
</tr>
<tr>
<td>Basic orientation</td>
<td>Implementation-oriented</td>
<td>Decision-oriented</td>
</tr>
<tr>
<td>Long-term versus short-term</td>
<td>Generally takes a long-term perspective</td>
<td>Generally takes a short-term perspective</td>
</tr>
<tr>
<td>Fundamental strategy</td>
<td>Maintenance of existing customers</td>
<td>Acquisition of new customers</td>
</tr>
<tr>
<td>Focus on decision process</td>
<td>All phases focus on post-sales decisions and action</td>
<td>Pre-sales activities</td>
</tr>
<tr>
<td>Intensity of contact</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Degree of mutual dependence</td>
<td>Generally high</td>
<td>Generally low</td>
</tr>
<tr>
<td>Measurement of customer satisfaction</td>
<td>Managing customer base (direct approach)</td>
<td>Monitoring market share (indirect approach)</td>
</tr>
<tr>
<td>Dominant quality dimension</td>
<td>Quality of interaction</td>
<td>Quality of output</td>
</tr>
<tr>
<td>Production of quality</td>
<td>The concern of all</td>
<td>Primary concern of production</td>
</tr>
<tr>
<td>Role of internal marketing</td>
<td>Substantial strategic importance</td>
<td>No or limited importance</td>
</tr>
<tr>
<td>Importance of employees for business success</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Production focus</td>
<td>Mass customisation</td>
<td>Mass production</td>
</tr>
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</table>

comes from the fees paid by the members of the sports organisation. Clubs such as FC Barcelona or FC Bayern Munich have more than 100,000 members. In addition, some associations such as the German Football Association (DFB) count more members (6.5 million in 2009) than the national political parties. The money generated from the membership fees might therefore amount to a significant income stream for some sports entities.

Another important aspect which reflects the development of sports towards a serious business is the quality of the people working in the business. The key decision makers of sporting organisations are mostly management professionals who know their business. For example, Erwin Staudt, the president of the German Bundesliga club VfB Stuttgart, once was the chief executive officer of IBM Germany. When he came to power, he soon applied various management techniques and instruments (e.g., the balanced scorecard) in order to run his football club more effectively. Indeed, the club became profitable again and eventually improved its image as a serious national brand.

Other teams (e.g., Manchester United, Real Madrid or the New York Yankees) have established themselves even as global brands with considerable fan bases all around the planet.

THE STAKEHOLDERS OF PROFESSIONAL SPORTING ORGANISATIONS

Of course, not all sports entities are alike and thus generalisations cannot be made. Professional sporting organisations differ not only in the sport involved but also in their size and importance; however, every sporting organisation has to deal with the unique characteristics of its business and the sports product as well as with the various market players. Professional sports entities therefore have similar types of stakeholders. Figure 4 provides an overview of the various stakeholders of a professional sporting organisation.

A customer is generally defined as someone who purchases a product and/or service. According to this definition, three groups of primary customers can be identified for clubs and associations operating in professional spectator sports: fans, sponsors, and the media. All three groups pay the sporting organisation in order to get something in return. Fans purchase tickets, sponsors buy exclusive communication rights and television channels pay a lot of money for broadcasting rights. All other stakeholders usually do not pay the sporting organisation. Employees and suppliers, for example, even get paid. From a modern marketing point of view, however, companies have to treat their stakeholders like customers in order to achieve a positive relationship which benefits both parties. This means that all internal and external stakeholders can be viewed as secondary customers of professional sporting organisations. In the following sections, the nature of the relationships...
between a professional sporting organisation and their most important primary and secondary customers will be explained.

**Fans/spectators**
The whole sports business is based on people prepared to pay money for the various sports products. Fans, supporters and spectators are the main customers of professional sporting organisations and their relationship can be described as a customer–supplier relationship.

**Sponsors**
Formerly, local businessmen supported their favourite sports club for patronising reasons. Over the years, patronage has become commercial sponsorship, with companies realising that sport is a perfect communication tool. Nowadays, professional sports would not be possible without the revenues generated from sponsorship; however, in recent years, not only have sponsorship fees increased, but also the number of sponsors of each sports entity. Clubs today have multiple sponsors, so they have to deal with various relationships. Basically, the relationship between professional sporting organisations can be described as a business-to-business relationship in view of the fact that both sponsor and sponsee are enterprises. The next section will focus on the relationship between sports entities and sponsors in detail.

**Media**
The business-to-business relationship between professional sporting organisations and the media is a two-way process because both need each other and both
benefit from each other. Television channels, newspapers, radio stations, websites, publishers and all other types of media seek content for their customers. Sports entities, on the other hand, need publicity in order to develop their brand and get better known.

Competitors
Professional sporting organisations have a number of different competitors. First, there are the direct national competitors (clubs of the same national leagues) and direct international competitors (clubs competing in the same international competition). Moreover, there are competitors of different national and international leagues within the same sport (e.g. clubs in lower leagues or other international competitions). Then there are competitors of different sports (e.g. cricket is competing with rugby for attention and customers’ money). Last, but not least, sporting organisations compete with the entertainment industry (cinemas, theatres and television) as a whole. Here, the sports entity competes for people’s time and money.

Agents/agencies
Some agencies have specialised in selling marketing rights on behalf of the respective sports entity. For example, Sportfive (a daughter company of the French media group Lagardère) markets individual rights for the Pan American Games, the Men’s Handball Champions League, the Argentine Rugby Union, the World Rally Championship, the Rugby Six Nations Tournament, the Swedish ice hockey league and many more. Sportfive engages in many different relationships with various sporting organisations. In addition, there are many other agencies involved with both sports and sponsors that work on strategic areas, marketing, PR, advertising, management and market research.

Employees
As described earlier, numerous sporting organisations can be viewed as medium-sized companies in terms of people working full-time for the company. In this respect, human resource management becomes increasingly more important. Furthermore, sporting organisations increasingly are looking for high potential on a top management level. In order to attract and subsequently keep professionals, sports entities have to seek a positive relationship with their employees.

Governments/authorities
Governments and communities have an interest in professional sports considering the fact that major sports events (such as the FIFA World Cup or the Olympic Games) not only put the respective country or city in the global limelight, but also attract millions of tourists to visit the country and/or city. In addition, sports entities are huge tax-payers and employers. On the other side, sporting organisations have to collaborate with national/local authorities (such as the police) in order to secure their home games. Furthermore, professional sporting organisations benefit from governments given that tremendous amounts of public money have been spent in order to subsidise the building or modernisation of sport venues.

Other stakeholders
Professional sporting organisations have a number of further stakeholders, e.g. investors, shareholders, suppliers, producers and retailers of merchandising and the hometown or local community. Professional sporting organisations have to establish and maintain a positive relationship with all of these stakeholders for the sake of their company. Here as well, a positive relationship approach is needed as a long and healthy relationship benefits both parties.
THE SPECIAL RELATIONSHIP BETWEEN PROFESSIONAL SPORTING ORGANISATIONS AND THEIR SPONSORS

In view of the fact that professional sporting organisations usually have a number of sponsors nowadays, they have to deal with different types of sponsors and therefore with different types of relationships. In order to manage the relationship between sports entities and sponsors properly, it is very important to understand the relational aspects of sports sponsorship.

For many years, sports sponsorship was seen by the sponsorship literature as a pure transaction based on a contractual agreement, as Cornwell and Maingna, as well as Walliser have noted. This is also reflected in most sponsorship definitions, which reduce the nature of sponsorship to a discrete transaction involving the exchange of financial resources and some communication rights as Bühler has shown. The single-sided nature of most sponsorship definitions is a disadvantage of the sponsorship literature and is a problem addressed by Chadwick, who argues that the element of social exchange is irrelevant in a transactional view of sponsorship. Another limitation of the transactional view — and one reflected in many sponsorship definitions — is related to the role of the sponsee, who is little more than the receiver of a payment and the provider of some communication rights. But this transactional view of sponsorship does to some extent reflect reality, given that some sports sponsorship agreements are indeed mainly transactional in nature. For example, there are definitely sponsors looking for short-term sponsorships rather than long-term agreements because they have short-term objectives in mind. Some sponsors also tend to be opportunistic in their behaviour by assessing the relative costs relating to the respective sponsorship deal. The same is true for sponsees. Some sports properties need short-term money and therefore look for the best deal in financial terms on a short-term basis. Support for this approach comes from a study undertaken by Chadwick and Thwaites, who note that many sponsorship deals in professional English football are rather short-term oriented. They also point out that many sponsors and sponsees move on to other sponsorship partners once the contractual obligations have been fulfilled. This leads to the conclusion that many sponsorship deals are little more than contractual obligations between sponsees and sponsors who have convergent objectives or interests at a particular point in time. In other words, sponsees and sponsors might try to exploit each other’s attractiveness for a short period of time and therefore reduce the relationship to a purely opportunistic one.

Reducing sponsorship to a simple transaction may be somewhat limited as to do so ignores the consideration that sponsors and sponsees may commit resources other than money and communication rights to the sponsorship deal. For example, they invest their time, their people and their know-how in order to make the sponsorship work. Chadwick and Thwaites advise both sponsors and sponsees not to view ‘sponsorship as an exclusively short-term transaction’ in view of the fact that ‘greater long-term benefits may be attainable from a closer, more strategic, network-related association’. This view is supported by Cheng and Stotlar, who suggest that it is important to ‘reconsider sport sponsorship as a durable partnership’. They even compare sponsorship with marriage and conclude that ‘both require long-term commitments to assist each other in reaching mutual fulfilment’. Therefore, sports sponsorships should also be viewed as a business-to-business relationship between
important factors for successful relationships in sports sponsorship

Identifying the factors for successful relationships in sports sponsorship is a first step in the right direction. Based on recent studies, one can identify five main factors which seem to be essential for successful relationships in the context of sports sponsorship (Figure 5). In the following sections, the respective factors are described and implications are provided for sporting organisations in order to establish and maintain healthy relationships with their sponsors.

Trust
Trust is an essential variable in the relationship between sports entities and sponsors. In order to build up trust, professional sporting organisations have to make sure that they deal fairly and openly with their sponsors. This implies that sports entities should not make any promises they cannot possibly keep, as breaking promises reduces the confidence the sponsor has in the sponsorship partner. Open dealings also imply the courage to communicate unpleasant truths such as problems or conflicts. Of course, the same applies to the sponsoring company as well.

Mutual understanding
Mutual understanding of each other’s objectives is another crucial factor regarding successful sports sponsorships. Thus, professional sporting organisations have to make sure that they understand the objectives and the needs of their sponsorship partner. Only then can sports entities help their sponsor to reach the partner’s objectives. Sponsors, on the other hand, have to understand the requirements of the sports club (primarily the financial needs, but also the focus on sporting performance) and the pressure sporting organisations face in view of public and media interests.

Long-term perspective
Sports entities should see their sponsors as long-term partners rather than as companies spending money for a few seasons. Sponsorship partners looking for long-term success would be well advised to build up a relationship with each other and to take the concept of relationship quality into consideration when doing so. The segmentation into ‘transactional-oriented’ and ‘relational-oriented’ sponsors might help professional sporting organisations in their decision over whether to establish a long-term partnership based on

the evaluation of their sponsor’s relationship orientation. Nowadays, increasingly more companies seek long-term alliances with their sponsorship property. For example, the partnership between Carlsberg and Liverpool FC has been ongoing since 1992 and is therefore seen as the most enduring brand sponsorship in football at a club level (although Carlsberg just recently announced that it will not renew its sponsorship agreement with Liverpool FC). The example of the German Bundesliga club Bayer 04 Leverkusen shows how sporting organisations can deal with a leaving sponsor. After seven years, the club’s shirt sponsor RWE decided to drop out of its football sponsorships. In order to thank this longstanding sponsor, Leverkusen put an advert in Germany’s leading sports business magazine which said: ‘Seven years on the chest, forever in the heart — many thanks for a great partnership’.

Communication
Successful sports sponsorships are also based on effective communication between sponsor and sponsee. Communication can take many different forms. Some sponsorship partners keep in touch on a regular basis via phone, e-mail or face-to-face meetings. In this respect, it is important that sporting organisations make sure that they provide relevant information about themselves and recent developments. Some professional sporting organisations have established a regular newsletter for their sponsors that includes articles about past events, birthdays of key decision makers or an outlook onto future happenings. Other sports entities provide information exclusively for sponsors. For example, the main sponsors of the German professional basketball club Deutsche Bank Skyliners Frankfurt receive information regarding new players or other important issues before the information is made public. Therefore, sponsors gain the perception of having an exclusive informational advantage.

Cooperation
Cooperation is another important issue when it comes to successful sports sponsorships. Involvement in each other’s marketing and planning efforts is one form of cooperation and makes sense as it helps to achieve both partners’ sponsorship objectives. Sponsors have generally more marketing skills than sporting organisations and could therefore support the sports entities in marketing issues, whereas professional sporting organisations could provide sponsors with sports-related know-how in order to improve their communication with sports fans.

CONCLUSIONS
Relationship marketing has been one of the key developments of modern marketing and has generated enormous interest both in theory and practice. The emphasis on relationships continues to redefine the marketing domain. Relationship marketing in sport refers to the establishment and maintenance of positive, enduring and mutually beneficial relations between professional sporting organisations and their stakeholders. Relationship marketing challenges sporting organisations to shift to long-term relationships with a broad range of stakeholders, among which sponsors are of central interest. Sports sponsorship is an important source of income for professional sporting organisations and an effective marketing tool for companies wishing to reach commercial objectives. The most successful sports sponsorships are based on a good relationship between the sports entity and its sponsor. Sporting organisations should therefore proactively work on the relationship and commit significant resources (such as time and...
people) to the sponsorship. A key factor in this respect is the appointment of appropriate staff looking after the club’s sponsors. They should have the necessary marketing and personal skills in order to communicate with the sponsors’ key decision makers on eye level. In view of the fact that sports sponsorships should be considered as a two-way partnership, both sides should commit themselves in the long term and cooperate and communicate fairly and trustfully with mutual understanding so as to make their connection a win-win relationship.

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