Exploring Market Orientation and Satisfaction of Partners in the Sponsorship Relationship

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Abstract

In an empirical study of both sides of the sponsorship dyad, a number of key antecedents to sponsors' renewal intentions were examined. The study involved all sponsors and clubs of a leading Australian sport property. Sponsors' market orientation was found to be a positive factor: it influenced non-economic satisfaction which, in turn, determined sponsors' renewal intentions. On the other hand, and as expected, properties' market orientation exerted a negative influence on economic satisfaction as well as, more directly, on renewal. Unlike non-economic satisfaction, economic satisfaction did not explain sponsors' renewal intentions. The results are discussed in relation to sponsorship and more broadly in relation to other marketing relationships.

Keywords: Sponsorship, renewal, market orientation, economic and non-economic satisfaction

1. Introduction

Overlooked in the business-to-business literature, the relationship that develops between a corporation and sport organization as the result of the investment in sponsorship provides a unique context to expand our understanding of the drivers of inter-firm performance. Now commonly referred to as a long term partnership or alliance (Meenaghan 1998; Mason 1999; Pritchard 2001; Chadwick 2002, 2005; Draulans, Deman and Volberda 2003; Grant and Baden-Fuller 2004; Hoang and Rothaermel 2005), there is evidence to suggest that the sponsorship relationship functions more as a unilateral arrangement where the 'sponsor' pays a fee for the right to align its reputation with a sport as part of its marketing or corporate strategy, and then assumes the risk and responsibility to make this happen (Farrelly and Quester 2003b; Zyman 2001). Asymmetry of this nature can be a critical impediment to value generation and continuance within inter-firm partnerships (Chen and Chen 2002).

A market-orientated organization is expected to be market driven in all its activities and with all consumer or stakeholder groups. And despite a few dissenting views (e.g. Henderson 1998, Harris 2001), the literature suggests that 'more is better' when it comes to market orientation, and that market orientated firms are likely to outperform their less market driven counterparts (Greenley 1995; Matsuno, Mentzer, and Ozsomer 2002; Noble, Sinha, and Kumar 2002; Im and Workman 2004). However in the light of the potential for asymmetry described above, the question arises as to whether sponsors or sport organizations do, or indeed should, exhibit a level of market orientation with their sponsorship partner commensurate with other stakeholder groups. The dyadic research reported here seeks to explore this question by examining sponsor and sport property market orientation in relation to the sponsor's ultimate decision to renew, directly as well as via the mediating effects of economic and non-economic satisfaction.

Commonly used in the sponsorship literature, the term 'property' refers to any organization (e.g. the IOC, the NFL, the New York Yankees or Manchester United) with which a sponsor formally aligns itself as part of its marketing or corporate strategy. Surprisingly, research to date has largely ignored the relationship between sponsor and property. This is despite the fact that sponsorship now accounts for over 50% of total revenue generated by some major international sports organizations (Burton 2003; Chadwick 2005), thus making it fundamental to their viability. This also ignores the increasing tendency for sponsors to use related investments as a platform for entire brand (and sometimes corporate) positioning (Cornwell and Maignan 1998). Sponsorship is now often a key part of international and global marketing strategy. Nike has used sponsorship as the centerpiece of its international marketing strategy to forge a link with soccer, the most popular sport in the world. Described as a "strategic necessity", its 13 year plus $US500 million dollar sponsorship of Manchester United (Farrelly, Quester and Greyser 2006) was put in place to attain brand authenticity in the UK and Europe where soccer is the number one sport (O'Malley 2002), and where this type of high exposure relationship was vital to challenging Adidas, a company with over 50 years' involvement in the region.

In this study, we seek to determine key drivers of the sponsorship relationship including Market Orientation and Satisfaction, and to elucidate how these may explain the success of sponsorship, as measured by sponsors' decision to renew the contract. Our contention is that an understanding of the antecedents of sponsors' renewal intentions should include the degree of market orientation displayed by the sponsor and property, as well as the level of economic and non-economic satisfaction experienced by the sponsor. To examine this question, we develop a predictive model of sponsorship renewal and provide preliminary empirical evidence of its validity.

2. Market Orientation and Sponsorship

There is now a substantial body of literature demonstrating the positive effects of market orientation on the provision of superior customer value, and this has been extended more recently to include inter-organizational exchange (Siguaw, Simpson and Baker, 1998; Steinman, Deshpande and Farley 2000; Langerak 2001; Helfert, Ritter, Thomas and Walter 2002; Siguaw, Baker and Simpson 2003; Dekker 2004). However, and as noted by Sanzo, Santos, Vasquez and Alvarez (2003), little effort has been made to use non-financial performance indices when examining the effects of market orientation in the inter-firm context (Slater and Narver, 2000; Geyskens and Steenkamp 2000).

Many studies of market orientation have examined business performance outcomes by traditional financial metrics (e.g. Greenley 1995; Appiah-Adu 1998; Harris 2001), despite the fact that such financial indices may not capture the comprehensive nature of market orientation nor exhibit its total effect in the short term. For example, a time lag between cause and effect has been suggested as one critical source of the mixed evidence concerning the positive impact of market orientation (Greenley 1995; Pelham and Wilson 1996; Appiah-Adu 1998).

In the sponsorship context the accurate assessment of value is notoriously difficult making the question of financial outcomes a very delicate one. To enhance our understanding of the effects of market orientation on sponsor/property business performance, therefore, we adopt a broader view. Consequently, a variety of indicators are included in our analysis, namely economic and non-economic satisfaction as well as intention to renew.

3. Economic and Non-Economic Satisfaction in Business Relationships

Satisfaction has been defined in the business-to-business context as the global evaluation of relationship fulfillment by the firm (Dwyer and Oh 1987), or as the positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm (Frazier, Gill and Kale 1989; Gaski and Nevin 1985). In a similar vein, sponsors' satisfaction can be defined as their global evaluation of the relationship binding them to the properties they sponsor.

Early work by Dwyer (1980) and Ruekert and Churchill (1984) established satisfaction as critical to the under-