Investigating the moderating role of fit on sports sponsorship and brand equity

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Abstract

This paper outlines how managers involved in sponsorship decisions view the impacts of different levels of sponsorship on brand equity. The moderating role of fit between sponsor and sponsee is also investigated. The study participants were managers involved in sponsoring football clubs in the Netherlands. Sports sponsorship was conceptualised as a second-order formative index, the sport sponsorship index (SSI). Results indicate that the relationship between sport sponsorship and brand equity is significant, with greater variability being explained when fit and the interaction term is introduced into the model.

Keywords

sponsorship
sport sponsorship index
sponsorship fit
brand equity
partial least squares

Executive summary

This paper tests a structural model of how managers view the impacts of different levels of sponsorship on brand equity. The results not only explore direct effects but also investigate the moderating role of perceived fit between sponsor and sponsee.

Managers involved in sponsoring football clubs in the Netherlands were the focus for this study. This offers a new perspective for looking at these relationships, as most work to date has
focused on the consumer perspective. Football sponsorship was chosen as this is the most popular sport and there are many different sponsorship types and arrangements.

We constructed a second order formative index called the sport sponsorship index (SSI) which comprised the following components: exposure, competition, coverage and advantages. The model was estimated with partial least squares, which has numerous well known advantages when using formative measures. The results indicate that different levels of sponsorship, as measured through the SSI, positively influence incremental brand equity.

When the moderator and its respective interaction terms were added to the model we found that perceived fit was a significant moderator of the direct effects relationship. Surprisingly, the moderating effect turned out to be negative when the interaction term was added.

Sporting managers see that once the level of sponsorship is high enough, fit matters less. That is, if fit is low, this low fit can be substituted by making a bigger investment in the sponsors hip. This is interesting as it contrasts with established studies from the consumer perspective on the dynamics of fit when it is a moderator. The effect size was considered small although quite important given the unexpected interaction finding.

These finding are notable as they contribute to the research quantum illustrating the effects of sponsorship on brand equity. The results also strongly suggest that future research should incorporate fit as a moderator when investigating broader structural models.

Introduction

Despite the growing economic importance of sponsorship, it has not been a popular topic for academic research (Cornwell & Maignan, 1998). Sponsorship was seen as an extension of advertising to a brand perspective (Cliffe & Motion, 2005) yet sponsorship's importance as a marketing communications tool has increased significantly in comparison to traditional advertising (Erdogan & Kitchen, 1998; Harvey, 2001).

There are growing pressures for sporting managers and researchers to track pertinent marketing performance metrics. The Marketing Science Institute (2004) has highlighted the need for greater use and development of marketing metrics. Both sponsee and sponsor are particularly interested in how the level of sponsorship affects performance outcomes and what factors may moderate this relationship. The goal of this paper is to investigate a structural model explaining relations between sports sponsorship and customer-based brand equity. This main effects model is then scrutinised further by investigating the direct as well as the moderating role of fit between sponsee and sponsor. The paper first explores pertinent literature and develops hypotheses; then our methodology is outlined; finally, the results are presented, with recommendations for further research.

Literature review and hypothesis development

Cornwell (1995) defines sponsorship-linked marketing as "the orchestration and implementation of marketing activities for the purpose of building and communicating an association to a sponsor". Cornwell & Maignan (1998) state that "sponsorship involves two main activities: (1) an exchange between a sponsor and a sponsee whereby the latter receives a fee and the former obtains the right to associate itself with the activity sponsored, and (2) the marketing of the association by the sponsor. Both activities are necessary if the sponsorship is to be a meaningful investment." A sponsoring organisation can thus use and exploit the association with the sponsored object. This can be seen as the main objective for a company in sponsoring a sporting entity. However, there are other motives: sponsorship objectives are varied and may relate to a range of brand and strategic objectives (Farrelly & Quester, 2005).
Javalgi et al (1994) found that sponsorship can enhance the sponsor's corporate image, but this is not automatic. Research by Bennett (1999, p. 309) shows that "sponsorship is a powerful device for communicating with spectators at sporting events, and by implication therefore with team supporters who watch matches at home on television. Sponsorship appears to be effective not only for enhancing brand awareness and recall, but also for creating among supporters perceptions of widespread use of sponsoring firms' products". Madrigal (2000) found that through sports sponsorship a company can link itself, or its product, to the strong feelings a consumer has towards the sponsored team. Companies that are able to tap into a consumer's psychological connectedness with a sports team successfully can become more meaningful than a mere product. Amis et al (1999) argue that "a sponsorship agreement should be considered as a resource which, if carefully managed, can be developed into a distinctive competence capable of producing a sustainable competitive advantage for a firm".

Companies get involved in sponsorship to increase brand awareness and to establish, strengthen or change brand image (Gwinner & Eaton, 1999). Brand awareness and brand image are key aspects of brand equity--Keller (1993) incorporates them under brand knowledge within his consumer brand knowledge model. Many of the marketing scholars referenced below believe that strong brands help create high brand equity. Aaker (1996, p.78) defines brand equity as "a set of assets and liabilities linked to a brand's name and symbols that adds to or subtracts from the value provided by a product or service to a firm and/or that firm's customers. The major asset categories are: brand name awareness, brand loyalty, perceived quality, and brand associations."

Brand awareness refers to the strength of a brand's presence in the consumer's mind. It is measured in different ways (brand recognition, brand recall, 'top of mind' and dominant brand).

Brand loyalty is a key consideration in placing a value on a brand, because a highly loyal customer base can be expected to generate a very predictable sales and profit stream.

Perceived quality is a brand association that is elevated to the status of a brand asset for several reasons. It has previously been shown that it drives financial performance and how a brand is perceived.

Brand associations that consumers make with a brand are integral to its strength. These associations might include product attributes, a celebrity spokesperson or a particular symbol (Aaker, 1996).

Enhancing brand equity results in the ability to command larger margins from consumers, elicit increased consumer information search and improve marketing communication and effectiveness (Keller, 1993). While there is growing evidence of the possible impact of sponsoring on brand equity (Bennett, 1999; Javalgi et al, 1994), there is a need for further research to substantiate this assertion empirically. A study performed by Cornwell et al (2001, p.48) states that "as perceived by managers, sponsorship under active management can contribute to the difficult task of differentiating a brand from its competitors and adding financial value to the brand". Other researchers have found that although sponsorship is a potentially powerful tool (Farrelly et al, 1997), it is often used without any clear objective (Otker, 1988).

As stated in the review of the sponsorship literature, sponsorship is a very efficient means to enhance brand awareness and brand image (Gardner & Shuman, 1988; Keller, 2003). It is likely, therefore, that a positive relationship exists between sponsorship and both brand awareness and brand associations. This results in the following hypothesis:

H1: The level of sport sponsorship as perceived by managers has a positive effect on the change in brand equity as perceived by managers.

This brand equity construct is particularly focused on change in brand equity as perceived by managers of the sponsoring company as a result of sports sponsorship. Managers completed the
questionnaire in this instance. The focus is on the brand of the sponsor. The attributes of interest are: brand name awareness, brand associations, brand loyalty and perceived quality.

"In general terms, a moderator is a qualitative (e.g. sex, race, class) or quantitative (e.g. level of reward) variable that affects the direction and/or strength of the relation between an independent or predictor variable and a dependent or criterion variable" (Baron & Kenny, 1986, p. 114). It seems likely that the strength of the relationship between the level of sports sponsorship and the perceived change in brand equity will be moderated by other variables. For example, Johar & Pham (1999) investigate two heuristics for identification of event sponsors.

Although the objective of a sponsorship agreement is to promote an association between the sponsor and the event, sponsors are often misidentified. They state that brand-event relatedness and market prominence play a role in the identification of the sponsor. These factors can be seen as moderating effects of the influence of sports sponsorship on brand equity, because they determine whether the sponsors are correctly identified.

It is probable that in sponsor identification, consumers rely on the semantic overlap between features of the event and those of potential sponsors. The higher the degree of fit, the greater the likelihood that the event will be attributed to a particular sponsor (Johar & Pham, 1999). According to McDonald (1991), "a synergy is sought between the event and company values, if one can directly link the event to a product, so much the better". Rodgers (2003) states that a sponsor that is relevant to the cause will lead to more positive consumer evaluations of the sponsor. Both studies underline the importance of a good fit between the sponsor and the sponsored object in a successful identification by the consumer. Successful identification will impact a change in brand equity attributed to the sponsorship.

Gwinner & Eaton (1999) found evidence that the image of a sporting event will transfer to a sponsoring brand's image when the two are linked through a sponsorship. The sponsor's brands can be enhanced or damaged (Wilson et al, 2004; Wilson et al, 2005) by association through image transfer (McCracken, 1988). This image transfer will be stronger in sponsor relationships where there is functional or image-based similarity rather than where there is no similarity. Research performed by Pracejus & Olsen (2004) confirmed that fit between brand and cause will lead to a higher effectiveness of an advertising campaign. Overall, congruence between the sponsor and the cause will have a more positive impact than incongruence (Rifon et al, 2004), and it is positively related to attitude toward the sponsor (Roy & Cornwell, 2003). Based on all this research, it is therefore assumed that the fit between the sponsor and the sponsored object has a positive impact on the brand equity of the sponsor. Furthermore, in this research, the fit of the sponsee with the sponsor, as perceived by managers, will be tested as a moderating variable. In this case the object is the sponsee, and the attribute of interest is the fit with the sponsor. This leads to the following hypotheses:

H2: The fit between sponsee and sponsor has a positive effect on the change in brand equity as perceived by managers.

H3: The fit between sponsee and sponsor has a positive effect on the relationship between level of sport sponsorship as perceived by managers and change in brand equity as perceived by managers.

**Methodology**

The data for this research was collected through a survey, by means of an online questionnaire. To find suitable survey candidates the websites of all professional football clubs and top amateur clubs in the Netherlands were audited to list the companies that are involved with sponsorship activities. Most of the websites contained useful sponsor information. All this information was put into a database, which helped build the sample frame. Lower league clubs were ignored. By concentrating on higher leagues, more professional sponsorship managers were interviewed.
Finally, this investigation led to a database of 500 sponsors. In summer 2005, the 500 companies of the database were approached by email with a request for cooperation. In total, 86 managers involved in sports sponsorship decisions were interviewed.

The brand equity perceptions measured are each manager's evaluation of the incremental increase of brand equity to the customer (football fan) that can be attributed to the sponsorship. In a reaction to Aaker's (1996) brand equity categories, we adapted Yoo & Donthu's (2001; see also Washburn & Plank, 2002) items measuring brand equity and put them together in a hierarchical component model of (incremental) brand equity (hierarchical models: see Wold, 1982). The measures were all reflective in nature.

We conceptualised sports sponsorship as a second-order formative index following the guidelines for constructing formative indices as proposed by Diamantopoulos & Winklhofer (2001). A sport sponsorship index (SSI) was constructed from these measures. The SSI consists of four components:

1. Level of brand exposure
2. Amount of coverage (TV and spectators in the stadium) that a club has
3. Club quality (operationalised by the major competition in which the club plays)
4. Tie-in advertising opportunities the sponsor receives (e.g. contact to fans)

Each component was itself a formative index constructed out of several indicators. As formative latent variables are defined by their items, regressions are applied as measurement models. Collinearity between items was investigated as high levels would affect the stability of item coefficients. We prevented multicollinearity by using only the first component of a PLS regression. The very nature of formative measurement renders irrelevant conventional assessments of convergent validity and individual item reliability (Hulland, 1999, p.201). Bagozzi (1994, p. 333) states that "the best we can do ... is to examine how well the index relates to measures of other variables". Therefore, we assessed the nomological validity by means of the association between the formative exogenous variable and a reflective endogenous variable within the model (Diamantopoulos & Winklhofer, 2001).

Due to the use of formative constructs latent variable scores were estimated using partial least squares path modelling (PLS). This was implemented in the software SmartPLS Version 2.0 M2 (Hansmann & Ringle, 2004).

Results

Before the hypotheses could be investigated each construct was assessed for validity and reliability. The reflective measures (representing the moderator and brand equity measures--Figure 1) are deemed satisfactory by conventional standards. Table 1 reports Cronbach's alpha ([alpha]), the composite reliability (p) and average variance extracted (AVE). All common thresholds are met.

The weights of the SSI components, as well as the weights of their indicators, were obtained by PLS estimation in which the SSI components were regressed against the brand equity construct. The components' weights and their bootstrap outcomes are shown in Table 2. The SSI was then fixed as a linear combination of its components, similar to the approach taken by Reinartz et al (2004). Although two components have poor t-values, they were included in the structural path analysis. To leave these components out would have affected the conceptual domain for the formative index (Bollen & Ting, 2000). Being a formative index it is a necessary condition that the
components tap the entire domain of the global construct (Bollen & Lennox, 1993). Therefore, we left all components within the model.

We then estimated three structural models. In the first model we determined the influence of the SSI components on incremental brand equity. We found a strong effect explaining more than a quarter of the incremental brand equity's variance. This provides further evidence for the SSI's external validity (Rindskopf, 1984). In the second model we added fit. The direct effect of fit was significantly positive and strong. However, the SSI's impact on the incremental brand equity decreased. In the third model an interaction term was included. This moderating effect was revealed to be significantly negative. The results of all three models are presented in Table 3. To determine the merit of the interaction term being added into the model the effect size was calculated. This is assessed by reviewing $R^2$ of the main effects and interactions model using the (Cohen, 1988) effect size formula (Eq.1):

$$f^2 = \frac{[0.4578 - 0.4456]/[1 - 0.4456]}{0.0220}$$

An effect size ($f^2$) of 0.02, 0.15 and 0.35 has been suggested as small, moderate and large respectively (Cohen, 1998). It is important to understand that a small $f^2$ does not necessarily imply an unimportant effect. "If there is a likelihood of occurrence for the extreme moderating conditions and the resulting beta changes are meaningful, then it is important to take these situations into account" (Limayem et al, 2001, p.281). In this study the effect size was deemed to be small (0.0220).

**Conclusion**

First, our study replicates the findings of Cornwell et al (2001). Like them, we establish that sports sponsorship contributes significantly to the formation of brand equity as perceived by managers. More than a quarter of the variance in the brand equity change due to sponsoring can be explained by the level of sports sponsorship. Fit between the sponsor and the sponsee has an even stronger impact, as shown in Model 2. Therefore, both the level of sponsorship and the fit between sponsor and sponsee lead to an increase in brand equity as perceived by managers. This also holds true when the moderating effect of fit on the relationship between the level of sports sponsorship is tested.

Surprisingly, the moderating effect turned out to be negative. This is contrary to the findings of Pracejus & Olsen (2004), Johar & Pham (1999) and Rodgers (2003), who all used customers as research objects. Also, drawing from the literature on brand alliances, we would have suggested that fit had a positive moderating effect on the relationship between the level of sports sponsorship and brand equity. Our findings strongly indicate that there is a bias in managers' evaluations of sport sponsorship outcomes. While investigations on consumer perceptions underline that fit fosters the relationship between sports sponsorship and brand equity, managers seem to believe the opposite. From their perspective, if the level of sponsorship is high enough, fit matters less. Conversely, if fit is low, it can be substituted by making a bigger investment in the sponsorship.

Our findings are of importance both to managers involved in sponsorship decisions and to sporting club administrators. First, our results can help managers assessing new and existing sponsorship arrangements to avoid decision biases. Second, sporting club administrators now have further insights into how sponsorship managers perceive the clubs' contribution to the formation of sponsor brand equity. The results provide knowledge about the role of fit as well as the composition of the level of the sponsorship. Such information may assist significantly when selecting and negotiating sponsorships.

No research is without limitations. As our research concentrates on sponsorships with football clubs, further research is needed to replicate our findings in other sponsorship domains (e.g. event, charity, the arts). We suggest that other dependent measures be included in the structural
model as well as brand equity. Further research could include constructs like brand personality, sponsorship relationship stability or corporate reputation. We believe that such research would improve the effectiveness of sponsorship arrangements, allowing maximum benefits to be transferred to each company's brand. This would provide both parties with more useful information to maximise the benefits derived from the sponsorship relationship.

Biographies

Jorg Henseler is Assistant Professor of Marketing at the Nijmegen School of Management, Radboud University, Nijmegen, The Netherlands. His research interests encompass brand management, relationship management and Partial Least Squares path modelling.

Bradley Wilson is a postgraduate lecturer in advertising at RMIT University in Melbourne. His research focuses on brand personality and tracking metrics, sponsorship, transgressions, permission marketing and multivariate statistical methods.

Oliver Gotz is a research assistant at the Institute of Marketing at the University of Muenster and doctoral candidate at WHU--Otto Beisheim School of Management in Germany. His main research interests include customer relationship management, brand management and structural equation modelling.

Caspar Hautvast is project manager for market research firm TNS Nipo in Amsterdam. He specialises in sports marketing and sponsorship research.

Bibliography


### TABLE 1 Reflective measurement model constructs

<table>
<thead>
<tr>
<th>CONSTRUCT</th>
<th>NO. INDICATORS</th>
<th>CRON. ALPHA ([alpha])</th>
<th>COMP REL ([rho])</th>
<th>AVE FIT</th>
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</thead>
<tbody>
<tr>
<td>FIT</td>
<td>3</td>
<td>0.8791</td>
<td>0.9225</td>
<td>0.7988</td>
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<tr>
<td>BRAND EQUITY</td>
<td>10</td>
<td>0.9529</td>
<td>0.9611</td>
<td>0.7121</td>
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<tr>
<td>BRAND AWARENESS</td>
<td>3</td>
<td>0.9147</td>
<td>0.9435</td>
<td>0.8478</td>
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<tr>
<td>BRAND ASSOCIATIONS</td>
<td>3</td>
<td>0.9104</td>
<td>0.9496</td>
<td>0.8626</td>
</tr>
<tr>
<td>BRAND LOYALTY</td>
<td>2</td>
<td>0.9339</td>
<td>0.9680</td>
<td>0.9381</td>
</tr>
<tr>
<td>PERCEIVED BRAND QUALITY</td>
<td>2</td>
<td>0.9290</td>
<td>0.9664</td>
<td>0.9351</td>
</tr>
</tbody>
</table>

### TABLE 2 Components of the sports sponsorship index (SSI)

<table>
<thead>
<tr>
<th>COMPONENT</th>
<th>NO. INDICATORS</th>
<th>WEIGHT</th>
<th>STD ERR</th>
<th>t-VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPOSURE</td>
<td>7</td>
<td>0.2789</td>
<td>0.1082</td>
<td>2.5784</td>
</tr>
<tr>
<td>COVERAGE</td>
<td>9</td>
<td>0.1959</td>
<td>0.1353</td>
<td>1.4474</td>
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<tr>
<td>COMPETITIONS</td>
<td>8</td>
<td>0.1809</td>
<td>0.1871</td>
<td>0.9665</td>
</tr>
<tr>
<td>ADVANTAGES</td>
<td>7</td>
<td>0.1985</td>
<td>0.0944</td>
<td>2.1017</td>
</tr>
</tbody>
</table>

### TABLE 3 Structural model results

<table>
<thead>
<tr>
<th></th>
<th>MODEL 1 (INDEX CALIBRATION)</th>
<th>MODEL 2 (MAIN EFFECTS)</th>
<th>MODEL 3 (INTERACTION MODEL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPORT SPONSORSHIP</td>
<td>0.5138 ***</td>
<td>0.2063 *</td>
<td>0.1815t *</td>
</tr>
<tr>
<td>FIT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INTERACTION TERM</td>
<td></td>
<td>0.5418 ***</td>
<td>-0.1471 *</td>
</tr>
<tr>
<td>[R.sup.2]</td>
<td>0.2640</td>
<td>0.4639</td>
<td>0.4824</td>
</tr>
<tr>
<td>[R.sup.2] ADJUSTED</td>
<td>0.2522</td>
<td>0.4456</td>
<td>0.4578</td>
</tr>
</tbody>
</table>

BOOTSTRAPPING RESULTS (N=200) *** p<0.001 ** p<0.01 *p<0.05