



# Why do marketing partnerships end? Evidence from global sport sponsorships

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## 1. Introduction

Sponsorship of sport, arts, and entertainment-related organizations has become an essential part of the marketing mix for brands. On a global basis, \$57.5 billion was allocated towards sponsorship in 2015, an increase of 4.1% from 2014 (IEG, 2016). From the perspective of the sponsoring firm, research has consistently shown that investing in sponsorship can positively affect brand awareness (Levin, Joiner & Cameron, 2001), brand image (Gwinner & Eaton, 1999), brand loyalty (Levin, Beasley, & Gamble, 2004), and a firm's financial performance (Mazodier & Rezaee, 2013). At the same time, many sport organizations in particular rely on sponsorship as an essential funding mechanism. For example, in Formula One (F1) Racing, more than 70% of the operating budgets of teams are generated via corporate sponsorship (Jensen & Cobbs, 2014). In another example, more than 34% of the revenue generated by the International Olympic Committee (IOC) during the 2008-12 quadrennial resulted from sponsorship (IOC, 2015). Despite sponsorship's effectiveness as an international marketing communications platform for global brands and importance to sponsored organizations, the dynamics of sponsor-property relationships have been afforded scant attention. Therefore, this research utilizes a survival analysis modeling approach (i.e., Jensen, 2016) to better understand factors and conditions that may jeopardize what is intended to be a long-term, multi-year relationship.

Unlike transactional marketing expenditures, international marketing partnerships such as global sponsorships require nurturance and ongoing maintenance or "sustentation" (Cornwell, 2014, p. 68) to ensure the partnership achieves business objectives. Further, maintaining marketing relationships, in particular those that are cross-border in nature (i.e., Aulakh, Kotabe, & Sahay, 1996), requires commitment and trust not typically found in transactional advertising and promotion allocations (Morgan & Hunt, 1994; Beck, Chapman, & Palmatier, 2015). These long-term relationships have the propensity to positively impact business objectives, such as brand equity and financial value (Cornwell, Roy, & Steinard, 2001), while at the same time providing the sponsored property with long-term revenue support. Large scale sponsorship partnerships also involve substantial investments to plan, initiate, and activate. As an example, Procter & Gamble typically allocates more than \$9 billion annually towards advertising expenditures, as it seeks to market a wide range of global brands (Chabowski, Samiee, & Hult, 2013). To activate a global 10-year Olympic sponsorship in 2012, it initiated what Chief Marketing Officer Marc Pritchard described as its "largest and most ambitious" campaign to leverage the Summer Olympic Games (Weir, 2012, p. 5). From a managerial standpoint, if one can improve understanding of predictors of partnership dissolution, these conditions can be monitored and potentially influenced to the advantage of both sides of the partnership.



### **1.1. Importance of Duration to the Sponsorship Relationship**

Palmatier, Dant, Grewal, and Evans (2006) reasoned that the duration of a business relationship, defined as the “length of time that the relationship between the exchange partners has existed,” (p. 138) has the ability to influence success. Partnerships of longer durations can provide both partners with more opportunities to better understand each other’s capabilities, which, in turn, may lead to both sides learning ways in which the relationship can be enhanced. Doney and Cannon (1997) explained that longer-term marketing relationships may allow both sides to further understand each other’s motives and expectations, which may reduce the risk that the partnership will fail. Research on the duration of sponsorships has found longer durations were more likely to assist the firm in moving beyond simple brand awareness towards the goal of improved brand image (Armstrong, 1988). This is consistent with Keller’s (1993) conceptualization of brand equity and the value of long-term relationships. Research on the length of outdoor (Bhargava, Donthu, & Caron, 1994) and television advertising campaigns (Dunlop, Cotter, Perez, & Wakefield, 2013) has found longer-running campaigns predictive of higher rates of brand recall and behavioral change. In keeping with this research, a recent multi-year study of season ticket holders found that sponsorship length was predictive of both sponsor recall and lessened decay rates of residual recall, even after the sponsorship had ended (McDonald & Karg, 2014).

In related research, Kruger, Goldman, and Ward (2014) found that announcements of continued sponsorship agreements were met with an increase in shareholder value of more than 4% in the period just after the announcement. The researchers reasoned that continuance of partnerships is seen by shareholders as a tacit endorsement that the partnerships are worthy of renewal. In the consumer context, Olson and Thjømøe (2011) found that announcement of a continuation of an existing sponsorship (as opposed to announcement of a new one) enhanced the perceived fit, or match of the partners. As explained by Cornwell, Roy, and Steinard (2001), a longer-term sponsorship relationship increases the potential that the sponsorship may become a source of competitive advantage. For example, the longer the duration of the sponsorship, the more potential for a stronger association between the brand and property in a consumer’s memory (Cornwell & Humphreys, 2013). According to Cornwell et al. (2001), “Seeing a sponsor’s name associated with the same sporting event, year after year, gives the consumer multiple opportunities to elaborate about the significance of the product-sponsorship relationship, thus creating stronger associations in memory” (p. 42).

This study differs from and extends this past work analyzing the duration of sponsorship partnerships in several ways. This research builds on the qualitative work of Farrelly (2010), who interviewed sponsorship managers in an effort to understand the reasons why sponsorships are dissolved. Farrelly (2010) found at the organizational level that a lack of collaboration, self-serving motives, a failure to adapt over time, and a lack of capabilities were provided as contributing factors. In contrast, the current work takes a quantitative approach in an investigation of sponsorship dissolution. In addition, past studies have utilized the sole perspective of the buyer (i.e., brand marketer), only one side of the sponsorship relationship, whereas the current work speaks to both parties. Importantly, this longitudinal study addresses the limitation of past studies, many of which have ignored the importance of leveraging the partnership, or the allocation of resources towards sponsorship-linked marketing activities (Cornwell, 1995) throughout the term of the agreement. Therefore, this study breaks new ground in its empirical investigation of factors influencing the evaluation of and decision-making relative to the renewal of existing sponsorships.



## 1.2. Study Context

This study examines a unique, highly visible set of marketing partnerships: global sponsorships of international sport organizations. As a global strategic platform, multinational firms including Coca-Cola, IBM, McDonald's, Panasonic, Philips, Samsung, and Sony have historically invested in global sport sponsorships, given their ability to provide a global audience, break through clutter in an increasingly fractured media environment, and unite global marketing campaigns under a single unifying theme. In order to investigate the duration of sponsorships from a truly international perspective, this study utilizes data from two global mega-events: the Olympic Games and FIFA World Cup. The TOP (i.e., The Olympic Partners) sponsorship program, which began in 1985, allows brands to associate oneself with one of the most recognized and admired symbols in the world, the Olympic rings (Davis, 2012). The second dataset comprises all FIFA Global Partners and World Cup Sponsors dating back to 1979 (FIFA, 2016). These two events are indisputably the only two sports events to "command a truly global audience" (Davis, 2012, p. 206). The 2014 FIFA World Cup reached more than 3.2 billion people, with more than 1 billion watching the Final (FIFA, 2015). The 2012 Summer Olympic Games were watched by more than 219 million Americans, making it the most-watched event in U.S. television history (Crupi, 2012). On a global scale, a total of 220 countries broadcasted the 2012 Games to a global audience of more than 3.6 billion (IOC, 2015).

## 1.3. Research Hypotheses

Three distinct sets of factors are argued to predict global sponsorship duration: the influence of economic conditions, property-related factors (such as the attractiveness of event locations and clutter), and firm-related factors (including the stability of firm leadership, congruence and brand equity). Each of these factors is expected to influence whether sponsorship relationships continue or dissolve, and therefore ultimately affect the duration and potential value of these global sponsorships.

### 1.3.1. Economic Conditions

In the context of non-traditional marketing approaches, such as sponsorship, there is recognition of the importance of economic conditions (Meenaghan, 1999), but little examination of its influence. Sponsorship viewed as a communications platform, largely oriented toward building awareness and image (Cornwell, 2014), holds a great deal in common with advertising. Advertising expenditures are well-known to decline when economic conditions worsen and while this effect holds across many developed economies, it does vary by media type (Chang & Chan-Olmsted, 2005; Picard, 2001). In essence, economic theory argues that companies in expanding economies will want a share of growth and will advertise to attract customers (van der Wurff, Bakker, & Picard, 2008). Supporting evidence of the relationship between economic growth indicators and advertising has been offered by Chang and Chan-Olmsted (2005), who found a positive relationship between GDP and advertising expenditures for 70 markets for the decade 1991-2001. Anecdotal information points to a similar relationship between economic growth and sponsorship. For example, prior to a recessionary economy in the U.S., where sponsorship spending had been growing unabated, the International Events Group (IEG) had forecasted a 12.6% growth in North American sponsorship spending for the year 2008 (IEG, 2008). After effects of the recession were felt throughout the U.S. economy, spending on sponsorship in North America missed those projections, growing by 11.4% in 2008 (IEG, 2008) and declining in 2009 by 0.6% (IEG, 2010). Similarly, in the context of Olympic TOP sponsorships, Mickle (2014) noted that Gerhard Heiberg, the former head of the IOC's marketing commission, had engaged in talks with Dow and Procter & Gamble about the prospect of their companies joining the TOP sponsorship program. Noted Mickle



(2014): “The recession forced both companies to walk away from potential deals” (p. 12). Only after economic conditions improved after the conclusion of the 2010 Olympic Winter Games did both companies agree to join the program.

While the worldwide recession beginning in 2008 had a global influence, economic circumstances in a sponsor’s home country may differ, and here the logic of sponsorship differs from that of advertising. Advertising expenditures are typically within markets whereas large sponsorship expenditures, while emanating from a corporate headquarters in a particular country, are often international in scope. Further, sponsorship expenditures are far more public decisions than are advertising expenditures. Large sponsorship agreements are typically discussed in the media before, during, and after decisions are made. For example, in 2009, when US banks such as AIG, then sponsor of the Manchester United soccer club, received bailout monies in the recession they were heavily criticized for their sponsorship spending (Warren, 2009). In short, the public nature of sponsorship investments suggests that sponsor home country economic conditions will be important in decision-making. Based on this reasoning and on evidence of economic conditions impacting decisions related to sponsorship investments, it is expected that adverse economic conditions in the sponsor’s home country may have a negative impact on these long-term partnerships. Therefore, the following hypothesis was developed:

H1: The presence of negative economic indicators (measured by GNI per capita and the consumer price index) within the sponsor’s home country will increase the hazard of the dissolution of global sponsorships.

### **1.3.2. Property-Related Factors**

#### **1.3.2.1. Attractiveness of Event Locations**

There is considerable literature on the impact of mega-events such as the Olympics and World Cup on the host location economy (e.g., Matheson, 2009) and tourism (e.g., Fourie & Santana-Gallego, 2011). We do not, however, know how the market in which the sponsored property resides, or the market in which the mega-events take place, influences the duration of a global sponsorship. There has been a trend towards awarding mega-events to developing countries (Cuervo-Cazurra & Genc, 2008) such as BRICS (Brazil, Russia, India, China, and South Africa) economies, with some discussion of the role of sponsors and their markets play in decision-making (Humphreys & Prokopowicz, 2007). Logically, if sponsors seek market awareness via sponsoring, it is expected that the population base of a future host country as an indicator of market potential will positively impact the duration of global sponsorships (i.e., cause them to continue). Risk is inherent in strategic alliances such as sponsorships (Musarra, Robson, & Katsikeas, 2016), particularly in BRICS markets. The risk of doing business in developing countries with lower/variable consumer purchasing power may off-set the attractiveness of a large market. Therefore, it is expected that both the total number of consumers and their potential spending power, along with the risk of doing business in the country, may play a role in how attractive the market is deemed to be by brand marketers, and have the potential to impact whether sponsorships involving these markets continue long-term. Thus, the following hypothesis was developed:

H2: An increase in the attractiveness of future event locations (measured by population, consumer wealth, and country risk) will result in a reduction in the hazard of the dissolution of global sponsorships.



### **1.3.2.2. In-Market Influence**

There is likely is some level of opportunism, and not per se opportunism with a negative ethical connotation (i.e., agency conflicts; Jensen & Meckling, 1976), when a mega-event comes to a region. When a worldwide event is present in a country, national pride and image outcomes, market coverage and sales, or local visibility and awareness may drive short-term interest in global event sponsorship that may not persist when the event moves to another market. Conversely, the work of O'Reilly, Heslop, and Nadeau (2011) found that "truly global" sponsors such as Coca-Cola were not concerned with the location of mega-events such as the Olympics. The host of the event was deemed much less important than the global reach of the event itself (O'Reilly et al., 2011). Given that global mega-events such as the Olympics and World Cup take place in a different global market every four years, our hypothesis is that an event taking place in a sponsor's home country may influence uptake of the opportunity, but also lead a sponsor to discontinue the partnership as the host country changes. For example, this may have been the case with China-based Lenovo and Taiwan-based Acer, who served as TOP sponsors when the Games visited China for the first time in 2008, but then ended the sponsorships shortly thereafter (at the end of quadrennials in 2008 and 2012, respectively). Therefore:

H3: An event in the sponsor's home country during the term of the partnership will increase the hazard for dissolution.

### **1.3.2.3. Sponsorship Clutter**

Research has demonstrated that an increase of the number of sponsors (i.e., clutter) processed by consumers can negatively impact the consumer's ability to recall those sponsors. Breuer and Rumpf (2012) measured on-screen clutter by the number of sponsors exposed during television broadcasts, and found a significant negative effect for each additional brand exposed. Similarly, Cornwell and Relyea (2000) also found increased perceived clutter by consumers negatively affected the number of sponsors both recognized and recalled. Qualitative research by Séguin and O'Reilly (2008) confirmed that clutter is an important issue to Olympic marketers. Based on this analysis and consistent with the hypothesis outlined in Cornwell et al. (2005), it is expected that adding additional sponsors may reduce the consumer's ability to recall the brand's involvement in the event. This result may lead to lower rates of brand recognition and recall, and ultimately jeopardize the overall success of the partnership from the perspective of the sponsor. In addition to the potential for clutter to influence decision-making, it is also possible that challenges inherent in the servicing of such sponsors may arise when additional sponsors join. Each additional sponsor requires additional operational capital on behalf of the sport property to ensure that each sponsor feels it is receiving adequate servicing (O'Reilly et al., 2011). Therefore, the following hypothesis was developed:

H4: An increase in sponsorship clutter (i.e., more sponsors of the event) will increase the hazard of partnership dissolution.

## **1.3.3. Firm-Related Factors**

### **1.3.3.1. Congruence**

Congruence, or the perceived fit between the brand and sponsored property, has been a staple of the sponsorship literature for years (Fleck & Quester, 2007). Research has shown time and again that the better the perceived fit in the minds of consumers, the more likely the sponsor will be able to achieve the desired cognitive, affective, and behavioral effects (Cornwell, Weeks, & Roy, 2005).



For example, in the context of the World Cup, Koo, Quarterman, and Jackson (2006) found that higher perceived image fit between the event and its official sponsors positively impacted the likelihood of consumers correctly recalling the brand. This, in turn, can result in higher purchase intention (e.g., Dees, Bennett, & Ferreira, 2010). Based on this, it is expected that congruent brands will achieve a higher degree of success from global sponsorships, thereby reducing the hazard of the sponsorship ending. Therefore:

H5: Congruence between sponsor and property will reduce the hazard of dissolution.

### **1.3.3.2. Stability of Firm Leadership**

Many firms have succession plans in place and CEO changes are planned years in advance, and in these instances there is likely an expectation that long-term company strategies will continue with new company leadership. Changes in company leadership are, however, not always predictable and these changes have the potential to influence the company's current strategies. For example, some changes are the result of unforeseen events, such as the untimely deaths of the CEOs of TOP and World Cup sponsor McDonald's, Jim Cantalupo and Charlie Bell (Penney, 2012). Other changes in company leadership may be the result of dissatisfaction among board members, or signals of a company's financial struggles. This was the case for former TOP sponsor Xerox, when longtime CEO Paul Allaire appointed IBM executive G. Richard Thoman to be his successor in 1999 (Briancio & Moore, 2001). Less than 13 months later, at the behest of the company's board of directors, Allaire removed Thoman as CEO, eventually appointing another outsider, Anne Mulcahy, as CEO in 2001 (Briancio & Moore, 2001). Xerox exited its Olympic sponsorship, which it had held since 1993, after the contract ended in 2004, which was speculated to have been influenced by the change in leadership and the appointment of an outsider more apt to change course. This anecdote demonstrates how a change in company leadership has the potential to influence commitments towards multi-year partnerships. Further, research has demonstrated that changes in company leadership of these types frequently lead to changes in company strategy or focus (Goodstein & Boeker, 1991; Hutzschenreuter, Kleindienst, & Greger, 2012). Therefore, the following hypothesis was developed:

H6: Changes in corporate leadership will increase the hazard of dissolution.

### **1.3.3.3. Brand Equity**

Brand equity is defined by Keller (1993) as the potential effect of brand knowledge on a consumer's purchase decision, with brand awareness serving as a necessary precursor. It is expected that brands that are deemed to have empirical evidence of a high degree of brand equity (such as global brands Coca-Cola and McDonald's) will take a more patient approach towards brand-building investments, such as sponsorship. Therefore, such brands should have longer sponsorship durations, lessening the hazard of the sponsorship ending. Thus:

H7: Evidence of brand equity will reduce the hazard of sponsorship dissolution.

### **1.3.4. Control Variables**

As explained by Spector and Brannick (2011), the use of control variables can help ensure any observed relationships are not due in part to the influence of variables that may be extraneous to the study hypotheses. This practice is naturally important in field studies, and secondary data studies of sponsoring (e.g., see Mazodier & Rezaee, 2013). In the current work, two firm-related



factors will be utilized as control variables, given their possible influence on the duration of global sponsorships: whether a corporation is privately or publicly owned and the location of its corporate headquarters.

Publicly-owned corporations constantly monitor share price, and are sensitive to investments, such as sponsorship, that may influence their stock price (i.e., Pruitt, Cornwell, & Clark, 2004). Conversely, in many instances privately-owned corporations need only answer to their owners and board members, making them more resistant to pressure from outside interests (Perry & Rainey, 1988). Research has found that many family-owned, private corporations are more prone to conservative strategies, given that they are less likely to be influenced by a wide set of market-oriented stakeholders (Miller, Breton-Miller, & Lester, 2011). Given this perspective, it is important to control for whether the sponsoring firm is publicly or privately owned.

This dataset spans several decades, from the early 1980's through the year 2015, and the firms represented in the data are headquartered in a wide variety of different countries. For example, TOP sponsors have been headquartered in China, France, Japan, the Netherlands, South Korea, and Switzerland, while World Cup sponsors have also hailed from India, Germany, the United Arab Emirates, South Africa, and Brazil (see Table 1). The cross-border nature of these sponsorships is evident when reviewing the host sites of Olympic and World Cup events, which have been held on every continent except Antarctica (also indicated in Table 1). Notably, several of the firms examined in this study are located in economies that have experienced a great deal of volatility. Recent examples include substantial volatility in the economies of Greece, Ireland, Japan, and Spain (Shin, 2012), while others are perceived as more stable (e.g., U.S. and Canada, see Goldberg, 2010). Therefore, it is important to control for the context surrounding decision-making in global firm headquarters. This is similar to the approach of Aulakh et al. (1996), who utilized dummy variables to control for the firm's geographical home bases. Even when a sponsorship is primarily directed toward exported product promotion, a firm must be sensitive to the climate of their home country headquarters.

## 2. Methodology

Survival analysis modeling has been utilized across several academic fields and is alternatively known as event history analysis (demography), duration analysis (econometrics), and failure-time analysis (engineering; Box-Steffensmeier & Jones, 2004). As explained by Box-Steffensmeier and Jones (2004), survival analysis has been utilized to analyze the duration of events ranging from United Nations peacekeeping missions, military interventions, the careers of members of Congress, and marriages. Helsen and Schmittlein (1993) utilized hazard rate models to examine interpurchase times of a household item (e.g., saltine crackers). Other applications in the marketing-related literature include investigations of brand-switching (Wedel, Kamakura, DeSarbo, & Ter Hofstede, 1995) and the effects of Chief Marketing Officer characteristics (including education and experience) on new venture funding (Homburg, Hahn, Bornemann, & Sandner, 2014). Despite its widespread use across several academic fields, survival analysis has scarcely been utilized in the sport literature. Early work utilizing the methodology was applied to study factors impacting the length of an athlete's career, finding that both draft order (Staw & Hoang, 1995) and race (Hoang & Rascher, 1999) were significant predictors of career longevity. More recently, it was applied to examine factors that influence team owners to build new stadiums (Hong, 2013). However, it has not been utilized previously to investigate the duration of marketing



business-to-business relationships, such as sport sponsorships. Methodologically, this research joins an emerging stream of research (e.g., O'Reilly & Huybers, 2015; Todd, Crook, & Barilla, 2005) that constitutes a continued response to the call from Amis and Silk (2005) for more advanced, alternative methodologies to sport scholarship, such as quantitative approaches appropriate for the analysis of longitudinal data.

Given its versatility and no requirement for an *a priori* parametrization of the model's baseline hazard, the Cox proportional hazards model (Cox, 1972) is the most widely-utilized survival analysis modeling approach (Box-Steffensmeier & Jones, 2004) and is utilized here. Given the discrete nature of these data, the exact discrete method is utilized to handle ties inherent in the data (i.e., the event occurrence of interest occurring at the same time for multiple observations). The Cox (1972) promotional hazards model in scalar form is as follows:

$$h_i(t) = \exp(\beta_1 x_{1i} + \beta_2 x_{2i} + \beta_3 x_{3i} + \dots + \beta_k x_{ki}) h_0(t)$$

One can see above that the Cox model contains no constant term  $\beta_0$ , as it is absorbed into the model's baseline hazard function. To avoid premature model identification that is problematic in sequential regression (Myers, 1990), and similar to the approach undertaken by Aulakh et al. (1996), hierarchical regression will be utilized to determine whether each set of factors (economic conditions, property-related and firm-related factors) explains a statistically significant amount of the incremental variance in the hazard for partnership dissolution. In terms of order of entry, we begin with external factors that are largely uncontrollable and move to internal factors. This approach ensures that external factors, such as economic conditions, throughout the term of each of the sponsorships are controlled for throughout the subsequent analysis.

## 2.1. Data Description - Dependent Variable

To begin, a dataset comprising the complete history of all TOP and FIFA World Cup sponsorships dating back to the initiation of the programs was constructed. As of 2015, the TOP program has included 28 different sponsorships over eight quadrennials (i.e., four-year periods), dating to the initiation of the program in 1985 (Ferrand, Chappellet, & Séguin, 2012); IOC, 2015). The FIFA World Cup sponsorship program (which dates to the 1982 event) has had 41 sponsors over the past nine World Cup events through 2015 (FIFA, 2016). Given the infrequent nature of these events, and the need to achieve requisite power, the two samples will be pooled, resulting in a total sample of 69 different global sponsorships. First, the duration of each of the sponsorships (number of four-year periods in which the sponsorship has continued) was compiled. Next, the censoring indicator was constructed, indicating both if and when each firm has experienced the event occurrence of interest (i.e., the end of the sponsorship). To accomplish this, a dichotomous variable (0 = Not Ended, 1 = Ended) indicating whether the sponsorship ended or was "censored" (i.e., still ongoing) by the end of each four-year period was compiled.

## 2.2. Data Description - Independent Variables

Influence of home country economic conditions for each sponsor were assessed via two variables: growth in Gross National Income (GNI) per capita and growth in inflation (as reflected by the consumer price index). GNI is an accepted measure of economic growth on a global and domestic basis (e.g., Barro, 1991; Levine & Zervos, 1998), and is available for all leading global economies. To assess trends related to GNI in each sponsor's home country during each four-year sponsorship period, the average annual growth rate (AAGR) in GNI per capita for each period was computed on



a per country basis. This was combined with data on inflation growth in each sponsor's country from The World Bank's inflation dataset (The World Bank Group, 2015). This measure captures the Consumer Price Index (CPI), "reflecting the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals" (p. 1). The CPI is a universally accepted metric utilized to measure changes in prices, or inflation, and is crucial to almost any economic issue (Boskin, Dulberger, Gordon, Griliches, & Jorgenson, 1998). These data were collected on an annual basis for the home country of each Olympic and World Cup sponsor. Descriptive statistics for each of the independent variables compiled, as well as the expected influence of each, are detailed in Table 2.

To investigate the role of event locations in sponsorship duration, total population and Gross Domestic Product (GDP) of each host country for Olympic Games from 1988-2015 and World Cup from 1982-2015 (The World Bank Group 2015) were collected as surrogate indicators of home audience and purchasing potential, respectively. Given that it is expected that the large population base and GDP of countries such as the U.S. and China could lead to non-normal distributions, the exponential log of both variables was computed to help address this concern. Historical GDP data for each host country (see Table 2) was compiled via the U.S. Department of Agriculture's (USDA) database, which utilizes data from World Bank World Development Indicators, International Financial Statistics of the International Monetary Fund, IHS Global Insight, and Oxford Economic Forecasting, as well as estimated values developed by the Economic Research Service (USDA Economic Research Service, 2015).

The risk associated with doing business in each market for future Olympics and World Cups was captured via the Political Risk Services (PRS) Political Risk Index. Measured monthly since 1984, the index consists of 12 components measuring various dimensions of the political and business environment facing firms operating in 140 different countries. The composite score for each country includes measures of voice and accountability (such as the influence of the military in politics and democratic accountability), political stability and absence of violence (which includes government stability, levels of internal and external conflict, and ethnic-related tensions), government effectiveness, regulatory quality, rule of law (i.e., law and order), and control of corruption. The measure ranges from highs of 0.89 (for Germany and Australia), to lows of 0.51 for China and 0.54 for Brazil. The potential home country influence detail in the hypotheses development was investigated by creating a binary variable that indicated whether an Olympic Games or World Cup took place in the home country of the sponsor during the term of the sponsorship. Finally, the total number of current firms participating in each sponsorship program was compiled, for each sponsorship term.

In terms of firm-related variables, to investigate the possible role of congruence in sponsorship dissolution, two independent judges from different institutions than the authors who are experts in the sponsorship and congruence literature categorized each sponsor, utilizing the same approach and criteria as Cornwell et al. (2005). The two judges agreed in 88.4% of the cases, resulting in a coefficient of agreement (kappa; Acock, 2012) of 0.75 ( $z = 6.21, p < .001$ ), deemed by Landis and Koch (1977) to be good reliability (0.80 is considered very good). The disputed categories (spirits, information technology, payment services, restaurant, and wireless communication equipment) were resolved after further discussion (e.g., Perreault & Leigh, 1989). The stability of corporate leadership was operationalized by researching press coverage of Chief Executive Officer (CEO) change found in *Dow Jones Factiva* and company press releases during each sponsor's sponsorship



term. A binary variable indicating whether a change in corporate leadership occurred during the term of the sponsorship was then created (1 = CHANGE, 0 = NO CHANGE). Finally, utilizing the same approach as Mazodier and Rezaee (2013), brand equity was assessed based on whether the brand has been included in Interbrand's ranking of the 100 best global brands.

### 2.3. Control Variables

In order to control for whether a corporation was privately or publicly owned, a dichotomous variable was created for each TOP and World Cup sponsor. It should be noted that this predictor may vary for a company over time, given that sponsors that were once private companies later issued an Initial Public Offering (IPO) as part of their transition to a publicly owned corporation (e.g., John Hancock, MasterCard, UPS, and Visa). Whether the sponsoring firm was publicly-traded or not was sourced utilizing *Merchant Online*, a database of global business and financial information products, including U.S. and international company data and annual reports. Any changes to the company's status were uncovered utilizing *Dow Jones Factiva*, similar to the approach in researching any changes in corporate leadership. The potential influence of the location of each firm's corporate decision-maker was controlled for by the creation of a binary variable that indicated whether the firm is headquartered in North America (U.S. and Canada) or elsewhere (1 = N.A.-BASED, 0 = BASED ELSEWHERE).

## 3. Results

The results of the hierarchical modeling sequence are outlined in Table 3. The base model (Model 1) included the binary variable indicating the type of sponsorship (TOP vs. FIFA World Cup). The coefficient for the variable was consistently nonsignificant ( $z = -0.64, p = .523$ ), indicating that there was not an effect of the type of sponsorship on the hazard for sponsorship dissolution. This result provides further support for use of the pooled dataset. A block of variables representing economic conditions in the home country of the sponsor during the term of the sponsorship was entered into the model in step 2 (Model 2). The Wald test for this block of variables is significant at the  $\alpha = .05$  level ( $\chi^2(2) = 6.96, p = .031$ ), indicating it is predicting a significant amount of incremental variance. This result provides support for hypothesis 1. Throughout the four models, results indicate that inflation in the home country of the sponsor is a significant predictor of sponsorship dissolution, and it is a large effect ( $z = 2.35, p = .019$ ). The hazard ratio (1.28) indicates that a 1% increase in the average annual growth rate (AAGR) in the consumer price index in the sponsor's home country during the term of the sponsorship increases the hazard of sponsorship dissolution by 28.3%. The results for the variable reflecting the GNI per capita in each sponsor's home country were nonsignificant.

Hypothesis 2 focuses on the potential influence of the attractiveness of event locations on sponsorship dissolution. Results (Model 3) indicate that the Wald test of the block of variables reflecting the four property-related variables is not significant ( $\chi^2(5) = 10.80, p = .056$ ). Therefore, hypothesis 2 is not supported. The influence of an event taking place in the home country of the sponsor is in the expected direction (a hazard ratio of 1.76 indicates it increases the hazard of dissolution by 76%), but it is not statistically significant. Therefore, hypothesis 3 is also not supported. As indicated in Models 3 and 4, the variable reflecting the amount of sponsorship clutter (i.e., total number of sponsors) is significant ( $z = 2.35, p = 0.019$ ). The hazard ratio (1.47) indicates that every one additional sponsor added by the property increases the hazard of sponsorship



dissolution by 46.7%. Thus, hypothesis 4 regarding the influence of clutter on sponsorship dissolution is supported.

The study's final three hypotheses focus on firm-related variables. As expected, the Wald test for this block of variables is significant ( $\chi^2(5) = 18.16, p = .003$ ). Hypothesis 5 predicts that consistent with the literature, congruence should reduce the hazard of sponsorship dissolution. As indicated in Table 3, the variable is in the expected direction (decreasing the hazard for dissolution), and is significant ( $z = -2.57, p = 0.010$ ). Therefore, hypothesis 5 is supported. Next, the influence of the stability of the sponsoring corporation's leadership was investigated, with hypothesis 6 stating that changes in leadership should increase the hazard of sponsorship dissolution. The coefficient is not significant ( $p = 0.784$ ), therefore hypothesis 6 is not supported.

The final hypothesis related to firm-related factors focuses on the influence of brand equity. It is hypothesized that sponsors with a requisite level of brand equity (as reflected in its inclusion among Interbrand's 100 best global brands) should result in a reduction in the hazard of sponsorship dissolution. The brand equity variable is indeed significant at the  $\alpha = .05$  level ( $z = -2.25, p = 0.025$ ). The hazard ratio (0.34) indicates that high brand equity reduces the hazard of sponsorship dissolution by 65.9%. Therefore, hypothesis 7 is supported.

A graphical visualization of the impact of the significant results for the congruence and brand equity variables is depicted in Figure 1. Graph A features the differential in the smoothed hazard function over time based on whether the sponsoring brand is congruent or incongruent. The hazard function of dissolution for such sponsors is more than 10% lower for these firms in the early stages of the relationship, and its influence increases over time (to more than 20% in the later stages of the relationship). A similar effect is depicted in Graph B for sponsoring firms that have a high degree of brand equity.

## 4. Discussion

The results indicate that certain external conditions, such as the economy, have the ability to jeopardize the long-term relationship between the sponsoring firm and property. In addition, it is evident that certain types of sponsors have significantly different sponsorship durations based on congruence and the level of brand equity exhibited by the sponsor. Overall, results indicate that two of the three factors investigated as potential influencers did predict a significant amount of the variance in the hazard rate of sponsorship dissolution.

Notably, the results provide empirical evidence that economic conditions can significantly affect the hazard of a sponsorship's dissolution. When controlling for all other variables, results indicate that a 1% increase in the AAGR in inflation during the term of the sponsorship increases the hazard of sponsorship dissolution by 28.33%. During an inflationary economy, the prices for all goods and services within the sponsor's country are rising, including marketing expenditures and costs, making it likely that a sponsor's ability to continue to pay for such costs may become constrained. Such conditions may lead to marketing budgets being adjusted downward, and making it increasingly difficult to justify such large expenditures.

None of the variables related to event locations, such as population, consumer wealth and the presence of events within the sponsor's home country, were found to influence the hazard of



dissolution. In addition, the risk of doing business in future event countries was also nonsignificant. Consistent with O'Reilly, Heslop, and Nadeau (2011), a potential explanation for the nonsignificance of this block of variables is that firm decision-makers involved in international partnerships do truly take a global approach (i.e., Rugman & Verbeke, 2004), and are not influenced by where events are held and are not concerned with which markets host events.

However, one property-related variable (sponsorship clutter) was found to be significant predictor of sponsorship dissolution (Hypothesis 4). With the number of sponsors engaged in these exclusive, global sponsorship programs ranging from just nine to a high of 15, every one sponsor added increases the hazard of the sponsorship ending by 46.7%. As clutter has been shown in prior research to affect sponsorship outcomes at the consumer level (Cornwell & Relyea, 2000), it is interesting to confirm a role for clutter at the macro level. There are many possible reasons for this finding. Clutter in terms of more sponsors might be detrimental due to the servicing aspect of the sponsorship relationship, in the sense that sponsors do not get as much support and attention from the event when there are more relationships. Clutter might also negatively impact outcome variable such as success in building brand awareness that then feed into decision-making regarding sponsorship renewal. Lastly, it may be with more sponsors for an event any one sponsor departing the relationship will not suffer negative public relations for abandoning the property.

Finally, a number of firm-related variables were investigated. The stability of company leadership was not found to be influential, as a change in the CEO of the corporation did not influence whether the sponsorship ended or continued (Hypothesis 6). A potential explanation is that despite the global nature of Olympic and World Cup sponsorships, such decisions never rise to the level of a CEO (and are typically handled at lower levels such as a Chief Marketing Officer or Vice President of Marketing). Alternatively, one could posit that given the long-term commitment (at least four years) and allocation of resources (tens of millions of dollars) required to support such global partnerships, a change in corporation leadership simply does not affect such long-term strategic planning processes.

Conversely, the presence of congruence and brand equity were both found to be statistically significant predictors of the reduction of the hazard for sponsorship dissolution. Given the preponderance of evidence of the role congruence plays in sponsorship, it was not surprising that congruence between the sponsoring brand and property was found to reduce the hazard of the sponsorship ending. In addition, given that brand equity is frequently a chosen objective of sponsorship-linked marketing approaches, it stands to reason that those brands with a high degree of brand equity would engage in longer-running sponsorships. Firstly, this result implies that such brands are either more patient with such investments (given the continued efforts to nurture their more valuable brand) or able to weather any questions of the investment that naturally accompany such spending. Another possibility, of course, is that such brands are realizing more successful partnerships in part based on a higher existing level of brand equity. It may also be the case that these brands have more money to invest in leveraging their sponsorship through collateral advertising and promotion (i.e., sponsorship-linked marketing; Cornwell, 1995). The allocation of marketing funds, in turn, helps the firm ensure the sponsorship is a success and provides the requisite return on investment necessary to continue the partnership on a long-term basis.



#### 4.1. Managerial Implications

In terms of the factors and conditions that may jeopardize the seller's ability to sustain the sponsorship relationship, this study confirmed that congruence with the property and high levels of brand equity are both predictive of longer-running sponsorship durations. Consistent with prior research on the importance of congruence to sponsorships, this research supports the perspective that congruent sponsors tend to engage in longer-running commitments than incongruent sponsors, a proxy for more successful partnerships. Similarly, brands with a high degree of equity are likely more patient in decision-making relative to sponsorships, as viewing sponsorship as a brand-building exercise and a way to nurture one's brand inherently takes time. Conversely, other firms may view sponsorship as a transactional exchange, rather than a long-term relationship. Given this result, firms without a high degree of existing brand equity and those incongruent with the sponsored property should have a measure of pause prior to allocating the funds necessary to enter into such partnerships.

Changes in economic conditions within the sponsor's home country, such as an inflationary economy, can increase the hazard of sponsorship dissolution. These results provide evidence that economic conditions within the global sponsor's home country, particularly in markets that may be experiencing the effects of adverse economic conditions, should be closely monitored by both parties throughout the relationship. The attractiveness of the locations of global sporting events, such as the World Cup and Olympics had no effect on dissolution. Based on these results, global sponsorship sellers should focus efforts on communicating the overall reach and health of their property, rather than the location of upcoming events.

Finally, the choice on behalf of the sponsoring property whether to add additional sponsors was found to be statistically significant predictor. The presence of clutter, or multiple sponsors, has been noted as a concern of global sponsors of events such as the Olympics (e.g., Séguin & O'Reilly, 2008). This study confirmed that each additional sponsor added increases the hazard of sponsorship dissolution by nearly 50%. Sellers of exclusive, global sponsorships should have a measure of pause before adding additional sponsors. It is apparent that sponsors of premier, global sport properties are attracted to the opportunity by its exclusive nature, and the ability to be one of only a handful of top tier sponsors. Given this, any corresponding revenue increase due to the securing of an additional sponsor should be balanced with the knowledge that the act may influence the decision-making of other sponsors.

#### 4.2. Limitations and Future Research

Though this study developed an empirical model in an effort to better understand the factors that may be predictive of the dissolution of long-term partnerships, no model can predict human decision making with exact certainty. While the  $R^2$  measure of the final model in Table 3 indicates that more than 30 percent of the variance in sponsorship durations is being predicted by the study's factors, there will always be a large amount of unexplained variance in any decision-making model. Additionally, there are additional factors that simply cannot be measured empirically, as well as other reasons for the end (or continuance) of the relationship that were never made public. For example, in the case of competitors such as American Express and Visa (Davis, 2012) and others such as Coca-Cola and Pepsi (McKelvey, 2006), competitive battles for market share may influence decision making and cause firms to re-invest in sponsorships that may not have otherwise continued. For this reason, qualitative approaches should also be utilized in the future to better understand other factors that may play a role in the dissolution of sponsorships.



Costs are an important consideration for any marketer. Rising costs have been noted by brand marketers as a reason why sponsorship investments have ended. For example, it has been noted that the increased media commitment required by ESPN in its new agreement to broadcast college football bowl games was a factor in the decision by FedEx to end its title sponsorship of the Orange Bowl, a sponsorship that had lasted for 21 years (Talalay, 2010). However, for the contexts in this study it was not possible to isolate the potential influence of rising costs. While the total revenue earned by the IOC for each TOP sponsorship period (and therefore the average amount paid by each sponsor) is known, it was not known exactly how much each individual sponsor paid for each sponsorship. Future research should utilize the limited number of contexts for which the amount paid by the sponsor is publicly available, so the potential influence of this important variable can be measured.

In addition, given that this study was designed to analyze the duration of sponsorships involving both publicly-owned and privately-held firms, it was not possible to analyze whether the financial performance of the firm was predictive of sponsorship. The effects of several measures of firm financial performance, such as cash flow (e.g., Pruitt et al., 2004), market value (e.g., Mazodier & Rezaee, 2013), and market share (e.g., Cornwell et al., 2005) have been investigated as part of research to determine their influence on sponsorship performance (in the form of stock prices for sponsoring firms). However, these measures are not available for privately-held corporations. Future research should isolate subsets of sponsorship programs to determine if the aforementioned measures of financial performance influence decision-making related to the continuance or dissolution of sponsorships. It is expected that positive increases in measures such as cash flow or market value should result in a reduction in the hazard for sponsorship dissolution, but this theory has yet to be tested empirically.

Despite these limitations, the future applications of the methodological approaches utilized in this study are intriguing. These approaches can be applied to any sponsorship, and the methodology is robust to the inclusion of partnerships still ongoing. This flexibility should pave the way for this study's methodologies to be utilized across many other contexts, including other global or national sponsorships such as official status sponsorships of sports leagues (e.g., Cornwell et al., 2005) or naming rights sponsorships of facilities (e.g., Clark, Cornwell, and Pruitt, 2002). Given that the two contexts utilized in this initial application of EHA approaches to sponsorship are global in nature, it is not yet known whether these results are generalizable to sponsorships of a local nature. Examining the sponsorships of individual organizations, such as F1 Racing teams (e.g., Jensen & Cobbs, 2014) or rugby teams (e.g., Kruger et al., 2014) could also help confirm the potential influence of the team's on-field performance on the dissolution of sponsorships. Thus, this limitation of the current study reveals another important area of future research.



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Table 1.  
*List of event host and sponsor home countries*

Event	Sponsor	Firm(s)	
Host Countries	Event(s)	Home Countries	
Australia	2000 Summer Olympics	Brazil	Oi, Seara
Brazil	2014 World Cup	Canada	Manulife
Canada	1988 Winter Olympics,	China	Acer, Lenovo, Yingli
	2010 Winter Olympics	France	Atos
China	2008 Summer Olympics	Germany	Adidas, Deutsche Telecom,
France	1992 Winter Olympics,		Opel
	1998 World Cup	Greece	Metaxa
Germany	2006 World Cup	India	Bata, Satyam
Greece	2004 Summer Olympics	Italy	Alfa Romeo, Cinzano,
Italy	1990 World Cup,		Iveco, Vini d'Italia
	2006 Winter Olympics	Japan	Bridgestone, Brother,
Japan	1998 Winter Olympics,		Canon, Fujifilm, Fuji Xerox,
	2002 World Cup		JVC, Panasonic, Ricoh,
Mexico	1986 World Cup		Seiko, Sony, Toshiba
Norway	1994 Winter Olympics	Netherlands	Philips
South Africa	2010 World Cup	South Africa	MTN
South Korea	1988 Summer Olympics,	South Korea	Hyundai-Kia,
	2002 World Cup		Korea Telecom/NTT,
Russia	2014 Winter Olympics		Samsung
Spain	1982 World Cup,	Switzerland	Swatch Group/Omega
	1992 Summer Olympics	United Arab Emirates	Emirates
U.K.	2012 Summer Olympics	U.K.	Castrol
U.S.	1994 World Cup,	U.S.	3M, Anheuser-Busch,
	1996 Summer Olympics,		Avaya, Bausch and Lomb,
	2002 Winter Olympics		Coca-Cola, Dow,
			Energizer, FedEx, GE,
			Gillette, IBM,
			John Hancock, Johnson and
			Johnson, Kodak, Mars,
			Mastercard, McDonald's,
			Procter & Gamble,
			RJReynolds, Time, Inc.,
			UPS, U.S. Postal Service,
			Visa, Xerox, Yahoo!



Table 2.  
*Descriptive statistics for independent variables*

Predictor Variables	Expected Sign	Count Measure (%)	<i>M</i>	<i>SD</i>	Min, Max
<i>Sponsor Home Country Economic Conditions</i>					
Inflation	+	Cont.	2.84	2.56	-0.67, 22.32
GNI Per Capita	-	Cont.	2.03	2.08	-12.63, 11.58
<i>Property-Related</i>					
Population – Future Host*	-	Cont.	18.77	0.78	17.73, 21.05
GDP – Future Host*	-	Cont.	7.88	0.99	5.66, 9.37
Country Risk Index	+	Cont.	0.70	0.15	0.46, 0.89
Event in Home Country	+	Binary	38 (19.1%)		
Sponsorship Clutter	+	Cont.	11.73	1.81	9, 15
<i>Firm-Related</i>					
Congruence	-	Binary	116 (58.3%)		
Stability of Leadership	+	Binary	94 (47.2%)		
Brand Equity	-	Binary	118 (59.3%)		
Public Corporation	Control	Binary	173 (86.9%)		
N. American Corporation	Control	Binary	104 (52.3%)		

Note: Expected sign refers to whether the variable was expected to increase or decrease the hazard rate of event occurrence. Therefore, a positive sign indicates that the variable should increase the hazard of the sponsorship ending, whereas a negative sign should decrease the hazard of the sponsorship ending.

\* Exponential log of populations and GDP utilized

Sources: WorldBank.org, Dow Jones Factiva, PRS Group, Olympic.org, Fifa.com



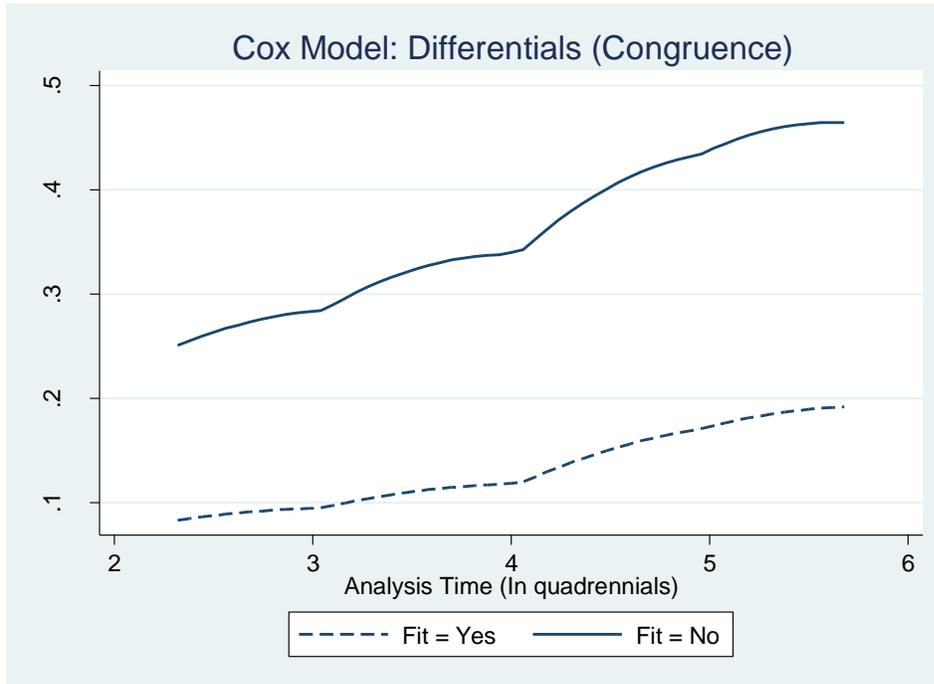
Table 3.  
*Hierarchical regression modeling results*

Predictor Variables	Model 1	Model 2	Model 3	Model 4
Sport (FIFA vs. TOP)	1.64 (.57)	1.42 (.51)	0.73 (.39)	0.68 (.41)
<i>Sponsor Home Country Economic Conditions</i>				
Inflation		1.17* (.09)	1.32** (.12)	1.28* (.14)
GNI Per Capita		1.20 (.10)	1.16 (.11)	1.18 (.11)
<i>Property-Related</i>				
Population – Future Host			0.88 (.40)	0.86 (.44)
GDP – Future Host			1.42 (.55)	1.37 (.60)
Country Risk Index			0.21 (.42)	0.49 (1.06)
Event in Home Country			1.76 (.82)	1.19 (.62)
Sponsorship Clutter			1.52** (.21)	1.47* (.24)
<i>Firm-Related</i>				
Congruence				0.29** (.14)
Stability of Leadership				0.89 (.38)
Brand Equity				0.34* (.16)
Public Corporation				0.64 (.38)
N. American Corporation				0.74 (.35)
Log-likelihood	-93.93	-89.87	-83.56	-72.88
Wald $\chi^2$	2.09	6.96*	10.80	18.16**

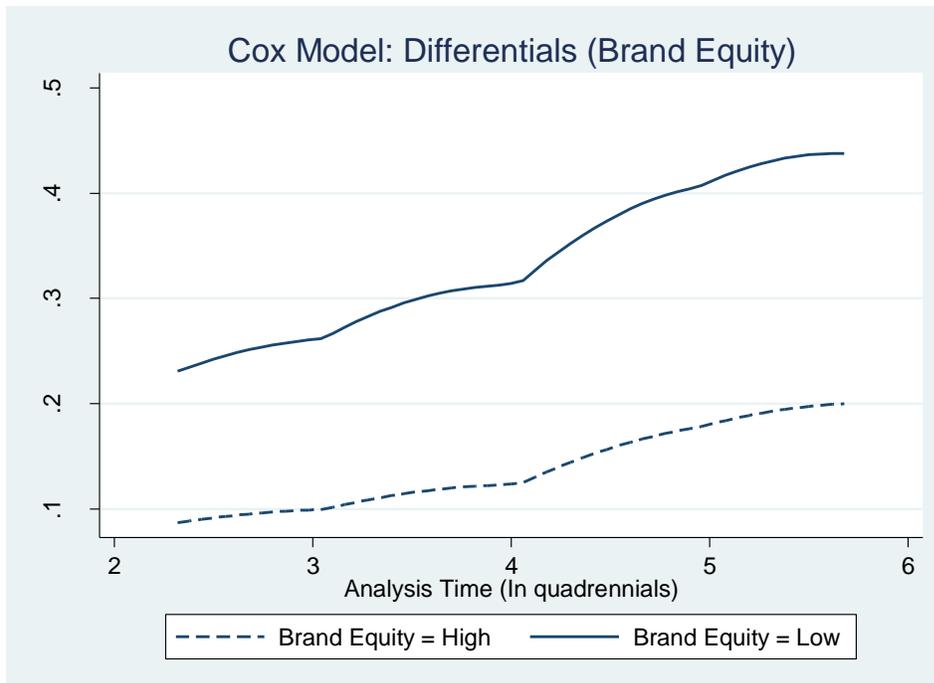
Results from Cox model, with exact discrete approximation for handling ties.

Coefficients expressed as hazard ratios, standard errors in parentheses.

\* p < .05; \*\* p < .01



A



B

Figure 1. Graphs of smoothed hazard functions featuring differentials for congruence and brand equity