An Empirical Investigation of Sponsorship Activation

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As of 2010, sponsorship has morphed from a passive form of marketing that was often philanthropic in nature, to a key strategic business building initiative that commands a growing share of marketing budgets worldwide: 15-20% in Canada (Canadian Sponsorship Landscape Study, 2010). The accelerated growth of sponsorship has brought increased attention and scrutiny to this relatively new area of marketing and communications strategy. Previous researchers have focused on defining, understanding and measuring the various aspects of sponsorship. However, detailed research related to the ‘how’ of sponsorship implementation remains limited. A key aspect of this area is known as activation, or leveraging as it is often called. IEG defines activation (or leverage) as “the marketing activities that a company conducts to promote its sponsorship” and they specify that the money spent on activation is over and above the rights fee paid to the sponsored property (IEG, 2010). The level of activation by a sponsor is often measured or evaluated by the ‘activation ratio’, which refers to the investment above and beyond the fee required to acquire the official rights to that sponsorship. It is expressed as a ratio and is often recommended to be at least 1:1 if not higher (Seguin et al., 2005).

It has been supported that a well activated sponsorship can (a) effectively breakthrough heavy promotional clutter (DeGaris, West, and Dodds, 2009), (b) combat ambush marketing attacks (Shani & Sandler, 1998; Tripodi, 2001; Crompton, 2004; Séguin, Lyberger, O’Reilly, and McCarthy, 2005), and (c) successfully differentiate a brand from competitors (Papadimitriou & Apostolopoulou, 2009; Cornwell, Roy, and Steinard, 2001). As sponsorship has continued to grow even in the recent global economic shutdown (IEG, 2010; CSLS, 2010), the importance of activation investment has amplified due to (a) the increasing need to achieve Return-On-Investment (ROI) from sponsorship and (b) the increased competition and promotional clutter in the marketplace (Seguin & O’Reilly, 2008). The need to further the understanding of activation spending and tactics has been identified in two previous reviews of the sponsorship literature (see Walliser, 2003 and Cornwell & Maignan, 1998) and, more recently, supported in the context that sponsorship exclusivity on its own is not enough to guarantee successful results (Papadimitriou & Apostolopoulou, 2009).

The purpose of this paper is to delve further into sponsorship activation. Specifically, we ask (a) what drives activation, (b) what are the best methods of activation, and (c) how much should be spent on activation? The research draws on previous literature and conducts an in-depth case study of a very large sponsor who has well over 100 partnerships and sophisticated sponsorship programs. This sponsor shared its complete sponsorship program, budget and corresponding business results with the researchers to inform the study.

In addressing the three stated research questions, this study explores sponsorship activation by first, identifying from the literature the need for activation, possible activation drivers and key methods and emerging trends in activation. This review identified more than thirty ways by which a sponsor can activate their rights. Second, twelve studies (spanning the period of 1997-2010) focusing specifically on activation spending are referenced to draw important conclusion and suggestions regarding sponsorship activation strategies and spending. Third, a case study using the in-depth, detailed method of Watson & Wixom (2009), of a large sponsor with a vast and varied portfolio of sponsors is carried out. This analysis includes the review of internal strategy documents, budgets and business results; interviews with key staff and agencies involved in sponsorship decision-making and implementation; and a review of market research provided by the sponsor’s market research agencies.

From the collected data, the three research questions are addressed.

(a) What drives sponsorship? This case identified seven possible factors that support activation in sponsorship. These include specific business building objectives, adequate resources, agency representation, the ability to integrate sponsorship into brand plans, a cluttered and competitive marketplace with risk of ambushing, and a proven track record of sponsorship success. It is suggested that the presence of any or all of these variables will increase the likelihood of activation.

(b) What are the best methods of activation? Before choosing actual activation methods, the case study illustrates the importance of developing a sound activation strategy that begins with the selection of properties that have a strong fit with the brand. Once a match is established, fully integrated communication plans should be developed. There are an abundance of possible activation methods as suggested in the sponsorship literature. The recent addition of social media programs reflects the need to stay current and relevant to consumers. Creative and emotional appeals are also a sound approach to differentiate a brand’s offerings.
How much should be spent on activation? The studied sponsor’s activation strategies are well funded with media leverage ranging from 2.4 to 3.5 while broader activation estimates suggest highly aggressive activation ratios in the range of 7.0-7.5. The suggested range of 1:1 to 4:1 identified in the literary review is therefore reasonable. The case also highlights the difficulty in clearly distinguishing between rights fees and activation spending. Regardless of the categorization of the investment, well funded and strategically implemented activation programs can drive favorable business results such as increased sales, market share and awareness.

The findings from this study suggest that management decisions regarding sponsorship activation focus on the custom development of quality activation strategies versus simply the quantity of spending. Indeed, it is the activation tactics and their appropriateness to the specific sponsorship that are the cornerstones of sponsorship success. Guidelines related to activation spending ratios however can be provided to increase sponsorship effectiveness. In this regard, a four-step sponsorship activation strategy model including activation drivers, strategic considerations, activation spending and sponsorship outcomes is presented.