

**SPORT SPONSORSHIP IN CHINA: A STRATEGIC INVESTMENT**

**by**

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## **ABSTRACT**

Sport sponsorship has, in a relatively short period of time, grown into a major industry in the global marketplace. According to IEG Reports (2004), the growing sponsorship market in China, and strong activity in other parts of Asia and Australia, will drive global sponsorship spending in 2005 to \$30 billion for the first time. In 2004, overall North American corporate expenditures on sponsorship were \$11.11 billion, an 8.4 percent increase from the previous year. IEG projected that European companies will increase sponsorship spending by 8.1% from \$7.8 billion in 2004 to \$8.4 billion in 2005. Aided by strong increases from countries such as China, Pacific Rim companies will boost sponsorship spending from \$5.2 billion to \$5.8 billion, a 12.3% gain. With major international sports events now being staged in China, including the Beijing 2008 Olympics and Formula One, corporate interest in sport sponsorship in the country has increased significantly. Although sport sponsorship in China is still in its infancy and going through a difficult transition period (Geng, Burton, & Blakemore, 2002), it has considerable potential for future development and growth.

China, with its unique history and cultural background has begun to implement commercialized sport sponsorship about two decades after its western counterparts, and academic research has largely failed to address how international and national corporations perceive the opportunities for sponsorship investment in China. The position taken in this thesis is that in order to design a more adaptive conceptual framework, researchers must attempt to understand sport sponsorship from the perspective of investors and from the standpoint of local, as well as international, markets. This study

analyzed how international and national companies have employed sport sponsorship in China as a strategic investment tool to obtain competitive advantages.

The research was guided by Gardner & Shuman's (1988) theoretical framework about effects of sport sponsorship, and influenced by previous research on resource-based approaches to sponsorship by Amis, Pant, & Slack (1997), the network approach by Olkkonen (2001), and strategic alliance theories adapted from Das & Teng (1998) and Lorange & Roos (1992). Interviews were conducted with 19 Chinese sport sponsorship authorities working in research and in industry. The thesis revealed four significant findings. 1) Sport sponsorship is a strategic investment. While corporations used it to procure brand equity and relationship benefits, they simultaneously faced considerable risks (five major risks were identified) in the current Chinese market context. 2) Relationships are a resource that can be exploited as an intangible asset to strengthen competitive advantage. 3) Strategic partnerships are a developing trend in the sport sponsorship industry in China. 4) Cultural differences are minimal among the existing sport sponsorship relationships in China. The study makes a number of contributions to the literature on sport sponsorship and has direct implications for corporations wanting to invest in sport sponsorship in China.

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## CHAPTER 1

### INTRODUCTION

Sport sponsorship has, in a relatively short period of time, grown into a major industry in the global marketplace. According to IEG Reports (2004), the growing sponsorship market in China, and strong activity in other parts of Asia and Australia, will drive global sponsorship spending in 2005 to \$30 billion for the first time. In 2004, overall North American corporate expenditures on sponsorship were \$11.11 billion, an 8.4 percent increase from the previous year. IEG projected that European companies will increase sponsorship spending by 8.1% from \$7.8 billion in 2004 to \$8.4 billion in 2005. Aided by strong increases from countries such as China, Pacific Rim companies will boost sponsorship spending from \$5.2 billion to \$5.8 billion, a 12.3% gain (IEG Reports, 2004). In China, the market-driven sport industry is growing rapidly, and many international sport events are scheduled to come to China. For example, 2008 Olympic Games will be held in Beijing; Formula one car racing began in Shanghai in 2004. These events help catalyze the sport sponsorship development in China. As a result, China's largest computer company Lenovo sponsored IOC with US\$65 million to become the first ever Chinese Olympic worldwide partner (Wang, 2004). China's largest petrochemical corporation China Petroleum & Chemical Corporation (Sinopec) signed a long term sponsorship agreement with Allsopp, Parker & Marsh (APM) to obtain the exclusive right to sponsor the Chinese F1 Grand Prix in Shanghai (news.xinhuanet.com, 2004).

Although sport sponsorship in China is still in a stage of infancy and going through a difficult transition period (Geng Burton, & Blakemore, 2002), it has considerable potential for future development and growth.

Most of sport sponsorship research has focused on markets in North America, Europe, Australia, and to some extent Japan, which are all highly developed capitalist countries (Chadwick, 2002; Cornwell, 1995; Gwinner & Eaton, 1999; Lapio & Speter, 2000; Meenaghan, 1991; Mullin, Hardy & Sutton, 2000). As a result, mainstream sponsorship theories and frameworks are almost all built on the foundation of a highly commercialized market system and related system of social and cultural values. China, with its own unique history and cultural background, provides a very different context for sport sponsorship, yet research has largely failed to address the uniqueness of the context and the manner in which international and national corporations perceive and are acting upon the opportunities for sponsorship investment in China. The position taken in this thesis is that in order to adequately conceptualize what is taking place in China, researchers must attempt to understand sport sponsorship from the perspective of those businesses that are successfully investing in the Chinese sport sponsorship market. Accordingly **this thesis undertook to analyze how international and national companies are employing sport sponsorship as a strategic investment to obtain competitive advantages in China.** As a step towards gaining such an understanding, this study collected data from two sources: a document analysis to identify a representative sample of 11 corporate sponsors that are innovative in using sponsorship as an investment tool, and face-to-face (FTF) formal interviews with sponsorship practitioners

at these companies to investigate how corporate investors conceptualize sport sponsorship in China.

### **Research Questions**

The following research questions were formulated for study.

- How have international sport sponsorships evolved to function as a synergistic investment tool when entering a new market such as the Chinese market?
- How do investors control risks when they speculate on sponsoring properties in China?
- Does sport sponsorship provide a platform on which a sport sponsorship-initiated strategic alliance might be constructed?
- To what extent may those relationships built through the arrangement of sponsorship become valuable resources that help corporate sponsors strengthen their competitive advantages?
- Do corporate sponsors conceptualize sport sponsorships as a mutual benefit business strategy that emphasizes coordination and cooperation?

### **Significance of Study**

This study contributes to the existing research on sport sponsorship in the following four areas. The first is substantive in nature. To date, there have been few attempts to analyze how sport sponsorship might be understood to function as an investment tool, although some findings have revealed that in a strategic management approach, sponsorship may enable a company to secure a competitive advantage (Amis & Slack, Berret, 1999). Second, despite the fact that a few researchers have regarded sponsorships as a distinctive competence from a network standpoint (Amis, Pant & Slack,

1997), there is a paucity of research on how corporate sponsors use or might use the multifunctional roles of sponsorship to augment or help implement a strategic development plan, or how corporate relationships, which may be constructed initially through sponsorship, might be conceived of and exploited as a competitive resource of a company. Third, no systematic research that I could find has interviewed pioneering corporate sponsors or strategic investors who have tapped into the Chinese sport market. This thesis research uses a number of semi-structure interviews conducted in China to examine the state of such strategic sponsorship investment in China and to identify gaps in the development of strategic sport sponsorship between North America and China. Such an analysis of how corporate sponsors perceive sport sponsorship investment in China makes a substantive contribution to the literature and to practice in China. Fourth, in terms of methodological contributions, a combination of document analysis with qualitative in-depth face-to-face (FTF) interview is a fruitful approach for conducting preliminary sponsorship research in China. An investigation of how corporate investors speculate on opportunities for sport sponsorship in China and how big the gap is between Chinese and other international investments may allow for the creation of more effective conditions for the development of sport sponsorship in China, an important practical contribution.

### **Structure of Thesis**

The structure of this thesis is as follows. In Chapter 2, previous theoretical and substantive work is reviewed. This literature review explains how sport sponsorship functions as an investment tool and how it therefore constitutes an investment in addition to being an asset or a resource to help corporations strengthen competitive advantages. A

review of sport sponsorship in the Chinese literature is included in this chapter.

Following the literature review is the methods chapter, which provides a rationale for the use of the semi-structured interviews, and a detailed description of the procedures used in, and the setting for, the face-to-face interviews with the sport sponsorship authorities (experts and corporate senior managers). In the fourth chapter, results from the experts and the corporate managers are outlined, followed by an integrative assessment that compares the differences and similarities between the two groups, and between international corporations and domestic companies. In the fifth chapter, the results are then discussed with reference to key theoretical and substantive considerations, which establish the significance of the findings and links the study back to the literature. In the final chapter, the thesis concludes with practical implications for policy makers, sport organizations, managers, and recommendations for further research and for improvements on the current study.

## **CHAPTER 2**

### **REVIEW OF LITERATURE**

#### **Part 1. Conceptualizing Sponsorship as an Investment Tool**

Sponsorship is not a new concept. Its historical origins date back to the Roman gladiatorial games in 65 BC, when patronages financed the games for political reasons at the time of Caesar (Head, 1981). Even during its early history therefore, sponsorship was never a pure form of altruism or philanthropy. It might have appeared as a form of philanthropy but it actually was an investment for purpose of certain returns including political and social status for the investor. Since the motives for sponsorship are various, the roles sponsorship performs are different as well. In this research, the developing meaning and application of sponsorship is seen as involving a gradual shift from patronage and philanthropy to community sponsorship (Holmes, 2000), to use of sponsorship as a promotional tool (Gwinner & Eaton, 1999), sponsorship as part of an integrated marketing mix (Lapio & Speter, 2000), sponsorship as relationship marketing (Chadwick, 2002), sponsorship-linked marketing (Cornwell, 1995) and sponsorship as an investment tool. The different forms of sponsorship do not necessarily follow a step-by-step sequence and in some cases have tended to operate together such that all forms are observable in some national and international markets.

Current sponsorships actually play a multi-functional role in global business environments, when viewed from a holistic, strategic perspective. For example, sponsorship has been used as an effective communications tool for building brand equity that adds financial value to sponsor firms (Aaker, 1991; Cornwell, Roy & Steinard II, 2001; Cornwell, Pruitt & Ness, 2001; Keller, 1998; Sparks, 1999). Sponsorship can also



be used as a promotional tool, in which the main function of sponsorship is largely similar to that of advertising, and its aim is to increase sales or market share. Similarly, sponsorship can accomplish many corporate public relations tasks from a communication standpoint and can help to build goodwill. In addition, it might be argued that these functions can be achieved by situating sponsorship within an integrated marketing or sponsorship-linked marketing strategy that leverages brand awareness and corporate image at the same time. However, an investment approach to sponsorship significantly broadens the scope of the functions of sponsorship and enables them to be perceived as a part of a strategic initiative rather than only as part of a communications or marketing plan. This is potentially an important conceptual difference particularly in an international business context. In the absence of such an approach there is the risk of a conservative bias in sponsorship in general, and sport sponsorship in particular, which continues to align sponsorship with marketing, and this actually hinders the development of sponsorship, particularly in new markets such as China where the meaning of marketing is at odds with government policies surrounding sport.

The point is that overall there has been a gradual broadening of uses of sponsorship to encapsulate at first marketing and public relations and then broader corporate/business strategies including partnership and strategic investments.

In the next section I review several definitions of sponsorship, and compare them looking for similarities, differences and links.

### **Definitions of Sponsorship**

The most frequently cited definition of sponsorship, given by Meenaghan (1983) is "provision of assistance either financial or in kind to an activity by a commercial

organization for the purpose of achieving commercial objectives” (p. 9). This definition suggests that sponsorship is a business and not a form of philanthropic giving. Eight years later, based on sponsorship’s development, Meenaghan (1991) revised the definition of sponsorship as follows:

Commercial sponsorship is an investment, in cash or in kind, in an activity, in return for access to the exploitable commercial potential associated with that activity. (p. 36)

Furthermore, he explained, “What this definition is saying is that from the sponsor’s point of view the price paid is his investment in return for permission to exploit a particular activity” (p. 36).

Nine years later, sponsorship again saw significant development in both practice and theory. Mullin, Hardy and Sutton (2000) regarded sponsorship as “acquisition of rights to affiliate or directly associate with a product or event for the purpose of deriving benefits related to this affiliation or association” (p. 254).

Although sponsorship’s definition has changed based upon increasingly sophisticated services available to sponsors, there is no unified definition of sponsorship accepted worldwide. Nevertheless, it is obvious that sponsorship, especially sport sponsorship has become more complex and more benefit-oriented than ever before in tandem with the sport industry’s overall development. It may be said that, sponsorship in general, and sport sponsorship in particular, can be understood as an investment instrument in the sense that it leads organizations to literally “invest in” each other’s activities, by bringing time, human, and capital resources to bear on business opportunities that are engendered through a sponsorship contract. It is therefore

appropriate to describe sponsorship as the creation of mutual benefits. Thus, sponsorship is defined in this thesis as follows:

***Sponsorship is a form of investment by which all parties involved in the business arrangement may maximize their individual benefits and minimize their risks via contractual agreements that should optimize overall benefits.***

The concept of a “form of investment” used in the above definition of sponsorship implies that sponsorship investment has the general attributes of investment, which might gain benefits; on the other hand, it could also result in a loss due to unpredictable risks or mismanagement. The same is true in the stock market. Any piece of investment has two possibilities before the final outcome: gain or loss. Additionally, to maximize benefits and to minimize risks are objectives in sponsorship decision-making, as they are in all investment. Third, the relationship between or among parties is generally a loose connection established via contractual agreement, like a strategic partnership. Finally, the word “optimize” is used to emphasize the fact that any sponsorship arrangement or plan might not be perfect; rather it develops its potential toward perfection. Also, “optimize” is used to imply the fact that there is no perfect plan when variables become too complicated to fix at a point.

### **Sponsorship as an Investment Tool**

Investment is to use money to buy shares, property, and the like in order to earn profit, or to give time, effort and so forth to a particular task, especially in a way that involves commitment. In the financial area, an investment tool means a vehicle through which, on the one hand, a fund-raising function is realized, and on the other hand, an investment plan is implemented. Sponsorship in the modern economic environment has

actually developed these two functions of an investment, and as a result, it might be classified as a form of investment. From sport organizers' perspectives, in particular, sponsorship is an effective channel to raise funds. For example, the Chinese Basketball Training Centre got 20 million RMB (US\$ 1 = 8 yuan RMB [Chinese currency]) through sponsorship in 1998, whereas at the time the State government budget fund was only 2.21 million RMB (China's State Sport General Administration, 2001, p. 180). So it can be said that sponsorship is an effective vehicle to raise funds for a sport organization.

Simultaneously, from a corporate sponsor's perspective, involvement in a sponsorship project might be a successful investment to leverage benefits. Jianlibao, for instance, was a small, local beverage firm in China that began to sponsor Chinese Olympians in 1984 when it was founded. After fifteen years investment in sport sponsorship, it has become one of the biggest beverage companies now in China and enjoyed the reputation of "East Magic Water" in the United States when the Chinese Olympians achieved prominence at the Los Angeles 1984 Olympic Game (China's State Sport General Administration, 2001, p. 183). Based on this point of view, sponsorship is seen as similar to a mutual fund.

Sponsors, the investors, through a sponsorship vehicle, obtain corporate objectives, while the sponsee, sport organizers, through support of their sport also achieve their organization's goals. Thus, sponsorship is a vehicle for allowance of mutual benefits.

Considering risks corporate sponsors may face due to the lack of effective methods for measuring and calculating intangible gains (e.g., brand equity), sponsorship investment is more likely a venture capital investment than a mutual fund. On the whole, sponsorship comprises the implicit attributes of investment, and benefits and risks equally co-exist.

The relationship between risk and reward in the sense of investment banking is aptly described by Robert Lawrence Kuhn (1990):

Risk and return are parallel concepts; they are tied tightly together and move proportionately and synchronously with each other (although not always linearly and not always logically). To a first approximation, the relationship between risk and return is a positively sloped straight line. This means that as risk goes up, so must return. The actual slope of the line may vary, depending on the specific circumstances of the issuer and the impact of the macroeconomic environment on potential investors. (p. 67)

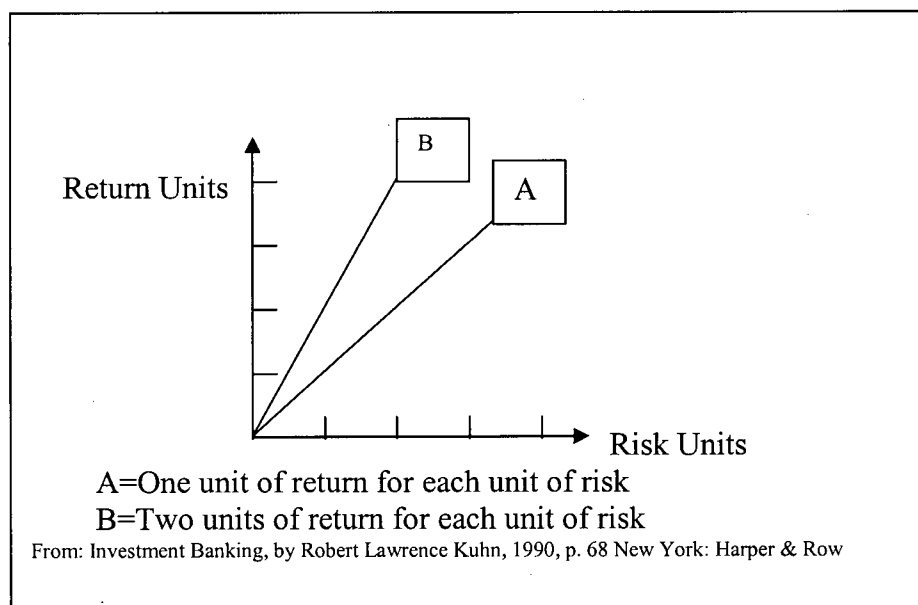


Figure 2.1. Risk/Return Relationship

The relationship is illustrated in Figure 2.1. The concept that is applied in the case of a specific sponsorship investment means the relationship between risk and return depends on the potential sponsor property and macroeconomic environment, two important factors that affect whether sponsorship arrangements succeed or not.

## **The “Portfolios” of Sponsorship**

Portfolios are a group of investments to share risks and leverage benefits.

Regarding tactics or techniques of sponsorship, once one begins to conceptualize sport sponsorship as an investment tool, one can see that one of its most important roles is raising money. However, the sponsors' giving, either money or goods, to sponsored organizations through sponsorships is not altruistic or a form of selfless patronage but an arrangement of commercial exchange with expectation for tangible returns (Witcher, Craigen, Culligan & Harvey, 1991). How can sponsors get a return on investment (ROI)? In other words, how does sponsorship make money/benefits? There are at least four major ways currently identified for obtaining ROI through the investment vehicle of sponsorship. Sport sponsorship portfolios may include at least the following items, but they need not be used together. Rather, each specific sponsorship project may tailor different mixes to fit in the corporation's strategic plan.

### **Licensing**

Licensing is “a contractual method of developing and exploiting intellectual property by transferring right of use to third parties without transfer of ownership.” (Mullin et al., 2000, p.140). Licensed merchandise sales, the sales of apparel and other items that contain the team name or logo (Gladden & Milne, 1999), is a main channel for sponsors to recoup their investment. For example, because Kodak sponsored the Seoul 1988 Olympic Games and became the official sponsor, Kodak film could get licensing rights to use the Olympic five rings on its products. As a result, its line of film products became the only one that could be sold with the Olympic logo and the only one sold

during the event. In turn, Kodak obtained a direct financial return from the sponsorship investment, as well as a brand image return.

### **Advertising Rights**

The implementation of advertising rights includes event signage, venue billboards, media coverage and the right to exploit the sponsorship association in brand advertising. The effects of these public exposures on spectators and media audiences transfer into advertising value.

### **Title Rights**

Naming rights are widely used in sponsorship activities, and are an effective way to increase sponsors' brand awareness. For example, US tobacco giant Philip Morris became the title sponsor of China's professional soccer league that became known as the Marlboro Soccer League in 1994, when the Chinese Football League began allowing such sponsorship. Thus, Marlboro could reach a large audience in China (Lam, 1994).

### **Hospitality**

Hospitality is another key function for sponsorship because hospitality plays a unique role for firms to make business contracts and interact with customers. Hospitality offers special opportunities for sponsors to host clients, to reward top performers in the company, or to court potential clients (Brown, Sutton & Duff, 1993). For example, when Hewlett Packard (HP) sponsored BMW Williams race car in Formula One, HP's vice president of sponsorship stated that their sponsorship arrangement achieved a major return on investment (ROI) with "the biggest return" from hospitality, which each season enabled them to entertain 900 C-level executives at the races (Camp, 2003). Hospitality, as discussed previously, provides sponsors a unique opportunity to entertain their current

and perspective clients. The role hospitality can play in sport sponsorship focuses on maintaining and obtaining relationship benefits.

The first three - licensing, advertising rights and title rights - may contribute to brand equity, and the last one - hospitality - may contribute to relationships. As indicated by numerous authors (Meenaghan, 1991; Mullin et al., 2000; Witcher, et al., 1991), one of sponsorship's inherent attributes is the expectation of a return on investment. Accordingly, in a strategic management approach, sponsorship is seen as a competitive resource, and the desired ROI might be to secure a competitive advantage (Amis et al., 1999).

### **Brand Equity and Sponsorship Investment**

Brand equity, as described by Aaker (1991), "is a set of brand assets and liabilities linked to a brand, its name and symbol" (p. 15). "These assets and liabilities include name awareness, perceived quality, brand associations and customer loyalty which together stand to augment or diminish the value of a firm's branded goods and services for the firm's customers, the firm and the firm's investors (p. 16)" (see also Sparks, 1999, p. 239).

According to Keller (1993, p. 2), the major components of brand knowledge that contribute to customer-based brand equity are brand awareness and brand image. Because brand knowledge can be derived from any experience with or exposure to a brand, sport sponsorships are particularly useful to aid in brand positioning, image enhancement and awareness increase for corporate sponsors (Sparks, 1999, p. 239). Therefore, sponsorship investment, through one or more of the above portfolios, can be an effective tool with which to alter and enhance a company's image and reputation



(Amis et al, 1999). Image enhancement is usually considered as a crucial motivation for sponsorship (Amis et al., 1999; Arani, 1992; Gladden & Wolfe, 2001; Ludwig & Karabetsos, 1999; Turco & Navarro, 1993). Since corporate image is an intangible asset, image enhancement means adding value to a corporation so that eventually sponsorships reinforce tangible corporate competitive advantages in the national and international marketplace. Furthermore, image enhancement potentially enables corporations to gain support not only from internal auditors and employees, but also external auditors, customers and stakeholders. Sponsorship may ultimately transfer those intangible assets into tangible assets by increasing sales and revenue (Aaker, 1991; Keller, 1998; Quester, 1997).

By combining Aaker's (1991, p. 17) and Keller's (1993, p. 7) brand equity framework with sponsorship's major contributions to brand equity, I propose a conceptual model of sponsorship-brand equity transfer of value to a firm as follows:

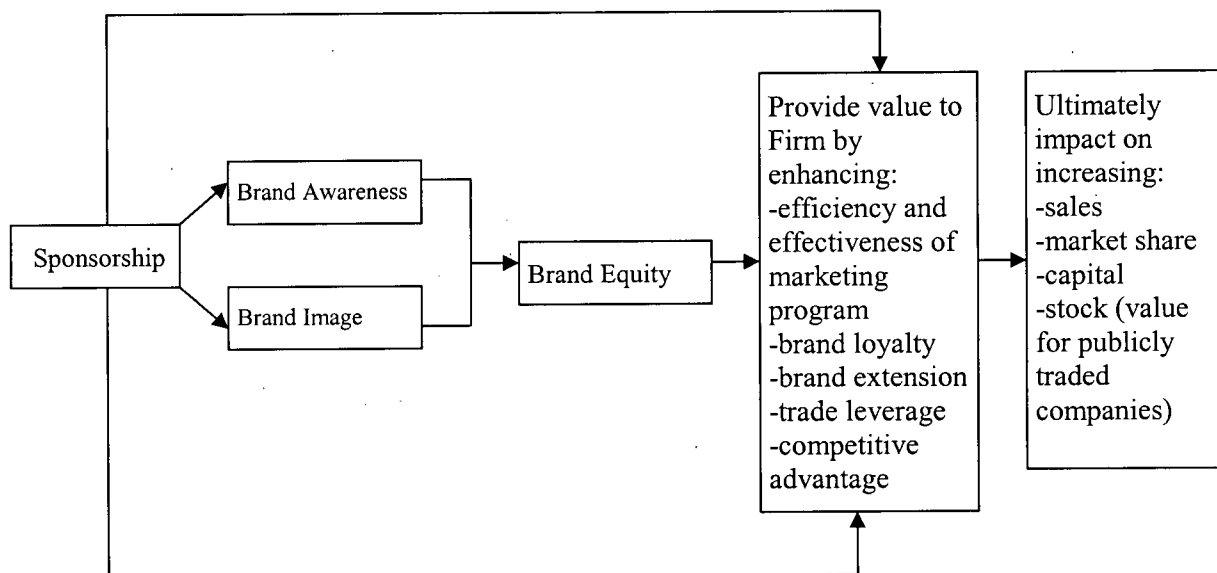


Figure 2.2. Process of Sponsorship-brand Equity Transfer Value to Firm

This model (See Figure 2.2) illustrates the pathways through which sponsorship investment adds value to a corporate sponsor by enhancing brand equity.

### **Strategic Partnership and Sponsorship Investment**

Keeping with the sense of sponsorship as an investment, one opportunity for a corporation would be to form a strategic alliance with a sport or sports. Sport sponsorship provides an opportunity for sport organizations and business corporations to come together. Marketing activities and partnering opportunities might still exist without a sponsorship, but sponsorship has the potential to facilitate this process and to increase the overall level and kinds of activity. In a sport sponsorship-linked strategic alliance, relationships are built between organizations. There are various kinds of relationships that might include sponsors to sponsors; sponsors to sport organizers; sponsors to governments; sponsors to sponsored sport teams, events or venues; sponsors to media; sponsors to advertising agencies; sponsors to communities and to other stakeholders (See Figure 2.3). In this research, only organizational behaviors are discussed, although Copeland, Frisby and McCarville (1996) found that decisions to enter into sponsorship arrangements were often predicated on the managers' 'instinct' or on the personal sport interests of marketing directors and CEOs. Based on sport sponsorship's strategic stance as suggested above, I have created a model to illustrate the sport sponsorship-initiated strategic alliance framework (See Figure 2.3).

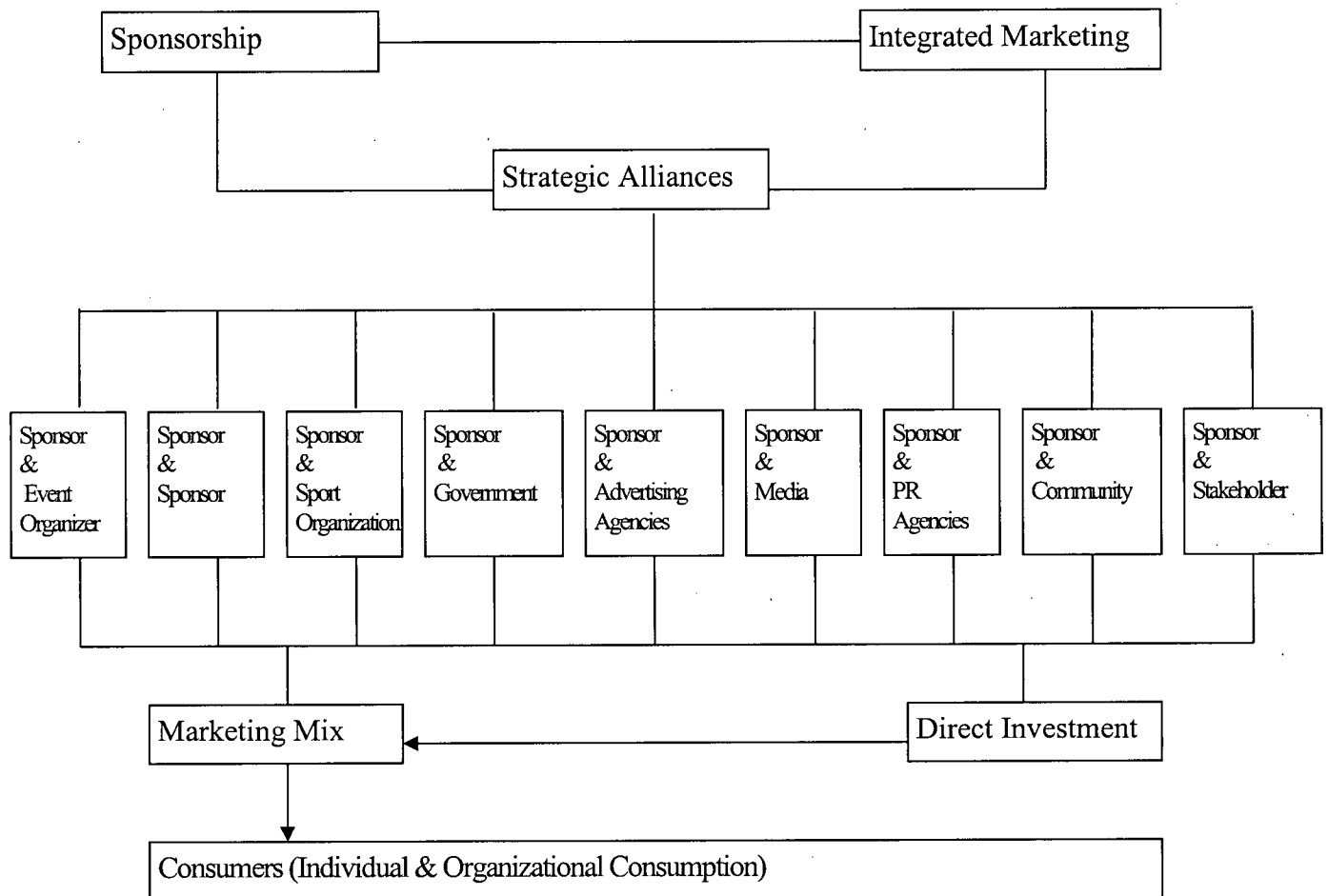


Figure 2.3. Establishing Sport Sponsorship-initiated Strategic Alliances

As seen in Figure 2.3, three important variables are at play in this model: sponsorship, integrated marketing and strategic alliances. *Sponsorship* was already discussed previously. *Integrated marketing*, as described by Harris (1998, p. 6), is “the process of managing all sources of information about a product/service to which a customer or prospect is exposed which behaviorally moves the customer toward a sale and maintains customer loyalty”. Harris also explains the nature of integrated marketing as follows:

It is about better management of the marketing process so that all messages about a product or service to which a customer is exposed are coordinated and controlled. It's about assuring consistency of messages at every contact point where company meets consumer. It's about building *relationships, not just making sales*. (p. 7)

NASCAR is an excellent example, as suggested by Lapio and Speter (2000), "the integrated marketing and investment of various NASCAR sponsors in DAYTONA USA is the epitome of NASCAR's integrated marketing strategy" (p. 87). As a result, "the financial rewards of sponsorships, endorsements, and licensing have made NASCAR a two-billion-dollar per year business with teams and tracks considered prime investments by Wall Street" (p. 85). However, it is surprising that "NASCAR does not own all of the tracks or any of the teams" (p. 86). The secret of success is due to the fact that "the French family has done an excellent job of integrating marketing and investment potential of sport so that track and team owners, drivers, sponsors, and fans all benefit from the promotion of Winston Cup races" (p. 85).

*Strategic alliances* are generally considered a form of cooperative arrangement between organizations and have frequently been used in hypercompetitive environments (e.g. convergent technology) and emerging markets (e.g. Chinese sport market) in recent years (Das & Teng, 1998). An important consideration in strategic alliances, as described by Lorange and Roos (1992, p. 4), is "the degree of interdependency between the parties involved". This framework is illustrated in Figure 2.4. They have argued that a firm might wish to start out in a less committed mode and then upgrade the type of cooperative relationship over time. The involved parties in strategic alliances may seek to

develop mutual trust (Lorange & Roos, 1992, p. 4). Accordingly, in sport sponsorship-initiated strategic alliances (see Figure 2.3), it may make sense to examine the different options along with the various degrees of interdependent relationships that are possible between the parties (see Figure 2.4), here referring to organizations.

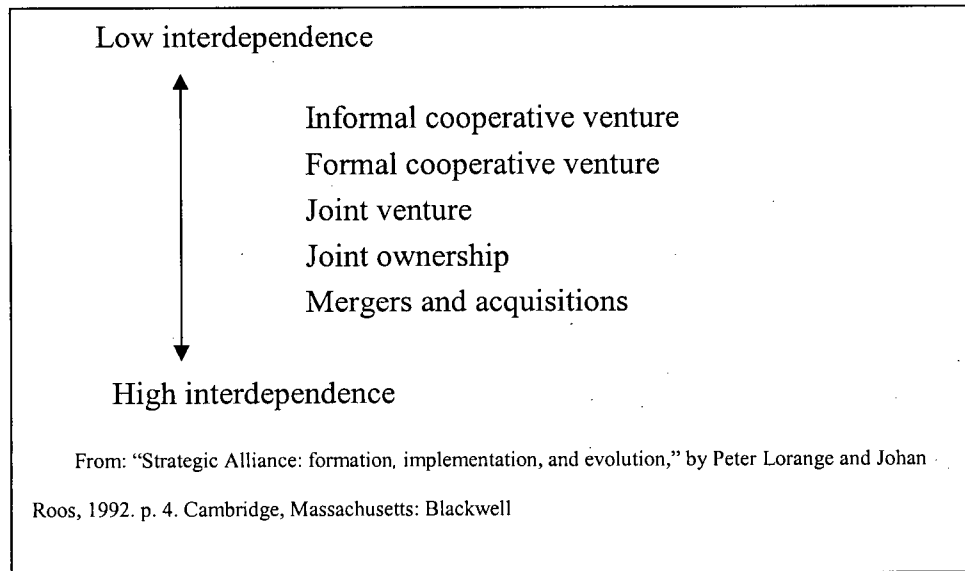


Figure 2.4. Strategic Alliance Options in Terms of Degree of Interdependence Between the Parent Firms.

### **Relationships of Sponsorship-initiated Strategic Alliance**

How many types of relationships could be incorporated into a sport sponsorship-initiated strategic alliance? There could, in general, be sponsor to sponsor, sponsor to sponsored sport organization (team, venue, contest, event, tournament, and the like), sponsor to sport organizers, sponsor to government, sponsor to advertising agencies, sponsor to media (both print and electronic), sponsor to Public Relations agencies, sponsor to communities, sponsor to its stakeholders, and the like. It is difficult to image another vehicle, tool or mechanism beside sport sponsorship that enables so many heterogeneous organizational resources to come together in one package simultaneously!

Sponsorship has the potential for synergistic effects (“radiating effects”) between partners in sport sponsorship-initiated strategic alliances where partners obtain exponential benefits through leveraging mutual assets, rather than linear benefits as when organizations simply respond to their own stakeholders. This “radiating effect” stands to have increased significant in global marketplaces.

### **Resource-based View: Relationship as a Resource**

According to a resource-based view (RBV) (Culpan, 2002, p.25), one of the business alliance theories, the important determinants of competitive advantage are the resources, capabilities, and competences possessed by a firm, on which a firm’s sustainable advantages are built and profitability is determined. Specifically, in a sport sponsorship-initiated strategic alliance, sponsorship should be considered as an investment tool to help a sponsoring firm to realize resources exchange among the partners in the strategic alliance and hence to form its “distinctive competence” which in turn can assist the firm to achieve a sustainable advantage (Amis, Pant & Slack, 1997). Although Amis, Slack and Berrett (1999), in this respect, regarded sponsorship as a resource, or distinctive competence, I am inclined to expand this to say that sponsorship in general, and sport sponsorship in particular, is an investment tool through which sponsors and their partners in the strategic alliance can leverage their benefits and avoid risks. If sponsorship were a resource as Amis et al. (1999) argued, a firm’s resource should be an asset. However, in reality, sponsorship might be an asset or a liability; this depends on whether sponsorship arrangements are a success or failure. Amis et al. (1997), for example, analyzed two cases of Canadian corporations that were involved in sport sponsorship in the late 1980s to 1990s. One case was that of Owens-Corning that

sponsored the Canadian freestyle skiing team. Since the sponsoring firm properly employed the form of sponsorship investment, and the Canadian freestyle skiing team succeeded in the 1994 Winter Olympic Games, Owens-Corning became the “major beneficiary” of the relationship built in the sponsorship activities. As a result of the relationship being a valuable resource, investors on Wall Street believed that “Owens-Corning was fresh, exciting, and worth investing in”. Another case was that of MARAP that became involved in “a wide range of sports”. In this case, the company misused sport sponsorship as an investment tool, and as a result, was unsuccessful at converting the sponsorship into an asset. Clearly, in this case if sponsorship was a resource, it was a wasted resource. Thus, more accurately, sponsorship is an investment tool; if utilized properly, it should produce profits or other benefits and hence build value according to the “distinctive competences” of the firm (Amis et al., 1999) and truly help to achieve substantial competitive advantages.

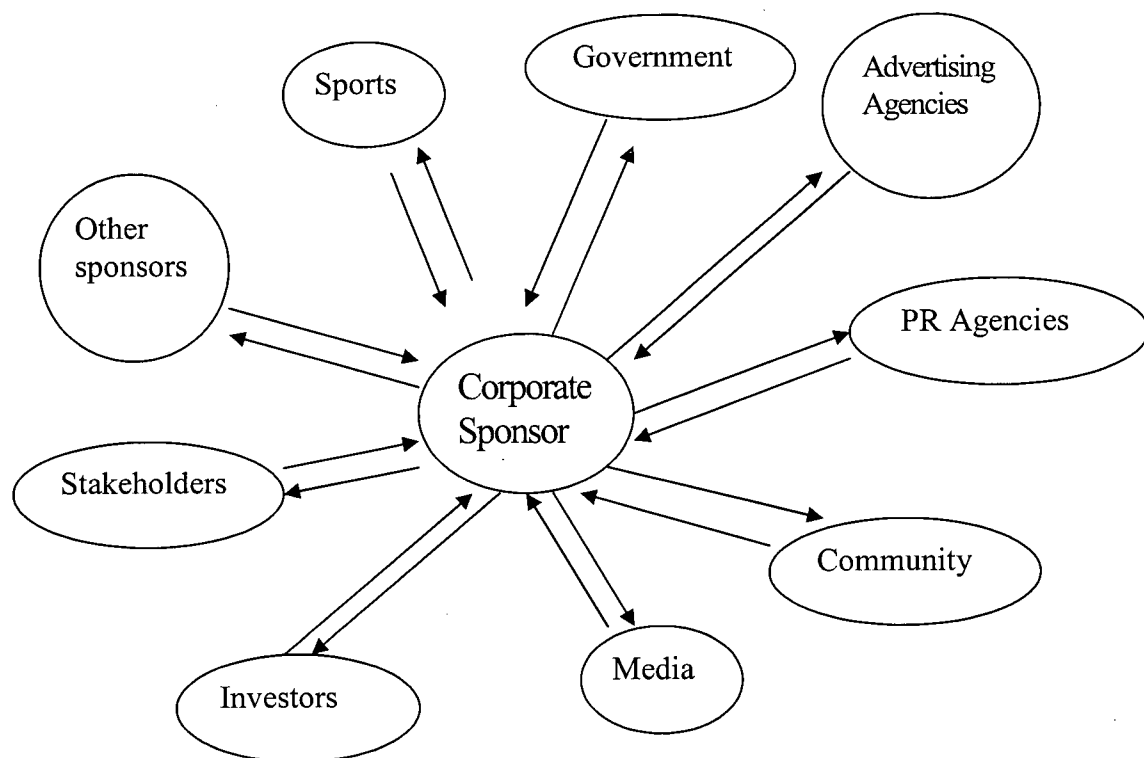
Relationships, similarly, can be real assets for enterprises. As Bergeron (2001) noted, “a relationship provides the company with long-term, lower risk revenues and the opportunity to grow both revenue and profit in many ways” (p. 4).

### **Content of Sport Sponsorship Relationships: Network Approach**

Network perspective is another strategic alliance theory, which provides an analytical tool to explain interfirm linkages from dyads and triads to networks of relationships (Culpan, 2002, p.28). The relationship between sponsors and sponsored entities is not necessarily a monogamous “marriage” as that proposed by Chadwick (2002) because such a “marriage” would restrict the parties to a one-to-one relation. Rather, the relationship is better theorized as a multiple party, business relation. As Olkkonen (2001)

has suggested, “sponsorship relationships involve interaction between various kinds of organizations” (p.312). The investment opportunities and synergistic effects of sponsorship are enhanced when the relationships among partners in a “strategic alliance” through sponsorship are interactive, dynamic, interdependent, and balanced. Further, sponsorship relationships need to be positively managed and reinforced to achieve these effects, not maintained on a status quo basis. Based on the sponsorship-initiated strategic alliance model, the multiple relationships related to the corporate sponsor become a network for the corporation (see Figure 2.5). This model shows the relationship benefits for the corporate sponsor only, though there may be relationships between other members of the network.

Figure 2.5. Network of a Corporate Sponsor Through a Sport Sponsorship-initiated Strategic Alliance and Two-way Communications and Benefits





Also, managing the network becomes a strategic matter for the partners based on long-term commitments and trust. It has been noted that in today's network economy, companies embedded in strategic networks will enjoy significant market advantages in the future (Achrol & Kotler, 1999, p. 146). Through strategic collaborations, sponsors and sponsored entities stand to improve their respective brand equity and corporate value, and consequently increase the market that the partners will share (Scheff & Kotler, 1996, p. 59). This effect is especially important in an undeveloped market such as China's sport market.

### **Salience of Sport Sponsorship: Leverage and Mutual Benefits**

#### **Leverage**

Leverage is the use of credit or borrowed funds to improve one's speculative capacity and increase the rate of return from an investment, as in buying securities on margin (Kuhn, 1990, p.50). One of the most salient characteristics of sport sponsorships is that of leverage benefits through sponsorship agreements. In the sponsorship literature, leverage means enhancing the value or performance of a sponsorship by investing above or beyond the central cost of the sponsorship contract or using sponsor benefits (cross-promotional opportunities) to obtain greater value (cf. Amis et al., 1999; Arani 1992; Brown et al., 1993; Cornwell, Roy & Steinar II, 2001; Culpan, 2002; Polonsky & Speed, 2001). Leveraging a sponsorship can significantly contribute to brand differentiation from competitors and add financial value to the firm. In general, "longer sponsorship relationships lead to stronger perceived effects on brand equity" (Cornwell et al., 2001, p. 49), which is to say that there are temporal as well as financial and cross-promotional dimensions to leveraging.

### Mutual Benefits

Sponsorship is a mutually beneficial business in which sponsors and sponsored entities stand to improve their respective brand equity and corporate value through sponsorship agreements. In the same way, if given the extension to an overall sport sponsorship-initiated strategic alliance, all participants should gain benefits through cooperation; otherwise, the alliance could be terminated. Indeed, both sides (or multiple parties) in sponsorship activities require cooperation, feedback, and coordination, to achieve their respective goals (Schaaf 1995, p.122). In other words, all parties can initiate the creation of a mutual gain or “win-win” approach (cf. Brown et al., 1993) to ensure a high rate of success instead of a traditional trade relation of a “win-loss”, zero-sum relationship.

The process of how Coca-Cola sponsored China’s sports is a good example for illustrating the framework. In 1977, before China began its economic reforms Coca-Cola Co. sponsored a Chinese national soccer team trip to the United States. “The pivotal third plenum of the eleventh Central Committee Party on 22 December 1978” announced “the inauguration of ‘economic reform and opening up to the outside’ [*jingji gaige yu duiwai kaifang*]. The year 1979 was another turning point in economic reform and elite sport in China” (Dong, 2003, p. 97). Two years later, Coca-Cola entered the Chinese market and was actively involved in the sponsorship of Chinese athletes and soccer. In 1996, more than 20 Coca-Cola plants were built in China (Lam, 1994). If Coca-cola had not sponsored the American trip of China’s national soccer team, how much money and how long would the corporation have taken to enter the Chinese market? By using the first

sponsorship as a stepping-stone, strategic relationships were built that Coca-Cola Co. could use to eventually develop marketing opportunities in China.

### **Effects of Sponsorship from Corporate Sponsor's Viewpoint**

Gardner and Shuman (1988) created a conceptual framework of sponsorship effects from the perspective of sponsors. Their framework is very useful to explain how sponsorship helps accomplish the sponsor's marketing objectives and corporate objectives. As interpreted by Cornwell (1995), Gardner and Shuman's framework categorized objectives of sponsorship into two different aspects. The overall corporate objectives comprised of (1) capital investment, (2) government and community cooperation, and (3) employee productivity, whereas marketing objectives are established with consumer sales and channel members. Irwin and Asimakopoulos (1992) also note that sport sponsorship objectives should reach "corporation-related objectives" and "product/brand-related objectives" (p. 45), which is similar to Gardner and Shuman's (1988) framework. These corporate objectives that emphasize potential investors and cultivating esprit de corps can be seen as relating to corporate strategic investment and management. Their framework broadens sponsorship's functions beyond marketing to extend to strategic investment with regard to relationship benefits. Even though there is no specific method to assess economic value of relationships, the benefits derived from relationships are not surprising because revenues of considerable sponsorship investment dependent on the successful relationship (Schaaf, 1995). In addition, relationships with government leaders are crucial when entering a new market. For example, because of Kodak's past sponsorship of FIFA under-16 Soccer Championships in China, the

relationship built through sponsorship with Chinese trade officials helped pave the way for Kodak's entry into the Chinese market (Brooks, 1994, p. 161).

By combining Gardner and Shuman's framework with sponsorship's strategic value (sponsorship contributes to brand equity and relationship benefits), I am proposing a conceptual model of sponsorship effects on corporate sponsor's competitive advantages as illustrated in Figure 2.6.

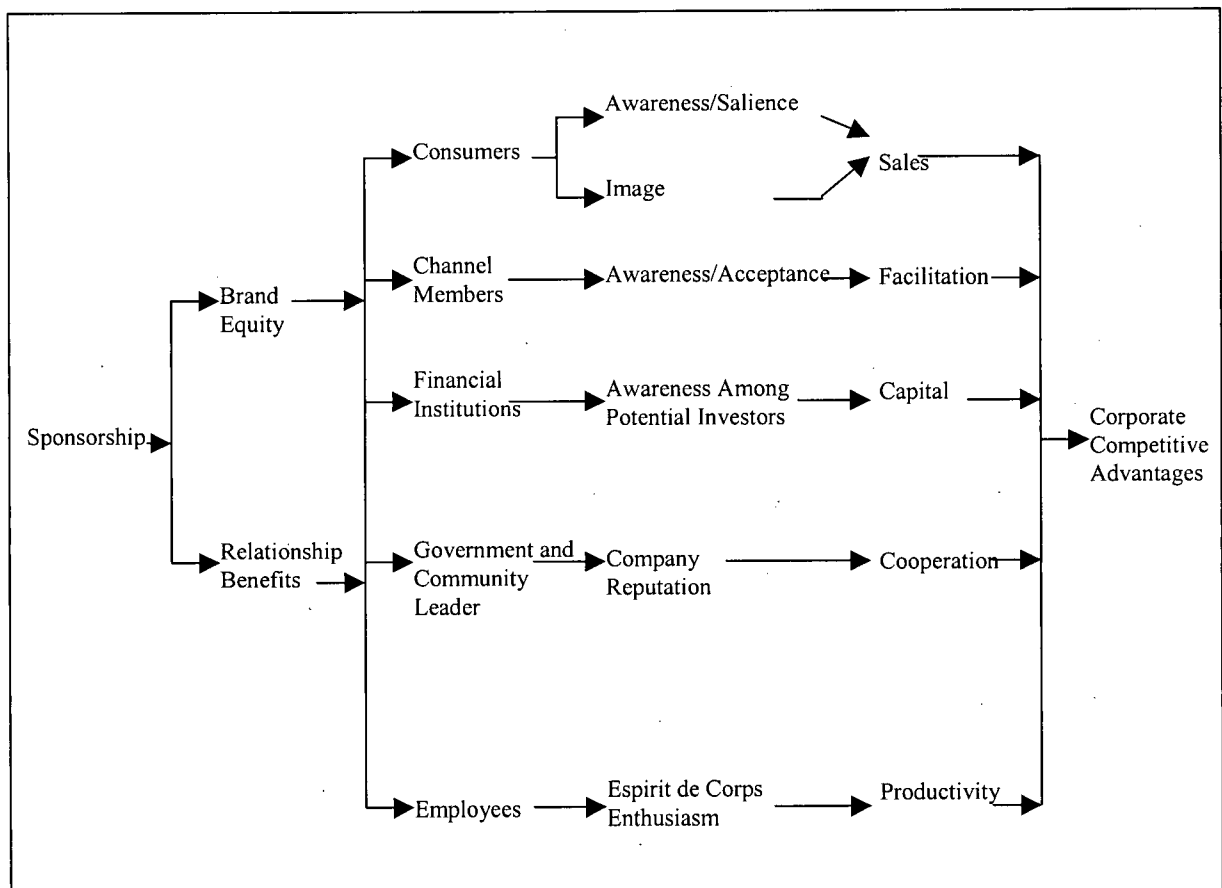


Figure 2.6. Conceptual Model of Sponsorship Effects on Corporate Sponsor's Competitive Advantages

To sum up, corporate sponsors convert tangible assets such as cash, product, technology and services into intangible assets such as brand equity and relationships through sport sponsorship, and eventually if the sponsorship program is successful, these intangible assets accrue extensive benefits for corporate sponsors to help cultivate or

strengthen corporate competitive advantages and secure long-term survival and development.

## **Part 2. Sport Sponsorship in China: Opportunities VS Challenges**

The Chinese sport industry reflects the complexity of the nation as a whole: it is undergoing rapid development and transformation but is characterized by contrasts between the modern and the archaic, between reform and conservatism, between advancement and complacency, between the western capitalism and the remnants of the Marxist system. This complexity has resulted in severe structural conflicts in sports as the nation has engaged in the transition from a sport-centered toward a marketing-centered system. As part of the commercialization of sport being advanced now in China, sport sponsorship has become more advanced, although in important respects it is still behind its western counterparts. In order to understand the background of the development of sport sponsorship in China, it is necessary to briefly explain the historical context of the development of the sports industry within both the Chinese economy and the regulatory bodies that cover the operating of business relevant to sports.

There are basically two phases in sport development after the introduction of the Chinese economic reform. **The first is the exploratory phase (1979 to 1992).** Generally speaking, China's economic reform began in 1979, but sport institute reform started in 1984 when the nation encouraged organizations with sufficient economic capital to invest in sport properties to help fund both competitive and non-competitive sports that used to be funded solely by the government and were controlled by the sole governmental sport organization - the State Sport Committee of China (now The State Sport General Administration). Subsequently, sport stadia and facilities commenced to be rented when

people or organizations utilized them (Zhao & Yang, 2001, p.60). Previously, people could use the very limited sport facilities in communities for free before the nation started reform. Sport sponsorships began as a form of philanthropy with none of the typical commercial sponsorships. Some private enterprises set up manufacturing plants to produce sport apparel and shoes on a small scale in Guangdong and Fujian, two pioneering economic reform provinces. **The second phase is the development period (1993 to present).** According to the guidance of “*The proposal for nurturing sport market and speeding up sport industrialization*” (All-Sport Committee Directors Conference held in 1993), the original State Sport Committee launched the sport institute reform and the transformation that Zhang (2000) has described:

“With the development of political and economic reform in China, the centralized pattern of competitive sports hasn’t adapted itself to the development of competitive sport. In the 1990s, the government began to strengthen its macro-control and play an important role in guiding, supervising and coordinating the relationship between government agencies and non-government sport organizations. The Training and Competition Department was rebuilt. All functions of the former departments are distributed to 20 newly established national sport-training centers. There were more than 80 sports agencies, which used to belong to the national sport commission, now these sports are delegated from the commission to the centers and associations. The centers are responsible for all training and competitions of their managed sports at the national level. The format of financial support for these sport teams changes from sole *government* support to government and the business/industry sponsoring it together.

Professional sport competitions are also getting away from the government's sponsorship and changing to the co-sponsored operation pattern of the government and the business/industry. As competitive sport is being changed into professionalization, commercial operation becomes the premise that the professional sport survives and develops."

The Chinese Soccer League was the foremost pioneer to undertake commercial operations based on the model of the western club in 1993. According to a survey conducted by the State Sport General Administration in 1998, the sum of commercial sponsorships totaled at 152 million RMB, about 2.3 times the government budget that was 65 million RMB. And the sponsorship for the Chinese Soccer Center reached 65 million RMB, ranked the top most, whereas the government budget for soccer was only 1.43 million RMB. Along with the success of the Chinese soccer league commercialized operation, other sports such as basketball and table tennis followed suit (China's State Sport General Administration, 2001, p.179).

After reviewing the Chinese language literature on the Chinese sport industry and Chinese sport marketing, I have found few research articles or book chapters that discuss sport sponsorship, and it seems that systematic theory has not been constructed in China. Nevertheless, I found several useful books which warrant mention. *Sport Industry: Current Situation, Trend and Strategy* is edited by the State Sport General Administration of China in 2001, and is actually a research report about a project entitled "Sport Industry: A Source of New National Economic Growth", which is approved by the State Science Administration in 1999. *China Sport Market Research* is edited by the State Sport General Administration of China and was published in 2000. This book is a

collection of essays that were presented at the “’99 China Sport Marketing Development and Investment Conference”, which was held in GuangZhou on December 10-12. It is an internal government document and not widely available. *The Introduction of China Sport Industry*, edited by Zhao, Li and Yang, Tieli, was published after Beijing won the bid for the 2008 Olympic Games in 2001. Finally, *An Exploratory Study of the Sport Industry* written by Li, Ming, provides a theoretical framework for China sport industry/marketing. The first three books were all written (or some chapters were translated) by a group of Chinese researchers and scholars, and the last one is a personal contribution to China’s sport theory. In the sport sponsorship area, Li (2000, p.289-300) summarized the existing formats of sport sponsorship in the current situation in China. There are, basically, four different but related formats as follows.

**Format 1.** Commercial sponsorship is undertaken with government administrative guidance. Corporate sport sponsorship decisions are completely controlled by government guidance rather than corporate willingness. The major motivation for this kind of sponsorship is that the corporate sponsors would be able to express their support to the government; this is implicitly to accumulate political capital.

**Format 2.** Commercial sponsorship is undertaken with government assistance. Government builds a bridge between business corporations and sport organizations, with programs often implemented in provincial sport sponsorships. Specifically, provincial government permits the local companies to sponsor provincial sport teams. For example, JiangSu YiZheng Polyester Co. Group’s (JSYZ) sponsorship of the JiangSu volleyball club reflects the features of this type of sport sponsorship. Interestingly, JSYZ is well known all over China because it is the biggest polyester company in China and lists on



both the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Conversely, Jiangsu volleyball club is not well known. Therefore, the local volleyball club could not do anything about brand equity for JSYZ. The only return on investment (ROI) for JSYZ was that JSYZ's logo could show up on several competition venues. This is similar to community-based sponsorship, and the purpose of sponsorship is to generate goodwill in local communities and with the government.

**Format 3.** Sport clubs use celebrity athletes to attract corporate sponsors. This strategy implicitly uses relationship marketing to build trust and obtain sponsorship, but the case in China is that corporate sponsors provide financial commitment to sport clubs based upon the creation of personal relations between celebrities and corporate managers. Therefore, a club will be successful if it has national-level, famous athletes who would be able to play the role of a hook in creating cooperative relationships, whereas lower ranked clubs may have difficulty finding sponsors in this way. Regarding Chinese culture, personal relations outweigh any other resources, and therefore, this type of sport sponsorship is currently prevalent in China.

**Format 4.** Sport sponsorship arrangements are derived purely from corporate willingness to be involved. This is a commercially driven form of sponsorship. There are few examples of this type of sport sponsorship because corporations, especially Chinese domestic corporations, have not realized the significance of the cost-effective benefits commercial sport sponsorships may have.

Overall, Li's (2000) research is consistent with Geng et al.'s (2002) findings that "sport property organizations are flooding the market with sponsor proposals", while "in the U.S. sponsors go to properties in most cases" (p. 23). Format 1 and Format 2 fit well

with the Chinese traditional sport system. Format 3 shows the traditional system of personal relationships can be used for mutual benefit by sports and sponsors, whereas the limited incidence of Format 4 shows that commercial ROI is still not a widely recognized goal of sponsorship.

The above four formats of commercial sport sponsorship reflect the nature of China's sport sponsorship market. First, sport has long been regarded as celebrating the nation and hence is pursued by sponsors for its political ties, or as Geng et al. (2002, p.21) suggested, "sponsorship in China must generate social gain." Second, the lack of application for commercial-driven sponsorship reveals that the market-centred sport sponsorship system has not yet been fully established, and that the Chinese sport sponsorship market has not matured in a commercial sense. Thus, at the present time a gap exists between the mature western sponsorship market and the fledgling Chinese sponsorship market. Finally, sport sponsorship is currently in transition, and would be difficult to sustain without government assistance because the government functions as an intermediary in the absence of market support for particular sports.

### **Macro-economic Environment**

Given the strength of China's economy, its rapid development has sparked investors' attention around the world. In fact, China's gross domestic product (GDP) has consecutively increased by more than 7% every year for the last nine years, and the GDP growth rate reached 9.1% in 2003, the fastest year since 1997 (U.S.-China Business Council, 2004). This achievement is remarkable considering the serious effects from SARS last year. Private savings reached RMB 10,400 billion (USD 1,300 billion) at the end of last year (China Statistics, 2004) This growth not only means that China is

becoming a major market economy, but that its people have increasing discretionary income. As August (2004) notes, “Angus Maddison, the distinguished economic historian, predicts that China could become the world’s largest economy by 2015. With rising industrial production, urban incomes have grown 15 percent a year, creating vast new legions of consumers”.

Moreover, a recent survey conducted by the department of Shanghai Statistics showed that the urban citizen has disposable income over RMB 10 thousand in China’s 10 big cities (finance.sina.com.cn, 2004) and the top 3 – Guangzhou, Shanghai and Beijing – almost reach RMB 15 thousand, demonstrating a substantial population of wealthy consumers. In addition, China’s 1.3 billion population, about one fifth of the world’s total population, is another intriguing focus in the developing global market in sport. For example, a recent study showed that there are about 200 million people in China who play basketball (China’s State Sport General Administration, 2000, p. 157).

### **Elite Sport Properties**

China’s athletes have won 1,798 world champion titles, and equalled or set 1,119 world records in the time from when the People’s Republic of China was founded up to 2004. Among these worldwide achievements, Chinese Olympians won 308 medals since China competed in Los Angeles in 1984 (*Beijing 2008: Marketing plan launch*, p. 39; www.sport.gov.cn). Thus, the support from China’s government is a distinct advantage for fostering sport elites, although some might criticize this system on the ground that it has prohibited sport from industrialization. Sport sponsors, however, may embrace the outstanding sport sponsorship properties in China.

On the other hand, although China has its strength of economy and strong sport resources, the development of its sport market is far behind the rest of the world. In the middle 1990s, sport became the 11<sup>th</sup> industry in the U.S, and its market value equalled 2% of American GDP (Zhao & Yang, 2001, p.48), whereas the sport industry did not list as an independent category in China's GDP. The sum of all sport sponsorship in China in 1996 was about as much as two of the largest American corporations invested in worldwide sponsorship in 1995 (China's State Sport General Administration, 2001, p.185).

Despite a relatively small sport sponsorship market, the Beijing 2008 Olympics have introduced The Olympic Programs (TOP) sponsors into China. Lenovo, China's largest computer firm, won the country's first domestic bid ever to become an Olympic TOP sponsor, joining Coca-cola, Kodak, McDonald's, Visa, Panasonic, Samsung, Swatch, John Hancock and General Electric ([www.dailytimes.com.pk](http://www.dailytimes.com.pk), 2004). This kind of development is likely to stimulate growth in sport sponsorship in China.

### **Problems and Concerns**

There is a shortage of sport management professionals in China. Fudan University, located in Shanghai, launched the first, and so far China's only, sport management program and recruited China's first group of Sport MBAs (Master of Business Administration in Sport) in April 2004 ([www.chinadaily.com.cn](http://www.chinadaily.com.cn), 2004a) With regard to reviewing Chinese language literature in sport marketing, sport industry and sport sponsorship, only a few Chinese scholars have attempted to conduct comparison studies by assessing the sport industry in the U.S, Australia, Italy and Japan (China's State Sport General Administration, 2001; Zhao & Yang, 2001) in contrast with China. The theory of

sport marketing as well as sport sponsorship is emerging but has not yet been fully exploited and does not have its own theoretical frameworks in China. This has resulted in a substantive gap in sport sponsorship research. In addition, in China “a formidable philosophical gap separates the sport-centred and the marketing-centred mindsets of entities involved, and threatens the success of sport sponsorship programs” (Geng, et al., 2002, p.20). Thus, on the one hand, some popular sport properties such as soccer have increased their sponsorships, while on the other hand, some unpopular sports have difficulty finding new sponsors during the “slow transition”. Moreover, the development of sponsorship varies between the modern cities and the interior hinterlands. In the case of Chinese soccer tournaments, for instance, the revenue for ticket sales could reach RMB 6 million per contest in Guangdong and Sichuan; however, only three tickets were sold in Suzhou during the Chinese women’s soccer tournament 2000 ( Li, 2000, p.302). In addition, unreasonable tax policies are a negative influence on domestic firm involvement in sponsorship because the expense of sponsorship cannot be deducted from the companies’ cost before tax but is deducted from employee benefits as a form of charity (Zhao & Yang 2001, p.70). This is a strategic issue.

Overall, with an increase in international sport events coming to China as well as in-depth sport institute reforms, sport sponsorship in China should make significant progress in the next decade.

### **Strategies**

At a macro level of analysis it can be seen that there are two gaps presently in China’s market system of sport. One is the philosophical gap between the sport-centred and marketing-centred mindsets of entities involved in sport sponsorship in China as

described by Geng et al. (2002). The second is a developmental gap between developed sport market economies like North America and the sports market in China. In both cases, it might be fruitful to compare top sponsored sports in North America (see Cornwell et al., 2001, p.47 Table 2) with top sponsored sports in China (see Geng et al., 2002, p.26 Table 6) to see the state of the philosophical gap in China and to ascertain whether there are any lessons that can be learned from the North American case that might apply to China. To narrow the developmental gap, some Chinese scholars have suggested that Chinese policy-makers should first change laws and regulations to attract companies to exploit sponsorship opportunities. For example, tax policy may learn from North America that the expense of sponsorship can be put into operational costs, as is advertising. Second, investment should be increased in academic research and sport sponsorship education should be strengthened. For example, a program in sport sponsorship should be opened in university's business courses as a part of sport marketing and sport economics. In the meantime, sport sponsorship-related courses should be provided for people who are interested in sport sponsorship, and training programs should be run for corporate managers to let them know the importance of sponsorship in business (China's State Sport General Administration, 2001, p. 200).

At a micro level of analysis, some sports such as table tennis, women's soccer that are popular but that presently do not have well developed markets might be stimulated through sponsorship investment to nurture the market. In other words, the investment of sponsors may fuel sport industry reform in China. In addition, sports such as skiing, figure skating and golf might become popular in the near future in China if they are similarly nurtured. Thus, the concept of venture investment might be employed

by a corporation when deciding to become involved in a sport sponsorship by utilizing risk control systems. Most importantly, a strategy of long-term commitment and development should be applied when companies get involved in sport sponsorship investment. The question for potential sponsors is how to select a “dark horse” sport sponsorship property in China? Overall, the following critical issue may arise from a comparative study: Should corporate sponsors follow suit with the North America experiences or frameworks or should they employ novel approaches in applying sport sponsorship in China? To answer their question, further research is required for several reasons.

First, a review of Chinese and English literature suggests that this specific theme has not been fully examined. Previous research that used “gap analysis” (Geng et al., 2002) primarily examined the divergences between the sport-centred and marketing-centred mindsets in the application of sport sponsorship in China, but not systematic differences in the Chinese market and developed markets that might constitute a developmental gap. Moreover, only a few Chinese scholars have explored this topic in general, and there is a lack of specific research in this area in sport sponsorship.

Second, there is no existing research about how sponsorship functions as an investment tool. Actually in an emerging market, the potential risks of sport sponsorship investment could be considerable because of heightened uncertainty in an immature market due to the absence of well-established regulatory support. This study provides the opportunity to learn more about the ways in which pioneering corporate sponsors in China have overcome these uncertain barriers to make their sport sponsorship investment

successful, and it has potential implications for understanding the strategic value of sponsorship in China and elsewhere.

Third, the majority of the Chinese studies of sponsorship have been based on secondary research – results of authors' readings of the published articles about the sport industry in developed countries such as America, Italy, Great Britain, and Japan, and there is little primary research on the development of Chinese sports. Geng et al.'s (2002) study utilized both secondary and primary research, but their survey followed a questionnaire design and not a qualitative interview approach. It is quite possible, therefore, that important information was missed.



## **CHAPTER 3**

### **RESEARCH METHOD**

This chapter summarizes the research methodology used in this study. The research plan followed a two-step protocol: document analysis, and face-to-face interviews. The document analysis examined news articles and corporate documents for factual information about corporate sponsorship programs in China. The interviews were intended to yield insight into corporate sponsors' experiences and their conceptualizations and opinions that have influenced their final decisions regarding sponsorship programs in China. This was seen as a useful combination of techniques for investigating the subject of sport sponsorship in China. It was hoped that such an approach would allow for a holistic understanding of sport sponsorship from the perspective of corporate sponsors. For each step in the research process, issues of feasibility and potential problems are discussed.

#### **Step #1: Document Analysis**

##### **Rationale**

Document analysis can be an important source of information. As noted by Hammersley and Atkinson (1995),

[T]he presence and significance of documentary products provide the ethnographer with a rich vein of analytic topics, as well as a valuable source of information. (p. 173)

Also, because the researcher does not have direct access to the actual behavior of individuals working in the organizations being studied, and no feasible first-hand

observation is possible, document analysis will provide the researcher with secondary accounts that help identify activities and perspectives within the companies.

The documents “may be ranged along a dimension ranging from the ‘informal’ to the ‘formal’ or ‘official’”(Hammersley & Atkinson, 1995, p. 159). ‘Informal’ accounts refer to fiction, oral folk, or private diary, which will not be part of this thesis. ‘Formal’ or ‘official’ documents, on the other hand, are often published, and are accessible for analysis. This includes mass media publications such as newspaper or Internet. Unpublished documents include official correspondence, memos, minutes of meetings and other corporate internal files, such as contracts, regulations, and policies relating to sponsorship (cf. Hammersley & Atkinson, 1995, p. 166). The research proposed to draw on factual accounts to analyze the research topic and hence to employ formal or official documents to whatever extent these were available.

The primary analysis involved identifying and categorizing a number of case examples of sport sponsorship in China. This analysis was driven by the researcher’s readings of major information sources in China and looking for sport sponsorship-related material that concerned China such as Lenovo becoming China’s first official sponsor of the Olympics; Kejian endorsing Li Tie, who is a Chinese soccer player in Evanston; and Nike sponsoring All-China high school basketball tournament ([www.3721.com](http://www.3721.com)). To support the primary analysis, a web search was undertaken in order to identify key cases in China’s sport sponsorship market.

### **Sample**

Texts were collected from four resources: The State Sport General Administration of China (SSGA)’s website – [www.sport.gov.cn](http://www.sport.gov.cn) – the Chinese official website, All-

China Sport Federation's website – [www.sport.org.cn](http://www.sport.org.cn) - the Non-profit organization, Beijing 3721 Technology Co. Ltd – [www.3721.com](http://www.3721.com) - the pioneer for providing the Chinese keywords search engine (like google in China), and SINA Corporation (NASDAQ: SINA) – [www.sina.com.cn](http://www.sina.com.cn) - a leading online media company and value-added information service (VAS) provider. The four Chinese websites represent three distinct categories of documentary sources: the Chinese governmental organization of sport, the sport industry association, and commercial mass media. Those resources that the four websites provide might overlap or be complementary for ensuring coverage of mainstream sport sponsorship programs.

This sample was analyzed by using the Chinese keyword “Ti Yu Zhang Zhu” (which means “sport sponsorship”) to focus on the specific theme of sport sponsorship in China. In total, over 108 documents were gathered from these sources. This also provided a departure point from which to conduct interview research with corporate sponsors, particularly those people who were responsible for sport sponsorship programs.

### **Feasibility**

This Internet documentary analysis was feasible due to the fact that the researcher had access to the entire published articles on the four websites that cover content of sport sponsorship as well as had the ability (Chinese is the researcher's mother language) to use that information. It was also a more efficient way for the researcher to access those materials due to the physical distance of the researcher (Vancouver, Canada) from the actual organizations (China).

### **Potential Problems**

The collection of up-to-date data was potentially problematic for this type of research because Chinese sport sponsorship has developed rapidly. My samples might not include some of the newest sport sponsorship projects. I delimited the research sampling time from January 1, 2001 to time that it ended at March 28, 2004.

### **Step #2 Interviews**

#### **Rationale**

Interview methodology fits within the framework of 'perspective' analysis. As Hammersley & Atkinson (1995) suggest,

[I]nterviewing can be an extremely important source of data: it may allow one to generate information that it would be very difficult, if not impossible, to obtain otherwise – both about events described and about perspectives. (p. 131)

Moreover, face-to-face interviews tend to seek more detailed and greater depth of response from respondents than questionnaires and telephone interviews (Palys, 2003, p. 160). Furthermore, according to Palys (2003), the interaction of interviewer and respondent also can enhance the quality of data collected because FTF may “immediately clarify any confusion about particular questions” (Palys, 2003, p.159).

There are various methods for conducting interviews. In this case, I used semi-structured interview technique, which provides a loose structure of open-ended questions that defines the area to be explored, and “from which the interviewer or interviewee may diverge in order to pursue an idea or response in more detail” (Britten, 2000, p. 12). This open-ended approach could go “below the surface of the topic being discussed, explore

what people say in as much detail as possible, and uncover new areas or ideas that were not anticipated at the outset of the research” (p. 13).

For a successful interview, the interviewer needs to focus on good technique. Using information obtained from the documentary analysis in Step #1, I was able to establish a frame of reference and identify important themes to address in the interviews. Particularly in this case, I was able to ask questions relevant to Chinese sport sponsorship (see Appendix A and Appendix B), but remain open to the innovative points introduced by interview subjects.

### **Sample**

A target sample of 8-12 corporate sponsors with direct experience in Chinese sport sponsorship was identified through the Internet documentary analysis in Step #1. The sample selection criteria included: representativeness, diversity, and sponsorship innovation (pioneer). Specifically, representativeness refers to the fact that each major industry category would be represented in the research. Second, diversity means that each category would be represented by an international and a domestic company where possible. For example, both Nike and Li-Ning belong to the sport apparel category, but the former is international and the latter is domestic. Third, sponsorship innovation refers to those corporate sponsors who were the first sponsors of a sport or an event (i.e., “pioneers”), or a sport sponsorship activity in China that was in other respects groundbreaking. Each sample company had to satisfy at least two of the above three criteria. Companies that have sponsored sport (athletes, teams and events, etc.) in the Chinese sponsorship market were identified in the following industry product categories: sport apparel, automobile, beverage, electronics, cell phone, telecommunication,

computer, media and dairy. The candidate companies for selection are listed in Table 3.1 and Table 3.2

Table 3.1. The Interview Subjects – International Corporations

Name	Product category	Sponsored program
Coca-cola	Soft drink	Soccer
Nike	Sport apparel	All-China High School Basket Tournament
Siemens	Mobile transmission	Soccer
Volvo	Automobile	Chinese Golf Open
Philip	Electronics	All-China Collegiate Students Game

Table 3.2. The Interview Subjects – Domestic Companies

Name	Product category	Sponsored program
Li-Ning	Sport apparel	Gymnastics
Jialibao	Soft drink	1984 Olympic, Team China
Lenovo	Computer	TOP Sponsor in Beijing 2008 Olympics
CCTV	Television	F 1, Team Jordan
Kejian	Cell phone	Soccer Player – Li, Tie
Nong Fu Shan Quan	Pure water	Beijing 2008 Olympic Game–One Penny Project
Yanjin Beer	Beer	Basket player – Yao, Ming
Sinopec	Petroleum	China F 1
Shanyuan Dairy	Dairy	All-Beijing People's Sport Games

According to the interview protocol, the interviewees that represented corporate sponsors were contacted by letter or by phone and asked to participate in face-to-face interviews.

### **Feasibility**

The interview portion was feasible because I had access to the companies that had pioneered sport sponsorship in China.

### **Potential Problems with Interviews**

To conduct face-to-face interviews, one of the potential problems is the access to the interviewees. In my case, a first step was to contact three experts in order to identify and gain access to the corporate interviewees (see Appendix A. Interview Guide for Experts). The first expert worked at the Research Department of the State Sport General Administration, and he was also a consultant at the Marketing Division of the Beijing Organizing Committee for the Games of the XXIX Olympiad (BOCOG). Another expert was a government official who works at the Facility Division of the State Sport General Administration and is in charge of sponsors. The third expert was the General Manager with the China Sport Management Group, which is IMG's only competitor in China sport market. The next step was to contact the above listed companies in Table 3.1 and Table 3.2 and conduct semi-structured interviews with the guideline in Appendix B and Appendix C. The interviews would be conducted in a location convenient to the participants (e.g., participant's office, meeting room or hotel).

Regarding contingency, I selected 16 candidate corporations in case some subjects could not be reached or decided not to participate.

Given the researcher's geographic location – Vancouver, Canada – and the interview location – Beijing, China – and the various interviewees' location all over China, face-to-face interviews were potentially problematic, and therefore Internet or telephone interviews were anticipated in cases where the interviewees were not physically present in Beijing.

### **Ethics**

With respect to ethical issues, interview questions were designed to avoid requests for business secrets such as sum of investment, profit distribution and other proprietary information.

The study received ethics approval from the University of British Columbia Office of Research Services and Administration Behavioural Research Ethics Board on June 22, 2004 (Appendix F).



## CHAPTER 4

### RESULTS AND ANALYSIS

#### Part 1. Data Collection

The results are presented in two parts. In the first part, the sample adjustment and data collection procedures are discussed. In the second part, the results of interviews are described.

#### Participant Recruitment and Adjusted Sample

The course of participant recruitment for this study reflects the nature of which how *guanxi* [relationships] work in China. As the research undertaken was exploratory in nature, a purposive sampling technique was also utilized. This proved to be advantageous for several reasons. First, I would not have been able to access potential participants (including the sample listed in chapter three) if I could not ask people whom I knew well to help me. As a relationship of trust had been previously established with these people, the participants were willing to grant me access. Actually, I sent Initial Contact emails to the 16 individuals listed in Table 3.1 and Table 3.2, however, I did not receive any positive responses. I received emails from Coke, Siemens, and Volvo, which were all international corporations, but the emails were courteous replies and did not help facilitate my research interviews. The rest ignored my emails. This result is consistent with my expectations.

The second reason a purposive sampling method was used was to ensure some variation and variety within the sample. Variety is one of the research-sampling criteria as stated in the methodology chapter. Several conditions help to explain how variation should exist. First of all, demographically, the age of experts ranged from thirty-one to

sixty-seven and their positions ranged from government officials to research institute professors and university professors. Next, geographically, the locations of the corporate sample covered the North, East, South and North-west of China. Sample sites included modern cities such as *Beijing*, *Shanghai*, *Guangzhou*, and some relatively less economically developed districts including *Xinjiang*, *Kunshan*, *Jiangsu* province and *Fuzhou*, *Fujian* province. The geographic distribution of the sample is illustrated in Figure 4.1., and numbers of corporations in Table 4.1. In addition, the corporations' product categories and sponsored sports also demonstrate a wide variety, as does the corporations' varied nationalities. An adjusted sample (corporate participants) is presented in Table 4.2. which includes product category, sponsorship program and company's location in detail.

Figure 4.1. Geographic Locations of the Sample of Corporate Sponsors in China

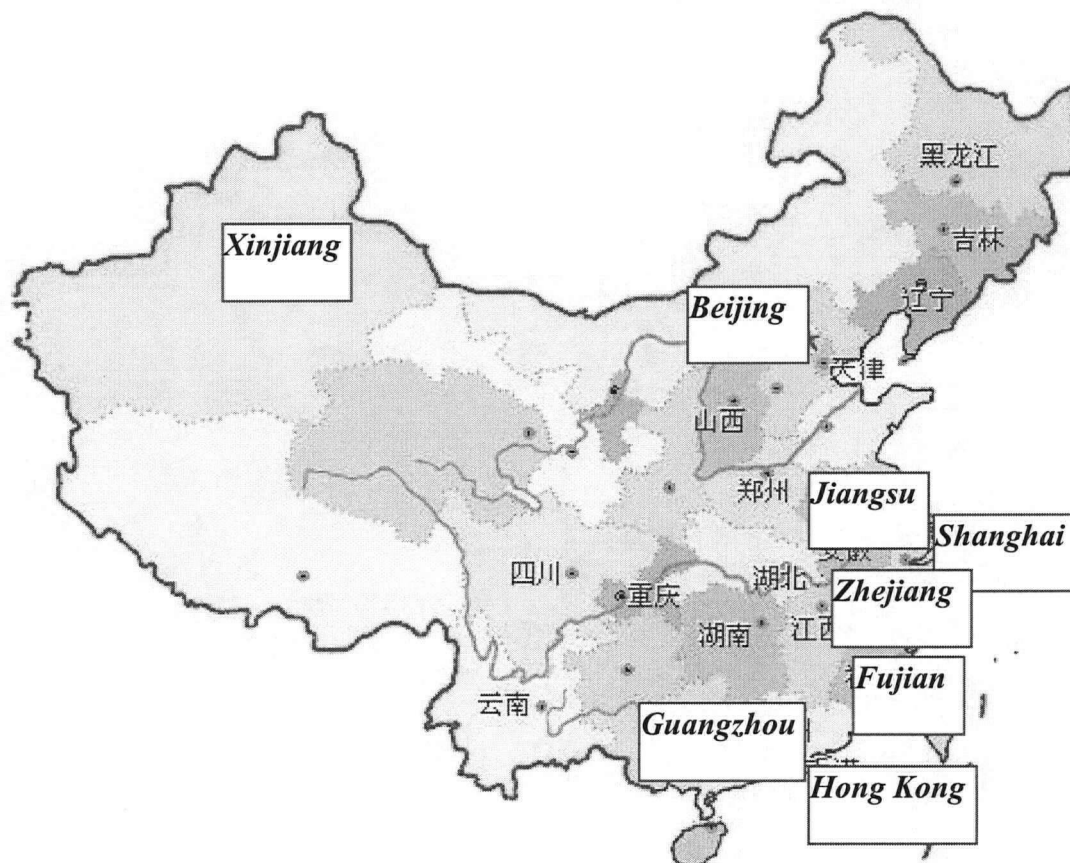


Table 4.1. Geographic Locations of Corporate Sponsors in China

Cities / Province	District Distribution	Number of Sample Corporations
Beijing	North	6
Ningbo, Jiangsu	East	1
Shanghai	East	1
Fuzhou, Fujian	South-East	1
Guangzhou, Guangdong	South	1
Urumuqi, Xinjinag	North-west	1
Total		11

Table 4.2. Adjusted Sample of Corporate Sponsors

Name	Nationality	Product Category	Chinese Site	Sponsored Program	Code
Bird	China	Cellphone	Ningbo	Soccer	C1
Canon	Japan	Camera	Beijing	Baseball	C2
Do-Win	China	Professional Sport Shoes	Kunshan	Track and field, Mountain Climb	C3
Guanghui	China	Marble & Stone	Xinjing	Basket ball	C4
Kodak	America	Film & Camera	Beijing	Olympics	C5
INTSA 1 (pseudonym)	America	Sport Apparel	Beijing	Team China, Basket ball, etc.	C6
Li-Ning	China	Sport Apparel	Beijing	Gymnastics, Water Dive, Ping-Pong, Shoot	C7
Pepsi	America	Soft Drink	Shanghai	Soccer	C8
Shanxing	China	Running Shoes	Fuzhou	Collegiate Basket Tournament 3-person	C9
Sina	China	Internet	Beijing	F 1, Olympics, Soccer, Basketball	C10
INTSA 2 (pseudonym)	Britain	Soccer Facility	Guangzhou	Soccer	C11
Total: 11 Corporations	4 Countries	9 Categories	6 Cities	12 Sports/Events	

The third reason a purposive method was utilized was that a network of long-term relationships with sport administrators helps the researcher identify effective sponsorship

programs on the basis of their continued success. Meanwhile, relationship networks between sport administrations and many corporate sponsors allow the researcher to approach purposive participants efficiently, as noted above. The researcher stayed in Beijing for only one month from June 26 to July 26, during which there were only 20 business days people could work. Without effective relationship resources, I could not have interviewed a total of 7 experts and 12 corporate representatives (Canon had two interviewees) during this time.

This advantage also let me interview more sport sponsorship experts than I proposed. Table 4.3 shows the profile of experts, who were among the most prestigious researchers and officials in the sport sponsorship industry in China.

Table 4.3. The Profile of Experts

Name and Title (Listing by Interview Order)	Gender	Organization	Code
Liu, Jun Deputy Director (Official)	Male	Marketing Development Department, Chinese Olympic Committee	E 1
He, Faqun Supervisor (Official)	Female	China Sporting Good Show, Facility Division, National General Sport Administration of China	E 2
Dong, Jinxia Associate Professor, Director, Deputy Director	Female	Physical Education, of Peking, University Research; The Center for Gender and Sports Studies (PUCIGASS); Beida Research Center for Sport, Society & Culture (BRCSSC).	E 3
Bo, Mingxiao Professor, Director	Male	Sport Social Research Center, National Research Institute of Sport Science, State Sport General Administration	E 4
Cai, Junwu Professor	Male	National Research Institute of Sport Science, State Sport General Administration	E 5
Zhao, Changjie Vice Director	Male	School of Beijing Sport Science Technology	E 6

Lu, Kewen Supervisor	Male	Division of Partners & Sponsors, Marketing Dept, Beijing Organizing Committee of Olympic Games (BOCOG)	E 7
Total: 7	Male: 5 Female 2	Note: Chinese Olympic Committee and State Sport General Administration share the same staff.	

In the same way, this let me access senior staff in the interviewed companies. The profile of participants from the adjusted sample of corporate sponsors is shown in Table 4.4.

Table 4 .4. The Profile of Corporate Participants

Work Title	Gender	Nationality	Name of Company	Code
Vice General manager	Male	China	Ningbo Bird Co., Ltd.	C 11
Supervisor	Male	China	Consumer Imaging & Information Division, Professional Marketing Dept., Canon (China) Co., Ltd.	C 21
Event Coordinator	Male	China	Publicity & Advertising Dept. Canon (China) Co., Ltd.	C 22
Chairman of the Board of Directors	Male	China	Do-Win Sports Goods Co., Ltd.	C 31
Vice Chairman of the Board of Directors and Vice President	Male	China	Guanghui Stone Enterprise (Group)	C 41
Chief Representative for China	Male	America	Kodak (China) Limited, Beijing Liaison Office	C 51
Sport Marketing Senior Manager	Male	America	International Sports Apparel Company, Beijing Office (INTSP 1)	C 61
Assistant Chairman of the Board of Directors	Male	China	Beijing Li-Ning Sport Goods Co., Ltd.	C 71
Great China Marketing Manager	Male	Hong Kong	Pepsi (China) Co., Ltd.	C 81
Wang, Liyu Vice General Manager	Male	China	Sanxing Sport Goods Co., Ltd.	C 91
Associate marketing Director	Male	China	Beijing Sina Internet Information Service Co., Ltd.	C 101

Brand Marketing Manager	Male	China	International Sports Goods Company, Guangzhou Office (INTSP 2)	C 111
Total: 12	Male			

### The Interviews

The interviews were conducted in Beijing. Participants were asked to participate in a semi-structured interview about their perspectives on sport sponsorship in China. The interviews were scheduled to last for approximately 90 minutes, however, the duration differed in some cases according to the participant's working schedule. All participants were asked for written the Consent Form (Appendix E 1 and Appendix E 2) prior to the interview. Most participants had received the Initial Contact Letter and Consent Form before they were interviewed, and they had seriously read these files. I also provided some participants a Chinese version of Consent Form and Initial Contact Letter upon request. The Chinese version of Consent Form and Initial Contact Letter were translated and edited by a professional management consultant. In addition, all participants were informed of their rights in accordance with the ethical guidelines of the University of British Columbia's Behavioral Science Committee for Research and Other Studies Involving Human Subjects (Appendix F). Moreover, I did not know any of the participants before I interviewed them. Lastly, I specifically asked them whether they liked to have their name and organization's name appear in my thesis and articles or not. If they preferred to have their name and company's name in the thesis and articles, I included it.

### **Multiple Interview Methods**

As the research undertaken was exploratory, the interview questions as well as interview techniques were modified in response to realistic needs and emergent conditions during the period of investigation. First, as potential research subjects were located throughout China, various interview methods were utilized to collect data rather than using only face-to-face interviews as originally proposed. Most interviewees residing in Beijing, and two who were on business trips in Beijing, were interviewed face-to-face. On the other hand, one expert who lived in Beijing was interviewed by telephone because he was busy with his job in BOCOG, and the only way that I could interview him was by telephone during a time between meetings. Telephone interviewing was within the contingency planning for my proposal. However, email interviewing and third party interviewing were beyond the scope of the original proposal, even though they actually worked well during my investigation. One person was interviewed by email because when I emailed him the interview questions, he immediately replied answering all the questions by email, and his answers were logical and acceptable. Among his answers were only two points I needed him to explain more clearly, and he did this by email too. A third party individual helped me interview one of the participants whom I did not know. The interview was conducted and audio recorded in Xinjiang, and then the third party mailed all interview record including the digital recorder and some related corporate documents as well as a signed Consent Form back to me in Beijing. In order to conduct my research, therefore, the semi-structured interview method was modified to include telephone, email and third party interviewing as well as face-to-face. Table 4.5 describes interview locations and methods as well as participants' language proficiency.

Table 4. 5. Interview Description

Participant Code	Interviewing Method	Interviewing Site and Location	Date and Duration	Language
E 1	Face-to-face	Beijing, his office	June 29, 2004/ 90	Chinese, English Major
E 2	Face-to-face	Beijing, her office	June 29, 2004/ 90	Chinese, English
E 3	Face-to-face	Beijing, her office meeting room	July 7, 2004/ 90	Chinese, English (PhD in Britain)
E 4	Face-to-face	Beijing, his office	July 8, 2004 /90	Chinese, English
E 5	Face-to-face	Beijing, his home	July 14, 2004 /90	Chinese, German, English
E 6	Face-to-face	Beijing, his office	July 14, 2004 /60	Chinese, English
E 7	Telephone	Beijing, my home to his office	July 21, 2004 /30	Chinese, English Major
C 11	Face-to-face	Beijing, his office	July 13, 2004 /60	Chinese, English
C 21+C22	Face-to-face	Beijing, meeting room	July 23, 2004 /60	Chinese, English
C 31	Face-to-face	Beijing, Hotel, his room	July 13, 2004 /90	Chinese
C 41	Third party	Xinjiang, his office	July 15, 2004 /60	Chinese
C 51	Face-to-face	Beijing, his office	July 19, 2004 /60	English, Chinese
C 61	Face-to-face	Beijing, his office meeting room	July 21, 2004 /60	Chinese, English (Bachelor, the University of Washington)
C 71	Face-to-face	Beijing, China	July 19, 2004 /60	Chinese, English
C 81	Telephone	Beijing, my home to Shanghai his office	July 21, 2004 /50	Chinese, English
C 91	Email	Beijing to Fuzhou	July 9, 2004 /40	Chinese, English
C 101	Face-to-face	Beijing, his office	July 23, 2004 /60	Chinese, English
C 111	Face-to-face	Beijing, his liaison office meeting room	July 16, 2004 /60	Chinese, English
Total: 19 participants	4 methods		1200 (20 hours)	

### Revised Interview Questions

The Interview Questions were revised after my first interview with Mr. Liu Jun (Code: E 1). E 1 is neither a researcher nor a professor but an official who is in charge of



all corporate sponsors and sponsorship at the national level. The Chinese Olympic Committee (COC) and State Sport General Administration (SSGA) share the same staff, and most of the staff hold two or three positions. It depends on what occasion or issue they deal with. For example, Mr. Yuan Weimin has undertaken three positions: Executive President of BOCOG, Minister of SSGA, and President of COC (*Beijing 2008: Marketing Plan Launch*). Similarly, E 1 is Deputy Director of the Marketing Development Department in the COC, and also is in charge of the Facility Department, which is the first level of office under a minister in the State Sport General Administration. The interview with E 1 lasted almost one and half hours, but was interrupted by four phone calls (both direct line and cell phone) and three people came in to report their jobs. Even though he set time aside for me to interview him, there were still many calls, and some of them seemed very important. The three people who came in were asked to come another time. At the end of interviewing, I asked him to arrange for some companies for me to interview, and showed him my sample corporations to see whether my sample was adequate. He answered, "It is good. You must do a lot of work on it." It seemed that he was familiar with companies such as Li-Ning, Lenovo, Nufu Shanquan [peasant spring] that were listed in the methodology chapter when he looked at the list. He read these company's names and said he knew people there.

Table 4.6. Interview Questions for Experts

- |   |
|---|
| <ol style="list-style-type: none"> <li>1. What is your perspective of sport sponsorship in China? How does it work?</li> <li>2. Does sport sponsorship provide a platform on which a sport sponsorship-initiated strategic alliance might be constructed?</li> <li>3. To what extent may those relationships built through the arrangement of sponsorship become valuable resources that help corporate sponsors strengthen their competitive advantages?</li> <li>4. What issues and concerns do you have about sport sponsorship in China?</li> </ol> |
|---|

- |   |
|---|
| 5. Is there anything else that you think I should know about sponsorship as an investment in China? |
|---|

Table 4.7. Interview Questions for Corporate Sponsors

***Overview question***

1. Could you introduce your sport sponsorship in China?

***Key questions***

2. Do you think that sport sponsorship is a strategic investment in China?
3. How do you manage your sport sponsorship investment? (operationalization)
4. Do you conceptualize sport sponsorship as a mutual benefit business strategy that emphasizes coordination and cooperation?
5. Does sport sponsorship provide a platform on which a sport sponsorship-initiated strategic alliance might be constructed?
6. To what extent may relationships built through sponsorship become valuable resources that help corporate sponsors strengthen their competitive advantages?

***Nice to know question***

7. Is there anything else that you think I should know about sponsorship as an investment in China?

Most importantly, he suggested that I should change my interview style into more of a relaxed format, as Chinese people like to discuss interesting topics together but do not like to be asked to answer a bunch of questions. He stated, “if you only ask questions and do not say anything, it should be boring for most interviewees.” I accepted his suggestion and revised my interview questions as shown in Table 4.6 and Table 4.7.

To recruit participants is difficult and to meet potential participants (to conduct interviews) is even more difficult. Several reasons may explain why my research interviews were difficult to conduct. First, to get the above 20 hours of interviewing, I spent easily 10 times more time and energy to arrange interview appointments with the potential participants, as these people were always very busy and my interviews were not

related to their formal business. Even though some of my potential participants were contacted and they agreed to be interviewed, it still seemed very difficult for me to see them. My arrangement to meet Mr. Zhang Xiangdu (C 71), who is responsible for Li-Ning's public relations with sport and other sponsorships, was an example of this. I had spent two weeks repeatedly calling him and had emailed him and even sent him cell phone messages to remind him of our meeting. Actually I felt very uncomfortable "bothering" him so much during such a short time, but I had to do so. Because of his busy schedule, I finally interviewed him at a Tea House in the China World Hotel rather than his Beijing office because he had a social activity in the hotel and the only time he had available was a one-hour period before the activity began. He was pleased to tell me what I needed and actually did not disappoint me. However, he did not permit me to record his conversation. This made it difficult for me to capture his important points when I could only make notes. One reason for his actions may be that Chinese people are not familiar with qualitative research methodology such as interviewing. Some participants might think that to be recorded could only be for the purpose of media exposure. As qualitative methodology is not widely offered by Chinese universities, it could be a knowledge barrier for me to conduct interviews. Furthermore, I still missed some chances to interview some target subjects such as Lenovo because of my limited time in Beijing. I actually contacted the Director of Marketing at Lenovo (the first and only Chinese TOP member so far) and she also agreed to be interviewed, however, her schedule was beyond my stay in Beijing.

## **Part 2. Results Analysis**

This part is focused on the results of the research. The findings are presented in two subheadings: Experts and Sponsors. In the first subheading, there are three sections, which are organized thematically to reflect the research questions and related information. The first section of this subheading deals with experts' perspectives on how sport sponsorship works in China, including their concerns and recommendations. The second section reports how experts perceive brand equity and sport sponsorship investment. The third section presents the experts' perspectives on strategic partnership and sponsorship investment. In the second subheading, results are organized into three sections. The first and second sections centre on corporate sponsors' perspectives about how sport sponsorship facilitates corporate sponsors to obtain brand equity and relationship benefits and hence strengthens their competitive advantages. The final section describes how the corporate sponsors have managed their sport sponsorship properties and indicates what risks they have faced in investing in sport sponsorship in China.

Once interviews were completed in Beijing, the data were transcribed and saved in MS Word to be analyzed with a qualitative analysis software package called Atlas.ti. This software is a Microsoft Word system through which researchers can systematically organize and code data. The coding process facilitates the understanding of a phenomenon, and allows the researcher to note emerging concepts. In my case, although Atlas.ti is very useful software to assist researchers to analyze data, it was a subsidiary tool for me because there was substantial range in the knowledge and understanding of sport sponsorship among my interviewees. Some of my interviewees had unexpected understandings of sponsorship. For example, although they did not use the word *tiyu*

*zanzhu* [sport sponsorship], they actually did a lot of work relating to sport sponsorship. As indicated by Hammersley and Atkinson (1995, p. 210), "What is important is that [our categories] do not take the form of prejudgments, forcing interpretation of the data into their mould, but are instead used as resources to make sense of the data." Therefore, I have been careful to catalogue related points in similar ways even though they were expressed in other words. Of course, "this requires the exercise of some analytic nerve, tolerating uncertainty and ambiguity in one's interpretations, and resisting the temptation to rush to determinate conclusion" (Hammersley & Atkinson, 1995, p. 210). On the whole, the coding process facilitates the creation of themes and a comparative analysis across the considerable data. In this study, general themes were initially identified by the researcher as a starting point.

### **Background**

The primary site under study in this research is China. China's sport was initially formed into a nationalized system under which competitive sports were supported exclusively by government, and mainly served as an expression of nationalism. This mission has been operationalized throughout the whole sport administration (from national to provincial and to local). Although sport institutional reform was begun in the 1980's, essentially, government is the owner of sport properties and consequently the sponsorship association rights seller. Therefore, sport sponsorship in China works mainly through a process by which sport sponsorship initiatives are suggested by various layers of government. This phenomenon persists to this day, however, western commercially driven sponsorship is gradually becoming popular where corporations have recognized its

potential impact on brand building. The Chinese Soccer League is presently the leading sport for corporate involvement in sponsorship.

In 1994, the Chinese Professional Soccer League (CPSL) was established and operated in a western commercialized way under the direction of IMG as a sport consultant. This nationwide league was divided into Division 1 and Division 2, and Division 1 was subdivided into divisions Jia A and Jia B, Jia being the Chinese word for top or first ([www.sinosoc.com](http://www.sinosoc.com), 2004). After the expiration of an initial ten-year contract, CPSL terminated its arrangement with IMG. In addition to following the European system, the Chinese Football Association Super League (CSL) was founded in May 2004 in compliance with FIFA regulations. The league consists of twelve teams that play each other on a home and away basis with the bottom team suffering elimination. The top two teams gain access to Asia's version of the Champions League. CSL has been hitherto regarded as the foremost-commercialized sports operation, so most of the interview respondents have experienced sponsorship via the soccer teams.

### **Sport Experts' Perspectives**

#### **1. Current Issues in Chinese Sport Sponsorship**

Initially, I wanted to use expert knowledge on sport sponsorship to pretest my interview guide and provide facilitators for me to access my potential participants. However, I actually interviewed 7 experts and 6 of them who came from SSGA or its subsidiary institutes, and as a result, their positions made them spokespersons for the sport organization standpoint. Meanwhile, I interviewed 12 sport sponsorship practitioners who represent 11 corporate sponsors in China. Quite obviously, the two distinct groups of people represent two different interest groups in the sport sponsorship

market relationship: Sports and Corporate sponsors. Thus, this study provides opportunities for identifying convergences and divergences of opinion regarding sport sponsorship between the owner/administrators of sport properties and sport sponsors. Based on this relationship, I have described the experts' perspectives on sport sponsorship in its own section rather than as a pretest. Expert knowledge potentially provides us profound insights on sport sponsorship in China. Throughout the following sections, the results of the analysis and theme building will be presented using representative quotations. A number of direct quotations from respondents were selected as examples of the themes because I felt these particular quotations would lead the readers to quickly understand the related concept models and theories being discussed. Table 4.8 provides a macro perspective on how Chinese sport sponsorship works in terms of current situations, issues and recommendations.

Table 4.8. Representative Quotations from Experts Regarding Their Concerns and Recommendations about Sport Sponsorship in China

*How does sport sponsorship work in China?*

1. The operation of sport sponsorship followed America and Europe's Examples. Especially, [because of] Beijing 2008 and IOC involvements, [China] follows IOC model, or partnership such as IOC partnership, local/national partnership, national sponsors, national suppliers, and national licensing. (E 1)
2. Sport sponsorship has emerged in China for a relatively short period. At the beginning, government has undertaken the important intermediary role to facilitate operation of sport sponsorship till now. After IMG entered into Chinese Soccer and basketball, IMG brought in a whole set of international regular operation models from western countries; they let Chinese sport organizations learn from them, although those Chinese organizations did not learn well enough. However, IMG did not do well either in China. Beijing 2008 Olympic games educate a bunch of Chinese enterprises about what sport sponsorship is and how to operate it properly (E 4)
3. Academically, Chinese sport sponsorship has not become a mature theoretical

system yet. Practically, sport sponsorship has little operated in regular market-driven ways, rather with much government administration. (E 6)

*Issues /problems (barriers & risks)*

4. By comparison with western sponsorship, the sport sponsorship agreements could not be completely implemented in China; that is, corporate sponsors actually did not obtain their rights and interests based on the contracts. (E 4)
5. Chinese sponsorship related rules, regulations and statutes have not been fully established yet. This might lead to some chaos in actual operation. (E 6)
6. Chinese companies, which do not know how to operate sport sponsorship, invited international/foreign sport agency to be their consultants that do not understand Chinese market and Chinese situation, however, the former believed what the latter said in international models and hence the Chinese companies did as foreign agencies taught. Both of them failed in Chinese sport sponsorship market. (E 7)
7. Television Broadcasting rights of sport have not been completely developed for lack of regulations. The relationship between sport, sponsors and media is not coordinated well. (E 5)
8. Corporate sponsors have frequently changed in sport event/team sponsorships. For example, Chinese Soccer League Tournament Jia A has changed 97 sponsors for the past ten years. (E 4, E 5)
9. There were a total of 37 sponsors for Team China for the Atlanta 1996 Olympic Games, however, after four years, among those sponsors all but Li-Ning still sponsored Team China in Sydney 2000, and the other 35 sponsors had gone. The special case was that Jianlibao (the Chinese version of Coke) was persuaded to withdraw from Olympic related sponsorship [for example, forbidden sponsoring Team China in the Olympics] because of the exclusive right for Coke. Why did those 35 firms give up sponsoring Olympic Team China? The answer actually was that sponsors did not obtain their desired ROI from the sponsorships. (E 5)
10. It lacks specialized sport agency and sport sponsorship professionals that should understand not only international regular rules and statutes but also Chinese situation and sport market. (E 5)

*Recommendations (Benefits and opportunities)*

11. Combining Chinese characteristics with learning western advanced frameworks to form Chinese sponsorship system should be the trend. (E 1)
12. Sport Marketing and Sport Sponsorship courses should be offered in Chinese Universities, especially in Business School. (E5)



13. Corporations should invest in collegiate sport, which has potential development opportunities to exploit. (E 3)
14. The primary task is to establish a set of sponsorship laws and regulations [in China]. (E6)

Some of the above experts have undertaken sport sponsorship practice in China. Their positions are participant observation based on their job, and hence they have access to various sport sponsorship cases, and their expertise on sport sponsorship may have influenced actual sport sponsorship contract's contents or executions. For example, Mr. Cai Junwu [E5], the first author of China's first specialized sport sponsorship book, *Sport Sponsorship: Win-win Strategy*, published in 2001, has been a consultant for the Marketing Department of BOCOG and the China National Games. Mr. Zhao Changjie [E6], the co-author of the above book also organized some sport sponsorship activities. Mr. Liu Jun [E1], Deputy marketing director of the Chinese Olympic Committee, is in charge of national level sport sponsorship business, partly as a decision maker.

In a macro perspective, the experts indicated that the Olympics and international sport agencies entered into the China sport market as a catalyst and are moving the system toward commercially driven sport sponsorship. However, the transition is slow. Learning takes time, and many issues and concerns have arisen from the exploratory trials. From the experts' perspectives, pragmatic sponsors face a problematic situation when Chinese domestic firms or multinational corporations get involved in the Chinese sport sponsorship industry. Several problems were described in Table 4.8 Quotation #4-9. First, three experts indicated that poor execution could lead to high percentage of terminations. Table 4.8 Quotation #4, #7 and #8 indicated this concern.

Furthermore, there was a lack of sport sponsorship professionals (including those who work at sponsorship agencies and or sponsored organizations), which leads to poor execution or difficult administration. This reflects that sponsors could not get their contracted rights or benefits. On the other hand, sponsors may not know how to use their granted rights of sponsorship agreements (Table 4.8 Quotation #4 and #9).

Third, communication difficulties and errors may exist/lie between and or among sport sponsorship-related parties (Table 4.8 Quotation #6).

Finally, as commercial sponsorship is an emerging business in China, regulations and rules have not been fully established yet. This fundamental problem, in essence, may lead to some other problems such as broadcasting rights (see Table 4.8 Quotation #7) and administration difficulties. In terms of broadcasting, one expert noted a special case in China.

According to regular international model, Chinese Soccer League (CSL) asked CCTV to pay if CCTV broadcast CSL tournaments, however, CCTV thought that CSL you have to pay me because I must offer personnel and equipment to broadcast the event. That is why CCTV does not broadcast CSL Jia A this year [2004] as it did before. (E 4)

All of these problems may ultimately reflect on whether corporate sponsors may or may not secure sponsorship rights and as a result, get or not get their expected ROI. Therefore, the solution may depend on sponsorship's advanced development in China, as the issues came from China's model of sport and immature operations.

## **2. Brand Equity and Sport Sponsorship Investment**

Since sport sponsorship is an emerging concept in China, various domestic enterprises, whether national corporations or small businesses, have attempted to use this new vehicle for different purposes. Table 4.9 Quotation #1 noted some small local

enterprises considered sponsorship as advertising. However, according to the product life cycle, as indicated by Bao, Mingxiao, some small enterprises may not be suitable to use sponsorship.

When enterprises are at their product management/productive investment phase, they do not need sponsorship. On the other hand, once enterprises enter brand-building phase, sport sponsorship may be an effective way to reach target market. (E 4)

This quotation reflects the conditions when enterprises should invest in sponsorship if considering maximizing ROI. Some experts think that sport sponsorship is not only marketing but also a strategic investment.

In terms of product promotion and product sale, sponsorship is not the best way to reach this goal. In most situations, enterprises may consider about using sport sponsorship when they are making corporate strategic development or in a long-term development plan. (E 4)

### Title Rights

Title right was regarded as the most common way to get ROI from sponsorship investment in China. However, sometimes sponsors' title rights were deprived due to unclear mutual contractual obligations and conventional obligations among sponsorship-related parties.

In fact, media hold a kind of thought: I have the right to decide whether I use sponsor's title when broadcasting the event or not. For example, Topsoft, a local computer firm named as Sichuan Topsoft Investment Co., Ltd [listed on Shenzhen Stock Exchange, China], sponsored TOP Computer Cup International Women's Track Challenge. Top computer offered 1 million yuan [200,000 Canadian dollars] to obtain naming right as a title sponsor, but all media cut off 'TOP Computer Cup' when they broadcasted the event. As media felt that Top computer sponsored the event, not us [media], we may or may not broadcast you [sponsor]. (E 5)

### Advertising Rights

In China, venue signage is one of the most direct ways for sponsors to obtain ROI from sponsorship activities including having sponsor's logo displayed on players' sportswear or venue billboards. However, sponsors sometimes could not maximize their ROI through this means because sport consultant agencies that implement the sponsorship agreements could not manage sport sponsorship to capitalize on their opportunities.

The goal of sponsors is to attract spectators to see the sponsors' logo or live advertisement when audiences watch wonderful performances, yet the situation is that audience could not see clearly any logo because the venue is full of busy design of advertisement. Additionally, as players run always, it is hard for audiences to distinguish sponsors' logo. Consequently, sponsors could not reach their goal. (E 5)

### **3. Strategic Partnership and Sport Sponsorship Investment**

To establish relationships with government was regarded as an important objective, particularly for those small business enterprises that did not know what benefits they could obtain through sponsorship except as a way to access some important government officials. As some small private enterprises felt that they were somewhat inferior to state-owned companies, they thought that if they could make some government contacts, they might have more advantages in their business than they do now.

We had happened to deal with some special cases, which might not happen in foreign countries. Some small business enterprises, for example, offered cash to sponsor sport/event not for getting advertisement rights or other commercial benefits but rather the chance to be permitted to take pictures with some department ministers or even vice ministers of central government. (E 4)

Some other experts (see Table 4.9 Quotation #2) described similar cases, although the two experts came from different departments.

Table 4.9. Representative Quotations from Experts Regarding Brand Equity and Relationship in Sport Sponsorship Investment

1. Some Chinese companies realized that sport could be a platform from which they could build brand equity, and hence they began to sponsor sport event by event, but those sponsorships were not strategic investments. (E 1)
2. The Chinese market has developed rapidly. A lot of international corporations try very hard in setting a kind of relationship with sport or association with sports. [In turn], sponsors have easy access to government, to national federations, to individuals, to the sports, to whatever. (E 1)
3. Sponsorship can increase brand awareness; if it is utilized properly, it should lead to image enhancement. However, it is a long-term process toward gaining benefits/advantages and cannot be done at once because it takes time for customers to recognize, accept a brand/product. Thus, it is a strategic investment. (E 5)
4. Sponsorship's ROI (Return on Investment), for instance, Olympics can increase corporate sponsors' brand awareness because of well known Olympic brand equity. (E 5)
5. I believe sport sponsorship may increase known brand awareness, but it is hard for an unknown enterprise to become well known over night. (E 5)

#### Leverage (*Hudong Yingxia*)

Leverage, called *Hudong Yingxiao* [interaction marketing] in China, is considered as a crucial operational strategy for a successful sponsorship. Four experts emphasized that cross-promotion was needed to support sponsorship activities.

Sponsors did not recognize that getting a sponsorship property was just the first step of the long march. Yet, the importance of sponsorship is how to invest additional money (at least two to four times the initial sponsorship investment) to enhance the sponsorship as well as how to use the sponsorship platform from which public relations, promotions, advertising and sponsorship can come together to form a network, and then all vehicles concentrate on sport sponsorship per se so that the company's brand awareness may be enhanced in a relatively short time. However, there are very few people who grasp the know-how. (E 5)

In addition, one expert indicated that sponsors generally have to invest at least two to four times the amount of the initial rights fee to support their activities, otherwise, sponsorship investment may fail and not have any reward.

Two experts indicated that *xianchang hudong* [live interactive activities] is an important element for sponsors to emotionally communicate with audiences and easily reach target customers.

For example, McDonalds sponsored CBA (Chinese Basketball Association) and was the title sponsor of CBA, therefore, it may have ten live activities (each lasts 20 minutes) with fans in a season. This should be a part of sponsorship agreement. Multinational firms usually utilize the chance to promote themselves and effectively communicate with fans, whereas domestic firms emphasize television advertisement only. Therefore, as sport organizations, we will change our criterion of our strategic partners selection: leverage capacity takes precedence over money maximization. (E 4)

### Mutual Benefits

Five experts indicated that sport sponsorship should be conceptualized as a strategy of mutual benefits because a sponsorship agreement was based upon two partners' reciprocal needs. On the one hand, sports need sponsors' funding to develop; on the other hand, business firms need sport sponsorship rights to exploit the business opportunities. Presently, sport organizations or sport governing bodies have not fully realized the importance of mutual benefits that may encourage sponsors to further invest in sponsorship as well as to help support sports themselves.

Some sport organizations have still perceived sponsorship as a donation like in a single socialist planned economy, whereas they actually deal with marketing issue – sponsorship. As a result, many sport organizations did not seriously consider what sponsors should obtain from sponsorship rights after they got sponsorship fee. In other words, they did not realize that maximizing returns from sponsor investment is the prime purpose for companies to pay the sponsorship rights. (E 5)

This perception of sport sponsorship was common among sport organizations and sport governing bodies in China. This issue partly was due to historical conditions and was partly because of the sport organizations' resistance to change their position to market-driven mindset.

### **Corporate Practitioners' Perspectives**

#### **1. Brand Equity and Sport Sponsorship**

This section illustrates how international corporations and domestic companies obtain brand equity through sport sponsorship. The results show that international corporations obtain brand equity by title rights and advertising rights, and showcasing technology, and domestic companies do so by using title rights and advertising rights.

To build brand equity is regarded as one of most important ways for sponsors to obtain ROI in China. In the interviews, ten corporate participants mentioned that sport sponsorship helps them build brand equity. One did not indicate this, but actually let me know that "my business would not exist today without Chinese Track and Field Training Association/Chinese Athletics Association (CAA)' help and support." Some multi-national companies may set up two marketing departments: one is a Brand Marketing Department, which deals with brand-related activities such as public promotions or sport sponsorships, and the other is Consumer Marketing that is responsible for sales or market share. Some sport equipment/apparel companies such as INTSP 1 and INTSP 2 actually have a specialized Sport Marketing Department, which is similar to brand marketing but focuses on sport-related activities. Obviously, sport marketing business includes sport sponsorship, but the latter extends beyond marketing because setting up a sponsorship agreement needs co-ordination with many other departments within a firm.

### International Corporate Sponsors

The five international corporate sponsors who were interviewed indicated that they either provided cash or equipment or a combination of both to get involved in sponsorship. Nevertheless, the ways by which they obtained ROI were essentially three: through using the sponsorship as a technology showcase, through title rights, and through advertisement rights. These means are consistent with the “sponsorship investment portfolios”, that were discussed previously, and will be presented in order. Generally, Table 4.10 presents their comprehensive perspectives on how sport sponsorship can influence brand equity in terms of title sponsorship, advertising exposure and quality services, which can help showcase a corporation’s technology.

Table 4.10. Representative Quotations from International Corporate Sponsors Regarding Brand Equity and Sport Sponsorship Investment

1. ...the key factor we want to choose in terms of sponsoring sport entities is that [the entities] can illustrate our brand spirit. This year Pepsi brand spirit is ‘ask for more’ and ‘dare for more’ that encourages people to do their best for success without giving up. [We think] soccer should be the perfect sport that shares our spirit, so we chose soccer to be a sponsored sport. ... Soccer is our strategic choice. Of course, sport sponsorship is a strategic investment. (C 81, C 8)
2. [Sport sponsorship] produces two effects: brand equity and technology showcase. That being said, investment should have its return. Return on [sport sponsorship] investment largely centers on intangible assets. Actually, for example, sponsoring a title tournament may change an unknown enterprise into a well-known one. Or you know, sponsoring a [soccer] team, for instance, Dalian Wanda soccer team, in fact, Wanda had not sponsored Dalian soccer team for years, but people still remember Wanda if you mention Dalian [a big coastal city in North China]. It [Wanda] invested 20 million yuan [CDA \$ 3 million], however, how could you let people know you all over China by spending RMB 20 million? The return on this investment is very high. (C 61, C 6)
3. As a sporting goods producer, actually, we promote our brand awareness on several levels. The first level, we sponsor Chinese national professional soccer teams. This



year, we sponsor 6 professional soccer teams (2 Zhongchao, 4 Zhongjia). The next level, we sponsor youth soccer school such as China Soccer School and annual Chinese Youth Elite Selection. The third level, we organize and sponsor our Five Soccer Program, which is for people who are interested in playing soccer not for professional players. To promote Five-players Soccer Program is not our goal; our aim is to enhance our brand loyalty and brand extension. This program began in 2002, and this year [2004] we have four cities, Beijing, Shanghai, Guangzhou, and Chendu, to join. We plan to develop this program from 4 to 10 cities in China in the following two years. The fourth level, we sponsor some professional competition events such as Asian Cup [soccer contest]. The above sponsorship activities are our routine in our Sport Marketing Department. (C 111, C11)

4. According to our survey, Canon is ranked No. 38, 39 among World Top Brand 500, but in China our brand awareness has not ranked at that high level. In fact, Canon is not popular with Chinese customers as expected in the world. People, especially in China, easily accept sport sponsorship, as Chinese people love sports. Specifically, Canon has sponsored popular sports like soccer, which is regarded as the number 1 most popular sport in China, as this kind of sponsorship should enhance our brand awareness. (C 22, C 2)
5. I think Olympics always succeed. We evaluate in typical ways number 1 in terms of brand awareness and a lot of services done in Olympic Games. Typically Kodak and Coke spread the highest brand awareness. People associate with Kodak and Coke higher than other sponsors and that is pretty successful including driving sales. (C 51, C 5)

The five multi-national companies agreed that sponsorship could help them build brand equity by increasing brand awareness and enhancing brand image, ultimately adding financial value to the sponsors by driving sales. Two international sporting goods companies (INTSP 1 and INTSP 2) indicated that they seldom utilized title sponsorship, but offered sport equipment instead. The reason that they did not use title sponsorship worldwide were various (e.g., INTSP 1 indicated that its brand is already in the leading position in the industry), however, their common purpose was to maximize ROI from their sponsorship investment. In other words, sport sponsorship may provide the unique

chance to showcase technology, and finally drive sales, and this was available without paying the higher price of a title sponsorship.

### Technology Showcase

Four corporate sponsors noted that sport sponsorship offered them a unique chance to showcase their leading technology in the industry. This function has been used widely among top global brands.

Greece did not really have a digital image industry and was mostly traditional, so we used the Olympics to make this industry in Greece more digital and to shorten the period of time to introduce new technology. Today I introduce my headquarters that takes part in worldwide Olympic Games in English. The Image centre is for all professional journalists who can get to use for free digital and traditional image services. The second one is credentials that people wear to get into the Athens Olympic Games, including officials and athletes. The third part is for the athletes who are injured. Kodak's Health Imaging services can do X-ray and immediately get information because digital radiography (DR) is sent to doctors and has been sent to a hospital somewhere else for diagnosis. (C 51, C 5)

Kodak has sponsored and supported the Olympics for over a hundred years since 1896 – the very first year of the modern Olympic Games ([www.kodak.com](http://www.kodak.com)). They are actually deeply involved in staging the Olympic Games. They not only provide product, cash, and the like, but also get involved in providing services. Therefore, Kodak makes sport sponsorship more multi-faceted in all stages and areas and is able to showcase their technology, services and ideas.

Right! Right! The organizing committees realize our expertise and they give us a chance to showcase our technologies. (C 51, C 5)

Another technology company – Canon also indicated that sponsorship helps them to showcase their cutting-edge technology in the camera industry.

According to statistics announced by the U.S. Department of Commerce, Canon has long been among the top five corporations receiving U.S. patents every year, earning a reputation as one of the world's leading technology-driven companies. Canon professional cameras get high market share because, for example,

professional photographers of the world's big newspaper, press, and media likely use our professional cameras. Among all photography, sport is the most difficult one as it is very demanding in terms of camera technology. Therefore, it is very important for Canon to associate with sport. So to showcase our technology is the original reason for Canon to sponsor sport. You will see that more and more sport photographers use Canon specialized cameras. (C 21, C 2)

A global sport apparel company emphasized that to showcase its technological features and benefits as a leader in the industry was its primary reason to sponsor sports. They believe that the best athletes in the world should wear the best sport apparel that they produce. Actually INTSP 1 did it! A Chinese domestic professional sport footwear producer admitted that INTSP 1's material was superior to local firms like Do-win.

With advanced technology, INTSP 1 is a company that produces high quality sport apparel and equipment. One effect of our advanced technology is seen in the 'air dynamic' reduction. Our product, for example, can be 4 second faster than the others if a player with same effort runs 10,000meters; four seconds means 40-50meters. Another example is that if a player wears a pair of running shoes, which are 10 grams lighter than others, and runs 40 kilometres marathon, during which a runner might run about 20,000 steps; this means that wearing our running shoes equal to 200 kilograms lighter than without wearing our shoes. This should produce different impact on achievement levels if other conditions are same. Thus, having our advanced technology, athletes could increase their competitive level. So it being said, sponsorship begins with mutual benefits and leads to win-win situation. (C 61, C 6)

The above quotation reflects the importance of technology in the sport industry. Although athletes do not have to depend on 'advanced technology' to create miracles in competition, technology still matters for facilitating athletes' performance. Both the sport and sponsor benefit in such an interactive association. Also, this position can be seen in Table 4.10 Quotation #2.

#### Title Rights

Although some Chinese scholars regarded title rights as one of the most common means of gaining ROI as presented in previous quotations, some multi-national

corporations hardly use it, especially those companies with worldwide top brands. As the next quotation demonstrates, for most sport equipment producers, title rights may not be their best choice for securing ROI.

As we are a sport equipment producer, if you look around in the world, we do not do title sponsorship, as we do not have to do so. Moreover, we have already had a good brand [in the industry]. (C 61, C 6)

Another sporting goods company demonstrated the same operational thoughts regarding the need to demonstrate its professional advantages in the sport industry.

In general, we seldom do title sponsorship because we are a sporting good producer and we provide all the supplies that soccer teams need. (C 111, C 11)

These examples illustrate that product category could be a determinant element about how companies choose to become involved in sport sponsorship. As sport apparel and equipment companies have inherent relationships that related to sport, offering equipment was regarded as a direct way to sponsor sport.

Like the two international sporting good companies, Canon, a cutting edge technology camera producer also stated that they seldom use title sponsorship.

In contrast to the above three companies' strategies, one of world's largest soft drink companies, Pepsi, has used title sponsorship particularly in China where Pepsi enjoyed success as well as encountered frustration.

We started sport sponsorship back to 1998 when we took up the category sponsorship at that year. After the first year's sponsorship, the next year, we became the title sponsorship from 1999 to 2002 seasons. We have become the title sponsor for four seasons since then, named Chinese Football League as Pepsi Football League, during which we worked with a lot of football players locally. We also invited Movie stars to compose and sing for the local League at the end of the competition. We invested multi-million US dollars every year. ...In 2001, we held Pepsi Five Youth Program in the eight Chinese big cities. (C 81, C 8)

These examples indicated that title sponsorship was still an effective strategy to get back ROI in terms of brand awareness by media exposure. In essence, title sponsorship is usually to secure entitlement or naming rights by offering cash/financial assistance, so sport equipment suppliers and other sport-related products/firms may not think that is the optimal way for them to be involved in sport. Rather, since they innately associate with sport, to directly offer their products to users may be a more efficient and beneficial way, although not the only way, to receive ROI.

### Advertising Rights

To secure advertising rights is regarded as an essential tool to provide the sponsor with an ROI. This may take different forms, but can be measured through the media (number of impressions), and the ability to exclude competitors, and so forth.

In China, we have sponsored some national teams, professional teams including Chinese National Basketball Team and Chinese National Track and Field Team, and some individual players' endorsements. CBA teams, for example, have to wear clothing INTSP 1 provides when they show up on any occasion. In this respect, the players wearing our apparel have been building our brand awareness. (C 61, C6)

In the Athens 2004 Olympic Games, when Liu Xiang, gold medallist in the 110 meter hurdle, dashed to the finish line and won the event, hundreds of millions of viewers, particular those Chinese viewers (newspaper, Television, Internet) all over the world noticed that he wore Nike, especially his Nike shoes ([www.chinadaily.com.cn](http://www.chinadaily.com.cn), 2004b). Nike's sponsorship of Chinese Teams therefore could certainly generate benefits from both media exposure and exclusive rights that produce advertising impact on audiences.

In contrast to Nike's inherent beneficial association with sport, Canon's strategy is to buy advertising rights through sponsorship agreement.

In fact, Canon (China) is very young, yet it has been associated with Chinese sport for a long time. Canon started sponsoring Chinese Soccer League – Jia A in 1995 when it was an official sponsor and purchased venue billboard in each competition location from its headquarter – Kyoto. It did it from 1995 to 2000. (C22, C2)

With regard to advertising rights, sporting goods companies may use athletes' performances (usually by having the sponsor's logo on the players' uniform) to communicate with their target consumers, while non-sport equipment companies may directly show their logo on the venue billboards. Both ways could increase sponsors' brand awareness.

#### Domestic Corporate Sponsors

Chinese domestic companies have realized that sport sponsorship can help build brand image as well as increase brand awareness, although sponsorship is a relatively new concept in China. Regarding brand equity and sport sponsorship, though domestic companies had similar opinions as international corporate sponsors, it became clear that these companies had their own diverse operational forms and motivations for getting involved in sponsorship. The general perspectives on how sport sponsorship facilitates brand equity from the standpoint of the six domestic corporate sponsors that were interviewed are summarized in Table 4.11. None of these companies is state-owned, and most of them are private enterprises. As profit-making enterprises, securing ROI is usually the first consideration when they made a decision to invest in sport sponsorship. From this respect, it seems that these domestic corporate sponsors capitalize on title rights and advertising rights to obtain ROI.

Table 4.11. Representative Quotations from Domestic Corporate Sponsors Regarding Brand Equity and Sport Sponsorship Investment

1. Starting in 1990, the “Prince of Gymnastics”, Mr. Li Ning, founded the company, and launched Li-Ning brand by riding on the opportunity and hype of the Asian Games sponsorship in 1990, and then it developed into a professional sports goods brand with apparel and footwear. Li-Ning always regarded sport sponsorship as the foremost way to build brand equity, and associate with rewarding our nation. (C 71, C 7)
2. Several reasons can explain why we sponsor sports. First, sport sponsorship can facilitate communicating with our target customers. Partnering with REDBULL (a sport drink brand), for example, we organize the Redbull-Tebu Collegiate Basketball Three Tournament, through which we can communicate to students face-to-face on campus and spread our brand culture for sure. Second, sponsoring sport events can increase our media exposure. For instance, as National City Games attract much attention such as government, sport organization, and sport players, various media have to report this event. If we were one of the official sponsors, our brand awareness increases as well. This differentiates sponsorship from advertising because customers can easily accept our brand. Third, through sponsoring sport events, we can showcase our products. (C 91, C 9)
3. We invested in sport sponsorship in 2002, as that year our objective in terms of brand building is image and reputation enhancement, not brand awareness because our brand is well known all over China. You know, Bird cell phone sales have ranked number 1 in China’s market for the past four consecutive years and exceeded all multi-national corporations such as Motorola, Nokia and Philips, etc. (C 11, C 1)
4. Starting in 1994, Guanghiu sponsored the first International Basketball Invitation in Xinjing and was successful, so we continued to sponsor this event in 1995 and 1996. Since then we have been investing in sport sponsorship. In 1999 when we found that sport could be an investment industry to be developed, we invested in establishing Guanghiu Basketball Club. In fact, we failed in 1996, 1997 when we invested in an indoor swimming pool and a bowling alley. You know, as Xinjing is a hinterland, basketball is local people’s favourite sport, although other sports are rarely popular. In Chinese market, soccer was hot, yet basketball was relatively not so hot but there were actually a lot of potential basketball fans. So we invested in a basketball club in 1999. It seems we did the right thing, as our motivations for investing in this project are to generate economic activity, advertising and social benefits. In fact, we think that this project could reach our goal through which we can obtain good ROI and enhancing brand awareness as well as building goodwill in society. (C 41, C 4)
5. I do not call it *zanzhu* [sponsorship], as *zanzhu* is to help the other who needs

support. I felt gratitude to those people who had since been helping me when I started my business. Once China Track and Field Association/Chinese Athletics Association (CAA) need cash, footwear, or whatever, I would like to do my best to support them if I was able to do so. You know, Do-win is the biggest professional footwear producer in China, and our products, such as hurdle shoes, race-walk shoes, and marathon shoes, etc. are exported 50% to foreign markets like America, Russia, France, Germany and Italy. Without CAA's help, I can never own today's successful business. I give you a metaphor, may be not proper. CAA raised me up like my parents; therefore I would like to repay an obligation of theirs. (C 31, C 3)

6. As Sina is an Internet media, its sport sponsorship is different from Nike's sponsoring NBA. Of course, it is also different from Lenovo sponsoring the Olympic Games. We sponsor sports to increase our brand equity as well as obtain some exclusive rights. Aside from building brand equity as other sponsors do, we obtain some exclusive rights including our editors and journalists who can go to live interviews; this would therefore complement Sina's informational content - all sports-related news that will be first appearing on our website. As Sina sponsors the Chinese Soccer League, for example, and becomes an exclusive Internet sponsor and official business partner of the Zhongchao tournament, our journalists can get breaking live news. Do you think that other sponsors like Canon, Liuyanghe Alcohol can do the same thing? They maybe want advertising and media exposure time once they sponsored the event. On the other hand, do you think that AFP (Agence France-Press), Reuters, and AP (Associated Press) need to sponsor sport? Sina, however, has to sponsor sport, and thereby gain exclusive rights including source of news, photos, audio and video to serve thousands of millions of Internet/online customers. Herein based upon the interests of both parties, Sina would be able to realize its business value. (C 101, C 10)

The quotations from Table 4.11 reflect the diversity of motivations behind sponsorship agreements that were set by the companies that participated in this study. Surprisingly, two domestic companies were not initially motivated by commercial objectives when they became involved in sponsoring sports, however, they have achieved great success in using sport sponsorship investments to procure business returns in the current Chinese market.

In contrast to most corporations' pursuing marketing or corporate objectives, two domestic Chinese enterprises expressed their different motivations for involvement in



sport sponsorship activities. Table 4.11 Quotation #1 exhibits a special case that Li-Ning's establishment and development made Chinese sport sponsorship history. Why? In fact, it is significant that Li-Ning *started its business with sponsorship* because the Li-Ning brand came first and Li-Ning Company followed. Li-Ning's remarkable success was a result of the founder, Li, Ning, having a strong sense of national pride rather than a focus on corporate objectives or financial returns. Started for the 1990 Asian Games, Li-Ning first borrowed 3 million yuan to sponsor Team China's uniforms in order to let Chinese elite athletes wear China's national brand instead of a foreign brand in the victory ceremony. The Chinese National Team competed and achieved prominence in the 1992, 2000, and 2004 Olympics, and Li-Ning's products have been seen on athletes and champions.

More surprisingly, another Chinese domestic enterprise, Do-Win, currently China's largest manufacturer of special sports shoes, was granted the exclusive sports shoes supplier rights by the Chinese Olympic Committee and also the production supplier for China Track and Field Association /Chinese Athletic Association (CAA). However, its purpose of entering the sport sponsorship agreement was not benefit-driven at all, although sometimes it used naming rights to associate with sport (see Introduction of Do-win Sports Goods Co., Ltd.), particularly the China Track and Field Association. As the president of Do-win stated in Table 4.11 Quotation # 5, he interpreted sponsorship in a different way. The motivation for sponsoring sport is to repay another's kindness.

...the shoes I made are only for specialized sports users, so our target consumers are very limited. My business would not exist today without Chinese Athletics Association's help. So I cannot say that is sponsorship, but actually I repay their kindness. (C 31, C 3)

When I asked him whether he required sponsorship for brand exposure, he answered,

It was possible before Nike signed the exclusive sponsorship agreement with CAA. It required that all athletes have to wear Nike in any big competition, and Do-Win would not do so until 2009. However, I do not care whether it [CAA] gives me advertisement rights or not, as it [CAA] has given support to me for years anyway. (C 31, C 3)

I saw one picture that showed Do-Win's president, Mr. Tang with Liu Xiang and his coach together, and another showed Mr. Tang standing side by side with the former president of the Chinese Olympic Committee in Do-Win's category introductory book. In addition, he said that Wang, Junxia, the 3000-meters and 10,000-meters champion, and her coach Mu, Junren (Dong, 2003) provided him with a lot of advice to improve Do-Win's products. It seemed that he was very familiar with everyone in Chinese Track and Field.

The president's philosophy reflected the simple principle of *zhien bibao* [repay another's kindness], but he succeeded in this way.

### Title Rights

Three of six domestic corporate sponsors indicated that they used title sponsorship.

Starting in 2000, we became the title sponsor and named the Beijing Kuandi soccer club (Jia B) as Beijing Bird Club by paying the sponsorship fee. Again in 2002, we sponsored the Liaoning Soccer Club and named it as Bird Fight Team. (C 11, C 1)

In Table 4.11 quotation #2 explained the motivations of Bird, the biggest cell phone company in China (Shanghai Stock Exchange: Ningbo Bird), to take up sport sponsorship. As a profit-driven private business, Bird thought that it was very important to make profits or obtain equal benefits from any investment. Nevertheless, they

estimated that the 2002 sponsorship investment was not as good as expected according to subsequent evaluation.

In effect, the results of our 2002 sponsorship were not so good. To be honest, sponsoring the Liaoning Soccer Team was not so good because we spent a lot of money but failed to reach our goal. As I was in charge of the whole process of the sponsorship operation, I felt that there were several problems that had resulted in the failure. First, from the soccer club's standpoint, the sport organization was not so serious as we were in executing contract obligations. We, for example, must do exactly as we promise in our contract. Second, the soccer club has too much negative news such as delaying payroll, and players strike on contest and the like. We felt very unsatisfied with their performance. Third, the biggest impact on our sponsorship ROI is that the macro environment of the Chinese soccer market had a down turn in that year. (C 11, C 1)

The above quotation reflects a domestic enterprise owner's perception about what sport sponsorship should be. The perception demonstrates the complex nature of sport sponsorship investment, i.e., that return and risk co-exist. The risks that corporate sponsors encounter are always unpredictable. It also gives an example of Chinese experts' concerns in Table 4.8 Quotations #4, #8.

In contrast to the Bird's failure, another domestic sporting good company - Sanxing did very well in using title sponsorship to reach its target market, as seen in this quotation.

As a sport product brand, our target consumers are high school students and college students. Actually we achieved very satisfactory results in our product category sponsorship. For example, when we organized the Basketball Three Collegiate Tournaments, many collegiate students told us, '[before this activity] we hardly knew your brand - Tebu, now we do not only know your brand but also feel that your products pretty well match our needs: Good price and nice design and quality. (C 91, C 9)

Table 4.11 Quotation #2 described the same event that helped the title sponsor build brand awareness. Furthermore, this sponsorship activity provides the sponsor a

direct occasion to communicate with their target clients. So it is not difficult to understand why the sponsor felt that the sponsorship was successful.

The third participant – Guanghui is neither like Bird nor Sanxing; but it still utilizes title sponsorship as a strategic investment tool to tap into the sport industry.

Guanghui offered cash to become the title sponsor and hold the “Guanghui Cup” International Men’s Basketball Invitation for three seasons in a row from 1994 to 1996. (C 41, C 4)

It should be noted that their perception of sport sponsorship demonstrates a strong strategic investment vision and their practice in the sport sponsorship industry played a significant role in the Chinese sport industry. Specifically, Guanghui, the biggest private enterprise in Xinjing Autonomous District [similar to a province, but its majority residents are Uigur, who are a unique ethnic minority with respect to the majority of Chinese Han], has experienced a complicated development period in which title sponsorship in basketball was used at the beginning as a means to convert sponsorship into an investment. Table 4.11 Quotation #4 exhibits the process through which the corporate sponsor’s behaviors activate local people’s interests in basketball. In addition, it is noted that sport sponsorship can be used to cultivate not only a company’s brand image but also its district’s (Xinjiang) image and reputation.

So far, after we stepped into sport, it [sponsorship] has had a great impact on Xinjing’s social image. First, it nurtured Xinjing’s basketball fans and helped develop Xinjiang’s basketball market; Next, it bought Guanhuai a good social image so that people know that Xinjiang has a Guanhuai as well as Guanghui has a basketball club. As a private enterprise, you know, private enterprises generally have not had such a good business reputation these years; this is a prejudice. Nevertheless, the basketball club’s achievement has provided us with a very good business reputation. Guanhuai corporate spirit “Never saying failure” can be broadcast through our basketball club’s performance in competition. In the meantime, it helped build our image as a substantial enterprise that can support such a strong basketball club, which jump ranked from the Jia B bottom second place to top second place within less than two years, and then jumps into Jia A

and ranks in the top five now. It is a surprise that in the hinterland – Xinjing has such a rich enterprise that can support so strong a club, which is called “dark horse” in CBA. Thus, our sport sponsorship can be used to promote Xinjing and Guanghui as well as basketball [in China]. (C 41, C 4)

This quotation indicates how a Chinese private enterprise company perceives sport sponsorship as an investment in terms of building corporate brand equity, raising city awareness and marketing sport. Moreover, from this, sport achievement in competition can be a key element that brings a “halo effect” for both the sponsor and the sponsored sport. The investment behaviour has therefore been a case of ‘multiple parties win’ as identified by Guanghui, although they did not find a technique to calculate the concrete economic value and return on investment. From Table 4.11 Quotation #4, it is clear that they met their goals. The case of Guanhui can be regarded as a microcosm of the Chinese private enterprises that take part in sport sponsorship in a strategic management vision. Strictly speaking, investing in sport sponsorship might be a venture decision in an immature market like China.

### Advertising Rights

Like some of their international counterparts, most domestic corporate participants regard advertising rights or media exposure as a basic means to secure ROI from sport sponsorship. Specifically, sponsors pay for the placement of a logo or name on a sport property including the sponsors’ logo or name on the player’s uniforms, venue billboards and the like. With regard to media exposure, news publishing and broadcasting are traditional channels to raise awareness. However, some Chinese companies like Li-Ning, Do-Win, and Sina use this in a different way rather than as a commercial advertising platform, although they ultimately aim at market return or social benefits. For example, Chinese national sporting goods company (although it is not state-owned), Li-

Ning, undertook an essentially nationalist initiative in trying to solve the problem that China's athletes ended up wearing foreign brands when they accepted medals at victory ceremonies. Along with China's athletes' international achievements that sparked Chinese people's national pride, the Li-Ning logo appeared on sponsored Team China athletes on many international top shows such as the Olympics, Asian Games, and the like (Table 4.11 Quotation #1). As a result of Li-Ning's contributions to sport in terms of sponsorship, the Li-Ning brand has been gaining worldwide recognition. Although its initial motivation was not to get direct advertising rights, Li-Ning's strong sense of national pride indirectly has won national brand reputation all over China and its impact has extended to the global marketplace.

## **2. Strategic Partnership and Sport Sponsorship Investment**

Ten of the eleven corporate participants have realized that sport sponsorship is a strategic investment. Moreover, all five international corporate participants indicated that they have generally signed at least five-year sponsorship contracts with sport properties. Five of the six domestic corporations firmly believed that they had taken the initiative for a long-term commitment to the sport they sponsored. Four corporate sponsors further explained why sponsorship was a strategic investment. Their main point was that it takes a long time for customers to become aware of and to accept a brand when it enters a market. From this point, it was naturally thought that a corporation should establish a strategic vision for building long-term relationships with sport properties. Two international corporations highlight the critical importance for sponsors to adopt a strategic partnership approach which is sensitive to the Chinese market in order to manage their relationships with sport properties.

We have a plan, and we have strategic vision and our plans will keep leading to new plans over the next four years and take opportunities to use the Olympics in China as a means for Chinese to get to know Kodak better and to take our business to be China. (C 51, C 5)

With extensive experience as a worldwide partner and sponsor of the International Olympic Committee (IOC), Kodak has created and formed a whole set of Olympic sponsorship strategies. In China, however, it has developed its strategic plan even further (Table 4.12 Quotation #2) and emphasized that it is also a 'digital image partner' of the Chinese Olympic Committee (COC).

Table 4.12. Representative Quotations from International Corporate Sponsors Regarding Strategic Partnership and Sport Sponsorship Investment

1. After having found a good partner, we [Pepsi] hope that the partner and we could together create a successful and effective event. Pepsi sponsored Manchester United, for example. At the beginning Pepsi was only a sponsor, however, after a period of cooperation, both of us hope to develop the partnership by which we can share more benefits such as we directly communicate with the Manchester United club (MU) and arrange activities, meanwhile, MU may penetrate the Chinese market through us. In 2001, a good example is that we organized Pepsi Five Youth Program in 8 big cities in China, and the best player in each city would be sent to MU to train for a period and to learn English soccer culture. As we had this program broadcast on television, this exchange program could enhance their [MU] brand awareness in China as well. As a result, we can do more through our strategic partnership. Of course, sport sponsorship is a strategic investment. (C 81, C 8)
2. This year is a little bit special because firstly we started early, quite early in China, more than four years before the 2008 Games. Our marketing program this year is working with the Beijing Olympic Game Organizing Committee (BOGOC), which was established in October 2001. So we have had a very good relationship and support program with them for at least three years. And now this year we are working with the Chinese Olympic Committee to support Team China in the Athens Olympic Games, so it is probably earlier than we did in Europe. My understanding is that Kodak in Europe really started the marketing program about two years or so before the Olympic Games. But in China we are almost four year before the 2008 Olympic Games. (C 51, C 5)
3. Sponsoring a sport team, in fact, its effects could not appear in one year. So we generally sign a 3-5 years contract to cooperate with a sport team because our plan should be continued. (C111, C 11)

4. Sponsoring baseball is a strategic investment. Yes, it is. As baseball is not popular in China, and very few people have since played, [Canon] sponsoring baseball was really an investment. However, it is getting better as more spectators came this year than that last year. And it really doubled. To nurture the baseball market, it is free for all spectators to watch. With providing cash, Canon is becoming an official sponsor and provides cash to facilitate baseball development in China. In fact, we have arranged many activities through sponsoring baseball and are trying to associate it with our brand. This is a strategic investment, as it can hardly drive our sale now. However, I think that we both [Canon and Chinese baseball] may grow when baseball members increase year after year. (C 22, C 2)
5. Every arrangement of sponsorship that we did must be evaluated from a strategic standpoint, not random. When I think of investing in a sponsorship program, I organize people from Brand Marketing, Public Relations, Footwear, and Apparel to discuss together whether this sponsorship is worthwhile or not. As a whole, it is strategic thinking. (C 61, C 6)

In China, it is special for us because China is so important for us – its market, but also because we are very close relationship with Chinese government leaders and commitment to be a Chinese citizen, and also major manufacturing centre with our R&D centre here in China. It is a very important place to us, so we want to be part of China. To sponsor Team China's participation in the Olympics is not just as a worldwide partner. So, one hand will be supporting the [Olympic] organizing committee of Beijing to stage 2008 Olympic Games, but also this year we support the Chinese Olympic Committee and Chinese Olympic Team. As a digital image partner of the Chinese Olympic Team as well we donate digital cameras and other Kodak products to the Chinese Olympic teams and since today we give the Chinese Team a demonstration of our Kodak cameras and other digital products including our digital printers and digital output products including the printer products by using digital cameras. (C 51, C 5)

This quotation explains why a strategic investment approach is important in China. There appears to be a couple of important environmental aspects that affect a corporate sponsors' decision. First, as has been stated, China is an important market so that an international company would like to develop its business in China. Hopefully, to be part of China is its strategic goal. Second, having a good relationship with the Chinese government should generate new contacts and resources to help develop the Chinese



market; as noted previously, most Chinese high-level competitive sport properties are owned by the Chinese government (except soccer teams in the CSL and basketball teams in the CBA).

Another international corporation demonstrated a very typical way of using sponsorship as a strategic investment; in this case in Chinese baseball, it was presented in Table 4.12 Quotation #4. The interviewees indicated that so far only four baseball teams, which are Beijing, Tianjin, Shanghai and Guangdong, have participated in the Chinese Baseball Tournaments annually. Each baseball team was called a provincial team and owned by respectively different provincial governments as it was under the Chinese sport system. As an official sponsor of the Chinese Baseball Tournament, Canon could get neither wide brand awareness nor ticket income, because there are very few baseball fans and admission is free. This case shows how a strategic investor has attempted to capitalize on an unpopular sport property in China in order to potentially reap benefits in the future once a strategic interdependent partnership is built. Similarly, as has been described, a Chinese domestic corporation – Guanhui has already experienced great success in this regard by investing in basketball (see Table 4.13 Quotation # 3).

It must be noted, however, that there are some obvious differences between the two cases. First, the context in which the two corporate sponsors are operating is different. As basketball in Xinjing traditionally was one of the most favourite local sports, people actually love to play and watch basketball if they have the necessary facilities. As a result of the catalyst provided by Guanguai investing in basketball sponsorship, hundreds of thousands of the potential basketball fans locally now come out and show up at the competition venues. In contrast, China has possibly one of the smallest baseball fan bases

in the world, and baseball actually does not have such a favourable locale for growth as basketball did in Xinjing.

In addition, as the biggest private enterprise in Xinjing, Guanghui has received much local government assistance as a reward for its support for local sports (see Guanghui corporate internal report#1). In fact, from the first sponsorship of the “Guanghui Cup” International Men’s Basketball Invitational Tournament in 1993 when the mutual benefits relationship with local government was established, a foundation was built on which local government and Guanghui could form an interdependent partnership. In the case of Canon, there is not the basis for a similar relationship with government. Regarding investment risks, however, Canon’s representatives had their own thoughts about the strategic potential of sponsorship.

With respect to sport sponsorship, more and more corporations focus on a long-term plan. For example, Coke had sponsored Team China for five years; Kodak did TOP sponsor for several decades; Adidas sponsored World Cup for many many years and the like. As a result, it has been noted that the long-term thinking should be effective to help your brand equity. (C 22, C 2)

These examples illustrate why a long-term perspective works for sport sponsorship. With regard to the sponsorship effects on corporate sponsor’s brand equity in particular, it became clear that respondents felt that sport sponsorship should be a strategic investment in terms of its potential ROI and unpredictable risks.

### Mutual Benefits

Almost all of the interviewees who participated in this research suggested that sport sponsorship could be a mutual benefit strategy for the various parties involved. The corporate interviewees in particular strongly recommended that mutual benefits should be put in first place when considering a sponsorship agreement. Corporate sponsors were

interested in working with sport properties that had a mutual benefits orientation. Of course, despite some cases of failure, almost all of the interviewed sponsors expected a win-win solution.

I think that win-win mentality is a basic prerequisite in today's business society. Otherwise, it is difficult to develop a close partnership. If one always takes advantage of another, this might derive some short-term benefits. But over the long term, it is crucial to show the credit degree of co-operation, particularly in choosing a strategic partnership. We hope to establish a long-term relationship through which both of us could be better off from the cooperation. Thus, win-win should be put in the first place in the mind forever. (C 81, C 8)

While the above quotation shows that mutual benefits should be a precondition for both sport entities and sponsors in a sport sponsorship relationship, the following quotation explains how a mutual benefits mentality could work to help an international corporation adapt to a new environment in which cultural differences may exist. Kodak, an American firm, that has opened an office and set up a branch in China, is a good example.

Yes. Cultural differences. I think different environments make organizations have different goals, so you may think they have. You have to understand what is important to them. They may not be what you naturally think is important or should be important. You have to find out the real reality that is important to them. Then see how you can combine what is important to you and what is important to them, and then come up to win-win. (C 51, C 5)

Kodak's Chief Representative for China, an American, has developed this position further to deal with the specific situation in which an international corporation may work with the Chinese government.

If you work with any type of government, you have to understand what their goals are, what they try to achieve, what their position is. You can think what I want them to do. You know. To my duty, you might have to decide that they have very different considerations than you do. You know, *huanwei sikao* [exchange position to think]. (C 51, C 5)

The quotation reflects the Chief Representative's philosophy about how to overcome possible cultural differences when an international corporation may work with a local government or even local partners. The philosophy contributes to one source of the mutual benefits that both parties may desire to reach.

Similarly, a Japanese corporation (Canon) has suggested that to split the difference, a project-centered strategy might be acceptable.

To iron out the cultural differences, our company advocates a slogan called "gongsheng" [co-exist], which means that in order to do a project all of us have to break the limitation of cultural, religious and ethnic beliefs and come together to do it rather than to differentiate people from their different nationalities. Everybody in the team should do their best, for instance, for baseball promotion and development. (C21, C2)

Regardless of cultural differences, some multi-national corporations did a good job of mixing up individual culture into a corporate cultural pot. On the one hand, they have made their headquarters' business internationalization, while on the other hand, they have made their overseas branches' business localization. Thereby, cultural differences have been proposed as a corporate culture.

There are no cultural differences between individuals in our corporation. There may be some natural differences between people who live in Beijing and Shanghai due to geographic difference, for example. If you go to our headquarter in America, you will hear as many accents as from all over the world. Here in our Beijing Branch you also may see people who come from different places in the world. It cannot be said that an America firm should relocate its employees from the United States to China. Meanwhile, we did a good job in making our branch localized. So you may not see foreign employees in the office. (C 61, C 6)

These examples illustrate what many international corporations did well in China, notwithstanding there is evidence to suggest that cultural differences might be a barrier to undertaking commercial sport sponsorship in China. Strategies such as "to exchange

position to think” and “co-exist” appear to be effective ways to work in China as has been pointed out by the interviewees.

With the emergence of many international corporate sponsors like Canon and Pepsi in China, some domestic companies are challenged by cultural differences when these Chinese national firms work with international corporations or with routine international rules or models. Some Chinese national companies may go abroad to develop their business. For instance,

I think there are few differences between foreigners and Chinese when we are in business. More and more foreigners have come to China these years, and they already know Chinese culture. We can communicate with one another without difficulty. ... Fifty percent of our products are exported to France, Germany, and Italy, etc. I feel that I can trust my foreign businesspeople. (C 31, C 3)

Although both groups of corporate sponsors did not feel that cultural differences were lasting barriers to sponsorship success, it was, in reality, evident that culture or sport system differences have appeared between western countries (North America, Europe) and eastern (China) when sport sponsorship agreements were implemented in China. Nevertheless, a number of corporate sponsors still did well in China's complicated environment as presented above.

#### Strategic Partnership

An important way to realize the mutual benefits of sponsorship agreements, the corporate sponsors suggested, was to establish a strategic partnership. In China, strategic partnership is not a new concept, because strategic partnership has been embraced by Chinese for-profit organizations in recent years, and has even been regarded as a cutting-edge means to block competitors and strengthen competitive advantages. However, to establish partnerships between non-profit (e.g., sport organizations) and corporate entities

is seldom discussed in Chinese management. Surprisingly, some of the corporations that participated in this research expressed a strong willingness to establish partnerships with sport entities. An international corporate representative explained why corporate sponsors perceived the sponsorship relationship with sponsored entities as a partnership.

In the past, [companies that sponsored sport] have been called sponsors, but now they are likely being called partners; this upgrades sponsorship. People easily think that sponsors are those companies that offer cash to support sport. In fact, corporate sponsors would rather regard the sponsorship as a partnership in order to claim that [both/all parties] involved in the sponsorship arrangement could build something together rather than that you have something, and then I sponsor you. Thereby, we have emphasized the conception of *gongjian* [build together or co-build] in sponsorship arrangement. (C 22, C 2)

This quotation reflects corporate sponsors' mentality of being part of the sponsorship project rather than just patrons who offer something to the sponsored sports. The concept of *gongjian* [co-build] that was used in above quotation implied that interorganizational collaboration must be implemented and the sponsorship relationship should be ongoing and maintained through all sponsorship arrangements.

Another international corporation gave an example to explain why and how having a good partner had the potential to develop a successful basis for cooperation in sport sponsorship agreements (Table 4.12 Quotation # 1). As a result, both partners could obtain more benefits than they did individually.

The practice of establishing linkages with other corporate sponsors around the same sponsorship event has not been undertaken solely in the international sport sponsorship industry. A Chinese domestic enterprise illustrated a successful case of establishing a strategic alliance with another sponsor to sponsor the Chinese Collegiate basketball Tournaments (Table 4.13 Quotation #2). This quotation also shows that the

strategic alliance can be extended to a relationship network that includes the governing body, media and public.

It is worth noting that the two Chinese domestic enterprises – Li-Ning and Do-Win – developed their partnerships further towards a “symbiotic relationship” with their respectively sponsored sport entities as well as the sport governing body. In these cases, the partnership relationship was sufficiently concrete and loyal that other firms could not interface and penetrate their network. As one of Li-Ning’s competitors described,

I want to sponsor China’s National Gymnastic Team, but I am not able to do so. You know, when I went to the Governing body’s building, you could hear all the people are taking about Li-Ning. Moreover, once the Chinese people see Li-Ning’s product or brand, they may see Li Ning’s face because they feel that Li-Ning is part of them. (C 61, C 6)

This quotation showed how difficult it was for the competitors to enter the market once the partnership relationship with the sponsored sport organization was established.

As a synergistic outcome of this relationship, the motivation of rewarding our society usually generates relationship benefits that can be capitalized on indirectly by gaining more extensive support from society, thereby helping the sponsoring corporation strengthen its substantial competitive advantages.

Table 4.13. Representative Quotations from Domestic Corporate Sponsors Regarding Strategic Partnership and Sport Sponsorship Investment

1. Sponsorship is an investment for building brand equity and maintaining relationships. I think that an enterprise, especially Li-Ning as a known sport brand, needs lots of investment in products, marketing and relationships before gaining a market return. In general, the development of an enterprise depends on two main factors: internal conditions and external environments. One of the most important external factors is relationship maintaining and therefore this ultimately contributes to an enterprise’s resource. From my perspective, resource is productivity. For example, Li-Ning has had a long-term sponsorship with China National Table tennis, China National Diving Team, China National Gymnastic Team, China National Shooting Team and China National Archery Team. From a strategic

standpoint, we have become official sponsors of the French National Gymnastics Team, Spanish National Gymnastics Team, and Spanish National Women's Basketball Team. Li Ning established a China first preschool physical education school to train children in gymnastics. With respect to returns on sport sponsorship investment, the returns that we are gaining are not only from the market, but also for building relationships, enhancing brand equity as well as the understanding of Li Ning's sportsmanship. We want the best athletes to wear the best sportswear as provided by Li-Ning. (C 71, C 7).

2. Sport sponsorship is indeed a strategic investment, as sales may not be increased immediately through sponsorship arrangements in comparison with other promotional activities. However, sponsorship could be regarded as a brand-building platform through which we can communicate with our target customers; this will produce benefits/returns in the long term. Besides, as a corporate citizen, we would contribute to our society rather than economic return. In terms of strategic partnership, for example, our Tepu has established a strategic alliance when Tepu is partnering with Redbull, a sport soft drink, because both of our brands share the same target market – the youth, and same brand spirit. So our relationship can be described as “drink Redbull, wear Tepu, play basketball”. In addition, we could, in fact, build a good relationship with the government through sponsorship, as the sport property is owned or at least administrated by the government now. Meanwhile, media usually care for government's attention, so we also could communicate well with media. (C 91, C 9)
3. We invested in sponsorship of CBA basketball club in a strategic vision. We did not give up during the one or two seasons when we gained some awareness and reputation. Despite the fact that we only invest and were without return during the first several years, we plan to commercialize it in the near future. If we only give forever, we will possibly give up. However, speculating on the Chinese sport sponsorship opportunities, we think that China should be a potentially big sport country although it is not a strong sport country yet, because it has a big population. With 1.3 billion people, this means that China has a 1.3-billion audience base. I believe that investment in sports, like other projects/industries, we have big potential to develop. When a country's sport is strong has symbolizes that a country is powerful and the national people's health is good as well. Thus, it can be said that sponsorship is seen as a breakthrough of sport investment, and this should be feasible because it has potential opportunities to exploit in China. (C 41, C 4)
4. I would like sponsoring the Chinese Track and Field Association/Chinese Athletes Association (CAA) in either cash or shoes. Once CAA asks for any need, I can offer them what I have to support them without counting any cost. Track and field is much harder than other sports when thinking about training conditions because the program requires that athletes have to train outdoors under any weather, while some other sports such as tennis, badminton and table tennis are city sports where athletes can train indoors. I would like to sponsor some track and field athletes who are poor and unknown but have potential to be elite players. That being said,



sponsorship should endorse someone who is a celebrity, therefore, sponsors can enhance their brand awareness. I do not think in this way. From my standpoint, I would sponsor someone in need as long as my enterprise and the center still exist. I always think how I have today's success. Without the CAA's help, Do-Win could not survive today. From a strategic point, I sponsor mountain climbing too. I want to sponsor more sports, as I would like to make more friends. (C 31, C 3)

5. When Sina gets involved in sport, we would not like to be called a 'sponsor', but rather 'online added value partner', or 'partner'. In fact, we provide money/cash to sponsees, however, we would like to build a relationship with the sport/team/event rather than a one time [transaction]. The partnership means that you need me and I need you too – mutual benefits relationship or win-win situation. This should differentiate from some other sponsors that only require advertisements or 'buy' brand exposure time, and the like. Sina is different! Besides brand exposure, I am also intent on associating with the sport and then facilitating the development and promotion of the sport. For example, Nike is title sponsor of the Sina Sport channel; meanwhile, as Nike has a relation with the NBA, Sina built a Nike community on its website, Nike's only web community in the world. So Sina could offer similar services as to Nike. When Jordan visited China, only Sina could exclusively interview Jordan for 20 minutes, when 26 millions people were online chatting with Jordan. (C 101, C 10)

In addition to this above perception of sponsorship, Sina, the Chinese leading added value provider, has developed this further, and has engaged in extending strategic activities to secure maximization of ROI from sport sponsorship. As an Internet media company, Sina suggested that using partnership instead of sponsorship could better reflect context and content of the modern sponsorship (Table 4.13 Quotation #5). Sina has taken initiatives to organize its sponsors to partner in order to share resources, including administrative experiences and professional operations, as well as sponsorship management.

Before Sina's F1 channel was opened, many clients had come to ask to sponsor it because there were many business opportunities they wanted to catch. Now our sponsors include Hongta, Bubugao, and Lenovo, etc. Hongta is our title sponsor because it bid the highest price. The next layer is the prime sponsor. The interrelated relations are that Sina sponsors F1, and those corporations sponsor Sina's F1 channel. In fact, sponsoring F1 is not our goal, whereas our goal is to

set up a sponsorship platform on which all the sponsors could play together. This is our resource-sharing concept. (C 101, C 10)

Hongta is China's No. 1 tobacco industry, and its cigarette "HongtaShan" brand was granted the national gold medal. According to the report of Beijing Famous Trade Mark Assets Evaluation Co. Ltd, the "HongtaShan" brand is worth 43.9 billion yuan [CA\$7.3 billion], and has stayed No. 1 in the league of National Famous Brands six years continuously ([www.hongta.com](http://www.hongta.com), 2004).

Although tobacco company sponsorship seems problematic in China, there is no evidence that shows that tobacco companies are prohibited from sponsoring sports on the Internet. Hongta group had sponsored the Hongta soccer team for six years and invested nearly 600 million yuan (CA \$100 million) on the Hongta club (actually Hongta Group was the owner of Hongta Soccer Club), whose highest annual revenue was no more than 10 million ([www.china.org.cn](http://www.china.org.cn), 2004). Because of its bad financial performance (little value/return on investment), Hongta terminated the sponsorship and its players were dismissed at the beginning of 2004. This withdrawal made another sponsor – INTSP 2 that sponsored Hongta club an unpredictable failure. After its withdrawal from soccer, Hongta became the title sponsor of Sina F1 channel when this Internet Web Page was launched.

These quotations show that the actual implementation of sport-sponsor partnerships by corporations that are committed to the strategic use of sponsorship opportunities has resulted in establishing sport sponsorship-related strategic alliances with other firms. As a result, there is evidence to suggest that the extent and diversity of partnership relationships in sport sponsorship are not limited to a bond of a corporate sponsor and a sport, but have been broadened to relationship networks.

I agree that relationship is a resource, particularly in the sport industry. For instance, athletes, teams or sport associations have various relationship networks; it may bring me a lot of resources if I can tie into one node of the network. In many cases, we have to contact a sport agency if we want to co-operate with a player. If we could communicate well with player A, the sport agency would like to introduce B or C to Pepsi. I feel that relationship network always works, particularly in the sport area where core products are 'human-based'. (C 81, C 8)

With respect to relationships with government, ten of the eleven corporate sponsors including both international and domestic companies indicated that forging a relationship with government should be a resource to make sponsorship activities work smoothly, particularly in China. This is probably because in China, the State Sport General Administration has dual identities. One is the governing body of sport properties; another is the owner of sport properties. The government's position and assistance have a vital impact on the Chinese sport industry, particularly in the sport sponsorship industry, as has been pointed out by corporate sponsors themselves.

Establishing relationships with government is a crucial resource because government is mostly the rights holders of sponsorships. As a result, it has a profound impact on the effects of sport sponsorship. (C101, C 10)

This quotation is typical of the interviewees' remarks about the government, and shows that some corporate sponsors believed that having a good relationship with government agencies like the State Sport General Administration could positively affect sponsorship outcomes. Almost all of the interviewees, including both experts and corporate participants, indicated that relationships are a resource.

#### Leverage (*Hudong Yingxiao*)

In accordance with the experts' perspectives on leveraging sport sponsorship, nine of eleven corporate informants indicated that sponsorship leveraging expenditures should be a "key point" to make a sponsorship successful. The leverage ratio was seen to

range from one to ten times the sponsorship fee based upon the degree of sponsorship sophistication, when respondents were asked about the relationship between promotional spending and the sponsorship fee. The question I asked interviewees was "What are the approximate leverage investment ratios for each sponsorship (Promotional Cost: Sponsorship Fee)?" Closed-end answer alternatives were "ratio of 1:1," "ratio of 2:1", "ratio of 3:1," "ratio of 5:1" and "ratio of 10:1 or greater." For the corporate sponsors, the numbers showed that the amount and degree of leveraging and of skills might vary with the executive capability of the sport sponsorship operation. Representative quotations are presented as follows.

As a sponsor, buying advertising rights or naming rights are just the beginning of a sponsorship arrangement. It seems less effective if stopping at this level. This is to say, the importance is how to exploit your benefits by using the chance that sponsorship provides after you become a sponsor. I felt that the leverage ratio should be no less than 2:1. For instance, I spend 1 million dollars to obtain sponsorship rights, and I have to spend another 2 million to promote and let public know what I am doing. (C 22, C 2)

In addition, some other international corporate sponsors developed this further.

Leverage ratio of the 2-3:1 is a little bit low. Some small sporting goods enterprises spend money to get sponsorship, but they do not know how to utilize it. Many athletes do not know this either. They may think that you [sponsor] have so much money, but why you give me so little? In fact, we spend 10 times or more to promote an athlete endorsement. Why? You have to hire an agency, as well as advertise this and as such. Therefore, the 'commitment' is very expensive. (C 61, C 6)

From this, it seems that there is not a consistent leverage ratio. Generally speaking, the normal leverage ratio is at least 3:1, however, it actually depends on the sponsorship program.

While international corporations emphasized the importance of leverage expenditures focused on 'promoting' or 'marketing' the sponsorship (Table 4.14

Quotation #7), some domestic companies suggested that spending in relationship maintaining around the sponsorship should be a crucial part of leverage investment because relationships are a resource. One Chinese company spent a limited amount on cross-promotion of the sponsorship investment, but also maintained a commitment to building and maintaining relationships with various partners, including the sport governing body.

the ratio of promotional spending versus sponsorship fee is 2-3:1. In addition, it is very important for us to invest in building and maintaining good relationships with related organizations and individuals. (C 71, C 7)

This quotation reflects the importance of relationships that can facilitate business success as well as sponsorship agreement success. Sport sponsorship was viewed as an effective way not only to build rapport with sport governing bodies and rights holders, but also with important business partners such as the media. In essence, leveraging relationships is an important part of leveraging sponsorship.

### **3. Risks of Sport Sponsorship Investment**

While the participants realized some of the potential benefits or respective returns on sponsor investment, there were some barriers and risks that affected the level of benefits realized in the sponsorship application in China. In this section, several risk factors are examined from the sponsor's perspectives, including perceived barriers in the present Chinese sport sponsorship industry.

One of the most frequently mentioned risks by respondents who were interviewed was poor execution that usually put sponsors in a difficult position with a sponsored sport. In this case, sponsors could terminate their contract with the sponsored sport or, and do not want to sponsor other sports in the future. As a result of the lack of professional

management skills in sport sponsorship, particularly in present day China where sponsorship is an emerging industry, the risk of poor execution appeared widespread (Table 4.14 Quotation #1-5). Not surprisingly, lack of professional management skills occurred at all levels of functioning (strategic, operational) in sport sponsorship activities.

Table 4.14. Representative Quotations from Corporate Sponsors Regarding Risks of Sport Sponsorship Investment

<i>The administration level of management skills and the efficiency of delivery of services</i>	
1.	To provide macro perspectives – especially relevant for managerial planning – Chinese professional sport somewhat is ranked as international level, while its sport management skills may not reach international professional/specialized level. In terms of sport events or teams, if sport organization management skill is relatively weak, sponsors may not obtain their contracted rights and benefits. (C 22, C 2)
2.	Sport organizations want to arrange every event themselves; however, they could not do this professionally in a marketing way because they did not know how to manage it. Even worse, they would not let a sport agency help; as a result, sponsors could not get returns as they expected. This is a serious issue in China. (C 22, C 2)
3.	Deficiencies in professional sponsorship management skills may be the biggest risk. Specifically, in terms of understanding a sponsor's brand, sponsors worry that event/sport organizers do not understand brand value because sport organizers sought to make money. (C 91, C9)
4.	With the immature Chinese sport industry and sport marketing, sometimes we sponsors might not secure sponsorship-contracted rights, or quality services. It is a big risk. For example, our obsolete logo was put on the venue by mistake when we sponsored soccer; this led to one old version and a new one of Sina's logo side by side on the venue. (C 101, C 10)
5.	It is a big risk in implementing sport sponsorship, particularly in China, as the Chinese sport market is developing and decision makers in sport organizations may often bring some urgent changes beyond the contracted arrangements. The effects of implementation were not as good as the proposal, as there might have been some communication errors or administrative difficulties. (C 81, C 8)
<i>Competitive achievement fluctuation</i>	
6.	For sport team/athletes, competitive fluctuation is another big risk to sponsors. (C91, C9)

### *Cross-promotion*

7. I think there is only risk in sponsorship when we do not invest in marketing. You may waste money on sponsorship itself because you have to, you know, put one dollar or two dollars or even more for marketing, so people know us as a sponsor. For example, in the past, I think turning to the Sydney Games. One Australian airline sponsored the 2000 Olympics; they did not do much marketing around the sponsorship. But another airline did a lot of work that we call ambush marketing. ...It is a risk. Probably a failure if you pay a lot of money, millions of dollars, and you don't find money to do marketing around the sponsorship and nobody knows your sponsorship, or even worse, they think your competitors are sponsors. (C 51, C 5)

### *Athletes themselves*

8. We care for soccer players' public image since we want to enhance our brand image. However, there was too much negative information about the team such as a strike due to late payment for players' salary and fake performance in competition. So we terminated the sponsorship. (C 11, C 1).

### *Opportunity cost*

9. Opportunity cost should be the first risk since sport/event sponsorship is a big investment. If I chose this project, I might have to give up the other choices. (C 41, C 4)

### *Termination cost*

10. Started in 1999, [Pepsi] sponsored soccer as a title sponsor of the China Football League (CFL). We signed a five-year contract and put multi-millions of dollars in it each year, but we terminated the sponsorship in 2002, one year earlier than planned. Why? Some serious problem in contract implementation could not be solved because CCTV did not broadcast CFL. This directly affected our venue commercials exposure time. We asked CFL to compensate us but we did not arrive at a satisfactory result, so we got an early termination. (C 81, C 8)

In addition to the poor execution (Table 4.14 Quotations #1-5), some interviewees indicated that firms were frustrated by several other risks as listed in Table 4.14 Quotations #6-10. As all of these risks were identified by corporate sponsors themselves, it was found that the majority of participants were aware of the association between

sponsorship investment and the risks which should be taken into consideration when entering into a sport sponsorship agreement.

Overall, corporate sponsors indicated that technology showcasing, title rights and advertising rights are the three major ways to obtain ROI from sponsorship investment. A few mentioned that they would like to develop licensed fan products in the near future. No one mentioned that hospitality should be a way to gain returns in terms of relationship benefits. Before China began commercial sport sponsorship, all competition tickets were for the purpose of hospitality because no one liked buying tickets.



## CHAPTER 5

### DISCUSSION AND CONCLUSION

The purpose of this study was to explore the dynamics, challenges and complexities encountered by corporate sponsors in investing in sport sponsorship in China. Specifically, five research questions were proposed to address the unique challenges present in the Chinese sport sponsorship market. The first research question focused on exploring how sport sponsorship has evolved to function as a synergistic investment tool through which sponsoring companies might build brand equity and develop relationship benefits that may contribute substantial competitive advantages. The second research question addressed the understanding of risks and barriers of sponsorship investment involved in this process through which returns are procured. The third question investigated how sport sponsorship might work and contribute to a company's goals, especially to a collaborative objective. The fourth research question examined to what extent relationships that were built through sponsorship arrangements might become valuable resources that help corporate sponsors strengthen their competitive advantage. Finally, the fifth research question emphasized that the mutual benefit strategy should be implemented throughout sport sponsorship arrangements and hence could result in a "win-win" solution for all involved parties. The findings of each research question are summarized below.

The research framework employed in this study was designed by incorporating a range of theoretical approaches to demonstrate the influence of multiple rationales on sport sponsorship management and the influence of many factors on the application of sport sponsorship in China. The research was designed to provide a holistic perspective

incorporating strategic, economic and managerial theoretical approaches, and the results confirm the efficacy of this approach. Most notably, in order to more thoroughly understand why and how sport sponsorship works in China, it is essential to conceptualize the nature of sport sponsorship holistically and to identify the content of sport sponsorship relationships broadly. This study uncovered both resource-based approaches and network perspective explanations of sport sponsorship operations by corporations in China. Accordingly, resource-based and network approaches are both useful for explaining corporate sponsorship investment in sports in China as well as features of interorganizational interaction (see figure 2.5) once the sport sponsorship agreements were set up. Strategic, economic, and managerial theoretical approaches effectively complement the dynamic and complex characteristics of Chinese sport sponsorship and help to explain more fully the motivations and dynamics of sport sponsorship investment, management, and ultimately, their outcomes.

### **Sport Sponsorship as a Strategic Investment**

This research uncovered numerous motivations behind sport sponsorship investments among the Chinese domestic companies and international/multinational corporations that were studied. While there are many similarities, many of these motivations were different from corporation to corporation. Specifically, building on the framework from Gardner and Shuman (1988), the findings concerning corporate sponsorship motivations and objectives suggest that sport sponsorship has the potential to be developed into an efficient and effective tool by which a sponsoring entity can accomplish both its brand marketing objectives and corporate (managerial) objectives. The firms involved in this research reported that their primary motivations for becoming

involved with sport entities was to raise brand awareness and corporate reputation, but equally importantly, to build relationships with the rights holders. The latter motivation was highlighted by both domestic companies and international corporations in the present Chinese political, economic, and cultural environment.

Not surprisingly, resource dependency was an important factor in the motivation for corporations to associate with sports. For most of the firms involved, including domestic companies and international corporations, the desire to acquire needed resources including exclusive rights was an important factor in the decision to invest in sport sponsorship. Once acquired, the sponsoring firms reported a strong desire to use the scarce resources effectively in order to realize their corporate objectives. According to my findings from this research, five levels of objectives worth noting were to build brand equity, to showcase technology, to build or maintain relationships, to advance patriotism in China, and to pay a debt of gratitude. Although sport sponsorship, if executed judiciously, might help obtain the above five corporate goals, the specific objectives of entering into a sponsorship agreement varied with the desires and resources of the individual firms.

Major corporations involved in this research, whose brands were already in leading positions in the global market (e.g., Kodak), reported that the primary objective in their decision to undertake a sponsorship agreement was to showcase cutting-edge technology, and sport sponsorship could provide a unique way to do so. Working at the extremes of performance with some of the best players in the world (e.g., the China National Track and Field Team) challenged current technology and gave the companies a

showcase but also a proving ground that provided technological insights that could not have been obtained easily another way.

The most important contribution of this study is to demonstrate that, as perceived by corporate managers, sponsorship in general, and sport sponsorship in particular can contribute to the difficult process of building brand equity and corporate relationships that can become distinct resources to help strengthen a company's competitive advantage. This finding is consistent with the accounts of Amis, Pant, and Slack (1997) and Amis, Slack, and Berret (1999). The findings from this study also suggest that sponsorship can be used as a synergistic investment tool to procure scarce resources that could not be obtained in other ways. In particular, the findings support Gardner and Shuman's (1988) framework, which summarizes basic effects of corporate sponsorship on a firm's competitive advantages, as illustrated in Figure 2.6. In this model, sponsorship can enable firms to secure competitive advantage in terms of brand equity (Aaker, 1991; Keller, 1993) and strategic alliances (Das & Teng, 1998; Lorange & Roos, 1992). Brand equity builds financial value for a corporation in terms of sales, market share and capital; strategic alliances facilitate cooperation and collaboration by building relationships. Both brand equity and relationship benefits contribute to accomplish a corporate sponsor's marketing objectives and corporate objectives. As a result, sponsorship can eventually strengthen a company's competitive advantages in international markets.

With respect to the function of sport sponsorship of differentiating a brand from its competitors and adding financial value to the brand (Cornwell, Roy & Steinard II, 2001), some corporate managers who were involved in this study claimed that sponsorship could indirectly add financial value to the sponsoring company. The

“indirect” means that sponsorship per se could not be directly credited as a resource because it could not become a portion of a company’s tangible assets, but, on the other hand, it could be seen as a contractual benefit and thereby as a resource. As suggested by Cornwell et al. (2001), the findings also suggested that sponsorship had the potential when “seeking to build a sophisticated long-standing communication platform” (p. 50) from which various sponsorship-related relationships could be built and maintained in a dynamic, balanced, mutually beneficial fashion.

Adopting a resource-based view of sponsorship, I have found that almost all of the respondents who took part in this research reported that sport sponsorship was a strategic investment. The rationales that they used to justify their position were based on the nature of marketing a brand, as Keller (1993) suggested that brand knowledge should be conceptualized according to an associative network memory model in terms of brand awareness and brand image. This model helps to explain the process of building brand equity which is achieved when a customer is “aware of the brand and holds some favorable, strong, and unique brand association in memory” (p. 2). In other words, it takes time and hard work to make a brand recognizable, acceptable, and favorable to consumers such that ultimately they purchase the brand. From this standpoint, none of the corporate managers said that a sport sponsorship agreement should be less than three years; rather, most of them reported that they usually signed five-year contracts with the sponsored sport. Among the most successful cases were companies that have been engaged in sponsorship relationships with sponsored sport entities for over ten years.

From a consumer marketing perspective, seeing a sponsor’s name associated with the same sport event, year after year, reinforces the impression of the product-sport

sponsorship relationship in the consumer's memory (Keller, 1993, Cornwell et al, 2001). It takes time for people to become interested in a brand, and then to become loyal to a brand. In the case of China, it is possible that this impact on consumers will be even more pronounced than in western countries because there are relatively fewer such product/company-sport sponsorship associations that are showing up in the Chinese market. In this study, several examples were reported of corporate sponsors that have been involved with the Chinese Soccer League (CSL) and achieved significant brand awareness all over China with just very limited amounts of sponsorship investment. Furthermore, these firms stated that their successful sponsorship agreements were achieved by making long-term commitments to sponsored sports, and they emphasized that incorporating this into their strategic planning helped position and achieve what their companies wanted.

From the corporate sponsors' perspective, although some sponsors could not get economic returns on sponsorship investment for years, they still believed that their sponsorship agreement was successful in terms of building brand image and the company's awareness as well as the city's reputation. Both Guanghai and Canon (China) viewed sport sponsorship in China as a long-term investment and conceptualized it from a corporate strategic investor's standpoint. Adopting strategic alliance theories (Das & Teng, 1998; Lorange & Roos, 1992), the significant contribution to the sponsorship literature from the findings of this research is that the sport sponsorship-related strategic alliance framework (see Figure 2.3) actually works in China. The case of Guanghai's sponsorship of basketball followed the Lorange and Loos (1992)'s model of strategic alliance options in terms of degree of interdependence of parent firms (see Figure 2.4).

Specifically, Guanghui first invested about 3 million yuan [CDA \$500,000] to become a title sponsor to support the Xinjing International Basketball Invitation from 1993 to 1996. After gaining some degree of brand awareness, Guanghui thought this venture deserved to be leveraged and has since increased the amount of sponsorship investment year after year. In 1999, Guanghui became the owner of the Xingjiang basketball team, which had been owned by the Xinjing Provincial government before, and renamed it as Guanghui Basketball Club with an annual investment of approximately 12 million yuan [CDA \$2million]. Through this sport sponsorship, Guanghui established an extensive social relationship network including interorganizational business relations with government and media.

In this study, none of the respondents confused sponsorship with philanthropy. In most cases, the corporate sponsors have developed their association with sport to a point where the sponsorship can tie-up with a commercial purpose. Although some of the firms experienced failures in their sport sponsorship investments, overall their sport sponsorship initiatives were focused on and achieved ROI.

In contrast to returns from sport sponsorship ventures in terms of brand equity and relationship benefits, corporate sponsors encounter numerous uncontrolled investment risks because “all parties in the exchange relationship face considerable uncertainty as they pursue their respective goals” (Copeland, Frisby & McCarville, 1996, p. 33). The findings from this research suggest that sponsorship’s “inherent risks” appear to be more serious and complicated in the Chinese sport market, where sport sponsorship is in its relative infancy, than in western markets.

### **Risks of Sport Sponsorship Investment**

While some corporations that engage in sponsorship face “image mismatching” (Gladden & Wolfe, 2001) and “poor planning” (Amis, Pant & Slack, 1997) in America and Canada, their Chinese counterparts appear to encounter considerable uncertainties and thereby to suffer increased risks when they are involved in sport sponsorship. Based on the findings of the research, several risks are very noticeable.

#### **Poor Execution**

First, almost all of the respondents who participated in this research reported that poor execution of a sponsorship agreement was the first and foremost risk that corporate sponsors encounter in China. This view of sponsorship risks in China came from both expert and corporate participants who were involved in this research. Poor execution was a double-edged sword that resulted in two sets of constraints for both corporate sponsors and sponsored sport entities. On the one hand, sponsorship contracts/agreements could not be completely implemented and corporate sponsors actually could not obtain their contracted rights and concomitant benefits. On the other hand, sports entities (team, player, event, etc.) faced serious sponsorship withdrawals, and hence sports entities had difficulties finding new sponsors or in renewing their sponsorship agreements. In light of the Chinese situation, several factors are behind their poor execution.

Based on the findings from this research, the first and most foundational factor is that there is a lack of sponsorship management professionals. Both expert and corporate participants reported this shortfall and its result which is a lower administration level of management skills and less efficiency of delivery of services in executing sponsorship agreements. A typical example was the corporate sponsor (Sina) that found two versions



(one old and one updated) of their corporate logo set up side by side on the same competition venues where hundreds of thousands of spectators were watching the contest.

Along with the structural problems of the Chinese sport administration, another reason for poor execution was a lack of fully established sponsorship-related rules, regulations and statutes, and systematic problems that sometimes forced sponsors' early termination of sponsorship agreements. A good illustration of these issues was the Chinese Soccer League (CSL) where unclear broadcasting rights drove away the sponsor and were a serious barrier to new sponsorship agreements. Pepsi terminated its sponsorship contract with the Chinese Soccer League (CSL) one year earlier than the contract should have expired because CCTV suddenly did not broadcast the Chinese Soccer Jia A tournaments in 2002. The CCTV's live broadcasting was originally a key portion of the sponsorship rights that the sponsor had to pay the sponsorship fee to obtain.

In addition, there was a lack of policy continuation as many incumbent decision-makers frequently made changes in the process of sponsorship implementation after sponsorship agreements were signed. As mentioned in the previous section, at the beginning of 2004, Hongta suddenly terminated its sponsorship of the CSL soccer team; this action forced other sponsors such as INTSP 2 to fail in its sponsorship of the Hongta soccer team, even though INTSP 2 had just signed a three-year contract.

Finally, since there is a lack of experience on the part of event management agencies, administration difficulties and communication errors often occur in the sponsorship operations.

In short, all of the above factors negatively affected sponsors' obtaining necessary sponsorship returns and getting quality services.

### Inadequate Leverage Investment:

Not surprisingly, leveraging sponsorship was viewed as a crucial element that affected whether sponsorship operations would be successful or not. This finding supports the position in the literature that “higher sponsorship leverage [is] related to greater perceived contribution to the financial value of the brand” (Cornwell et al., 2001, p.48). The findings of this study offer empirical evidence that managers in China support the importance of leveraging sponsorships in the Chinese sport sponsorship industry. Many of the participants in this study reported that one of the biggest risks was inadequate leverage investment after firms procured sponsorship rights, and they gave several examples of cases either from themselves or from others.

They reported that there were two major factors that could result in under-leveraging a sponsorship. One was that sponsors regarded sponsorships as advertisements, and therefore they thought that everything was done after they had paid the sponsorship fee. As a result, they did not spend any money and effort to build marketing around the sponsorships, but were simply waiting for the desired returns. The second factor, a common phenomenon in China, was that sponsors simply did not know how to leverage a sponsorship because they did not have knowledge of and experiences with this aspect of sponsorships. Either way, the sponsors did not get any return, or obtained a poor return on their investment.

Although some very poor examples were offered by international corporate participants generally, risks around leveraging a sponsorship appeared more serious in China than was the case in western countries.

### Sport Performance Fluctuation:

The study participants all reported that athlete or team performance could positively (or negatively) influence the effects of sport sponsorships. This supports the importance of good sport performance to attract sponsorship investment. The better athletes/teams perform in competition, the greater sponsorship value that is likely to be achieved. Therefore, sport performance fluctuation was viewed as an essential risk factor in the decision for corporations to become involved in sponsorship. Consequently, bad sport performance might result in sponsorship withdrawals.

Moreover, corporate sponsors were concerned about negative news associated with athletes/teams as well as players' behaviours when they determined whether to enter or renew a sponsorship agreement because negative news directly undermined the sponsors' reputation. The corporate sponsors in this study regarded this risk to be as serious as poor execution.

### Termination Cost:

Corporate sponsors who participated in this research reported that termination costs should be a crucial criterion when they considered involvement in a sponsorship agreement, as sponsorship was perceived as an investment. The reason that they had terminated ongoing sponsorship agreements supported Chadwick (2002)'s empirical perspective that "the cost of continuing their sponsorship [must outweigh] the cost of termination" (p.263). In China, examples given by corporate participants demonstrated that a common reason for termination was financial uncertainty that surpassed the sponsors' projections. Also, as already discussed, in some instances, the termination of a sponsorship can force other sponsorship partners to quit as well. In Hongta's case, it

invested RMB 600 million but obtained no more than RMB 10 million in return.

Hongta's termination caused INTSP2's failure in its long-term plan of sponsoring the Hongta soccer team because the team was dismissed after Hongta's withdrawal (see chapter 4).

#### Opportunity Cost:

The participants stated that opportunity cost was an important risk that investors should be concerned about in their sponsorship investments. A firm might think that they had an alternative decision, for example, ambush marketing, if the firm did not enter into a sponsorship agreement, but this was not always a workable option. This study also showed that, from corporate perspectives, opportunity costs of sponsorship appeared relatively lower than other types of investment because negative effects of sponsorship withdrawal were smaller than for other investments. For example, Guanghiu indicated that withdrawal was easy if sponsors felt that they could not get desired returns.

Of all the sponsorship investment risks, the above five were viewed as the most serious risks in the decision to enter into a sponsorship agreement in China.

With respect to sponsorship's potential returns and its inherent risks, the most important contribution of this study is to demonstrate that, as perceived by corporate managers, sponsorship in general, and sport sponsorship in particular, in the present circumstances in China, can be conceptualized as an investment tool through which both brand marketing and managerial objectives can be realized.

#### **Relationship as a Resource**

The research uncovered a second major finding that relationships in general, and sponsorship relationships in particular were perceived as a valuable resource that, if

exploited, were capable of delivering a sustainable competitive advantage for the firm. Adopting a resource-based approach, relationships, like image and reputation, particularly sponsorship relationships, which were initially built through sport-associated sponsorship activities, could be exploited and managed to achieve a position of sustainable competitive advantage. The findings provided empirical results that supported the theoretical framework (Figure 2.6) that could actually be employed in China.

With this in mind, it is clear, on the one hand, that sponsorship can be used to build equity that can realize a firm's marketing objectives such as increasing market share and driving sales; on the other hand, sponsorship can function as a mutually beneficial business relationship that can help achieve a firm's management objectives like creating linkages with government leaders as well as facilitating employees' esprit de corps. The findings from this study revealed that domestic companies were more likely to emphasize the importance of government attention as a sponsorship objective than were international corporations. While numerous studies have concluded that brand equity should be seen as an intangible asset of sport sponsorship (Aaker, 1991; Keller, 1998; Quester, 1997), the understanding that relationships can be intangible asset of sponsorship is less developed in the literature. This study has somewhat helped to fill this gap.

From this study, almost all of the participants (including both experts and corporate managers) emphasized that relationships were a valuable resource that could provide opportunities to generate revenue and reduce cost in many ways. There was sufficient evidence to suggest that the understanding of the overriding importance of relationships appeared extremely obvious in China, particularly in the sport sponsorship

industry. Findings from this study highlighted the following three aspects of relationships as being important.

**1. Relationships can let you access or obtain other resources that otherwise could not be accessed or obtained without this relationship.**

While not every relationship exhibited this feature, there is sufficient evidence to suggest these are more than isolated examples. For example, one of the interviewees from this study clearly told me that he would not have granted permission to be interviewed if someone (he knew well) had not asked him to do so, although most of interviewees did not clarify this. In addition, there was no difference in this condition between international corporations and domestic companies. In fact, the process of conducting the research interviews per se revealed that familism prevails in Chinese society. For me, sending the Initial Contact Letters by emails, I could not recruit any participants; and even worse, I hardly received any replies. From the standpoint of the research process itself, however, I found that there were nuances in the respondents' attitudes towards my request between multinational corporations and domestic enterprises. At least, some of the multi-national corporations (e.g., Coca-cola, Volvo) gave me a courteous response that told me they were inclined to help but could offer no concrete help with my research, whereas none of the Chinese domestic companies replied to me. From this, it seems that multinational corporations pay more attention to their public relations than domestic companies. To be honest, all of my participants were recruited by individual relationships with people I was familiar with. Otherwise, I could not have had the chance to access these important interviewees who provided valuable information about Chinese sport sponsorship.

One interviewee from this research occasionally mentioned that his friend, the vice president of the company, had been interested in sponsoring the China National Bridge Association (CNBA) because the person liked to play bridge. However, the vice president finally gave up his sponsorship decision, as he did not have and could not establish relations with the CNBA. After this interview, I told this story to one of my acquaintances, who knew the director of the CNBA, and as a result, it was possible to bridge the affiliation for the two organizations. Thus, it can be said that a relationship is not a transaction but a resource through which two organizations can exchange their distinct resources.

**2. A relationship can block your competitors from gaining the heterogeneous distribution of resources that you occupy.**

Because heterogeneous distribution of resources “allows some firms to produce the same products and services at lower costs, in other words, to enjoy higher returns than others” (Amis et al., 1997, p.84), a firm generally would like block its competitors from accessing or imitating such heterogeneity. Once the firm makes resource-sharing a priority, it is very difficult for its competitors to overcome the relationship blocks.

Evidence of a domestic firm working with a sport entity to form such a block was found when examining the firm’s history. Similar to the combination of Jordan & Nike’s “perfect fit” in America, Li-Ning and Gymnastics has become the sport-business euphemism for success in China. Not surprisingly, one manager of an international sport apparel company from this study emotionally said, “I want to sponsor China’s gymnastic team, but I won’t be able to do so.” It is well known that China’s gymnastics team has partly dominated the gymnastics world since its debut at the 1984 Los Angeles Olympic

Games. Its world recognition generated a lot of interest, but the sponsorship relationships between Li-Ning and gymnastics appear to have produced a heterogeneous distribution of resources. This finding in the Chinese sport sponsorship industry is consistent with Amis et al.'s (1997) case study of Owens-Corning and the Canadian freestyle skiing team in Canada, which indicated that Owens-Corning became the "major beneficiary" of the sponsorship relationship when Canadian freestyle skiing succeeded in the 1994 Winter Olympic Games (see chapter 2).

**3. A relationship (e.g., strategic partnership[s], or strategic alliance) can potentially create marketing activities that could let both partners (or multiple parties) who are involved obtain more benefits than they could individually.**

Forging viable partnerships between firms and sport entities can expand the sport market and nurture the sports fan base. As a result, each partner could share a larger overall market than without such cooperation because the whole market pie is bigger than before the partnership was built. A number of examples from this study demonstrated that from a strategic investment perspective, sport sponsorship investments assist their sponsoring sports as well as help their business in China. These strategic partnership relationships included Li-Ning and gymnastics, Do-Win and track and field, Canon and baseball, and Guanghui and local basketball.

Based on strategic alliance theory, this synergy of cooperative arrangements can be a highlight of the emerging Chinese sport market where potential opportunities are very large.



### Strategic Partnership as a Trend in Sport Sponsorship

Adopting a network approach to investigate the content of sponsorship relations, it became clear that sponsorships functioned as relationships and networks (Olkkonen, Tikkanen, & Alajoutsijarvi, 2000; Olkkonen, 2001). This was confirmed by the research interviews I conducted in China.

Partnership, as defined by Babiak (2003), is “a voluntary, close, long-term, planned strategic action between two or more organizations with the objective of serving mutually beneficial purposes in a problem domain” (p.6).

Based on this definition, one of the primary purposes of organizations that enter into partnerships is to capitalize on relationships and reduce uncertainty. Extending this concept to sport sponsorship, the findings from this study showed that corporate sponsors express strong willingness to be a partner with sponsored sports in order to realize mutual benefits. In addition to the offerings of cash, equipment, or personnel or a combination of either two or three, sponsors would rather make efforts and spend time or offer ideas (not only limited to provide material assistances) in executing the sport sponsorship arrangement. Corporations, moreover, reported that they did not like to be called a “sponsor” when involved in sponsorship activities. During the interviews conducted for this study, some forward-looking corporate participants suggested that the term *gongjian* [co-build; or build/play together] should describe the nature of sport sponsorship relationships between two parties. The process of partnership formation could build a *gongsheng* [symbiotic relationship] between a sport entity and a sponsoring firm that achieves a competitive advantage for both, as “successful sponsorship agreements appear to represent a heterogeneous distribution of resources” (Amis et al., 1997, p. 84).

Although many of the companies that took part in this study have enjoyed a profitable relationship with a sport, there also were several that have made large investments without forming such a partnership with a sport and hence with little return. For example, about 97 corporate sponsorships have been changed in the Chinese Soccer League since 1994. This outcome was partly because of the risks discussed previously, and partly because of the resistance of the sport governing bodies to partnering with companies. As indicated by the corporate participants, some leaders of the Chinese sport governing body fear their rights to be possibly delegated to a corporate partner. This finding is consistent with Geng et al., (2002) "gap study", which revealed a philosophical gap between sport organizations and commercial corporations for sport sponsorship applications. Although collaborative advantages appeared to be salient, there was the inertia of an entrenched sport-centred mindset in sport organizations or sport governing bodies; this caused divergent expectations that resulted in a serious strain on the relationships when market-driven sport sponsorships were implemented.

Nevertheless, a number of successful examples in this study showed that forging partnerships should be the trend in sport sponsorship and emphasized that long-term commitment to sport sponsorship relationships could be more beneficial than short-term transactions. This is compatible with Chadwick (2002) whose findings indicate "parties to a sponsorship contract are more likely to realize the full benefit of their agreement if they work together in alliances, joint ventures and partnerships" (p. 257).

By comparison, domestic companies are more likely to lay emphasis on leveraging existing relationships with partners than are international corporations. However, international corporations leveraged relationships by using partners as vehicles

to promote their products and services. Kodak, as a worldwide partner of the Olympic Games, gave an example.

Before the 2000 Sydney Games, we monitored; for example, we have a program that is for film sales. That program was for thousands of our retail partners who participated, and it was entirely voluntary. About a thousand across Australia chose to participate and it ran for about three years from 1997-2000. During that time, we had partners participate; their sales were up about 26.5%. Our retail partners who did not participate during the same period, their sales dropped by 2.4%. I think their profits that they made that resulted from the promotion exceeded cost promotion by 37%. That is an important point and one thing we are doing in sport sponsorship and Olympic sponsorship. We use it to help Kodak's business, but it really is intended to make our partners help their business. (C 51, C5)

The findings showed that, quite visibly, the existing multiple relationships around sport sponsorship could form a network for a corporate sponsor (see Figure 2.5). A successful sponsorship investment depended upon how the interactive, dynamic, and interdependent network relationship was managed and this could be a strategic issue for corporate oversight. Both domestic companies and international corporations indicated that entering into the various interorganizational relationships could effectively gain benefits. The examples presented by Sina and Pepsi demonstrated that "different network actors bring to the arrangement not only their own resources and capabilities, but also their own networks of value adding relationships" (Olkkonen, 2001, p. 309).

As an Internet company, Sina exhibited more innovative ways in using sport sponsorship as a platform from which many other partners could bring or share resources and capabilities online. Thus, this study demonstrates that partnership is a growing trend in sport sponsorship in China; this is a third major finding of this study.

## Cultural Differences

Cultural differences were assumed to be serious barriers to realize mutual benefits. Surprisingly, all the international corporations who participated in this study indicated that cultural differences were minimal when involved in sport sponsorship in China.

To adapt to the Chinese cultural environment, Kodak suggested a strategy of *huanwei sikao* [exchange position to think], Pepsi held “win-win mentality”, Canon claimed a philosophy of “co-exist” to melt all diversities into a corporate cultural pot, and an international sport apparel corporation advanced “localization”. All of them exhibited their aim at being a good Chinese corporate citizen, as well as becoming part of China. Thus, sponsoring sports was perceived as an effective way to reach their goal.

In comparison with the above consensus, there were a couple of differences identified by either domestic or international companies in the process of sport sponsorship agreement negotiation and implementation. One domestic company indicated that it was more difficult to negotiate with foreign partners than with domestic partners, while it was evident that international partners were more likely to implement sponsorship contracts/agreements effectively than were domestic partners. In addition, an international corporation indicated that Chinese were more likely to lay emphasis on the importance of relationships than were Europeans and Americans, particularly within the current culture environment which is changing.

Despite this, it is useful to know that almost all of the participants, who were either Chinese or American, or Hong Kong Chinese, knew both English and Chinese (mandarin) well. Equally importantly, they are representatives of the most experienced authorities in sport sponsorship in China. It is evident that the existing sport sponsorship

relationships appear to combine western and eastern principles very well. This is the fourth significant finding from this study.

### **Synopsis of Findings**

There are several points to make about the research interviews that I conducted in Beijing. Quantitatively, while I proposed to interview 3 experts and 8-12 corporate sponsors, I actually interviewed 7 experts and 12 corporate representatives who represented 11 different companies. Among them, six experts' perspectives were usable in my thesis and the one whose information could not be used in this thesis actually played an important role in helping me recruit corporate participants. All of the corporate participants' information was usable. In addition, both expert and corporate participants who were interviewed were leading authorities in either research or in practical aspects of the Chinese sport sponsorship industry.

The research interviews have resulted in the following significant findings. First, from the perspective of corporate investors, sport sponsorship is a strategic investment. While corporations utilized this investment vehicle to procure the returns of brand equity and relationship benefits, they also faced considerable risks in the current Chinese market context.

Specifically, the risks that the corporate sponsors encountered in China are listed in order from the most frequently cited to less cited. They are sport organizations' lack of expertise and experience in sport sponsorship management, administrative difficulties, insufficient leverage expenditure, communication errors, and sport competitive achievement fluctuation, sports (team, players) themselves, opportunity costs and

termination costs. All of the above risks may result in a failure of a sponsorship investment.

Second, relationships are a resource that can be exploited as an intangible asset and that can give a firm substantial competitive advantage.

Third, strategic partnerships are a developing trend in the sport sponsorship industry in China, and mutual benefits should be a precondition for entering into a sport sponsorship agreement. A long-time commitment to sport leads to greater potential for win-win situations. Sport sponsorship-initiated strategic alliances actually work quite well in China.

Fourth, cultural differences are minimal among the existing sport sponsorship relationships. Western ideas are penetrating slowly throughout the East, and vice versa.

It is also worth noting some secondary findings that have come out of this research. First, the motivations of companies to adopt sport sponsorships appear to be diverse in China. There are five objectives that attract firms to enter into sport sponsorship in China. They are 1) to build brand equity, 2) to showcase technology, 3) to build or maintain relationships, 4) to advance patriotism in China, and 5) to repay other's kindness. While the first three were common and widely accepted all over the world, the last two were viewed as the pure Chinese characteristics of sport sponsorship. Notwithstanding, all of the five motivations drive firms to become involved in sport sponsorship in China.

Second, the proximity of the Beijing 2008 Olympic Games is speeding up the development of sport sponsorship in China.

Third, practically, there is a lack of sponsorship professionals and academic researchers in China.

Finally, Qualitative methodology is not widely offered in Chinese universities. This phenomenon increases the difficulties of conducting qualitative interviews in China because people easily confuse research interviews with journalism interviews.

## **CHAPTER 6**

### **CONCLUSION AND RECOMMENDATIONS**

Chinese sport sponsorship is a relatively young and dynamic industry. As the motivations for companies to get involved in sponsorship arrangements are diverse, the effects of sport sponsorship are diverse too, albeit, some sponsorships result in success, and some in failure. This thesis addressed the strategic investment value of sport sponsorship from the corporate sponsors' perspective. It examined how sport sponsorship is operating in China, and how companies might use sponsorship as an investment tool to obtain distinct resources that might strengthen corporate competitive advantages. At the same time, the study also examined the concomitant risks companies faced within the existing circumstances in China. In the final section, I summarize the practical implications for policy makers, sport organizations, and corporate managers based on the findings of this study.

#### **Implications for Corporate Sponsors**

With regard to corporations, sport sponsorship has become a sophisticated, synergistic, and effective business activity that requires specialized skills to manage in order to realize its potential value. Particularly in China, given its unique historical context, there are a number of critical factors that influence sport sponsorship's design and implementation, as well as effects. The interview results from both experts and companies suggest that firms have to improve their knowledge of the nature of sport sponsorship and of the unique features of its operations in China to secure a successful result.



First, sport sponsorship is not advertising, and hence to pay a sponsorship fee to obtain a sponsorship right is only the first step of a long march. It requires professional skills to manage sponsorship investment in order to gain the desired returns. Leverage is important in sport sponsorship. It must be noted that the sponsorship fee is the tip of iceberg and there needs to be two to ten times more invested in leveraging than in the initial sponsorship expenditure. Otherwise, the huge investment may result in little return.

Second, sport sponsorship is very much a strategic investment, and needs a long-term commitment to sponsoring a sport in terms of offering cash, equipment, personnel and services as well as ideas based on degree of involvement. "Building up an image that encompasses both the firm and the sponsored party takes a lot of time and effort; it is not something that happens over night" (Amis et al., 1999, p. 300).

Third, sport sponsorship can be a mutually beneficial strategy and should start with a mutual benefit mentality and can lead to win-win results. To realize their objective, strategic partnerships are becoming a trend in order to maximize mutual benefits and minimize potential risks. To find a good partner to associate with becomes a primary task for companies that want to enter into sport sponsorship agreements.

Finally, sport sponsorship is the "head of the dragon" of corporate strategic investment, and may provide a platform from which a sport sponsorship-related strategic alliance can be built, and other marketing mix and communication vehicles operated. Therefore, a network approach can help companies achieve relationship benefits, which can deliver collaborative advantages between partners within the sponsorship relationship network. In this way, the study results demonstrate that relationships appear more important and effective in China than in other Western countries (e.g., Europe, America).

Leveraging relationship can help not only a corporate sponsor's business but also its partners'.

### **Implications for Sport Organizations and Policy Makers**

The interview results from corporate respondents suggest that corporate sponsorship investment can provide considerable support to sports in terms of offering funding sources and bringing management capabilities. In this respect, it is evident that corporate sponsors play a very important role in facilitating sport industry development, and this appears even more important in the present situation in China. From this standpoint, the biggest challenges sport organizations and policy makers are facing is how to best combine western market-driven models with the Chinese traditional sport-centered system in order to adapt to the emerging sport market. China's sport policy makers should realize the importance of corporate sponsors in the development of the sport industry. At the same time, this research suggested that poor execution and policy fluctuation were viewed as the most serious threats to force corporate sponsors withdrawal from sport sponsorship agreements. Therefore, the primary task for sport organization decision makers and policy makers is to improve their administrative capabilities and enhance the policy environment and policy-making stability. To encourage companies to enter into sport sponsorship agreement, there are several factors that have to be improved.

First, sport organizations should be serious in sponsorship agreement implementation, as every bit of sponsorship investment potentially could be relevant to a corporation's strategic development plan, and it expects desired returns in terms of brand equity and relationship benefits. As a result, a major purpose for policy makers is to

secure the sponsors' benefits and attempt to maximize those benefits in order to form good sponsorship relationships with companies.

Second, another major task for policy makers is to create incentive regulatory circumstances within which sport agencies can grow and follow national and local regulations that support sport sponsorship's operations. International sport consultant firms should understand Chinese cultural characteristics and the historical context of sport sponsorship implementation in China. This research also identified that poor execution is caused by sport agencies' less specialized management skills and knowledge in sport sponsorships implementation. Therefore, improvement of sport agencies' professional skills should be a consideration for policy-makers.

Third, the results suggest that unclear television broadcasting rights are a serious threat for corporate sponsors and have resulted in early terminations of large sport sponsorship contracts. Although this issue goes beyond sport organization decisions, it should be solved by the relevant government leaders and policy makers.

Finally, the results show that the lack of professional practitioners and researchers has resulted in a serious unbalanced supply and demand in sport sponsorship management. This has negatively influenced the rapid development of Chinese sport sponsorship, and somewhat limited sport industry development. That is to say, policy makers need to take into consideration the establishing of sport sponsorship courses in universities in order to nurture sport sponsorship professionals. In the meantime, they should study specialized skills and knowledge in sport sponsorship to improve their understanding of the importance and specializations of sport sponsorships.

### **Limitations and Future Studies**

Over the course of this research project, potential improvements for this study were identified and additional themes of relevant research were noted. I present some of the limitations and outline a couple of recommendations for future study below.

Although this study has been completed, the old adage that says “no one is perfect” applies to nascent researchers and empirical investigation. When I initiated this study, I was unaware of what the most challenging aspects were. As the research undertaken was exploratory in nature, many changes and adjustments were made during a month period when I conducted the research interviews in Beijing. Limited time was a difficult constraint that kept me from interviewing more target subjects. As mentioned in the previous section, I might have had a chance to interview more innovative corporate sponsors such as Lenovo, the first Chinese “TOP” member, if I could have stayed longer in Beijing. In terms of sample diversity, I was only able to interview those who I could access, but I missed some important product categories such as tobacco and alcohol companies, which have traditionally played an important role in the sport sponsorship industry (e.g., Philip Morris sponsored the Chinese Football League in 1994), although their actions appeared problematic (Sparks, 1999).

The second difficulty that might be a limitation of this study was the qualitative method, as described previously, the semi-structured interview was chosen because it was believed to be effective to obtain more detailed information. However, because most of the Chinese participants did not know qualitative research methods like semi-structured interview, the participants did not want to be recorded when I interviewed them in some case (e.g., C 71); this led me to miss some of their important points.

The results of this study partially reveal how sport sponsorship works in China, including corporate sponsors' concerns and perspectives on sport sponsorship implementation in China. It also raises some critical issues and barriers that hinder sport sponsorship in China. Further research on the strategies of sponsorship partnership formation and the tactics of sponsorship agreement implementations, with more comprehensive techniques, is recommended. A continued study of sport sponsorship theory, involving the development of scales for sponsorship relations such as sponsorship and media (e.g., Internet companies), is suggested as well. If qualitative methods are used in China for such data collection, it is recommended that participant observation and possibly actual audits be used as well as face-to-face interview. Observations and audits could substantially enhance the methodological rigour and value of such a study.

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## **Appendix A: Interview Questions for Experts**

- 1. What is the state of sport sponsorship in China?**
- 2. How does sport sponsorship work in China?**
- 3. How do you as an expert perceive sport sponsorship opportunities in China?**
- 4. How do international corporations use sport sponsorship as a strategic investment to tap into a new market, such as Chinese market?**
- 5. Does sport sponsorship play a role that may provide a platform on which a sport sponsorship-initiated strategic alliance might be constructed?**
- 6. To what extent may those relationships built through the arrangement of sponsorship become valuable resources that help corporate sponsors strengthen their competitive advantages?**
- 7. Do corporate sponsors conceptualize sport sponsorships as a mutual benefit business strategy that emphasizes coordination and cooperation?**
- 8. How do domestic companies use sport sponsorship to gain and strengthen their competitive advantages?**
- 9. What issues and concerns do you have?**
- 10. Do you think there is a gap between international sport market and Chinese market? If yes, where are gaps?**
- 11. What reforms will help corporate sponsors?**

## **Appendix B: Interview Guide for Domestic Companies**

### **Overview questions**

- 1. When did your company become involved in sport sponsorship in China?**
  - How many years have you been involved?
  - What types of sports do you sponsor/have you sponsored?
- 2. How do you access China's sports properties?**
  - What motivates you to get involved in China's sport market?
- 3. What barriers do you encounter when you get involved in sport sponsorship projects?**
- 4. How do you evaluate your sport sponsorship arrangements?**
  - Success or failure?
  - Are there lessons you would be willing to share?
- 5. How do you select sport sponsorship properties?**
  - What are the main objectives of your sponsorship in China?
  - Does it fit into your overall investment plan?
  - Who is your intended target?
- 6. How long do you stick to a sponsorship project? Do you have a strategic plan for long-term commitment to sponsorship?**

### **Research questions**

- 7. How do you as a corporate investor perceive sport sponsorship opportunities in China?**
- 8. How do you evaluate risks when you begin with a sport sponsorship investment?**
  - Opportunity cost?
  - Termination cost?
- 9. Does sport sponsorship play a role that may provide a platform on which a sport sponsorship-initiated strategic alliance might be constructed?**
- 10. To what extent may those relationships built through the arrangement of sponsorship become valuable resources that help corporate sponsors strengthen their competitive advantages?**
- 11. Do corporate sponsors conceptualize sport sponsorships as a mutual benefit business strategy that emphasizes coordination and cooperation?**
- 12. What reforms will help you?**

## **Appendix C: Interview Guide for International Corporations**

### **Overview questions**

- 1. When did your company become involved in sport sponsorship in China?**
  - How many years have you been involved?
  - What types of sports do you sponsor/have you sponsored?
- 2. How do you access China's sports properties?**
  - What motivates you to get involved in China's sport market?
- 3. What barriers do you encounter when you get involved in sport sponsorship projects?**
- 4. How do you evaluate your sport sponsorship arrangements?**
  - Success or failure?
  - Are there lessons you would be willing to share?
- 5. How do you select sport sponsorship properties?**
  - What are the main objectives of your sponsorship in China?
  - Does it fit into your overall investment plan?
  - Who is your intended target?
- 6. How long do you stick to a sponsorship project? Do you have a strategic plan for long-term commitment to sponsorship?**

### **Research questions**

- 7. How do you as a corporate investor perceive sport sponsorship opportunities in China?**
- 8. How do you evaluate risks when you begin with a sport sponsorship investment?**
  - Opportunity cost?
  - Termination cost?
- 9. Does sport sponsorship play a role that may provide a platform on which a sport sponsorship-initiated strategic alliance might be constructed?**
- 10. To what extent may those relationships built through the arrangement of sponsorship become valuable resources that help corporate sponsors strengthen their competitive advantages?**
- 11. Do corporate sponsors conceptualize sport sponsorships as a mutual benefit business strategy that emphasizes coordination and cooperation?**
- 12. How do international corporations use sport sponsorship as a strategic investment to tap into a new market, such as Chinese market?**

## **Appendix F: Ethics Approval Form**