Sponsorship as a Bilateral Relationship: the benefits of applying relationship marketing principles in the sponsorship exchange

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**Abstract** An understanding of the workings, management and implications of sponsorship relationships, is becoming increasingly important to all arts administrators, in times of dwindling government assistance, and keener competition for audiences. Sponsorship research suffers from a lack of a suitable theoretical underpinning to assist operators in its understanding. Much is written about the practicalities of sponsorship, but it is largely in a theoretical void. This paper is an attempt to provide a theoretical framework for understanding arts sponsorship, based on relationship marketing and networking principles. It argues that both sponsor and sponsee would benefit from an understanding of relationship marketing principles when instigating, managing and even terminating a sponsorship exchange. The key argument is that by following the principles of relationship marketing, a sponsorship exchange will become a long-term "win-win" situation for both parties.

**Biography** Beverley Thompson's academic background is in Economics and Marketing, with previous experience in the pharmaceutical and marketing research industries. She has lectured at several universities in Australia and at Bristol Polytechnic UK, and is currently a lecturer in the School of Marketing and International Business at the University of Western Sydney. Her publications have been in the areas of cultural labour practices, arts marketing and sponsorship.

**Introduction**

*Sponsorship for Company B is like a pleasurable three-step dance:*

*Their support helps our shows*

*Our shows touch our people*

*Their people become our people*

*And in the words of Cloudstreet, the shows become “all of us’s”.*

(Neil Armfield, Artistic Director, Company B Belvoir Theatre quoted in Australian Business for the Arts 2002).

The Neil Armfield quotation, above, aptly sets the context for this paper, the core argument of which is that sponsorship is not simply a donor-recipient relationship but a mutual support system in which both parties benefit. While this principle might apply to sponsorship in all domains - sport, television, charities - the paper argues that it applies particularly to the arts, which is why all involved in fund-raising in the arts must be fully cognisant of relationship management and be prepared to take a bilateral perspective. Furthermore, arts managers must be familiar with sponsorship relationships being established by their sponsorship rivals in other domains, so that arts organisations can promote their cause on a ‘maximise their strengths/minimise their weaknesses’ (SWOT) basis.
This paper is set in the context of the performing arts industry in Australia, which is becomingly increasingly dependent on non-Government sources of funding, making all forms of fund-raising (especially sponsorship) critical to the survival of most performing arts organisations (Souter and Close 1997). The environment has also necessitated the adoption of a greater marketing orientation by most arts organisations as they have had to place more emphasis on attracting consumers (subscribers, single-ticket buyers, patrons), rather than concentrating solely on production (performances, exhibitions and works) (Kotler and Scheff 1997). A marketing orientation is necessary on both sponsor and sponsee sides of the relationship. The paper draws on elements of relationship marketing theory and network analysis to help develop a theoretical framework that aids in the understanding of the bilateral sponsorship relationship. The paper sets out to:

1. To better understand the nature of the sponsor-sponsee relationship, and to define areas of mutual benefit, and deficit, in order to prescribe ways in which sponsorship relations can better be developed and enhanced.

2. To place arts sponsorship relationships in the theoretical framework of relationship marketing and networking, and to provide a foundation for enhancing understanding of these critical relationships.

The Dimension of Sponsorship

Sponsorship involves a relationship or exchange between two entities, which differs from other business-to-business relationships in that the elements of the exchange are not always definite. At one extreme, sponsorship may essentially be equated with patronage (Calderon-Martinez et al. 2005), while at the other extreme a sponsorship may involve a joint sharing of resources between two entities with no clear-cut donor-recipient roles specified (Thompson 2004). There are various combinations in-between. In general, sponsorship relations are moving further and further away from the donor-recipient position, towards a more relationship-oriented one, where mutual sharing of relative expertise and resources is becoming the norm (Harvey: 2001). In many Western countries, including Australia, this shift has been exacerbated by reductions in Government assistance to the arts, requiring many arts organisations to become more self-sufficient, through the adoption of an increased marketing-orientation, in which the development of sponsorship relationships is a critical component (Souter and Close 1997). Likewise, many corporations have had to learn how to sponsor, with some sponsoring organisations viewing a sponsorship arrangement as simply paying the fee, then awaiting outcomes.

The sponsorship literature has largely been derived from sport as a sponsee activity (Farrelly and Quester 1997). Some contrasts between sports and arts sponsorship have been provided (Witcher et al. 1991; Crowley 1991) as have expositions of cause-related marketing (Meenaghan 1998). Sponsorship as a communications tool is increasing in popularity, often at the expense of conventional advertising (Grimes and Meenaghan 1998).

Precise statistics on sponsorship expenditure are difficult to derive. Two international bodies that provide sponsorship research and analysis are IEG (International Events Group) and SRI (Sponsorship Research International). IEG claims that sponsorship is the fastest growing form of marketing investment in the world, growing from $US4 billion worldwide in 1990 to $US20 billion in 2000 (Pickett, 2005). Similarly Lloyd also quoting IEG figures says that, worldwide, sponsorships had reached $US17.4 billion in 1998 (Lloyd 2000), while Triopodi et al. suggest worldwide sponsorship was $US25 billion in 2000 (Triopodi et al. 2003). Lloyd suggests that sponsorship of the Sydney 2000 Olympics totalled in excess of $US1.4 billion (Lloyd 2000).

Further expenditures on “leverage” are estimated to double the figures paid for the
initial sponsorship rights (Quester and Thompson 2001). Leverage constitutes additional advertising and promotion of the sponsorship, usually by the sponsor, to ensure that a wider audience is informed of the sponsorship. It is this expenditure on leverage that starts to move sponsorship away from the arena of philanthropy towards its usage as a promotional tool in its own right. The modern day corporate sponsor is certainly not a silent benefactor!

The Federal Government and Arts Funding in Australia

During the 1990s the Coalition Government and the Australia Council made clear their philosophy that arts organisations could not expect to survive on Government grants. An increased degree of self-sufficiency would be expected on the part of arts organisations and they would need to adopt a marketing orientation. The Federal Government, however, was prepared to aid this self-sufficiency process. The Australia Foundation for Culture and the Humanities was founded in 1995. Its objectives were to increase individual and corporate support for the arts, culture and the humanities. Beginning in 1998, there was an extensive period of consultation with business and cultural organisations over the Foundation's direction and objectives. In May 1999 the Business Leaders Cultural Forum was held, at which business leaders committed to the business arts partnership approach. From 1999-2000 the Foundation recruited many of Australia's leading business people to be Councillors with the mission of advocating support for the arts. The inaugural Council meeting was held in Melbourne on 2 August 2000. The Foundation, rebranded as the Australia Business Arts Foundation, was launched by the Prime Minister John Howard with the objective of increasing private sector arts funding (http://www.abaf.org.au/welcome.html). AbaF is a Commonwealth body, operating at arm's length from the Government. It is supported by the Commonwealth through the Cultural Development Program of the Department of Communications, Information Technology and the Arts. AbaF works with both business and the cultural sectors, with the aim of bringing benefits to business, arts organisations and the Australian community (http://www.abaf.org.au/welcome/history.html).

Because the underlying ethos of AbaF is to develop, build and nurture relationships between arts organisations and businesses, it is of course very interested in sponsorship of the arts and, as such, has provided some useful analyses and guidelines for both sponsors and sponsees. One of AbaF's roles is to educate sponsors and sponsees in successful relationship management. AbaF has produced numerous reports documenting the state of corporate funding in the arts. In particular, the findings of a 2002 report entitled Business Support for the Arts in Australia: Recent Developments and Future Directions (AbaF 2002) are extremely pertinent and so need to be reported in some detail here.

The AbaF 2002 Findings on Arts Sponsorship in Australia

The AbaF 2002 report provides the following overview comments in relation to business support for the arts:

- Business support for the arts has increased substantially over the last five years;
- Most businesses supporting the arts receive benefits in return;
- Business support makes a crucial difference to the quantity and quality of arts in Australia;
- There is much scope for increasing business support for the arts;
- AbaF is facilitating the matching of potential/actual sponsors and sponsees.

The AbaF 2002 report further suggests that, in particular, sponsorship aids arts organisations by:

- Enabling the successful day-to-day running of arts and cultural organisations;
- Allowing arts and cultural organisations to expand substantially their operation;
Improving the reputation and raising the profile of arts and cultural organisations;
Enabling arts and cultural organisations to make long-term plans;
Providing access to the arts for a greater number of people;
Enabling arts organisations to take their work to remote and regional communities;
Funding arts and cultural projects for young people and disadvantaged groups.

Another dimension analysed in the AbaF 2002 report was that of the sponsoring organisation. The report suggested that sponsorship aids sponsoring organisations by providing benefits:

- To the community which attract social approval (Corporate Reputation);
- That are tailored to a business' needs and objectives;
- That are multiple, i.e. different units of the company benefit from the partnership;
- That are measurable (of the businesses that had established or renewed partnerships in the arts in the last three years, 75% nominated identifying and valuing the benefits as the most important challenge a cultural sponsor has to meet).

In examining why more business support for the arts is not forthcoming, the AbaF 2002 report presented a number of commonly expressed misconceptions or myths as follows:

- There are few benefits associated with supporting the arts;
- Arts sponsorships are short-term, one-off events only;
- There are few prominent brand exposure opportunities in the arts;
- Arts and cultural events offer little opportunity for consumers to experience a product as part of an enjoyable event;
- The reach of the arts is small relative to the reach of television and sports events;
- The community views arts organisations as exclusive and too serious - not a useful image with which to align;
- There is a lack of community goodwill towards the arts compared with community attitudes to health and environmental issues.

Finally, various studies have also revealed that there remains huge scope for fostering increased support for the arts because:

- The proportion of businesses currently supporting the arts appears to be small;
- Many businesses have not yet considered or have not yet been approached to support the arts;
- Some businesses still do not understand the benefits of arts partnerships;
- Sports and recreational organisations still receive nearly ten times more business support than arts and cultural organisations. The ABS Generosity of Australian Businesses survey (ABS 2001) found that in 2000-2001, businesses provided $628 million to sports and recreational organisations while arts support was approximately one ninth of this amount.

Given the above overview, this paper seeks to examine the linkages between sponsee and sponsor inherent in the AbaF findings. This task will involve considering the nature of the sponsorship relationships experienced by arts organisations, in order to better understand the nature of the elements and dynamics of such relationships. The challenge for all individuals and organisations concerned with arts funding, is to build on the positive attitudes towards sponsorship and to help promote the value to businesses of providing assistance to the arts. Kotler and Scheff (1997) advise that corporations can serve their own strategic goals by teaming up with arts organisations. They suggest that the enrichment of a community in which the arts flourishes helps attract...
and retain highly educated and talented personnel, as well as promoting goodwill among customers, clients and employees. By supporting the arts, businesses add a human element to their corporate image and by linking with the arts organisations’ image, appeal, and customer base, they gain visibility and an enhanced profile (Kotler and Scheff 1997: 175).

The Nature of the Relationship Exchange

Sponsorship involves a relationship exchange between two entities, which often have different agendas and purposes. The sponsee, in the case of a performing arts organisation is usually registered as a not-for-profit organisation and operates in an economic environment where balancing the income-cost equation is often difficult. This involves employing quality performers, instigating relevant and interesting works, using suitable venues, and keeping up with technological developments, while needing to attract audiences (consumers) at prices competitive with other forms of entertainment. The financial operation is a fine line for many performing arts organisations in a typical season, when a number of factors can interplay to reduce earnings and increase costs. Such a situation was reported in the Australian media in 2004 when The Sydney Dance Company faced a difficult season as the staging of several innovative and relatively expensive works coincided with lower audience demand, one explanation being audience-competition from international productions such as The Lion King, and Cirque de Soleil (www.smh.com; 22/9/2004). While government contributions assist a selection of arts organisations, most rely on assistance from sponsorships to facilitate their survival and development.

The sponsor, on the other hand, may enter a sponsorship relationship, for a number of different reasons (Farrelly and Quester 1997; Thwaites 1995). A general consensus is that arts sponsors tend to seek image rather than market objectives with an emphasis on relationship-enhancing with the wider community (Quester & Thompson 2001). Sports sponsors, however, are generally believed to be seeking more specific audience reach, brand and product awareness, and media exposure (Marshall and Cook 1991).

The critical issue is that sponsorship involves a relationship or exchange that differs from other business-to-business relationships. Elements involved in the exchange process are often less tangible than those in a conventional business exchange process, where tangible goods or services are exchanged for money, or bartered. The process represents a net utility gain for both parties. In a sponsorship relationship, the elements of the exchange are not always so definite. At one extreme, sponsorship is essentially just patronage - whereby one entity provides another with assistance, to ensure the ongoing operation of the recipient entity, and asks for nothing in return. At the other extreme, a sponsorship may involve the sharing of resources between two entities with no clear-cut donor-recipient roles (Calderon-Martinez et al. 2005). Such an arrangement is the Sydney Swans-Bangarra Dance Theatre "Cousins" relationship, whereby the sporting and a cultural bodies provide mutual support programs for their indigenous constituents (Thompson 2004). In the middle are an array of positions which embrace a range of sponsorship agreements whereby sponsors would expect some public recognition that their brand is aiding another (usually non-profit) entity.

The distinction between philanthropy, patronage and sponsorship is not always clear-cut. In general, most sponsorship relationships are becoming less philanthropic (donor-recipient) and more commercial (relationship-oriented) with mutual sharing of relative expertise and resources becoming the norm (Thwaites 1995; Witcher et al. 1991). Collins believes that with sponsorship, the mutuality of benefits is more likely to be specifically stated as an objective from the outset of the relationship (Collins 1993). Walliser, in an international review of sponsorship research, noted that although sponsorship definitions differ from country to country, agreement exists when it comes to distinguishing sponsorship from corporate philanthropy, patronage, corporate giving and product placement (Walliser 2003).
So - What Exactly is Sponsorship?

The search for an enduring definition of sponsorship tends to reflect the historical progression of the sponsorship entity from its philanthropic origins, towards a more business-based relationship backed by legal agreements, definitions of property rights, returns-on-investment and the exploitation of a mutually beneficial relationship (Cornwell 1995; Townley and Grayson 1984). A definition of corporate sponsorship that captures the relationship aspect well is one offered by (Tripodi 2001) which although written in the context of sport, nonetheless is useful for understanding in the current arts context. I have substituted the word "arts" in the definition below for the word "sports":

Sponsorship is the provision of assistance by a commercial organisation (sponsor), in cash or kind, to an arts property (sponsee), in exchange for the rights to be associated with the arts property for the purpose of gaining commercial and economic advantage. (Tripodi 2001 98)

The Tripodi definition is really applicable to sponsorship of sport, arts or humanitarian causes, each of which is thought to provide a unique relationship with a business sponsor. It has often been argued that sports sponsorship is more blatantly commercial than sponsorships associated with the arts (Burridge 1989), where some degree of gentility is still thought to exist through "philanthropy aligned with profit motives" (Shanklin and Kuzma 1992; Varadarajan and Menon 1988). The popularity of sports sponsorship increasingly is being enhanced by the opportunities for exposure offered by modern communication technologies, and by its ability to reach certain advertising-resistant segments, such as young males, or multicultural segments (Marshall and Cook 1991; Thwaites 1995). In comparison, the arts, while being recipients of a smaller share of sponsorship and having a lower-key media profile, does offer valuable sponsorship linkages to segments which are often more affluent, better educated and older (Quester & Thompson 2001).

The modern sponsorship relationship has in most cases moved well away from the philanthropy position, to being more of an exchange (Thompson 2001). It is now useful to consider in some detail the nature of this exchange by asking who gives and gets what?

Who Gives and Gets What?

Following Tripodi’s definition, above, the sponsee is usually the recipient of an input by the sponsor “in cash or kind”. Discussions with most arts organisations indicate that cash investments are usually most welcome, because they offer total flexibility to determine how the funds might be utilised. Funding may cover a range of functions, such as salaries of artists, building maintenance or other infrastructure expenses, special exhibitions, employment of theatrical expertise, such as a directors or producers, production costs, such as costumes and scripts, or administration costs. In-kind sponsorships, or contra, involve the sponsoring organisation providing goods or services which are part of its business portfolio. In sport, contra sponsorships saw companies such as Nike provide uniforms for teams competing at the 2000 Olympics. In the arts, in-kind sponsorships often involve the provision of accommodation by hotel chains to artists and arts workers, and the wine to be served at interval by wine companies, professional services by legal or accounting firms, and/or free or subsidised advertising by media companies.

In return for the offerings of a sponsor, the sponsored entity usually has to commit to an exchange of offerings from its portfolio of expertise. Such offerings might include providing reserved corporate seating at performances, conducting corporate training workshops , or serving fully catered banquets at the performance venue. In addition,
an ideal sponsorship exchange may require the sponsored entity to produce an offering that fits with the image of the sponsoring organisation, in a synergistic manner. This synergy can then be exploited through sponsor advertising which relates positive aspects of the sponsored organisation with the image desired by the sponsoring organisation.

The benefits flowing to the sponsee in the sponsorship equation are usually very obvious, and, in many cases represent the lifeblood of a sponsored organisation, without which "the show would not go on". In the case of arts organisations, costs of production and maintenance are ever-increasing. Without subsidies from sponsors, ticket prices would most likely rise. Consumers, therefore, are also beneficiaries in the sponsorship arrangement.

But, what about the sponsors - why do they embark upon a sponsorship agreement and what do they gain in return for their outlay? Quester and Thompson (1999) used exploratory research to determine reasons why corporate entities sponsored Australia’s best-known arts festival - The Adelaide Festival. Reasons cited in this research included:

- Enhancing their corporate image to society;
- Increasing awareness in specific target markets of their product/service;
- Presenting an image of a strong national/international corporate presence;
- Creating a public perception of ‘giving something back’ to society via the arts;
- Ensuring a perception of a corporate image to match that of a strong competitor;
- Enhancing ‘trust’ among the public/consumers;
- Promoting practical aspects of a product;
- Positioning or repositioning in relation to competing corporations or products;
- Political motives;
- Seeking advertising that differs from conventional advertising.

Although probably not a comprehensive list of the reasons why sponsors sponsor, it nonetheless goes some way towards providing a rationale for the investments made via sponsorship, and makes clear the fact that a sponsorship relationship is indeed an exchange, and not merely a form of benevolence. Sponsorship is a critical communications tool, and an essential component of an organisation’s promotional mix, with a role to play in conveying an image or an implied message to a target audience (Thompson 2001).

Having ascertained that both sponsor and sponsee parties have much to gain from embarking on a carefully planned, synergistic sponsorship relationship, it becomes apparent that sponsorship is, in fact, a form of relationship marketing, and that both sponsoring and sponsored organisations could benefit from understanding the principles of this paradigm. Although concise evaluations may not be possible for relationships in general, or for sponsorships in particular, it is generally conceded that such relationships can offer an organisation some degree of competitive advantage. Dyer and Singh outline the sources of competitive advantage emanating from relationships as being: relationship-specific assets; knowledge routines; the benefits of complementary resources and knowledge; and lower transaction costs because the relationship eliminates the need for checks (Dyer and Singh 1998). They further argue that if an advantage is to be developed and sustained in a relationship, "a certain mystique" should identify the relationship, thus making emulation difficult. The recognition being that the nature of business relationships is the underlying key to the relationship marketing paradigm. This will now be examined in more detail.

**Strategic Marketing Relationships**

*Relationship marketing* and *strategic marketing relationships* have become the nexus of what amounts to a new paradigm for the current study of marketing. Pioneering work compared the traditional stimulus-response model of exchange (supply and demand or
the marketing mix ethos) with systems recognising the value of “relationships” and ultimately “networks” (Hakansson and Snehota 1995; Johanson and Mattsson 1993; Cook and Emerson 1978). Recognising that transactions are not isolated events, the relationship marketing advocates such as Blau, introduced social exchange theory into the world of business and economics (Blau 1964). This paradigm recognised that business relationships are not unlike human relationships. They take time to initiate and develop gradually as the parties become more familiar (Wilkinson and Young 1994). Such relationships eventually reach a period of consummation epitomised by a certain level of trust and commitment and sometimes the recognition that a relationship must be terminated (Low 1996). A relationship marketing ethos sees exchange as being characterised by collaboration and co-operation rather than conflict and confrontation, by joint involvement of particular rather than unilateral action, and by interdependence rather than independence (Donaldson and O’Toole 2002).

Vary notes that traditional marketing thought has been prejudiced in favour of the benefits of competition, while excluding collaboration as an inhibiting force (Vary 2002). As such, the consumer has been viewed as a passive and receptive object to be acted upon through market interventions. Relationship marketing, however, views the consumer as a highly active agent who acts productively on the basis of personal motivations. As a result, the exchange between two business entities is not based solely on the transaction, but on the relationship-building and understanding necessary to facilitate a series of ongoing transactions.

The same principle applies to a sponsorship relationship, in that a successful sponsorship is not simply an injection of funds for an event or a season, but the development of a mutual understanding of the values and needs of both parties in the bilateral relationship, with a view to maximise the mutual goals of each party. A successful sponsorship relationship, therefore, can benefit from seeking to contain values prescribed by Gummesson (1999) as follows:

- long-term collaboration for mutual value creation;
- all parties recognised as active;
- relational and service values (discarding of bureaucratic-legal practices in favour of recognition and utility of mutual assets).

**Relationship Models - and Sponsorship**

It is now useful to consider the role of sponsorship relationships in the context of several generic relationship models, or in the more encompassing networking models. Initial marketing strategists, such as Porter (1980) took a rational approach to strategy. Porter believed that a business is positioned, and its direction decided, by the company’s management after consideration of its relative strengths and weaknesses and the opportunities and strengths confronting it. He argued that this led to a conclusion of “survival of the fittest”. Later strategists argued that the strategic management of relationships cannot occur in isolation but must be considered as part of a network (Hakansson 1982). They see organisations as being embedded in layers of connected networks between the company and many active or passive stakeholders. This interdependence and co-operation requires a relationship strategy. It is the argument of this paper that sponsorship relationships also form part of this network - both for the sponsor and the sponsee. Yet, in considering the three following models, sponsorship relationships are mostly conspicuous by their absence.

Morgan and Hunt (1994) propose a model based on ten discrete relationships under the four sub-headings of:

- supplier partnerships (goods and services);
- lateral partnerships (competitors, non-profit organisations, Governments);
- buyer partnerships (ultimate and intermediate consumers);
In the Morgan and Hunt model it could probably be argued that sponsorship falls in the lateral partnership as a non-profit arrangement. However, this positioning implies that any sponsorship relationship would be of a donor-recipient nature, rather than a dynamic partnership offering mutual gains to both sides. Peck et al. (1999) categorise alliances as being customer markets, recruitment markets, supplier alliance markets, internal markets, referral markets and influence markets. It is actually difficult to see just how this model accommodates the sponsorship relationship.

Gummesson (1999) has identified the 30R’s of relationship marketing which have as their core:

- R1 - the classic diad - the relationship between a supplier and a customer;
- R2 - the classic triad - the drama of the customer-supplier-competitor triangle;
- R3 - the classic network of distribution channels;
- followed by special market relationships such as R11 - a customer loyalty relationship;
- mega relationships, such as R23 - the mass media relationship;
- and nano relationships - such as R30 - the owner and financier relationship.

However, in the Gummesson classification, the sponsorship relationship does not appear to be accommodated.

The lack of consideration of the sponsorship relationship in these strategic relationship models is reciprocated in the study of sponsorship models that basically preclude consideration of sponsorships in a relationship marketing context. This is a gap that would be beneficial to fill, as an understanding and application of relationship marketing principles would benefit both sponsors and sponsees as they initiate and develop meaningful sponsorship relationships that go beyond a mere donation approach.

Likewise, researchers in relationship marketing would benefit from learning more about the elements of a sponsorship relationship, as it is an unusual relationship that moves beyond the obvious supplier-customer linkage. In the following section, further principles of strategic relationships are examined, with the view to forming a degree of fusion with sponsorship application.

**Principles of Strategic Relationships**

This section of the paper adopts a text-book approach to defining many of the principles set down for effective formation, development and management of strategic relationships, and their application to the sponsorship relationship. It borrows heavily from the work of Donaldson and O'Toole (2002) who suggest that among the characteristics of organisations operating in relationship mode, developing new opportunities via partnerships and strategic alliances is of foremost importance, along with other customer-oriented goals depending on the business of the firm. A focus on being market-driven and customer-led is also important, with the relationship approach being different from the transaction approach in a number of ways. These include such aspects as customer involvement in joint planning and considering the priorities of the customer or partner often ahead of the priorities of the firm itself. As a result, it is necessary for firms to show belief in, and commitment to, their relationship with stakeholders. This ethos should apply to both sides of the sponsorship equation.

Donaldson and O'Toole (2002: 27) suggest a range of questions that should be asked at the outset of a strategic relationship by all participating parties. This paper suggests their applicability prior to the formation of a sponsorship relationship also. The strategic questions are as follow:
should parties be collaborators or competitors?
which relations are worthy of further development?
what level of commitment or investment should be made to a specific relationship?
how can we maximise the benefits potentially accruing from the relationship, possibly by making changes to our own internal procedures/structures?

In addition, participants in a prospective or actual sponsorship relationship must face the question of how much they act as donors-recipients and how much they form a strategic mutual relationship with shared social beliefs and practices, useful allocation of human and other resources, and trust and commitment. Accompanying such questions is that of the extent of the investment of resources needed to make the relationship work. Time is one such investment. One of the shortcomings of many modern sponsorships is that they are relatively short-lived. The cost of acquiring a new sponsorship partner is high for both the sponsor and the sponsee involving time spent:

submitting sponsorship applications for the sponsee, and vetting such applications for the sponsor;
in the social/business interaction usually a necessary prelude to the formation of a sponsorship relationship;
in initiating and fostering the full synergies of a successful sponsorship;
in educating consumers and other audience members on the existence and nature of the sponsorship, via logo recognition on programmes, at venues or through associated leveraging advertising.

One of the key aspects of a strategic relationship approach to business is that short-visioned plans give way to longer-term strategic planning. Donaldson and O'Toole (2002: 63-66) suggest that developing a strategy or defining the impact of a relationship on a business requires an outward orientation, which necessitates examining the resources and competencies of a partner. The principles that they advocate would also be appropriate principles to apply when formulating a sponsorship relationship, where synergy between the sponsor and the sponsee is critical. The principles espoused by Donaldson and O'Toole, and which originate from the seminal framework of the IMP (International Marketing and Purchasing) group are as follow:

Interdependence - instead of an individual focus, a relational planning scenario means working on partner outcomes and sometimes involving them in the planning process;
Longer-term horizons - co-operative relationships are characterised by long term rather than single transactions. This means that firms can maximise value over repeated interactions rather than in a single one and invest more in the initial relationship knowing that this has some longevity;
Analysing interactions with a relationship partner becomes necessary because of the assumption that ‘our success is predicated on theirs’;
Relationships may depend on mutual values - that either precede the relationship or are ‘designed’ to mirror the relationship, often reflecting an ethical stance, an environmental position or a social statement;
People and processes are two key elements in strategic relationship planning. Relationships are socially constructed - people interact with others across organisations and with consumers. The mutual human capital component of a relationship is an integral one and should be considered in planning.
Relationships are also about processes, which are combinations of products, services and other interactions, involving principles of trust and commitment, the relationship orientation of a firm, sales and customer support on customer relationship, employee satisfaction and retention, media, and financial market communications processes (Donaldson and O'Toole 2002: 65);
The final principle of relational planning is the network. A firm is embedded in a series of connected relationships, which in turn are connected to other
relationships. Analysing the total network to which a firm is part, is a task in strategic relationship planning.

Parties embarking on a sponsorship relationship would benefit from an appreciation of these strategic relationship principles. If incorporated, many sponsorship relationships would be enhanced by there being greater synergy between the two partners. This would most likely lead to greater consumer recognition of the sponsor's contribution and ultimately a sponsorship with increased longevity and depth. Such relationships would develop a deeper interaction process which is suggested would lead away from an emphasis on shorter-term episodic exchanges or one-off transactions (sponsorships) to longer term interactions of a continuous nature (Donaldson and O'Toole 2002: 66).

The dimensions of this interaction involve some consideration of the: product and service components exchanged; information exchange patterns; money transfers; communication exchanges; longer term institutional support and relationship adaptations; and analysis of repeated interaction value. These dimensions applied to a sponsorship relationship, will necessitate a consideration of many of the elements in the sponsorship relationship, by forcing questions such as:

- is our ideal sponsorship relationship based on a money or a contra contribution?
- do we interact with our sponsorship partners sufficiently?
- is our sponsorship relationship sufficiently flexible to cope with changed circumstances, such as a poor team result in the case of sport, or negative reviews in the case of an arts property?

Coupled with the necessity for knowledge of the interaction process, is the necessity for knowledge of the interaction parties (Donaldson and O'Toole 2002: 67). Such knowledge involves:

- understanding individuals (behaviours, attitudes, opinions) and being prepared to use this knowledge of consumers or audiences, in a segmentation process;
- a knowledge of the history of the parties' relationship management;
- understanding the resources and competencies of each party and the elements used in the exchange;
- and for inter-organisational relationships, understanding company size, strategy and structure is crucial.

In a sponsorship relationship, such knowledge of potential or actual partners (at personal and organisational levels) is also a necessity. It is critical in all stages of the sponsorship relationship, from the initial courting stage, through the contract development and implementation stages, and even in the closing stages. At each of these stages an analysis of the "relationship atmosphere" elements is also integral to a successful sponsorship exchange. Donaldson and O'Toole (2002: 68) suggest the following elements of atmosphere are important:

- an understanding of how power is used and the interdependence of the parties;
- an analysis of trust among partners;
- an analysis of loyalty towards company and products;
- an analysis of closeness and co-operation;
- expectations and norms in the relationship;
- an analysis of commitment to the relationship.

The relationship environment is regarded as being analogous to the political, social, technological and economic analyses that are part of a general strategic environmental analysis (Donaldson and O'Toole 2002: 68). Donaldson and O'Toole suggest that the elements necessary for consideration in an environmental analysis of a relationship (such as a sponsorship) are:
• the pace and direction of environmental change affecting a relationship;
• cultural perspectives of the relationship;
• channel issues in the relationship;
• the network dimension - the connectedness of the relationship to other relationships.

Finally, a consideration must be made of strategic relationship implementation issues, or the core dimensions in a relationship (Donaldson and O’Toole 2002: 70). The dimensions for consideration in the development and maintenance of any relationship, including a sponsorship relationship are:

• structure - organisational structural issues - of each partner and the partnership;
• staff - people dimensions of a relationship from top management down to service staff;
• style - the way managers behave influences the nature of the relationship;
• systems - such as relational measurement systems, or communications systems;
• schemes - programs that support relationship implementation, such as sponsorship hospitality programmes.

Many of the text book principles espoused by Donaldson and O’Toole, have applicability in the planning, development, implementation, management, and even the termination of a sponsorship relationship. Both sponsoring and sponsored partners would benefit from knowledge of strategic relationship principles which, in turn, would enhance the synergistic potential of such relationships, making a sponsorship a win-win situation, and not merely a donor-recipient exchange.

Conclusion

The paper commenced with a quotation from Neil Armfield, Artistic Director of Company B Belvoir Theatre in Sydney, suggesting that an immense synergy exists in a successful sponsorship relationship. As in the play Cloudstreet where neighbourhood members united for their common good, sponsorship should create a sense of sharing and mutual gain that goes beyond the legalities of the sponsorship agreement. Sponsorship involves a bilateral relationship with mutual benefits for both sponsor and sponsee. However, the paper noted that despite a plethora of literature discussing sponsorship practicalities and methodologies, advantages and disadvantages, concrete theoretical development of these relationships is still lacking. To fill this gap, this paper examines sponsorship in the context of relationship marketing, networking and strategic marketing relationships.

Sponsorship is a somewhat unconventional business exchange. Although the contract can stipulate quite accurately the sponsor’s contribution in terms of cash or kind, the quantity and quality of the return to the sponsor is less of a certainty, and will be affected by many factors, such as quality of performances (arts and sport), audience appreciation, societal relevance, advertising leverage and other factors. The paper suggests that much sponsorship has been organised on a conventional transaction basis, with short-term goals and contracts, rather than on a relationship marketing basis, whereby the relationship is instigated, developed and nurtured on a long-term basis. This situation perhaps began to change in the arts in Australia with changes to Government funding in the 1990s, and the associated formation of Australian Business for the Arts Foundation (AbaF) to foster relationships between arts and business organisations. AbaF has instigated several useful studies, the findings of which provide an overview of the arts sponsorship situation in Australia. The 2002 report indicated in summary that support for the arts was strong but could be improved and that arts sponsorship relationships aid business by enhancing their reputations and providing access to new demographic and regional segments. Arts sponsorships were found to offer businesses flexible benefits and part of the AbaF raison d’etre is to act as a matching agency between arts sponsor and sponsee. The final finding of the 2002
AbaF report was that there still exists considerable scope for improved corporate support for the arts. This was reiterated by the ABS Generosity Survey of 2001 which indicated that arts support was one ninth of the business support provided to sport in Australia.

Starting from the assumption that fostering relationships between arts organisations and business is a good thing, this paper set out to better understand the nature of the sponsor-sponsee relationship, and to provide a theoretical framework in which to place these practices. The paper takes the perspective that a sponsorship relationship is an exchange, the elements of which are less concrete than in a typical business transaction. However, a sponsorship also differs from corporate philanthropy, corporate giving, or product placement. In return for cash or in-kind support, the sponsor gains a range of benefits including free tickets to productions, corporate hospitality, and venue signage. A successful sponsorship should involve a net utility gain for both parties; but some sponsorship relationships will work better than others. The Dyer and Singh (1998) argument is worth repeating here - that if an advantage is to be developed and sustained in a relationship, "a certain mystique" should define the relationship, thus making emulation difficult. It is in trying to identify this element of success that the relationship marketing literature starts to become relevant. The recognition of the importance of business relationships is the underlying key to the relationship marketing paradigm.

The principles of relationship marketing de-emphasise the importance of the individual transaction, and instead view the overall relationship as critical. As such, this relationship is something that is in itself an investment. Care must be taken to decide with whom one commences a relationship, but once decided that the liaison is worthy of development, then resources of time, care and money are justified in order to form, nurture and harvest the relationship.

The paper presented three well-known models of relationship marketing. The Morgan and Hunt (1994) model categorised relationships four ways as supplier, lateral, buyer, and internal. I suggest in the paper, however, that although sponsorship might be viewed as a lateral relationship, it seems to advocate a donor-recipient partnership without any of the synergistic add-ons that characterise a rich strategic relationship. Peck, Payne, Christopher and Clark (1999) propose a slightly extended set of relationships consisting of customer, recruitment, supplier, internal, referral and influence markets. But once again sponsorships were not salient. Gummesson (1999) introduced the 30R's of relationship marketing which is based on a dyadic model of customer and supplier, or a triadic model also incorporating the competitor. It further considered various important relationships, such as R11 - the customer loyalty relationship. However the sponsorship relationship is not mentioned.

The paper went on to note that the failure of the relationship and networking strategists to consider sponsorship was also reciprocated in the sponsorship literature which essentially has ignored the relationship marketing linkages. Therefore, in the final part of the paper, the concept of sponsorship as a strategic relationship was examined using principally the work of Donaldson and O'Toole (2002). It starts by overviewing the range of questions that Donaldson and O'Toole suggest should be asked at the outset of a relationship. These deal with the suitability of the parties as partners and, the likelihood of the relationship succeeding and how best to cultivate it. These principles are applicable to sponsorship relationships also, as mistakes can be expensive for both parties. Donaldson and O'Toole, using the framework of the IMP group, further advocate a set of principles for carefully gauging the likely success of a long-term relationship. A successful long-term relationship will depend on aspects, such as an ability to work interdependently with partners, the recognition of mutual values, and an ability to provide mutual assistance (human and monetary). A successful sponsorship will be one where the mutual benefits to be shared are real.

Thus this paper has presented a framework of relationship marketing and strategic
relationship management that could well be applied beneficially in many arts sponsorship relationships. However, despite the need for arts organisations to be cognisant of the importance of business principles when running their operation, it must not be forgotten that the creative mission of the arts organisations must always remain paramount in any strategic relationships upon which they embark. This ethos is best summed up in the following comment from the Company B Marketing Manager in an interview with me in November 2003:

The relationship between the Company B brand and that of its sponsor, becomes most critical when the artistic process and business become intertwined. It is a delicate position. We are dependent on sponsoring businesses for our short-term financial survival. But we are dependent on our artistic stance for our creative survival, and our long-term financial survival.

References


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