Global sponsorship spending in 2016 surpassed the $60 billion threshold for the first time, following a 4.6% increase in spending from 2015 (IEG, 2017). The growth in sponsorship spending by brand marketers in 2016 surpassed both that of advertising and traditional marketing/promotional activities, with each rising 4.3% and 4.0% in 2016, respectively (IEG, 2017). In 2017, global sponsorship is expected to rise 4.5%, compared to a 4.4% rise in advertising expenditures and a 3.0% increase for traditional marketing and promotion (IEG, 2017). Based on these trends, it is evident that sponsorship has become an indispensable segment of the marketing mix for brand marketers, particularly over the past decade. At the same time, 70% of every dollar devoted to sponsorship is allocated to sport organizations (IEG, 2017), making it a necessary and crucial revenue source necessary for the continued survival of sport organizations around the globe.

However, the growth in sponsorship spending has not been matched by advancements in the industry’s ability to quantitatively analyze and measure the nature and performance of these increasingly expensive agreements. While the sport industry has benefitted from an increase in the application of advanced quantitative methodologies, or analytics, these advancements have largely been relegated to the area of on-field performance. For example, revenue forecasts for many sport organizations still largely depend on an aggregated measure of central tendency, the renewal rate. The renewal rate is still the prevailing measure in use by sport organizations for sponsorship revenue projections, based on the historical percentage of sponsors who choose to renew their sponsorships of the organization (Irwin, Zwick, & Sutton, 1999).

Therefore, this study applies the survival analysis methodology to the study of naming rights sponsorships of facilities based in Canada and the U.S. in the four major North American sports leagues. Naming rights agreements (Clark, Cornwell, & Pruitt, 2002), such as the recently announced 20-year, $639 million agreement for the naming rights to Scotiabank Arena in Toronto (Muret, 2017), are some of the most highly visible and expensive sponsorships in sport. The ScotiaBank agreement surpasses MetLife Stadium (New York) and Chase Center (San Francisco) as the largest naming rights agreement in North American sport history (Muret, 2017). Clark, Cornwell, and Pruitt (2002) analyzed 98 naming rights agreements, finding that the initiation of the agreement positively impacts the sponsoring firm’s share price. DeSchriver and Jensen (2002) discovered that market population and the “new team” factor had the strongest influence on costs for the sponsor. Popp, DeSchriver, McEvoy and Diehl (2016) focused on venues at universities, concluding that facility type, attendance, household income, and the presence of multiple tenants were statistically significant predictors of in determining naming rights values. However, no study to date has empirically assessed the duration of naming rights sponsorships using advanced quantitative methodologies.

From a theoretical standpoint, the relationship between the buyer and seller in any sponsorship relationship is undergirded by exchange theory. Exchange theory is based on the concept that a successful exchange between parties is dependent on both agreeing that the price paid for their goods or services is at least equal to what has been offered in exchange (Crompton, 2004). In other words, both sides of the exchange must feel confident that the relationship is beneficial and meeting its stated objectives. In the sport context, exchange theory has been previously utilized to better understand the commitment of athletes (Schmidt & Stein, 1991), motivation and attrition among coaches (Weiss & Stevens, 1993), and the development of a sport league (Southall, Nagel, & LeGrande, 2005). Exchange theory is a useful lens in which to examine the sponsorship business-to-business relationship, which consists of a sponsoring brand (the buyer) and the sponsored sport, arts, music/entertainment, or non-profit organization (the seller).
McCarville and Copeland (1994) first applied exchange theory to understand the motivations of each side of a sponsorship relationship, proposing that the principles of rationality, marginal utility, and fairness guide sponsorship-related decision-making. This research builds upon the prior work of McCarville and Copeland (1994) by embarking on an empirical investigation of the duration of sponsorship relationships, paving the way for future work that can utilize exchange theory to determine which factors impact the duration of the relationship. Viewing sponsorship through the lens of exchange theory informs the perspective that only when both sides are satisfied with the resources provided by each via the relationship will it continue.

This empirical investigation is a useful first step towards a more nuanced understanding of the importance of various types of resources for both sides of the sponsorship relationship. As explained by Doney and Cannon (1997), longer-term relationships allow both sides to further understand each other’s motives and expectations, which reduces the risk of the partnership failing. The longer the partnership continues, the better the chance that the relationship will be enhanced by both partners leveraging each other’s capabilities.

Utilizing a dataset of every naming rights sponsorship in North American sport history (147 historical sponsorships across 1503 total observations), survival analysis approaches reveal when such sponsorships are most susceptible to dissolution, as well as their median lifetime. The goal of these efforts is to assist sport organizations, facilities, and municipalities in ongoing sponsorship revenue forecasting activities by providing a variety of data related to the duration of sponsorships. Rather than simply providing information on what percentage of sponsors typically renew, this approach provides a variety of additional information, including how many sponsorships have historically continued during each discrete time period, the conditional probability of a sponsor renewing during each period, and how long sponsorships have historically lasted.

Initial data analysis reveals that the hazard function for the first 20 years of these agreements is highest after the 15th year (.0769), indicating the conditional probability that sponsorships will end in the 15th year of the partnership is 7.69%. However, among those that lasted at least 15 years only one ended during years 16-22, indicating that continuing the relationship past year 15 is critical in sustaining a longer-term relationship. The overall hazard function is .0386, meaning the probability that the sponsorships will end during any one time period is 3.86%. Given a survivor function of .5118 (SE = .05) in the 19th year and .4652 (SE = .06) in the 20th, the median lifetime of North American naming rights sponsorships is 19.25 years (19 years and three months). This median lifetime computed via survival methods is considerably longer than the average lifetime (10.18 years), illustrating the importance of utilizing advanced quantitative methods to ascertain the historical durations of sponsorships. This result indicates that sport organizations in the four major North American leagues should budget and forecast for naming rights agreements to end after 20 years. The next step in the research is the insertion of covariates into the survival model, in order to ascertain which factors may be statistically significant predictors of the dissolution of such partnerships, and whether the hazard function differs based on a variety of organizational, market, or economic factors. These and other additional results will be discussed.