

Chapter 5.2

Sponsorship

Benefits of this chapter

Any successful organisation – be it a private business, a non-profit organisation or a government agency, etc. – needs adequate financial resources to operate and achieve its mission and goals. The same is true for national sports federations.

Many sports federations develop sponsorship agreements with businesses and organisations that provide financial support in return for representation, promotion and a role in certain aspects of the federation. This includes exclusive opportunities to display signage at competition venues, supply apparel for team uniforms and sell consumer goods at federation events.

Because partnerships can be very lucrative for your federation, this chapter presents some of the basics of sponsorships. Your federation can use these basics to gain a better understanding of the current sponsorship market and learn how to attract and develop relationships with sponsors to provide your federation with greater and steadier sources of income.

Introduction

Sports federations are constantly on the lookout for ways to increase revenues. The typical revenue streams for most federations include commercial sponsorships, membership fees and the sale of television and media rights. Of these, commercial sponsors are often the main source of revenue.

Revenues from sponsors are important to every federation – big or small, local or international. However, the commercial sponsorship market is increasingly challenging and overcrowded, and sports federations are finding it more difficult to attract and retain new sponsors. Commercial sponsors have also become more sophisticated and demanding, which can lead to conflicting interests. In some cases, sponsors have even created their own events to achieve their sponsorship objectives. These events often compete with events owned by national sports federations.

So how can your federation maximise opportunities with sponsors and navigate some of the current challenges in the sponsorship market? This chapter is designed to help you do exactly that by covering the following topics:

- What are the basic trends in sponsorship?
- How do these trends affect sports federations?
- What strategies can federations use to attract and retain sponsors?

Using this information and these strategies, you can find ways to strengthen your federation's financial base while deepening important partnerships that create a "win-win" situation for everyone.

What are the basic trends in sponsorship?

For many years, commercial sponsorships have been the primary source of revenue for many sports federations. And although more competition in the sponsorship marketplace has required federations to diversify their sources of revenue, sponsorships will continue to play a very important role.

The most significant change for your federation to be aware of is the way sponsorships are being used by commercial companies. Being mindful of these developments and making strategic adjustments accordingly can help your federation continue to build successful relationships with commercial sponsors going forward.

Sponsorship has traditionally been used by commercial entities as a tool for building brand awareness and promoting a company's image. Sports federations (and their events) have provided a new instrument for building that awareness and promoting that image, but sponsorship has still to be an integrated element of the communications mix along with classic advertising, public relations and direct marketing.

In other words, commercial sponsors have been "brand-centric" in their approach to partnering with sports federation. Through this approach, businesses have tried to transfer the values of the event into their brand to build an image

of their brand that would be attractive to consumers. For example, Kodak, a leading international photography company, is one of the Olympic Games' top sponsors because the company wants to use the excitement and emotion of unique moments at the Games to reinforce its image as a company that can "capture" special moments like those.

Increasingly, companies are less focused on brand awareness and more concerned with building relationships with consumers to generate brand loyalty. As such, companies are shifting from a brand-centric approach to a consumer-centric approach to sponsorship. Greater competition for consumers has led companies to focus on showing consumers how the brand adds value to the consumers.

How do these trends affect sports federations?

Sponsorship continues to offer unique opportunities for brands to reach consumers, but the idea behind sponsorship is changing, at least from the perspective of commercial companies. So what does this changing trend mean for sports federations?

First, federations must realise that brands are looking for sports and events that provide an authentic link with the consumer. They need to appeal to what consumers like, what consumers are interested in and what consumers need. When businesses identify such a sport or event, the brand gets involved and offers its financial support. In turn, this pleases consumers, who recognise and appreciate the brand's involvement with the sport or event. Therefore, the more attractive the sport or event, the more satisfied the customers will be not only of the sport/event but also of the brand. The stronger the relationship between the customers and the brand become, the more the customers are likely to stay loyal to the sport/event and the brand.

Considering this consumer-centric approach to sponsorship, it can often be difficult for sponsors to find just the right event that provides this authentic link between event and consumers. That is why some brands have created events or rights instead of buying them. This trend is likely to grow steadily over the coming years.

However, all trends are relative and sponsors still have many different reasons for sponsoring federations and their events. The so-called "donating sponsor," whose sponsorship decisions are based not on any marketing related considerations but merely on personal preferences for certain sports or events, are still in play. In general, sports federations need to begin by identifying the objectives of the potential sponsor, and from that point, federations can try to find ways to help potential sponsors achieve those objectives.

In many ways, these sponsorship trends are good news for sports federations because they have created more options that sports federations can use to approach potential sponsors. For example, federations do not necessarily need to offer sponsors huge media coverage for the naming rights of an event because that might not be what sponsors are looking for. Rather, they may be more interested in doing something new or special for their potential customers.

Therefore, federations need to identify how the federation itself or its events and activities can help the sponsor achieve its goals.

Even though sports sponsorship is developing fast and becoming increasingly sophisticated, it basically comes down to one thing: every company is constantly looking for ways to build better relationships with customers and other groups who are important to them (e.g investors, media, and vendors). How can sports federations help? Finding clever and value-added answers to this question is the key getting more sponsors and generating more revenue for your organisation.

What strategies can federations use to attract and retain sponsors?

So how can your federation adapt to these trends and attract and retain sponsors? The following hints outline some basic strategies that you can integrate into your operations to ensure that your federation is financially secure and growing toward the future:

1/ Know the strengths of your federation

Before you approach potential sponsors, you need to know exactly what your federation can offer them. The first step is understanding and articulating the strongest assets of your federation and how those make you a unique partner. These assets include your values, mission, goals, athletes and events.

2/ Identify potential sponsors logically

Not every potential sponsor is a solid match for your federation. Even though sponsorship revenue is important, in today's changing sponsorship market, there needs to be an authentic connection between you, your sponsors and your sponsor's target audience. For example, many sports federations used to receive sponsorship revenue from cigarette companies. However, today's sports audiences are much more conscious of their health, and smoking is widely seen as a detractor from health and sports performance. To stay current, identify sponsors that share your values and have a logical, authentic connection to aquatics sports.

3/ Understand your sponsors' consumer base

In today's sponsorship market, sponsors are looking to please their consumers by supporting sports federations and events that connect with the consumer. By knowing who your sponsors' primary consumers are (age, gender, economic status, etc.), you can highlight ways that your federation and its events will appeal to those demographics and strengthen consumer's loyalty.

4/ Show interest

When approaching prospective or existing sponsors, take an active interest in learning about their consumers. Sponsors are increasingly focused on the loyalty of their consumers rather than simply the promotion of their brand. As such, you need to understand their consumers so you can demonstrate how aquatics sports and your events can help strengthen consumer loyalty. In the process, you

deepen your relationship with your sponsors by showing you care, which can lead to more opportunities in the future.

5/ Add value

In a competitive market, sponsors will be most attracted to federations and events that can differentiate themselves from others. The best way to set yourself apart is to add value. This includes creating events (finding new ways to promote consumer loyalty through events) and managing your working relationship with sponsors being mindful of resources, responsive to inquiries, proactive in communications and genuinely interested in the strength of the relationship in a way that adds value.

In aquatics sports, the athletes that rise to the top are often those that not only work harder, but also work smarter. The same is true for your federation and how it attracts sponsors. It takes a lot of hard work to identify sponsors, finalise agreements and manage the relationship. However, and perhaps even more importantly, it takes creative and innovative thinking perhaps more importantly to attract the right kinds of sponsors and appeal to them in ways that take your federation to the head of the pack.

Useful tips

Sponsorship trends are increasingly changing; here are some useful ideas to keep in mind when looking for sponsors:

- Make sure to that you federation's long-term strategies and values are inline with those of your sponsors.
- Think about how your event and activities can help a sponsor achieve its goals.
- Take a proactive approach to sponsors, be in-tune to their customers and their interests. Do your research!