

## **The Role of Sponsor Brand Loyalty in Sponsorship Arrangements – FMCG context**

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### **Abstract**

In today's fiercely competitive FMCG industry, brand managers have attempted to tackle consumers increasing price sensitivity by creating stronger brands. Marketers are aware that most FMCG consumer purchase decisions are made at the point-of-purchase. As on-pack promotions are considered particularly effective in influencing the consumer, sponsorship by FMCG organisations may provide a point of differentiation.

In the last decade sponsorship spending increased with large corporations now including some sponsorship spend in their marketing budget, with worldwide sponsorship spending approaching US\$45 billion. One widely used form of sponsorship, particularly in the fast moving consumer goods industry (FMCG) is sponsorship leveraged packaging (SLP). SLP involves depicting the sponsored property's image and logos on the sponsoring brand's packaging. Despite its widespread use, little empirical research exists to explain whether sponsorship leveraged packaging (SLP) impacts consumer behaviour in low involvement settings. This paper provides empirical evidence of the relationship between SLP and loyalty to the sponsoring brand.

## **The Role of Sponsor Brand Loyalty in Sponsorship Arrangements – FMCG context**

### **Introduction**

In the last decade sponsorship has become a mainstream marketing communications tool with worldwide sponsorship spending reaching US\$43 billion (IEG 2009). Investment in global sponsorship spending has been increasing in the last 10 years (Alexandris et al. 2008) and continues to show impressive growth (Fenton 2009). Consequently, the rapid growth of corporate sponsorship has led to the emergence of ‘sponsorship clutter’ reflecting the intense competition for sponsorship (Fahy et al. 2004). As the market for sponsorship becomes intensely competitive and challenging, it is essential that sponsorship investments be carefully managed to ensure their effectiveness.

Calls for better measurement in sponsorship research have been made for some years, particularly in considering the impact of sponsorship and consumer behaviour (Ali et al. 2006). One of the most needed areas of research concerns spending that occurs in addition to the sponsorship contract known as sponsorship leveraging (Cornwell 2008). This is particularly important as sponsorship effectiveness has been shown to be directly related to the degree to which sponsors leverage their investment (Quester & Thompson 2001; Fahy et al. 2004; Grohs et al. 2004).

This paper reports the findings from a larger study examining the factors that impact consumer response to SLP. Although other variables were examined in the larger study (perceived fit; sponsored property identification; demographic characteristics), this paper particularly focuses on the role of loyalty to the sponsoring brand and its impact on consumer response to SLP. The findings from this research inform marketing decision making in the area of sponsorship communications and provides strategic relevance for brand managers in guiding sponsorship investment and package design.

### **Literature Review**

Much of sponsorship literature and research effort is focused on how sponsorship can be used to create consumer awareness, recall and recognition (Pope & Voges 1999; Rifon et al. 2001; Speed & Thompson 2000; Apostolopoulou & Papadimitriou 2004; Chadwick & Thwaites 2005); as well as improving corporate image and purchase intention. Companies and researchers alike suggest that supporting sponsorship activities transfers the image of the sponsored event or property to the sponsor and benefits the image of the sponsoring company (Gwinner 2008; Gwinner & Swanson 2003; Grohs et al. 2004; Quester & Thompson 2001). Image transfer through sponsorship happens when the pre-existing associations held in consumers’ memories regarding a property become linked in memory with the sponsored brand (Gwinner & Eaton 1999).

Current research has consistently shown that to be most effective, sponsorship investment should be supported by additional marketing expenditure – called leverage - such as media advertising, promotions, operational support and client hospitality (Fahy et al. 2004). Indeed, the latest sponsorship advice to marketers is that to be effective, leverage of at least 3 times the original sponsorship investment is actually required (Seguin et al. 2005). One aspect of leverage that is

not often included in empirical research is special packaging which is intended to accentuate and communicate the sponsorship arrangement (Tripodi 2001). Further this form of sponsorship leveraged packaging (SLP) can also be designed to: contain images that attempt to gain attention for brands; increase the likelihood of the product entering the consumer's consideration set; create more enjoyable aesthetic experiences for the consumer; and generally create more positive overall impressions of the product in the mind of the consumer (Underwood and Klein 2002; Underwood, Klein and Burke 2001).

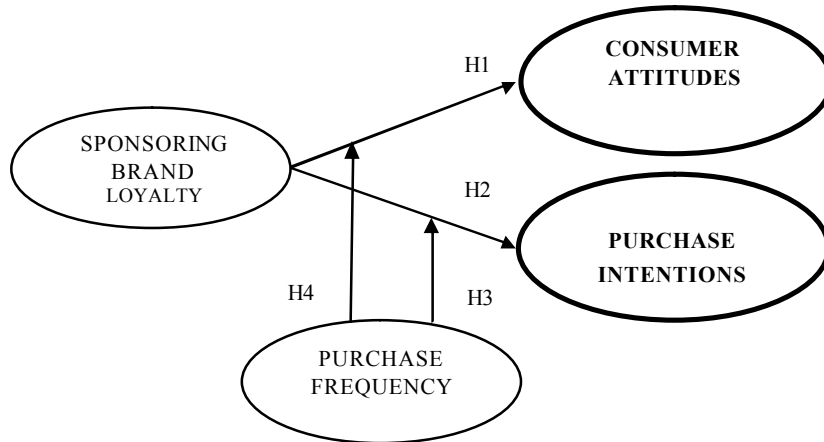
Sponsorship leveraged packaging is a marketing tool that is most often used in the fast moving consumer goods industry (FMCG). In this industry, marketers are aware that most consumer purchase decisions are made at the point-of-sale or in the store (Harris 2000). Therefore consumer reactions to and recognition of the marketing messages on packaging is a critical element for marketers to manage. In addition, these types of purchases fall in the category of low-involvement purchases characterised by little cognitive investment by consumers, emotional decision making and low brand loyalty (Summers et al. 2005). These characteristics make the decision to invest in sponsorship and the leveraging activities associated with that investment all the more challenging. To date, there has been limited research in the known body of literature on sponsorship and packaging that has investigated this domain, which leaves a gap that this research addresses. Given that leveraging sponsorship on packaging in this way is designed to enhance the overall effectiveness of the sponsorship investment, it logically leads us to ask the question, "What impact does sponsor brand loyalty have on consumer response to sponsorship leveraged packaging?"

Research into sponsorship outcomes, has included both behavioural and attitudinal outcomes such as:- purchase behaviour (increased sales), consumer emotions, attitudes towards sponsored and sponsoring brand; brand associations; brand equity; brand loyalty and purchase intentions (Cornwell et al. 2005). Therefore, for this program of research, loyalty to the sponsoring brand; consumer attitudes toward the sponsoring brand; purchase intention towards the sponsoring brands' products; and purchase frequency are chosen as the variables of interest because of their great importance to marketers as they give an indication of future consumption patterns.

## **Methodology**

This review provides direction for developing hypotheses related to SLP to be tested using regression analysis. The hypothesized impact of sponsoring brand loyalty on consumer attitudes and purchase intentions to sponsorship leveraged packaging can be described in a conceptual model shown in figure 1. The model consists of one independent variable (sponsoring brand loyalty) and two dependent variables (consumer attitudes and purchase intentions). These relationships are proposed to be moderated by purchase frequency. Hypotheses are list in table 1.

**Figure 1 Model of Consumer Response to SLP**



**Table 1 – Research Hypotheses**

H1	That there is a relationship between sponsoring brand loyalty and consumer attitudes towards the sponsoring brand. That is: in cases of low sponsoring brand loyalty, there will be a direct positive impact on consumer attitudes towards the sponsoring brand.
H2	That this is a relationship between sponsoring brand loyalty and purchase intentions towards the sponsoring brand. That is: in cases of low sponsoring brand loyalty, there will be a direct positive impact on purchase intentions towards the sponsoring brand.
H3	That the relationship between sponsoring brand loyalty and consumer attitudes towards the sponsoring brand, is moderated by purchase frequency.
H4	That the relationship between sponsoring brand loyalty and purchase intentions towards the sponsoring brand, is moderated by purchase frequency.

In order to progress to an empirical testing stage where the interrelationships of the factors in this proposed model can be confirmed and quantified, a self-administered survey was used. In determining the product examples to be used for the questionnaires, consideration was given to the various product categories in FMCG that use SLP, such as: sports drinks, snack bars, personal care products and breakfast cereal products. The breakfast cereal market in Australia is quite substantial with approximately \$894.5 million spent annually on breakfast cereals (Woods & Walker 2007). Given the large contribution the breakfast cereal market makes to the Australian FMCG industry, investigation of the impact of SLP on consumer behaviour is warranted. Based on these considerations (and exploratory research data), it was decided that the breakfast cereal category would provide suitable product examples to be used in the questionnaires.

With the majority of Australian children regularly eating breakfast cereals (Woods & Walker 2007), and the majority of breakfast cereal promotion being targeted at children (Chapman et al. 2006), a judgment was made that school networks within a large regional city in Queensland, would provide access to a considerable number of families (and thus household shoppers). Questionnaires were administered to each family (440) at the schools and as a result, 201 usable surveys were collected, resulting in a response rate of 45%. The data shows that of the 201 respondents, 85 per cent were female (n=171) and 15 per cent (n=30) were male, the majority of the respondents were between 36 and 50 years, with children living at home.

The data was analysed using SPSS (descriptive analysis, tests of differences and multiple regression). Sponsoring Brand Loyalty was measured by five statements rating their level of

agreement on 5-point Likert scales ('1' denoted strong agreement and a rating of '5' denoted strong disagreement). These statements were sourced from Sen et al. (2001); Dahl et al. (2001) and Ahluwalia et al. (2000), specifically the statements were: "I like this brand"; "This brand is reliable"; "I would recommend this brand to others"; "I have a favourable opinion of this brand"; and "I am loyal to this brand". Frequency of purchase was measured by the item 'How often do you purchase this product?' with a 5 point scale (1=weekly 2=fortnightly 3=monthly 4=occasionally 5=never). Items for the Attitudes and Purchase Intention Scales were adapted from Cornwell & Cooté (2005); Gwinner & Swanson (2003) and Speed & Thomson (2000) to fit the SLP context. Specifically the items for attitudes towards the SLP product were: 'This sponsorship improves my perception of [sponsored brand]'; 'This sponsorship makes me feel more favourable toward the [sponsoring brand]' and 'This sponsorship of [sponsored property] makes me like [sponsoring brand] more than before'. The items for Purchase Intention towards the SLP product were: 'How likely is it that you would purchase this particular product? (SLP example)'; and 'I would buy more of SLP product than un-sponsored'. Level of agreement of these statements measured on 5-point Likert scales ('1'= strong agreement and '5' = strong disagreement).

The results of regression analysis indicated that Sponsoring Brand Loyalty was not a significant contributor to predicting purchase intentions towards the sponsoring brand ( $p=0.083$ ). However, there was some evidence that sponsoring brand loyalty has a small, but significant impact on consumer attitudes towards the sponsoring brand ( $\beta = 0.158$ ;  $p = 0.025$ ). These results indicate that consumer's loyalty to the sponsoring brand has little impact on purchase intentions, but some impact on consumer attitudes towards the sponsoring brand was evident. Therefore H1 was supported. H2 was not supported.

Furthermore, the relationship between brand loyalty and attitudes towards the sponsors was shown to be moderated by frequency of purchase. For the consumers who did frequently purchase the sponsors product (weekly, fortnightly, or monthly) ( $n=40$ ), the relationships between both attitude and purchase intention were not significant (attitude  $p = 0.932$  / purchase intention  $p = 0.969$ ). However for the consumers who did not purchase the brand frequently ( $n=160$ ), the relationships were significant (attitudes  $p=0.007$   $\beta=0.213$ ; purchase intentions  $p=0.028$ ,  $\beta = 0.173$ ). These results indicate that frequency of purchase does moderate the relationships between loyalty to the sponsoring brand and both attitudes and purchase intentions. Therefore, H3 and H4 were supported.

## Discussion

It was hypothesized that loyalty to the sponsoring brand would impact Consumer Response to SLP. This proposition was developed from exploratory research where respondents indicated that where they loyal to a brand, little time was spent in making purchase decision and alternative brands were given little or no consideration. The results of this study, however, indicated that Sponsoring Brand Loyalty actually had some impact on attitudes towards the sponsoring brand but not purchase intentions. This finding is in contrast to previous sponsorship research suggesting that positive attitudes toward a sponsor are associated with favourable perceptions and intentions to purchase a sponsor's product (Smith et al. 2008; Pope & Voges, 1999; Speed and Thompson 2000). Although evidence suggests that attitudes and opinions are important precursors to behavioural intentions in general, some authors have found that in some contexts

(such as FMCG), positive opinions about the brand may have limited impact on purchase intentions of the sponsor's brand (Hoek et al. 1999; Lacey et al. 2005).

Similarly, the findings related to frequency of purchase were also in contrast to previous sponsorship studies. For example, Pope and Voges (2000) found that intention to purchase was significantly related to the frequency of purchase of the sponsoring brand. This study found that in a FMCG context, even if the consumer regularly purchased the un-sponsored product, this did not positively impact their intention to purchase more of the sponsored product. This indicates that in FMCG product categories, the fact that a consumer regularly purchases a product, does not guarantee that they would purchase any more than usual as a result of the sponsorship being pictured on the packaging.

These findings in relation to sponsoring brand loyalty and purchase frequency do however support previous studies in low involvement contexts that suggest this lack of impact, despite the sponsorship arrangement, may be a consequence of the nature of the purchase decision process in FMCG. In these contexts, consumers are generally price sensitive, expend little effort in considering various alternatives, and often switch between brands (Silayoi & Speece 2004). This finding is important to FMCG manufacturers who may use SLP as a strategy to specifically retain existing customers.

This research builds on previous research conducted on sponsorship, contributing to the body of knowledge from a FMCG context. In addition, the effect of SLP on consumer response is relevant because sponsorship has become an increasingly visible element of the marketing communications mix and has been shown to be an effective tool to alter and enhance a company's image and reputation (Tripodi 2001 and Amis et al. 1999).

## **Conclusion**

Until now, few sponsorship studies have taken into account the respondents brand usage behaviour. The findings of this study are particularly important for today's market place, where many consumers shop under high time pressure and products are often bought without prior planning, this is especially true for products in the FMCG context. Sponsorship leveraged packaging is just one tool amongst a proliferation of marketing tools used by FMCG managers to create differentiation in a very competitive marketplace.

This program of research has initiated work in this area by determining sponsoring brand loyalty's impact on consumer response to SLP. Future research may consider a different sampling frame, as the small cell count for frequent purchasers may have influenced the results of this study. More work is also needed to explore the relationship between other factors that impact consumer response to SLP, such as type of sponsored property, perceived fit and identification with the sponsored property. Whether SLP is more or less effective in this regard, than other FMCG marketing communication tools (such as competitions, celebrity endorsement, licensing) could also be a topic for future research. It would also be beneficial to examine different FMCG categories and determine whether the findings from this study hold strong for other product categories. Such research would help to determine SLP's commercial value for FMCG managers.

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