



# Potential negative outcomes from sports sponsorship

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## Peer reviewed

## Abstract

While substantial literature has addressed the benefits that sponsors seek from linking with a sports property, relatively little attention has been given to the potential costs businesses risk from such relationships. This paper suggests that beyond ambushing there are eight risks companies are likely to consider. Four can be controlled relatively easily: liability exposure; insensitivity to public sentiment to changing established rules or formats, the name of a facility or team or a team's uniform; insensitivity to the prevailing societal and political environment; and opposition from workers or stockholders. Companies have less control over: poor presentation of the event; poor performance by either the sponsored team/player or the company's products if the event is being used as a demonstration platform; association with disreputable behaviour; and trauma to performers.

## Executive summary

While the academic community has invested considerable effort in analysing and evaluating the potential benefits of sponsorship to companies, relatively little work has emerged on the potential risks to companies of negative outcomes. The intention of this paper is to describe and illustrate those risks with the expectation that enhanced awareness of them will result in additional empirical investigation of the issues.

Four of the potential 'downsides' can be controlled relatively easily by sponsors. Exposure to liability risk from alleged negligence is not likely to be a concern

unless the company owns, controls or operates the event. Without this control, sponsors do not have sufficient control over the event to prevent the negligence.

Insensitivity to user sentiments and the public angst that accompanies it can be avoided by recognising it is likely to occur whenever long-standing traditions are breached to accommodate a company's needs. This frequently occurs when this involves changing a sport's rules or format, changing the name of a team or facility, or changing a team's historic uniform.



An overarching consideration is the need for companies' sponsorship decisions to be sensitive to the prevailing social and political environments. Abrogating cultural norms and values, flaunting political connections or favouritism, or ignoring public perceptions of what is expected of 'good corporate citizens' will likely lead to negative outcomes.

To maximise their benefits from sponsorship, companies usually want it to be highly visible. The downside of this is that both workers and stockholders may resent corporate funds going to a sports property rather than to them, because they view it as philanthropy. Explaining its real purpose and the expected returns from the investment to all stakeholders before signing a contract is necessary to avoid this negative outcome.

Companies have less control over the other four potential negative outcomes. Poor presentation of the event may result from its poor production, the failure of star individual performers to appear, or adverse weather. The risk of poor performance is inherent in sports, because there are winners and losers. If a brand or company is associated with a loser, it may convey connotations of failure and inferiority. Another risk of poor performance arises if a sponsorship is intended to provide a demonstration platform and the demonstration fails. In this case, a company may suffer public humiliation and negative promotion that is likely to reduce its sales.

If spectators engage in violence, or if players fight on the field, abuse officials, or engage in other disreputable behaviours, it may damage a sponsoring brand's image. The disreputable behaviour can extend to corruption within organisations that own events. Finally, there may be adverse financial or reputational consequences from being associated with high risk sports in which serious injury or death are inherent. The emerging publicity on the devastating effects of chronic traumatic encephalopathy (CTE) on brain tissue, which is prevalent in contact sports such as American football, rugby and ice-hockey, may lead to negative transfers to sponsors and cause them to withdraw

## Introduction

The essence of successful sponsorship is the exchange of mutual benefits that occur between a business and a property. While a sports organisation seeks financial investment, in-kind services and media exposure from sponsors, sponsors in exchange seek increased brand awareness, brand image transfer, a demonstration platform, hospitality opportunities, product trial and sales opportunities and enhanced employee morale (Crompton, 2014).

The almost exponential growth in sponsors' investments over the past quarter century in North America from \$1.35 billion in 1987 to \$19 billion in 2012, and its expanding global use which was valued at \$51 billion in 2012 (IEG, 2012), has led to a parallel expansion in academic interest in the phenomenon. An extensive literature has emerged that analyses and evaluates the benefits sponsors seek; explores how to optimise these benefits; and discusses the social-psychological processes by which businesses seek to appropriate or 'borrow' the image of a property and transfer it to enhance their brands' images with target audiences.

While substantial attention has been given to factors that enhance the effectiveness of sponsors' investments, relatively little work has addressed the potential 'downsides' for sponsoring companies. An article in this journal noted that: "When an organisation chooses sponsorship as a promotional strategy, it signs up to deal with the risks inherent in supporting a partner or 'sponsee'...to date, sponsorship literature has paid little attention to issues related to risk in sponsorship" (O'Reilly & Foster, 2008) even though, as a director of marketing from a TOP Olympic sponsor commented: "Sponsorships are essentially risky. So long as there is a potential halo effect, there is also a potential horn effect. If the person, group, or event you sponsor does something that makes consumers cringe, your brand may also make them cringe by association" (D'Alessandro, 2001).

In the past decade unprecedented scrutiny of sport by the media has resulted in a plethora of negative



stories emerging relating to doping, cheating, violence, crime, health risks and negative messages to youth (O'Reilly & Foster, 2008). Clearly, such stories have the potential for negative image transfer to sponsoring companies and their brands that are associated with these sports properties.

Thus, when companies sign sponsorship agreements with sports organisations, there are risks beyond the company not receiving the benefits it anticipated. Sports events are unscripted and uncontrollable, so unexpected and unpredictable outcomes occur periodically. As a consequence, there are occasions when sponsors are confronted with a calamitous negative situation. Given sport's high profile, such outcomes frequently receive prominent and widespread coverage in the media. In these cases, the sponsorship could worsen a company's existing image and reputation. The effect may be enduring and take years to overcome.

All business decision processes require that the downsides of any prospective investments be articulated. Hence, companies are mandated to review the risks and potential negative outcomes that could emerge from commitment to a sponsorship. The paucity of attention to this issue was illustrated by a review of articles published in this journal over the past ten years, since only three were identified which focused on elements of these risks (Connor & Mazanov, 2010; O'Reilly & Foster, 2008; Solberg, Hanstad & Thoring, 2010). Hence, the goal of this paper is to provide an overview of all the primary risks that companies are likely to consider: Liability exposure, insensitivity to public sentiment, insensitivity to the prevailing societal and political environment, stakeholder opposition, poor presentation of the event, poor performance, association with disreputable behaviour and trauma to performers.

An additional primary risk is ambushing, whereby a company that has no formal rights as an official sponsor, associates its own brand with a sports property with the intent of communicating the false impression that it is a sponsor. This is now widely accepted as being inevitable at major events since

non-sponsor competitive companies have the same obligation to their stakeholders as sponsors to engage in commercial activities around an event that will enhance their profitability. Ambushing has become such an established element in sponsorship that it has spawned its own substantial literature and so is excluded from this paper.

### Liability exposure

Exposure to liability risk resulting from alleged negligence at an event the company is sponsoring may be a concern but, for the most part, this fear is misplaced: "As a general rule, negligence liability presupposes that the responsible individual or agency had control over the condition which caused the injury. Consequently, there is no legal duty and subsequent negligence liability where control is lacking" (Kozlowski, 1995). Precedent case law in the U.S. in this area was established in *Vogel v. West Mountain Corp* (470 N.Y. 2nd 475, 1983). The specific issue before the court was "whether the sponsor of an athletic event, absent control, may be held liable in negligence for an injury to a participant". The court ruled that Miller Beer, which was the corporate sponsor being sued, did not have "sufficient control over the event to be in a position to prevent the negligence". On the contrary, the court found the design of the slope and supervision and control over the race was handled exclusively by employees of the ski resort.

Liability exposure increases substantially if a company's sponsorship extends to owning a facility or event. This strategy was pioneered by Red Bull which has an extensive ownership portfolio comprised of several soccer teams, a Formula One racing team, multiple extreme sports events and several stadia and arenas. In this role, Red Bull controls what happens at the facilities and events and so is responsible for any negligence at them that causes injury.

### Insensitivity to user sentiment

At the London 2012 Olympic Games, Visa had exclusive credit card rights, so non-Visa cards such



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as Mastercard and American Express were not accepted on any of the 40 Olympic venue sites by either vendors or cash machines. At all of the London Games' payment points, the Visa slogan prominently pronounced: "Proud to Accept only Visa". Visa's insistence on enforcing its Olympic payment monopoly resulted in 27 existing ATMs at the main Olympic venues being removed and replaced with just 8 machines that would accept only Visa cards to service the cash needs of up to 800,000 visitors per day. Further, no other credit cards were accepted at any of the venues, which frustrated many who did not possess a Visa card. The number of frustrated spectators increased dramatically when the Visa IT system failed on two big days. Visitors were, thus, unable to pay for refreshments or souvenirs with their Visa cards, or with alternatives and the shortage of ATMs made the cash option non-available to many. The frustration resulted in an outpouring of outrage, virulent criticism and negative publicity against Visa, exemplified by comments such as: "What did I do wrong to be banned from using my credit card at the largest touristic event in London in the past decade"; "What a terrible thing to be proud of"; and "Great work Visa, now I hate you" (Ukman, 2012).

This backlash occurred because Visa abrogated what should be a cardinal principle for guiding the actions of all sponsors: Does this action enhance the experience for our targeted audiences? The intent of sponsorship is to deepen bonds with stakeholders by supporting and enhancing the events and experiences in which they engage. If the experience is reduced rather than enhanced, then the result is likely to be increased alienation, rather than enhanced affection, towards the brand. As one of Visa's many critics observed: "If you want people to like you, give them something. If you want people to hate you, take something away from them" (Ukman, 2012).

A sponsor may incur the wrath of the public if a sports property or event changes a sport's format or rules to accommodate the company; if the company exercises undue influence on an event; if the involvement of sponsors is perceived as over-

commercialisation; or if a company is perceived to be using sport to sell products that may be perceived as detrimental to health, such as tobacco, alcohol, gambling or products high in fat, salt or sugar.

Insensitivity to users may take the form of breaching hallowed traditions. The negative backlash from replacing long-established community names on stadiums with corporate sponsor names has illustrated the potential negative impact of this insensitivity.

*What's in a name? That which we would call a rose  
By any other name would smell as sweet.*

With these words Juliet Capulet tells Romeo Montague that a name is an artificial and meaningless convention, and that she loves the person who is called 'Montague' not the Montague name. In some contexts, however, Shakespeare got it wrong because names do matter. They have power and meaning. A name is not merely a label, it is a shorthand for describing who or what someone or something is. If the entity bearing the name is important to people, then it follows that the name matters.

Changing a name changes the relationship with the thing being renamed. When a facility has a long-established, beloved heritage name, it is likely to be associated with fond memories stretching back across generations. If it is changed, many will feel a loss of ownership, continuity and history. As a result, those involved in making such a change are likely to be subject to opprobrium, ridicule and regarded with contempt by many. When the storied New York Yankees moved to their new stadium in 2009, their management recognised the power of the stadium's cultural meaning. Consequently, they avoided upsetting fans by retaining the 'Yankee Stadium' moniker at their new site and resisting the temptation to sell naming rights to it.

Others have not been so wise. Consider the case of Newcastle United which has one of the most renowned, largest and most passionate fan bases in the English Premier League (EPL). When Newcastle United was purchased by a new owner,



he changed the stadium's 119 year old name from St. James' Park to SportsDirect.com @ St. James' Park so it incorporated the name of the new owner's sports equipment company. This was greeted with massive outrage from all sections of the city. While no additional revenue accrued to the club from this naming right, the owner's intent was to use his company's name to showcase the potential of the stadium naming rights to other companies that might purchase them. His expectation was that the naming rights would sell for about £10 million annually. There was no interest. Indeed, the name became fodder for comedians' jokes and was subjected to national ridicule. The owner persevered. He attributed the lack of interest to companies wanting the opportunity to fully rebrand the stadium, rather than only to attach their name to St. James' Park. Accordingly, he changed the stadium's showcase name to Sports Direct Arena. The fans were even more intensely affronted and were scathing and unstinting in their criticism. The end result was fan alienation and contempt for the owner; extensive and extended national and local negative publicity for his company and creation of a toxic environment which discouraged any interest among potential stadium naming rights purchasers.

In addition to being sensitive to fan sentiments, companies considering naming rights also have to scan the broader political environment. The challenge was illustrated by Citigroup's conundrum relating to its \$400 million investment of \$20 million a year for 20 years for the naming rights to Citi Field which was intended to make the company's name synonymous with New York baseball. The agreement was signed in 2006, but when the Great Recession arrived in 2008 Citigroup received a \$306 billion bailout loan from the U.S. Treasury to insure loans and asset-backed securities and laid off 52,000 employees. Many in the media and the U.S. Congress urged the company to "Scrap the deal with the stadium" and make sure you take care of these folks who have mortgages" (Nasaw, 2008). It was pointed out: "Even in the flush times during which it was signed, the deal seemed questionable. With high name recognition and a

place among the world's banking leaders, Citigroup hardly needed the Citi name plastered on a ballpark to enhance itself" (Sandomir, 2008). The company's rationale for retaining the naming rights agreement was that it "provides an incredible platform to promote our world-class brand, enhance our relationship with current clients, attract new clients and expand our considerable community efforts." It was pointed out that: "for a company as big as Citigroup, \$20 million a year for naming rights is pocket change. Still, the spending is symbolic. It's on a baseball stadium in a gloomy economy, an investment that seems to thumb its nose at laid off workers" (Sandomir, 2008). Despite the criticism the naming rights agreement remained in place.

Baseball in the U.S. is a sport with rich traditions. In an effort to exploit its rights as a sponsor of Major League Baseball (MLB), Columbia Pictures and Marvel Studios wanted to put logos for its upcoming film 'Spider-Man 2' on the bases and on-deck circles in 15 stadiums. Playing surfaces had long been considered sacrosanct in USA major league sports and as a result there was an instant negative reaction and media coverage that labeled baseball as reaching a "greedy new low" (Masterman 2007). As a consequence, MLB quickly reversed its initial decision to provide these rights, realising that it was not considered acceptable.

In a second phase of the naming rights debacle at Newcastle United, the owner negotiated a four-year shirt sponsorship with Wonga for £6 million (approx \$9m) a year. Wonga is the U.K.'s highest profile payday lender. It provides amounts up to £1000 for a maximum of one month. The interest rate when extended for a full year on the loan is 4,214 percent. The company is described by its critics as "immoral and unjust" and "a legal loan shark." The head of Newcastle United's fan club described the deal as "shameful" and said: "it tarnishes the club's name, image and reputation" (Taylor, 2012). By aligning with the large, passionate Newcastle fan base, Wonga hoped to counter the widespread popular criticisms of its business; to alleviate the societal pressures for tighter legislation of payday loans and to increase



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awareness of the loan opportunities it offers. The team's CEO stated: "We are building a club that can regularly compete for top honors at the highest level. As everyone knows, a strong commercial programme is vital to this goal and I am delighted to welcome Wonga into the fold as our lead commercial partner" (Gentleman, 2012).

The Wonga case study illustrates two main points. First, the fan base of a sports team might be morally appalled that their team is sponsored by exploitive companies apparently lacking a 'moral compass'. However, their long emotional ties to the team prevent them from withholding their support and money in the form of gate admissions, season tickets and merchandise, which is the only action likely to influence the team owner's business decision. Second, the fans' ambivalence enables businesses that have a negative image in the public consciousness to use sponsorship as a vehicle for enhancing that image. Sponsors' funds are presumed to enhance a team's competitiveness and thus positively align the company with the team's fans. Indeed, the plethora of companies doing this in the EPL effectively makes it an 'acceptable' norm, which ameliorates the moral outrage and potential insensitivity associated with a Wonga-type sponsorship. This point was made by the Newcastle United manager when he endorsed the arrangement: "You see other companies... who are the same type of business as Wonga, or betting companies sponsoring football clubs and nothing gets said" (Taylor, 2012). Numerous other examples confirm his point including Barclays Bank, the title sponsor of the EPL, which was fined £290 million in 2012 for dishonestly fixing loan and mortgage rates; AIG, as the major sponsor of Manchester United, was responsible for the loss of billions of dollars of savings of ordinary working people in the 2008 financial crisis and received a \$182 billion bail out from the U.S. government; and Manchester City, the EPL 2011/2012 champions, are owned by Sheik Mansoud of Abu Dhabi, whose family controls the Abu Dhabi government which allegedly suppresses civil rights and calls for democracy (Batty, 2013).

All of this suggests two questions, the answers to which may direct future sports sponsorship partnerships: should sponsors be subject to similar fit and proper stipulations that most major sports leagues apply to potential owners? And, is sport as a whole interested in its reputation or its moral well-being? (Gibbs, 2012)

### **Insensitivity to the prevailing social and political environment**

An overarching consideration is the need for companies' sponsorship decisions to be sensitive to the prevailing social and political environments. Disregarding this factor proved painful for Ralph Lauren, an American company that sponsored the American Olympic team at the London 2012 Games and created the uniforms worn by the U.S. athletes at the opening and closing ceremonies. The company had similar sponsorship rights for the 2008 and 2010 teams at the Beijing and Vancouver Olympics, respectively. It had proved to be a lucrative sponsorship for Ralph Lauren, which sold versions of the uniform in its stores and online. However, the outfits were made in China. The company had similarly outsourced production of its 2008 and 2010 uniforms, but conditions in 2012 were different. Not only were U.S. unemployment levels high, but it was also an election year. Presidential and Congressional candidates made the creation of jobs in the U.S. the most prominent element in their election platforms and elected officials from both political parties railed against the outsourcing of potential American jobs. In this aroused environment, the outsourcing of production of uniforms to China that the American team would wear in the highest profile showcase event in the world, produced public outrage and 'a public-relations nightmare for the company.' The majority leader in the U.S. Senate, for example, proclaimed: "I think they should take all the uniforms, put them in a big pile and burn them and start all over again" (Wilson, 2012).

Sensitivity/insensitivity to the political environment was exemplified by the insensitive responses to





sponsorship involvement of companies that received government tax funds to fend off bankruptcy resulting from the 2008 recession. These responses were illustrated by RBS which is one of the U.K.'s largest banks. It was deemed 'too big to fail' and so received substantial government funds to save it from bankruptcy. Thus, it became 82 percent owned by the British taxpayer. The bank purchased a prime hospitality package at the Wimbledon Tennis Championships for \$400,000 and was widely chastised: "Bosses of the bank should be focused on paying taxpayers back as soon as possible, not enjoying center court and fine dining at Wimbledon" was a typical comment. As a result, the bank withdrew, emailing 500 clients to tell them they were no longer welcome declaring: "It would be inappropriate to provide client hospitality at a time when so many customers are experiencing such disruption" (Ward, 2012).

In contrast to the behaviour of RBS, many of the large financial institutions in the U.S. that received funds from the federal government's Troubled Asset Relief Program (TARP) engaged in 'stealth spending'. They sought to hide their sponsorship investments so they would not incur the wrath of government officials or taxpayers. Thus at the U.S. Open Golf Tournament, major financial institutions continued their sponsorship, but removed all signage and identification that recognised their involvement. They continued to invite clients to their exclusive hospitality areas, but to non-invitees their involvement remained anonymous. Indeed, even event planners were unaware of whom their clients were. A spokesperson observed: "Symbolism matters" and: "it's not that companies don't have the money; they don't want to show they have the money" (Wayne, 2009).

### Stakeholder opposition

To secure the benefits they seek from a sponsorship, companies usually want their involvement to be a high profile, very public commitment. The downside of this is that some of its key stakeholder groups might still view it as philanthropy and not understand

its real purpose and so may be critical. A company's workforce, for example, may loudly decry such an expenditure especially if it coincides with wage negotiations or redundancies. Similarly, shareholders might protest if dividends are below expectation. For this reason, it is easier for companies to invest in in-kind resources, because they can be 'hidden' from shareholders or employees who might be skeptical of the value of sponsorship. Thus, an executive from Target commenting on his company's sponsorship of the NBA Minnesota Timberwolves' basketball arena observed: "We were concerned about negative reaction from the press, public and employees. Try telling your employees you can afford to put the company's name on an arena when they are receiving only minimal raises" (Eaton, 1991).

The U.S. Army's sponsorship investments were subjected to such criticisms by members of a key Congressional committee, which cut funds for this purpose from its budget. In budget hearings, the House of Representatives Appropriations Committee approved an amendment to the Defense Bill that prohibited the U.S. armed forces from spending any money to sponsor sports. The military spent approximately \$60 million on sponsorship, with approximately half of that going to NASCAR teams and properties. The purposes of the sponsorships were to attract qualified recruiting leads on site and to connect with parents, teachers, coaches and others who influence teen and young-adult career paths, as well as boosting morale among those already in uniform. The military believed it made a dramatic impact when they took a NASCAR or NHRA show car to a high school to engage with students who could become the technicians, mechanics and other specialists the military needed. The Congressional representatives did not appear to comprehend how the Army used its relationship with NASCAR driver Ryan Newman, who had an engineering degree, to start conversations with prospective engineers, another targeted specialism the military needed (Andrews, 2012).

These kinds of adverse reactions can only be avoided by potential sponsors engaging key stakeholders and



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explaining the expected returns from the investment before signing a contract. When this was done before the House floor as a whole had voted on the Army's sports sponsorship proposal, the motion to remove it from the budget failed because the general in charge of the programme emphasised the programme's return on investment: "Last year, 2010, we had over 150,000 leads out of the sports marketing programme; 46,000 of those – one third – came from NASCAR and the motorsports programmes...The alternative to this is having a recruiter walk up and down a mall and talk to about 150 people just to get one person to engage with them." (Berstein, 2011).

### Poor presentation of the event

The public relations manager of Labatt Brewery, Canada's biggest sponsor of sports events, recalled an occasion when the Labatt Brewery sponsored an ice skating event and paid for advertisements that stated a number of well-known Canadian skaters would appear. Many of the skaters never showed. Not only was the event unsuccessful, the brewery bore the brunt of some hostile consumer reaction. In these instances the backlash was against the major corporation sponsoring the event, not the promoter whom nobody ever heard about (IEG, 1986). Another high profile event reflected badly on Kodak when it sponsored a Kodak Liberty Ride Festival where people in 100 cities were to pay \$23 to ride their bikes, have picnics and watch a broadcast of a Huey Lewis concert. The problem was that the organisation delivered only a tiny fraction of the 500,000 people they promised; weak organisation and a poor concept to begin with were at fault (Aaker & Joechimsthaler, 2000). Golf tournaments and other events featuring individual performers always have an accompanying risk that the top players will not participate or will drop out early (either by losing or by being injured).

Outdoor events are vulnerable to extreme weather conditions such as stifling heat, heavy rain, snow/ice, or severe winds. In some contexts, for example a sailing event, this may add to the authenticity of the experience. Guest VIP participants on the racing

boats or spectators on accompanying spectator boats experiencing the miserable, rugged, cold, harsh conditions associated sometimes with sailing may make the experience especially memorable. However, in most contexts the weather can be a spoiler and it is essential to have a back-up contingency plan ready to be implemented if the natural elements do not cooperate.

### Poor performance

A major sponsor of English soccer proclaimed, "When football succeeds so does the brand" (Wenner & Jackson, 2009). The failure of the national team to perform well in major tournaments or the sponsors' teams to be successful inevitably limits the return on a sponsorship investment. Risk of poor competitive performance is inherent in sponsorships that focus on teams or individuals within a sporting event, rather than the overall event itself, because a central tenet of sports is that there are winners and losers. If a brand or company is associated with a loser, it is unlikely that positive affinity felt by those emotionally engaged with a sports property will be transferred to the sponsor. Indeed, losing may convey connotations of failure and inferiority. A race car or racehorse which consistently finishes 'down the field' or crashes/falls hardly projects a winning image. An analyst of Formula 1 motor racing observed: "Coming second, third or worse can be an embarrassment. There is even a drawback in winning as the only way forward is the same again or down... If you are not going to win, you get a bad press. It is a huge risk" (Steiner, 2001).

In the 16 months following Lowe's home improvements chain investment of \$35 million for the naming rights to Charlotte Motor Speedway, a series of accidents and tragedies took place at the track. First, during an event at the speedway, debris from a wreck flew into the crowd and killed three fans. Four months later, two Lowe's stores were pipe-bombed in retaliation for the accident. Next, a pedestrian bridge at the speedway collapsed injuring over 100 people, some seriously. Finally, an explosion staged as part of a Memorial Day observance before a major race





sent plywood into the crowd and injured four people. Lowe's misfortune caused companies to add clauses to naming rights contracts enabling them to terminate if anything occurs which has a negative impact on the company's image or reputation. One commentator noted: "When you pay to name a facility and then your name and image are part of such negative situations, it's almost like turning lemonade back into lemons" (Fleming, 2000).

Similarly, if a sponsorship is intended to provide a demonstration platform and the demonstration fails, a company suffers public humiliation and negative promotion which is likely to reduce its sales. This was IBM's unfortunate experience at its sponsorship of the Atlanta Olympic Games which was intended to provide a demonstration platform to showcase its technology to the world:

*Glitches appeared in the worst possible places in the IBM system that was supposed to deliver instant information to international newswire services, which would then disseminate it to the world. And, unfortunately, those glitches had an air of absurdity that reporters found irresistible. One boxer was described as being 2 feet tall; another was 21 feet tall. The system failed to yield results for contests that had taken place, but claimed that a Dane and an Australian set new world records in a bicycle race that hadn't yet occurred, while a French fencer was credited with the 400 meter world record. Eventually, IBM was reduced to faxing the results to the media center and running them to the news agencies. High tech had become humiliatingly low tech. And for the estimated \$80 million it had spent in Atlanta, IBM got little except a beating in the world press that made every marketer in America wince in sympathy. Fortunately, IBM redeemed itself with its subsequent performance in Nagano at the Winter Olympics, but the lesson is clear: The risks associated with in-kind sponsorship puts your products on a stage in front of the world. If you deliver anything less than perfection, you can injure your brand (D'Alessandro, 2001).*

### Association with disreputable behaviour

If spectators engage in violence, which has frequently occurred among soccer crowds in Europe, or if players use foul language, fight on the field, abuse officials, are caught taking drugs, or whatever, then this disreputable behaviour may damage a sponsoring brand's image: "This downside can be huge, especially if you marry your brand to one of pro sports' seemingly endless supply of tabloid-friendly dunces. Make no mistake, consumers will judge your brand by the company it keeps. Yet, incredibly, brand builders still walk straight into dysfunctional relationships with their eyes open" (D'Alessandro, 2001). The array of potential disreputable behaviours is extensive. It includes:

- doping to improve performance
- egregious misbehaviour on the field of play
- misbehaviour off the field of play manifested as irresponsible or criminal acts
- misbehaviour by fans perhaps most prominently exemplified by the challenges of hooliganism and racial abuse associated with European soccer
- corruption by officials or governing bodies
- anti-social behaviour by players such as social or recreational drug use
- cheating on the field of play, for example, using an illegal bat in baseball or tempting with the ball in cricket or baseball
- betting abuses leading to point shaving, spot betting, bribing referees and fixing the outcomes of sports events
- dysfunctional intra-team relationships among players and coaches (O'Reilly & Foster, 2008)

Elite athletes often have a surfeit of time and many are at a stage in their lives when they are particularly vulnerable to engaging in disputable behaviours. This may be exacerbated by team bonding rituals that push the boundaries of acceptable behaviours. As high profile public figures, they are subjected to intense scrutiny from media seeking sensational copy to sell their product. In addition, advances in technology mean that anyone equipped with a phone and internet



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connection can immediately report disreputable events to the world that in past eras would have remained unknown. These conditions make revelations of indiscretions and obnoxious behaviour inevitable (Connor & Mazanov, 2010).

The definition of what constitutes disreputable behaviour and hence the potential for negative impact on sponsors varies by sport and context. NASCAR has a long history of teams breaking the rules on car specification to secure an advantage. As one of NASCAR's most famous drivers and team owners said: "I don't particularly tell my guys to cheat, I just tell them not to get caught." The CEO of NASCAR was similarly relaxed about cheating: "We expect everybody to be aggressive with our rules... We don't expect somebody to fall into the bad zone too many times." (Bernstein, 2006). Because of its heritage with moonshine, its roots and its renegade image, cheating seems to be tolerated and does not arouse the concern of fans or sponsors.

Concern with potential negative outcomes from disreputable behaviour has caused some sponsors to adopt a policy of supporting events rather than teams or individual athletes. However, property owners may also engage in disreputable behaviour as the IOC corruption scandal preceding the Salt Lake City Winter Olympics demonstrated. The revelations threatened to negatively impact sponsors. Three years before the Salt Lake City Winter Olympics were held, the world learned that some members of the IOC were "traveling the globe extorting cash, jewelry, tuition fees, you name it" (D'Alessandro, 2001) from cities bidding for the Olympics. Despite widespread adverse publicity, the IOC made no effort to enact structural changes that would prevent such a scandal from occurring. John Hancock, one of the TOP sponsors, insisted on structural reforms and threatened to lead a withdrawal of sponsors if the IOC failed to do so. Under pressure, the IOC called a special session and did reform. For an organisation steeped in a hundred years of secrecy and self-regard, it reformed to a remarkable degree. It agreed to eliminate its members' visits to bid cities, to require them to regularly stand for re-election, to create

financial transparency and to change the composition of the IOC so that active athletes, national Olympic committees and international sports federations are all represented. Finally, at a later session under continuing pressure, the IOC agreed to the 'Hancock clause', which was an ethics clause in the Olympic sponsorship agreement that allows sponsors to pull out if it ever again engages in unethical conduct. The marketing director of John Hancock offered the following advice based on this experience:

***"Make sure that when you give the other players in the sponsorship your marketing dollars, you demand some influence in return. Down the road, because of scandal or over commercialisation, you may find yourself having to protect not just your brand, but also the event itself – and you want to have the power to do that." (D'Alessandro, 2001).***

Sponsors are not likely to be affected by, or react to disreputable behaviour per se, rather their response will be dependent on the extent to which the behaviour results in outrage and high profile public criticism (Solberg et al, 2010). This is illustrated by sponsors' reactions to the endemic corruption that pervades the Fédération Internationale de Football Association (FIFA), which is the international governing body of soccer. The former president of FIFA, along with several members of the 24 person Executive Committee and senior officials have all been subjected to allegations that they accepted huge bribes and this has been going on for over three decades (Phillips, 2011). Among the more recent revelations are: The former president, his son-in-law, who was also a member of the Executive Committee, and the president of the South American football confederation received over \$40 million from International Sports Leisure (ISL) in return for the company receiving world-wide broadcasting rights. While a Swiss court ruled that they took these secret kickbacks, the absence of ethics rules in FIFA limited the ability to pursue legal actions against other FIFA members, including the current president, who may have been aware of this corruption. Indeed, they were



exonerated on these grounds by the court.

Subsequently, evidence emerged that the vice-president of FIFA and a Qatari executive committee member conspired to pay almost \$2 million to deliver votes supporting Qatar's successful bid to host the 2022 World Cup; while two other executive committee members were suspended by FIFA when they were caught agreeing to sell their votes for the World Cup bid (Newell et al, 2014). It has been reported that: "Courts, reporters and even a self-appointed FIFA 'ethics committee' are still uncovering endemic corruption, reaching all parts of the organisation, all across the globe." (Hughes, 2013). However, after the ethics committee hired an experienced FBI investigator to probe corruption within FIFA, senior executives in the organisation sought to defenestrate him. They were unsuccessful, but it was further evidence that transparency still was not welcomed by some senior figures (Gibson, 2014)

All of these revelations, and others, received widespread coverage in the media, but there was no public outrage. There was no talk of "let's boycott sponsors' products unless they use their financial muscle to force FIFA to change". The connection between corruption at the highest level of the sport's administration and their local or national team does not appear to have been apparent to fans.

The lack of outrage enabled FIFA's major sponsors to disregard the corruption and 'stay the course' (Cassert, 2011). It is reasonable to conject that the six major sponsors, who in aggregate invested approximately \$1 billion in contracts with the organisation, expressed their dismay at the corruption to FIFA and urged them to reform. Indeed, such private pressure may have supplied part of the impetus in FIFA that resulted in an Ethics Committee being established for the first time to investigate and adjudicate charges of corruption to demonstrate a commitment to reform. However, the public response of the six major sponsors was limited to issuing blasé statements of mild condemnation. Companies are unlikely to embark on a moral crusade that may destroy a vehicle contributing to their profitability. They will follow, rather than lead, public

reaction. Thus, without a public outcry, disreputable behaviour will not discourage sponsors. Their perspective was exemplified by Budweiser's response to the FIFA corruption: "We always take the perspective of the fans and there may have been some rumblings at some point...In the end though, fans are focused on one thing, and only one thing, which is the World Cup...It is great for the brand essence, it is great for its global scale." (Cassert 2011).

In contrast to the blasé response of sponsors to FIFA's corruption, there was a substantial withdrawal action by sponsors associated with professional cycling as revelations about the use of performance-enhancing drugs made media headlines for a decade or more. The unrelenting visibility of the issue, its widespread global dissemination and constant criticism outweighed any benefits for many sponsors.

### Trauma to performers

There is inherent risk of serious injury or even death to performers in some high-risk sports such as motor racing, boxing, martial arts, mountain climbing, skateboarding, skiing, ice-hockey and extreme sports. In recent years, this issue has been receiving increasing attention in American football which has a powerful grip on the collective U.S. psyche. A central ingredient in its appeal is its gladiatorial violence. This was recognised long ago. In the 1890s, for example, an image in the New York World depicted a skeleton wearing a banner labeled 'Death' and was titled 'The Twelfth Player in Every Football Game', while the December 1905 edition of the Cincinnati Commercial Tribune showed a cartoon of the grim reaper balanced on the crossbar of goalposts, looking down on bodies on the field dramatising the 'ghastly total of 25 killed and 168 injured in football.' (Walterson, 2000, p 292). In the same year, newspapers around the country widely reprinted a statement made by the dean of the divinity school at the University of Chicago who called football: "a social obsession – a boy killing, education-prostituting, gladiatorial sport." (p 293).

Chronic traumatic encephalopathy (CTE) was first described in 1928. It emanated from studies of the



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clinical deterioration of boxers so was medically termed 'dementia pugilistica' and popularly described as 'punch drunk'. The name was changed to CTE after it was recognised to be associated with a broader array of activities including American football, hockey, wrestling and rugby (McKee et al, 2012). CTE is a progressive neurodegenerative disease similar to Alzheimer's in its symptoms; memory loss, irritability, mood changes – but with its own distinct pathology. The leading medical research team investigating its causes define it thus:

*CTE is clinically associated with symptoms of irritability, impulsivity, aggression, depression, short-term memory loss and heightened suicidality that usually begin 8-10 years after experiencing repetitive mild traumatic brain injury. With advancing disease, more severe neurological changes develop that include dementia, gait and speech abnormalities and parkinsonism. In late stages, CTE may be clinically mistaken for Alzheimer's disease (McKee et al., 2012, p 2).*

Initially it was believed that CTE was primarily caused by concussions sustained from major collisions and 'the big hit'. While concussions are associated with CTE, perhaps the most substantive finding of recent medical studies is that they are not the major source. The first studies of the brain tissues of deceased NFL players showing that they had CTE were published in 2005. Others have followed and the number will increase as more players dedicate their brains after death for this purpose. These pioneering medical studies of CTE have shown: "that for some athletes there may be severe and devastating long-term consequences of repetitive brain trauma that have traditionally been considered only mild." (McKee et al, 2012). Thus, it is the cumulative impact of thousands of little hits, termed 'subconcussive blows', that cause most of the damage. These are endemic in American football games. A formal professional player suggested that six or seven such hits occur on every play in the NFL (Jackson, 2010).

Many times concussions can be identified by skilled physicians and trainers when they occur. This has enabled rules to be developed by sports governing bodies that specify protocols which have to be adopted in response to concussions. The recent medical evidence suggesting that CTE is caused by subconcussive blows is much more challenging for the medical community to address. This is because there are no overt signs which cue medical personnel that it is occurring during the time period when players are engaged in the game. Overt signs of CTE, which resemble Alzheimer's disease, are not likely to appear until a decade or so after players have quit playing football. Hence, there are no immediate actions that medical personnel can take to ameliorate the damage. The only definitive diagnosis confirming subconcussive blows have led to CTE occurs from examining brains of the deceased.

The situation has been exacerbated by three factors. First, the emergence of hard helmets in the 1960s encouraged players to lead with their heads when tackling. Second, the increasing size of players has meant the physical damage they can inflict on each other in tackles is more severe. Third, in the past much of football's action was 'three yards and a cloud of dust'. This reduced the number of big hits, because there was not much space between players. Today's wide-open passing game means there is more space for gathering speed and momentum between players, so there are more opportunities for major collisions.

In the manner of Elisabeth Kübler Ross (the psychiatrist who identified the concept of 'the Five Stages of Grief'), the National Football League (NFL) passed through four stages in its reaction to the reality of brain damage. Its first reaction to the published studies was fervent and repeated denial that the results had anything to do with the league or its players. This active resistance shifted to passive resistance, then to passive acceptance and finally by 2012 to active acceptance (McGrath, 2012). This major cultural change was strongly influenced by a study commissioned by the NFL in 2009 which surveyed retired players and reported that Alzheimer's disease,



or something very similar, was being diagnosed in former NFL players nineteen times more often than in the national population among men aged 30 to 49. One commentator observed: "It was like Big Tobacco ordering a study that ended up showing that smokers get cancer." (Laskas, 2011).

As a result of the evidence confirming football as a cause of CTE, more than 4,500 former players sued the NFL, alleging that not enough was done to inform them of the dangers of concussions in the past, or to take care of them today. The NFL thought it had settled the lawsuit by agreeing to pay \$765 million to all retired players (not only the plaintiffs). However, at the time of writing, the presiding judge in the case suggested the amount was too small and is reviewing whether or not to allow the negotiated settlement to stand. In the settlement agreement, half was to be paid in the first three years and the balance over the next 17 years to those retired players with neurological disorders. The NFL made no admission of guilt; resolved all lawsuits from former players; pre-empted any future lawsuits, since players could no longer claim they were unaware of the risks of CTE; avoided the prolonged negative publicity that would accompany a lawsuit that could drag on for maybe five years; and avoided the discovery and deposition process that may have suggested culpability in not disclosing earlier any knowledge of the CTE risk which they may have had.

Image is a multi-dimensional construct, so the challenge for sponsors is to capture only those meanings they wish to obtain from the sports property (McCracken, 1989). In the NFL's case, the property and sponsors have been effective in facilitating image transfer by exploiting the NFL's macho, gladiatorial dimensions, while discarding the trauma consequences of football's inherent violence.

However, there may be increasing concern among sponsors about potential damage to a brand's reputation from being associated with a sport that substantially enhances the risk of permanent brain trauma. It has long been recognised that American football exacts a physical orthopedic and arthritic toll, and those participating in it are aware of those

consequences. The emerging questions are: Is CTE of a different order of magnitude of risk, which is sufficient to cause both players and sponsors to desert it?

Will the spectating and general interest public continue to remain indifferent to the trauma and accept with casual disdain that getting 'your bell rung' or getting 'a little dinged up' is an acceptable part of the sport and is evidence of a player's 'character'? Will sponsors of the NFL and College football continue their relationship as this issue moves from the shadows to center stage in the media? Will they be concerned about being involved with a sport where the news cycle between games is dominated by questions surrounding which players are 'probable', 'questionable' and 'out of commission' as a result of the previous week's mayhem? Will companies want to be associated with the pathetic sight of helpless, brain damaged former players? Will there be negative brand image transfer resulting from a section of the public holding the brands and companies partially accountable for promoting, embracing or condoning the activity that caused this suffering? Will there be contagion with companies also re-evaluating their associations with sports such as ice-hockey and rugby where concussions and bangs to the head are similarly frequent?

If public indifference persists, it is unlikely that medical evidence will be sufficient to change the culture and format of football, or of its sponsors. Boxing perhaps offers a precedent. The American Medical Association has lobbied to ban boxing to no avail since 1983, although boxing has been reduced to a fringe niche sport, whereas it was once near the center of American sporting life. However, boxing features individuals. It lacks the communal collegiate and civic pride element which is at the core of support for football. Hence, it seems more likely that any change in the attitude of sponsors towards football will be driven by lawyers and insurance companies rather than by public outrage. New medical evidence is likely to be accompanied by new legal risk and liability, which means recalibrated insurance premiums for high schools and colleges that do not have the





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potential shield of an agreement with a players union that accepts risks and establishes procedures for resolving them outside the court system, as well as for professional teams and individuals (McGrath, 2012). Thus, it seems more likely that high school and college athletic administrators and coaches will have to inform and educate potential football players and, in the case of high schools, the players' parents, on the relatively high risk football players accept of later suffering from CTE in order to safeguard their institutions from future negligence suits.

### Concluding comments

Corporate investments in sports sponsorship in North America reached \$13.01 billion in 2012 (IEG, 2013). They have increased almost every year for the past three decades. While sponsors have multiple objectives for their investments, enhancing brand equity is probably the most ubiquitous. The increased emphasis on sponsorship reflects growing corporate awareness of the vehicle's potential for enhancing affection for their brands. However, this affinity with sports properties has the potential for facilitating negative as well as positive brand equity. As an experienced sponsorship manager observed: "No brand builder should mistake any sponsorship for an automatic score. Sponsorships are essentially risky" (D'Alessandro, 2001). The intent of this paper has been to identify the aspects of a sponsorship that could result in negative outcomes and to assess the extent to which they can be managed and controlled.

Four of the potential negative outcomes can be controlled relatively easily by a company. There is unlikely to be risk of exposure to liability from being a sponsor, since sponsors do not usually run events. Companies can avoid public outrage that may be caused by insensitivity to user sentiments or to the prevailing social and political environments by viewing their actions through the lens of their targeted audience. Similarly, it may be possible to mitigate adverse reaction from employees or stockholders by engaging with them to explain the expected returns from the investment before signing a contract.

Companies have less control over the other four potential negative outcomes. Poor presentation of the event may result from its poor production, the failure of star individual performers to appear, or adverse weather. The risk of poor performance is inherent in sports, because there are winners and losers. If a brand or company is associated with a loser, it may convey connotations of failure and inferiority. If spectators engage in violence, or if players use foul language, fight on the field, abuse officials, or are caught taking drugs, then these disreputable behaviours may damage a sponsoring brand's image. Finally, there may be adverse financial or reputational consequences from being associated with high risk sports in which serious injury or death are inherent.

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