Sponsorship Management from a Business Network Perspective: Social Network Analysis of Sponsoring Partners in the National Basketball Association

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Sport sponsorship is an effective communication tool for corporates to getting involved into the target consumer community. Sport sponsorship is also an active area of research in sport management which involves various theoretical foundations such as mere exposure, balance (image transfer) theory, matching/congruence, and attribution theory (Cornwell, 2005). Sport sponsorship accounts for roughly 70% of the North American sponsorship market projected to be 19.9 billion dollars in 2013, increased by 5.5% over 2012 (i.e., $18.9 billion) despite the overall economic instability (IEG, 2013). This massive amount of investments on sport-related sponsorships has attracted various streams of studies in order to investigate the dynamics of sponsorship phenomenon. It is supported that sponsorship assists businesses to establish a strong relationship with the sponsored community and thereby elevate their brand awareness and image as well as garnish their position amid the marketing clutter (Cornwell, 2005). Despite the numerous motivations and purposes of business firms that are involved in sponsorships, sponsorship studies have been largely concentrated in consumer-based research assessing the image/awareness of a single sponsorship reflected by consumers’ perceptions (e.g., Gladden & Wolfe, 2001; McDaniel, 1999).

But how about the business network substantially existing for and involving in the actual sponsorship activity? The business network approach enables corporates to recognize, create, and drive business opportunities through relationships with other corporates within a network. However, research to date has not attempted to venture such socioeconomic subject matter sufficiently. Relationship marketing (RM) touches upon simple dyadic exchange relationships whereas business network (BN) deals with complex relationships within a network-like business environment (Möller, 2013). In the context of sport sponsorship, extant sponsorship network studies were conducted from an RM approach (e.g., Cobbs, 2011). While RM approach is more appropriate for consumer-oriented studies (Möller, 2013), the BN approach can better explain the ontological status and complex dynamics of sponsorship networks because sponsorship network is a complex network. In this study, we investigated the sponsorship network by taking the BN approach. In particular, from an industrial-oriented strategic management perspective, we implemented a social network analysis to identify effective and efficient networking plans in sport sponsorship. Establishing a holistic sponsorship network portfolio revealed relational dynamics among sponsors and sponsored properties.

For sponsoring firms, it is critical to evaluate the sponsorship opportunities to position themselves strategically within sponsorship networks to promote relationship buildings with future corporate partners and alliances. Particularly, sponsorship network is not only formed in dyadic relationships but, in reality, formed in a complex network as a whole. That is, more than one sponsor and sponsored properties are interwoven intricately in the sponsorship business, as a strategic network. Thus, it is imperative for managers to assess the structural and relational attributes (embeddedness) of each sponsoring firm, within their sponsorship network and also the entire network as a whole, in order to build strategies for maximizing structural advantages in such complicated dynamics. Specifically, due to the fact that different structural positions have different levels of power, status, and actions among actors (Cobbs, 2011), a corporation needs to make their sponsoring decisions according to the existing dynamics of a target sponsored team’s connections with other sponsoring firms (Anderson, Hakansson, & Johanson, 1994; Erickson & Kushner, 1999).

From a sponsored organization’s perspective, it is invaluable to grasp the dynamics of the relationships among sponsoring partners and stimulate the intentions of investments on sponsoring behaviors. It is crucial for sponsored enterprises to maintain and enhance the relationships with firms that play a central role within a sponsorship network. By promoting the central firms of their sponsorship networks, sponsored enterprises not only manage
relationships with central sponsors successfully but also attract potential sponsors through them. Hosting an annual sponsor summit by sponsored enterprises is a good example of such relationship management (Cobbs, 2011).

The sponsorship networks of the National Basketball Association (NBA) teams is examined in this study as a means to better understand network-oriented strategic management within a sport business network context. Using social network analysis, this study built the sponsorship network portfolio of the NBA with two-mode network. Overall, a total of 688 sponsors from 13 teams were merged into 594 sponsors. The present study employed both converting method and direct method of two-mode network. For the converting purpose, two-mode sponsorship data was converted into a one-mode co-affiliation network (Borgatti & Halgin, 2011): co-sponsoring network (relationships among corporate partners) while two-mode bipartite network was created for the direct method. For two-mode network analysis, visualization technique was employed (Freeman, 2011). For one-mode network analysis, this study visualized multiple layers of networks according to the intensity of tie strength to reveal the influential subgroups and substructures of co-sponsoring network. Additionally, the centralities – degree centrality, betweenness centrality, and closeness centrality – were calculated to evaluate the power and structural advantage of sponsoring corporations.

The visualized diagrams showed that Pepsi was a cutpoint among sponsoring corporate partners. If NBA teams lose Pepsi, for example, several nodes (e.g., Hilton Worldwide, Kia motors, Verizon, Jack in the box, etc.) will be isolated without any meaningful connections in the sponsorship network. Therefore, it is critical for the NBA to maintain or strengthen the relationship with Pepsi as the National Football League (NFL) did with McDonald's through “Kick Off” promotion (Cousens, Babiak, & Slack, 2001). Hilton Worldwide, Kia motors, Verizon, Jack in the box and Coca-cola may need to develop new connections with other corporations depending on their strategies for future industrial partners because their sole dependency on Pepsi may expose them to vulnerability to stay in the central sponsoring groups in the NBA. The results of centralities showed that the sponsorship network of NBA was a hub-driven network rather than a random network. Nineteen corporations (i.e., Pepsi, Anheuser-Busch, Comcast, Lottery, Adidas, MillerCoors, Fox Entertainment, Toyota, Foot Locker, etc.) were identified as a hub. It also should be noted that this hub-driven network does not have significant subgroups other than a hub group. This implied the corporations might not be spending their moneys on sponsorship efficiently because sponsorship network was just a huge network as a whole rather than a network with strategically customized subgroups. Targeting a gigantic network is not effective compared to targeting a customized subgroup. That is, targeting a customized subgroup with a less number of corporations can be more effective to build stronger relationships than targeting a huge network with a massive number of entities. Further implications such as need of specialized departments for managing sponsorship networks for the NBA teams and corporates will be discussed in detail at the presentation.