

## Review

# Relevant factors for successful relationships between professional sporting organisations and their sponsors

Gerd Nufer<sup>1\*</sup> and André Bühler<sup>2</sup>

<sup>1</sup>Department of Marketing and Sports Management, ESB Business School, Reutlingen University, Germany.

<sup>2</sup>Department of Sports and Event Management, Macromedia University Stuttgart, Germany.

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**Sports sponsorship is an important source of income for professional sporting organisations and an effective marketing tool for companies aiming at commercial objectives through marketing communications. The emphasis on relationships is redefining the marketing domain. The most successful sports sponsorships are based on a good relationship between the sports entity and its sponsor. The paper describes the nature of relationships between a professional sporting organisation and its most important 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.**

**Key words:** Sports sponsorship, relationship marketing, sports management, sports marketing, sports business, sporting organisation, stakeholders, sponsor, sponsee.

## 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 (Sandhusen, 2008).

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 (that is, 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. However, research on relationship marketing in sports is limited.

The topic is ignored in most books on sports marketing or touched superficially by few others. As a matter of fact, so far only two textbooks (Ferrand and McCarthy, 2009; Bühler and Nufer, 2010) have explicitly focused on the concept of relationship marketing in a sports context. In addition, only a few PhD theses (Chadwick, 2004; Bühler, 2006) as well as a limited number of academic papers (Chadwick, 2002; Farrelly and Quester, 2003; Bühler, Heffernan et al., 2007; Nufer and Bühler, 2010b) have examined the relational aspects within the sports business so far.

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. The relationship marketing orientation combines service, quality and marketing philosophies. 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.

This paper describes the main aspects of relationship marketing in the context of professional sports, it explains the status quo derived from the most relevant literature

\*Corresponding author. E-mail: [gerd.nufer@reutlingen-university.de](mailto:gerd.nufer@reutlingen-university.de). Tel: +49 7121 2716011.

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

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

Source: Hennig-Thurau and Hansen (2000: 5).

and provides some results of a comprehensive empirical study undertaken by one of the authors. Although relationship marketing refers to many different target groups within the sports business (for example, fans and the media), the focus is on the relationship between sporting organisations and their sponsors.

## **RELATIONSHIP MARKETING IN THE SPORTS BUSINESS**

### **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:

- (1) From a services perspective (Berry, 1983: 25): 'Relationship marketing is attracting, maintaining and – in multi-service organizations – enhancing customer relationships.'
- (2) From an industrial marketing perspective (Jackson, 1985: 120): 'Marketing concentrated towards strong, lasting relationships with individual accounts.'
- (3) From a network perspective (Grönroos, 1995): '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 (Harwood et al., 2008). 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 (Bühler and Nufer, 2010: 25): 'Relationship marketing in sports refers to the establishment and maintenance of positive, enduring and mutually beneficial relations between 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 compared with 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 (for example, 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 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 (6.75 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. Many teams (for example, 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. Therefore professional sports entities have similar types of stakeholders. Figure 1 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.

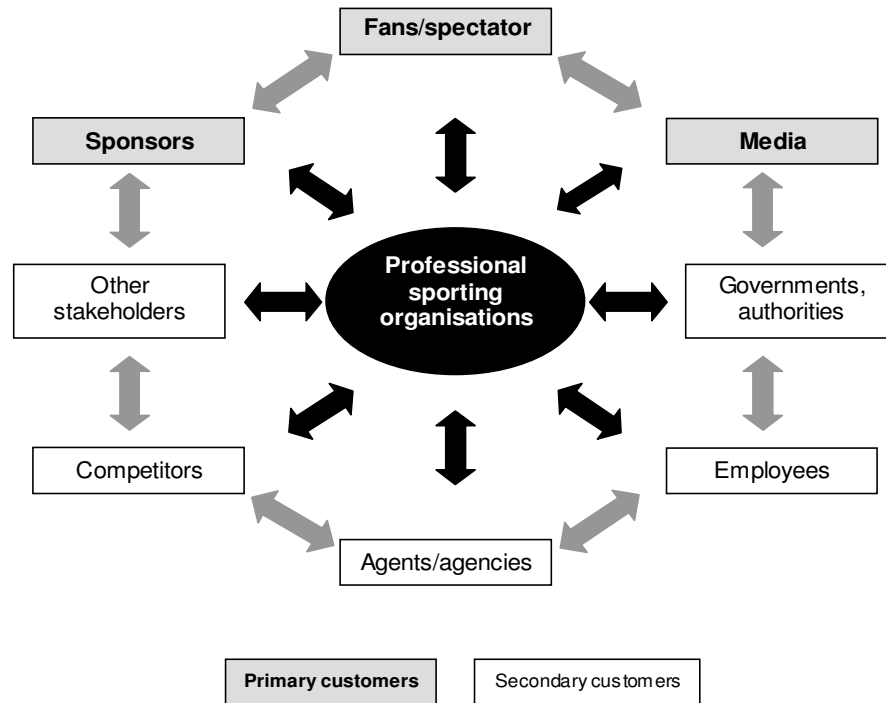
All other stakeholders usually do not pay the sporting organisations. Employees and suppliers, for example, even get paid. From a modern marketing point of view, however, companies have to treat their stakeholders like customers in order to achieve a positive relationship which benefits both parties. Therefore all internal and external stakeholders can be viewed as secondary customers of professional sporting organisations.

## **DISCUSSION**

### **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 Maignan (1998) as well as Walliser (2003) 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 (2006) has shown. The single-sided nature of most sponsorship definitions is a disadvantage of the sponsorship literature and is a problem addressed by Chadwick (2004), 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 (Bühler, 2006). But this transactional view of sponsorship reflects reality to some extent in view of the fact 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



**Figure 1.** Professional sporting organisations and their main stakeholders.

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 (2005), 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, since doing so ignores the consideration that sponsors and sponsees may commit other resources 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 (2005: 337) 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 (1999: 1), 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 professional sporting organisations and their sponsors. This view is expressed in the following definition of sports sponsorship as proposed by Bühler and Nufer (2010: 92): 'Professional sports sponsorship is a business-related partnership between a sponsor and a sponsee based on reciprocity. The sponsor provides financial or non-financial resources directly to the sponsee and receives a predefined service in return in order to fulfil various sponsorship objectives.' The term 'professional sports sponsorship' indicates the commercial nature of sports sponsorship and therefore distinguishes it from so-called 'sweetheart-deals' (that is, sponsorship activities where the chairman's passion is the main reason to sponsor a particular sport or sporting organisation). These sponsorships are rather based on personal and emotional involvement of the decision-maker(s) than on commercial issues, which might exist as well in professional sports. In addition, there will always be sponsorship deals, which are transaction based, because sponsors and/or sponsees have short term objectives in mind and are perfectly happy to exchange financial resources and some property rights without engaging into a proper relationship. However, for all other sponsors and sponsees who see sponsorship not only as a transaction but also as a long-term

relationship where both partners trade off advantages in order to meet long-term objectives, a deeper understanding of the relational aspects of sponsorship is necessary.

### **Important factors for successful relationships in sports sponsorship**

The concept of relationship quality has been considered to be an important indicator of relationship success and business performance in other business contexts (Bejou et al., 1996; Kiedaisch, 1997; Werner, 1997; Hennig-Thurau, 2000; Lee and Wong, 2001; Ivens, 2004). To date, there are only two studies dealing with the concept of relationship quality in the context of sports sponsorship. One study examined the quality of relationship between sponsors and sponsees in Australian football (Farrelly and Quester, 2005). The results of their study proved that trust is the essential variable in the sponsorship relationship. The second study comes from one of the authors of this paper examining the relationship between professional football clubs in the English Premier League and the German Bundesliga and their sponsors using a combined methodological approach of qualitative interviews and a quantitative survey amongst representatives of clubs and sponsors as well as sponsorship experts (Bühler, 2006). The study served as a first guideline for assessing the quality of the relationship between professional football clubs and sponsors and identified the following five factors which proved to be essential for successful relationships in the context of sports sponsorship:

#### ***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 others' 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 lasted for almost two decades and is therefore seen as one of the most enduring brand sponsorship in football at a club level. 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 include 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 since 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.

Bühler's study served as the basis for subsequent research projects in the context of other sports. For example, Reisenhofer (2010) confirmed the importance of these factors in the relationship between a professional volleyball club in Germany and its sponsors. However, these studies are only a first step into the right direction and more research is needed in order to gain a deeper understanding of the relational aspect of sports sponsorship.

## CONCLUSION

Relationship marketing in sports 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. 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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