

A Study for the Effect of Sponsorship on Corporate Reputation

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Abstract

Sponsorship is one of the communication tools that have been used for a long time to raise corporate awareness and establish favorable customer attitude. This study tried to examine the effect of corporate sponsorship, which has recently been attracting increasing attention. We empirically examined whether sponsorship and program fit, identification with a company or brand, and corporate credibility affect the reputation of the sponsoring company. For this, We conducted a survey using a structured questionnaire for 263 college students, and the collected data were analyzed through a structural equation model along with factor analysis. As a result of the study, it was found that sponsorship and program suitability had a positive effect on corporate reputation, and brand identification and reliability also had a positive effect on corporate reputation. Based on the results of the study, it was possible to obtain the implication that it is important to increase the fit of the sponsor and sponsorship program, to improve the corporate brand identification and corporate credibility in order to increase the corporate reputation through sponsorship.

Keywords: *Sponsorship, Sponsorship-Fit, Brand Identification, Corporate Credibility, Corporate Reputation*

1. INTRODUCTION

Research on sponsorship has been conducted in various fields like psychology, marketing, finance, etc. The most important reason for companies to invest sponsorship is more exposure and more positive associations for their companies, brands and products. In this sense, sponsorship is a strong communication channel[1]. According to the study on competitive advantage through sponsorship [2], sponsorships help the company a competitive advantage, leading to superior performance in terms of a profitability and market share. While a number of studies have examined the effect of sponsorships on brands, corporate's image and financial performance, the fit of sponsorship and customer's responses to the sponsorship-fit are still widely understudied and remain open as a field of research. There are not many studies on the role of customers' response to make corporate's reputation better. Sponsorship helps to positively found the sponsoring companies' reputation from customers exposed to sponsorship[3]. It is found that corporate social responsibilities have a direct positive impact on corporate reputation. Although there is still a debatable issue of whether or not sponsorship is one of corporate social responsibilities, some scholars argue that sponsorship is acting as corporate social responsibilities activities surrounding sponsored events. According to the recent studies of sponsorship, they argue that the fit between sponsor and sponsorship program is more important to build a strong brand or corporate image[4]. Thus, to better communicate with customers, companies need to deeply consider whether the event they are sponsoring fits to the established brand/corporate images. It leads to functional and emotional meanings such as word-of-mouth, experience, advertising and promotion. Through

well-fit sponsorship, companies have higher probability to get better corporate reputation from their customers.

The purpose of this study is to verify the relationship among sponsorship, the customer's attitude like brand identification and corporate credibility and the corporate reputation. Finally, this study intend to make contributions to both scholars and practitioners by testing the effect of sponsorship-fit on the customer's attitude toward the companies providing sponsorships and by verifying the effect of sponsorship on corporate reputation.

2. LITERATURE REVIEW

It is defined by the dictionary that sponsorship is as a business activity of financial support with special purposes, such as authority or rights. In the past few decades, sponsorships have changed from short-term and philanthropic activities into long-term strategic partnership[2].

It has been defined as an investment in cash of kind in an event, team or person, in order to secure sponsors' access to the commercial potential associated with that event, team or person. Thus, sponsorships have been viewed as an attractive communications instrument, given the increasing confusion and division of the traditional mass media. However, the rapid growth of corporate sponsorships has in turn, led to the emergence of "sponsorship clutter and to the rise of ambush marketing"[5], reflecting competition of the sponsorship for certain events[2].

Therefore, it is suggested that companies need to fully understand sponsorship itself and the effect of it before the investment decision of sponsorships, in terms of what benefits can come from the investment and the marketing strategy. In the same way, some studies report that sponsorship has moved from a subsidiary role to the keystone of the whole marketing strategy[5]. Some research has verified dynamic effects of sponsoring activities enable companies to build their strong and attractive brands from customers exposed to sponsoring events[6]. Through sponsoring various events, companies that provided the sponsorship earn benefits of sponsorship awareness meant by the degree of sponsorship fit to the event, and eventually they get brand awareness from the sponsorship awareness of customers. The effect of sponsorship fit is verified by the study of sponsorship and the image of the sponsor[7].

In the study the fit plays an important role enabling the customer to understand the sponsoring company's image. Fit not only affects customer's recognition and attitude toward sponsoring companies, but also links sponsoring companies' images to events that the companies are sponsoring. According to a study, the fit is derived from the similarity between sponsor and sponsee. Under the intensified competition and complicated relationship between sponsor and sponsee, the fit is getting more attention. It shows and explains that the fit is playing an important role in where customers clearly distinguish sponsoring companies from other competitors in markets[4]. Therefore, for this study, the fit is defined as the degrees of interaction and similarity between sponsoring companies' image and the sponsored events.

There are different ways to define the concept of reputation, such as psychology, sociology, economics, management, and marketing. Generally, reputation is formed by previous activities as well as expectations of what is to come[8]. It means that the reputation is criticized by what the company is doing and did. In the contemporary business world, it is very important for a company to build a strong reputation among their customers, since the reputation becomes one of the sources that affects customers' direct/indirect experience. In the review of literatures as given below, reputation consists of two major components, customers and stakeholders of companies. In detail of reputation, there is another point of view, which is on the side of marketing strategy. This concept could be considered by the outcome of reputation. According to a study, reputation needs to be considered as one of marketing communications as marketing is defined as the reflections on the past[8]. In the study, they argue that more contacts to customers means easier ways to get attention for products or brands to the customers. Corporate marketing mix shows that the reputation is one of the core components of the mix. Other core components in mix are character (corporate identity), culture (original identity), communication, conceptualizations (corporate reputation), and constituencies (marketing and stakeholder management). The conceptualizations consist of images and reputations by groups as stakeholders, communities, and individuals as companies' potential and existing customers[8].

Corporate reputation is consistent with customers' evaluation of companies. Thus it has not been fully understood if there is no consideration of customers' responses toward companies when the reputation of companies is evaluated. Finally, many marketing disciplines have also pointed it out through considering customers' evaluation as one of important parameters in their calculation of reputation. The customers' response works as one of impacted factors in the way of measuring corporate reputation with empirical data. And they verify that the corporate reputation also works as a variable that affects customers' behavioral intentions, such as word-of-mouth, purchase intention, and intention of seeking a job in the company, etc. Therefore, for this study the reputation is also considered as evaluation of what companies are doing and have done through customers' experience with the company.

A company's credibility is a dimension that judges a company's reputation and is expressed to the extent that consumers, investors and other stakeholders trust the company's integrity and professionalism. A research found that corporate credibility has a very strong influence on consumers' brand attitudes and purchase intentions[9]. In addition, a recent study found that corporate reliability directly affects attitudes toward brands and purchase intentions.

According to the social identification theory, individuals who identify with an organization become engaged in behaviors that support the organization. In other words, taking actions that support the organization is one way to maintain the image of the organization.

On the other hand, since people tend to evaluate the activities of the objects they like positively as well, they will give a more favorable evaluation of the sponsorship related to the brand they like. It will also have a positive effect on attitudes and purchase intentions towards the brand. According to the study, it was found that the prior attitude toward the brand affects the consumer's response to the company's sponsorship activities.

If this logic is applied to corporate sponsorship activities and marketing, social identification with the company will lead to positive evaluation of the sponsorship program, participation intention, and purchase intention [10]. Customer attitude is one of main topics in marketing disciplines, especially consumer research. And there are many studies on attitude in various disciplines, such as finance, management, psychology, and sociology. For increasing the importance of attitude only in fields of study, but also in the field of practice, the decision making process of individual customer has gotten more attention for the study of consumer. Attitude is structured with multidimensions and there are two types of major components in attitude structure, the affective and the cognitive. Each dimension is a significant part of study in many different disciplines. Consumer attitude plays a role in the foundation of the consumer's action. In other words, behavioral desire is consistent with attitude subjective norms and group norms, and attitude is affected by intention, because of implicit attitudes as automatic and impulsive ways. Attitude is also a central element of intention in the theory of reasoned act and of the theory of perceived behavior. One's attitude toward an object is determined by the subjective standards of the object's attributes in interaction with the strength of beliefs connecting the object with the attributes [11]. Prior research on corporate trust, corporate trust has a significant effect on corporate performance like purchase intention [12].

For this study, attitude takes important roles related to these literatures. Customers' attitude is also a determinant of customers' satisfaction and evaluation for the brand and company in retail sector.

This study claims research hypotheses based on previous literature as follows;

H1: Sponsorship-fit is positively related to corporate reputation.

H2: Corporate credibility is positively related to corporate reputation.

H3: Brand identification is positively related to corporate reputation.

3. METHODS

For the study, sponsorship is measured as the fit between the sponsor and the event because it is more meaningful to measure sponsorship with primary data to test customers who are already exposed to the sponsorship marketing activity. Thus, sponsorship is measured by only sponsor- event fit with three items in 7 Point-Likert scale, such as "there is logical connection between the event and the sponsor", "the sponsor and

the event fit together well” and “it makes sense to me that this company sponsors this event” for sponsor-event fit.

For corporate credibility, the scale used in the study of [9] was used. Two items of 'Company is honest' and 'Company is reliable' were measured on a 7-point Likert scale (1 = not at all, 4 = moderate, 7 = very much).

For brand identification, the identification scale used in the study of [10] was used. 'I feel insulted when someone criticizes 00', 'I feel like I am praised when someone compliments 00', 'I care about what other people think of 00', 'The success of 00 is my success'. 4 items were measured on a Likert-type 7-point scale (1 = not at all, 4 = moderately, 7 = very much).

As the dependent variable of this study, corporate reputation is judged by four additional second constructs, such as customer satisfaction, loyalty, trust and word-of-mouth. For the purpose of this study, the measurement of reputation is based on [13] to measure general corporate reputations. Therefore, there are two items for measuring corporate reputation, such as “The company has been well managed”, “The company has been a good corporate citizen”.

In order to test the hypothesis, a survey was conducted in a direct response method through a structured questionnaire targeting university students. The survey was conducted in such a way that an example of the sponsorship program that was actually being conducted was presented as a photo and then answered the related survey items. A total of 263 people responded to the questionnaire, and 233 copies were used for the actual analysis, excluding insincere responses. The collected questionnaires were coded and statistically analyzed through SPSS, and descriptive statistics, analysis of variance, and factor analysis were mainly used. Among the respondents, 65% were male and 35% were female.

Prior to data analysis, factor analysis was performed for general judgment of reliability and validity. For the factor extraction method, principal component analysis was used, and factors with an eigen value of 1 or higher were specified to be extracted. For the rotation method, the varimax rotation method, which is an orthogonal rotation method, was used in order to pursue a simple and clear interpretation between factors. The cumulative variance explained by the three factors of the independent variable group was 81.473%.

Reliability analysis was performed to measure the internal consistency of the re-derived measurement variables by summing them according to the factor analysis results. The theoretical variables measured in this study all had Cronbach- α coefficient values of 0.7 or higher, indicating that the measured items were measured at a relatively reliable level.

As a result of factor analysis, we identified all the concepts of this research model were appropriate.

Table 1. Factor Analysis

Variables	Brand identification	sponsorship-fit	credibility	corporate reputation
BRA1	0.907	0.045	0.143	0.112
BRA2	0.904	-0.007	0.085	0.084
BRA3	0.856	0.052	0.272	0.103
BRA4	0.767	0.139	-0.127	0.087
SP1	0.003	0.904	0.182	0.040
SP2	0.023	0.882	0.103	0.212
SP3	0.161	0.814	0.091	0.095
CRE1	0.178	0.081	0.906	-0.093
CRE2	0.052	0.270	0.879	-0.012
REPU1	0.147	0.142	-0.020	0.905
REPU2	0.129	0.143	-0.080	0.899

4. RESULTS AND DISCUSSION

As shown in Figure 1, The results of the study appeared to support all hypotheses. Among the hypotheses, sponsor and sponsorship fit were found to have the greatest influence on corporate reputation. It was found that consumers' attitudes toward brands or companies, such as brand identification and corporate credibility had a significant effect on sponsorship performance of corporate reputation.

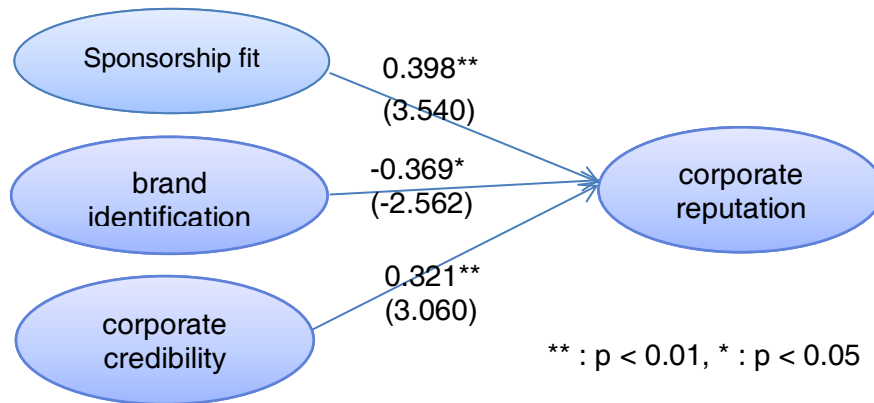


Figure 1. Result of the Study

In the study results, We identified that sponsorship fit had the strongest effect on corporate reputation and corporate credibility also had a significant effect on corporate reputation.

Sponsorship has long been a very common form of promotion in the field of promotion and has recently received considerable attention in academic field. According to one survey, most people are aware of the sponsoring company in the sponsorship event, and about 2/3 of the respondents answered that sponsorship affects the awareness and preference of the company. Several other studies also show that it has a positive effect on consumers' perceptions of a sponsor brand or company. Sponsorship is a part of marketing activities from a company's point of view and aims to promote publicity.

Therefore, as the result of this study, managers need to recognize and utilize sponsorship as a crucial tool to make a future value of the firm. In fact, many companies in various industries are using sponsorship activity to increase or make their brand image or reputation in the society. However, it is necessary for managers to assess if sponsorship activities have good fit to the company's piled image and the sponsoring events.

This study divided the influence variables of sponsorship, which were dealt with in previous studies, into three dimensions: the company aspect, the brand aspect, and the program aspect. In addition, while most of the existing studies on the effect of sponsorship dealt with the passive reaction of consumers centered on favorable attitude change, it is meaningful that the performance of sponsorship was empirically verified by introducing the marketing performance of corporate reputation as a variable. However, a more comprehensive consideration of various other factors affecting the performance of the sponsorship program was insufficient, and in particular, differential studies on factors such as the characteristics of the brand or the characteristics of the sponsorship program remain a future task.

ACKNOWLEDGEMENT

This work was supported by Koreatech Research Fund in 2020.

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