

Improving Sponsorship Performance – Three Papers on Organization,  
Strategy, and Brand Management from the Viewpoint of Sponsored  
Sports Entities

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The Faculty of Economics, Business Administration and Information Technology of the University of Zurich hereby authorizes the printing of this dissertation, without indicating an opinion of the views expressed in the work.

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## **1. Framework Paper**

Sponsorship is a major source of income for most professional sports entities such as sports clubs and associations as well as for athletes themselves. Global revenues from sports sponsorship are estimated at reaching US\$ 45 billion in 2015 (PricewaterhouseCoopers, 2011). The growth of sponsorship has been paralleled by an increase in sponsorship research. Most sponsorship research focuses on the consumer side of sponsorship (e.g., the effects sponsorship has on consumers' perceptions about a sponsor's image) and on sponsorship management. With regards to sponsorship management, however, current research concentrates on the sponsor's viewpoint and largely marginalizes the viewpoint of sponsored sports entities (the "sponsees").

This dissertation is comprised of three research papers examining different sponsorship aspects from the viewpoint of sponsees. Specifically, sponsorship is investigated from an organizational management perspective, from a strategic management or outsourcing standpoint, and from a brand management point of view. The first and second papers concentrate on sports organizations as sponsees while professional athletes as sponsees is the focus of the third paper. While each of the three papers addresses individual and independent research questions, the recurring theme running through each is that of how sponsees can improve their sponsorship performance. All three papers contain an introduction to the respective problem and review the appropriate literature in the respective field. The methodological approaches in the papers differ, involving empirical and conceptual work. In all papers, we draw conclusions, show implications for researchers and professionals, and indicate directions for further research.

The first paper, "Developing a Framework to Identify and Systematise Sources of Inefficiencies in Sports Sponsorship from a Sponsee Perspective", examines a sponsee's sponsorship performance from an organizational management perspective. A common belief is that sponsees today are organized and managed more professionally than years ago, especially in terms of marketing and sponsorship activities. However, recent studies show that sponsees often face inefficiencies and lack professionalism in sponsorship. Our objective is to

investigate this dilemma and to understand why sponsees often struggle to achieve their sponsorship-related goals.

Based on a review of existing literature and a series of interviews with experts from sponsors, sponsees, and sports agencies, we develop a framework that shows where and why inefficiencies occur in sponsee organizations. Our framework starts with the sponsee's most important sponsorship goals: primarily the maximization of sponsorship income, accompanied by sponsor satisfaction and by the creation of positive image and brand effects as a result of sponsorship activities. The framework continues with the relevant process steps necessary for sponsees to take in order to achieve these sponsorship-related goals. External effects influencing the sponsees and their goals are included as well. At the core of the framework we identify six sources of inefficiencies (SOI) – analogous to the gaps in the "model of service quality" by Parasuraman, Zeithaml, and Berry (1985) – that can impede the achievement of the sponsorship-related goals. For example, one SOI is that the management perception of the sponsorship market and of sponsor expectations has not been properly translated into a sponsorship strategy; another SOI occurs when the sponsee's brand building is not (fully) leveraged in operational sponsorship activities.

As a result, the six identified SOI can explain how and why sponsees often struggle to achieve their sponsorship-related goals. We emphasize the importance of a professional sponsorship approach for sponsees, including management commitment, a long-term perspective, well-defined sponsorship processes, and active brand building. Moreover, we disentangle the underlying drivers for the identified SOI, mainly resource constraints, capabilities and know-how issues, communication issues, and the management's "degree of professionalism".

To our knowledge, this proposed framework is the first to identify and systematize potential (sources of) inefficiencies and thus help to explain the supposed lack of professionalism in sports sponsorship. It thereby broadens the field of sponsorship research and potentially triggers further research on sponsees, their sponsorship performance, and potential (sources of) inefficiencies in sponsee organizations. For sponsorship professionals on either side, the framework may

serve as a useful analysis and management tool, particularly in order for sponsees to be able to check whether, and to which degree, the identified SOI apply to their own situation. The paper complements the classical transactional and relational views of sponsorship where the sponsee viewpoint has often been marginalized.

The second paper, "Outsourcing Sports Sponsorship Activities: A Multi-Theoretical Approach", examines a sponsee's sponsorship performance from a strategic management, more specifically outsourcing, perspective. Sponsees often seek external support for their sponsorship operations to increase sponsorship performance. The approach chosen by many sponsees is to fully or partly outsource sponsorship activities to external sports marketing agencies, like IMG, Infront, and Sportfive. Other sponsees fully retain all sponsorship activities in-house. Our objective in this paper is to explain the different approaches and to make recommendations on appropriate sponsorship sourcing decisions.

To address this objective we first apply two classical theories to the outsourcing of sports sponsorship activities: the Resource-Based View (RBV) and Transaction Cost Economics (TCE). We analyze to what extent determinants arising from these theories influence sponsees' sourcing decisions. RBV- and TCE-related outsourcing determinants are useful in understanding which sponsorship-related activities are more or less likely to be outsourced, but they are not sufficient to answer which kinds of sponsees outsource and to what extent. We argue that the reason behind differing sponsorship sourcing decisions is that it matters *who* is concerned with that question, i.e., it is dependent on the sponsee's characteristics and particular situation. With recourse to Contingency Theory, we propose two additional determinants to be key determinants for the sourcing decision: a sponsee's size and its management's degree of professionalism (DoP). Based on these considerations, not only do we make recommendations on how intensively different sponsees should use the outsourcing option, but we also identify reasons why sponsees actually deviate from these recommended outsourcing levels and discuss ways to counteract these deviations.

This paper is the first to apply the two classical theoretical concepts (RBV and TCE) to the outsourcing of sports sponsorship activities. As a conceptual paper, it

aims at stimulating further research on outsourcing in sports sponsorship and on the relationship between sponsees and sports marketing agencies. Regarding potential implications for sports sponsorship practitioners, we hope to convince sponsees' sponsorship managers to scrutinize their own sourcing approaches in the light of our arguments on recommended sourcing levels, reasons for potential deviations, and ways to counteract these deviations.

The third paper, "Brand Management throughout Professional Athletes' Careers", examines a professional athlete's commercial performance from a brand management perspective. Commercial (i.e., sponsorship and endorsement) revenues are becoming considerably more important as a source of income for professional athletes. Moreover, athletes (or their managers) increasingly acknowledge that brand management is crucial to optimize commercial revenues, especially when considering the duration of athletes' careers. As research in this area is scarce, however, Arai, Ko, and Kaplanidou (2013) make a plea for research that investigates effective brand management strategies for athletes at different career stages. Utilizing athlete brand management, particularly the balancing of brand building (BB) and brand selling (BS) activities, and applying the concept of product life cycles to athletes' careers, our objective is to evaluate athletes' brand management strategies and their effects on athletes' accumulated commercial revenues (ACR).

In the resulting framework, we initially identify the key determinants for the generation of athletes' ACR: athletes' brand equity, associated risks, the length of athletes' careers, and the rate to which brand equity is converted to commercial revenues throughout athletes' careers. We then analyze appropriate brand management strategies at different stages of an athlete's career in three steps. First, we look at the trade-off between BB and BS and the respective effects on the key determinants for the optimization of ACR. BB is labeled as a long-term approach where athletes invest in future opportunities; BS is labeled as a short-term approach where brand equity is leveraged to generate commercial revenues today. Second, we argue that appropriate brand management strategies throughout an athlete's career are not universal but they are contingent upon an athlete's personal situation and environment. Hence, we propose twelve contingencies that are



supposed to determine appropriate, i.e. revenues-optimizing, brand management strategies at different career stages. Popularity and media coverage of the athlete's sport, sporting performance, risk susceptibility, and financial pressure are examples of these contingencies. Third, we develop a typology of brand management strategies with basic strategy types based on environmental contingencies and we show how the personal contingencies and the brand management of other athletes can alter these basic strategy types at different career stages. We state that a sudden shift towards BS may be a signal that an athlete is beyond the sporting performance peak, exposed to high personal or sporting risks, in serious financial trouble, or assumes that the sport is soon going to lose popularity; a shift towards BB may be a signal that an athlete plans to retire soon or faces serious commercially-induced risks. Real world examples of professional athletes' brand management strategies support our framework.

This paper is novel as it takes the scientific fields of athlete endorsement and athlete brand management research one step further. It complements the company perspective of endorsements by examining the athlete's perspective in more detail. Moreover, a long-term view of *accumulated* commercial revenues is introduced in contrast to a static short-term view. Put differently, the traditional company-centric focus in the endorsement literature was related to the question "how to use an athlete for branding products and companies". Recently this view has been complemented by research on the question "how to develop a strong athlete brand". Now we extend this development by adding a long-term view examining the question "how to manage an athlete brand to optimize commercial revenues throughout an athlete's career". The proposed framework may serve as a useful brand management and monitoring tool for all those involved, the athletes and endorsers alike.

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## **2. Papers Included in this Dissertation**

### **2.1. Developing a Framework to Identify and Systematise Sources of Inefficiencies in Sports Sponsorship from a Sponsee Perspective\***

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\* A version of this paper is published as Dietl, H. M. & Schweizer, N. (2014), Developing a Framework to Identify and Systematise Sources of Inefficiencies in Sports Sponsorship from a Sponsee Perspective, *International Journal of Sport Management and Marketing*, 15 (1/2), 36-56.

According to the journal's requirements this paper is written in British English whereas the rest of the dissertation is written in American English.

## Introduction

Sports sponsors are not always fully satisfied with the service level offered to them by their sponsored sports clubs. Beginning in 2008, Rehm (2012) biennially surveyed 33 large sponsors in the German professional football league (“Bundesliga”) to assess the service level of sponsored clubs and of intermediate agencies. On a scale from 1 = “very good” to 6 = “insufficient”, sponsors rated the service level of the clubs at 2.48 in 2012, 2.42 in 2010, and 2.54 in 2008. They assessed the service level of sports marketing agencies, which are commissioned by the clubs, at only 3.00 in 2012, 2.89 in 2010, and 2.85 in 2008. Although the rating for clubs is stagnate over the survey period and the rating for agencies has deteriorated, 76% of the sponsors claim they would be willing to invest more if the service level of the clubs or agencies were better.

The view that the service orientation and overall sponsorship performance of sports organisations, hereafter referred to as "sponsees", is worth examining is supported by Stotlar (2009), who discusses various examples of the sponsees' lack of professionalism, e.g., insufficient customisation in sponsor approach, unawareness of sponsor needs, and inadequate maintenance of the sponsor-sponsee relationship.

How do these results fit with the common notion that today top sports clubs are managed more professionally, especially marketing and sponsorship activities? What explains the problem of sponsees struggling to achieve their sponsorship-related goals, for example, to satisfy their sponsors?

Traditionally, academics have investigated sponsorship either as a discrete transaction between sponsor and sponsee or as a relationship between sponsor and sponsee (Farrelly & Quester, 2005; Ryan & Fahy, 2012<sup>1</sup>). Either way, previous literature in sports sponsorship focuses on the sponsor perspective and largely marginalises the sponsee perspective. In contrast, this paper intends to explore the sponsee perspective to understand why sponsees often struggle to achieve their sponsorship-related goals. In other words, we want to identify and analyse sources of inefficiencies and their effects on the sponsee's ability to achieve their sponsorship-related goals.

Because of the scarce knowledge about the sponsee perspective and potential sources of inefficiencies on the sponsee side, we pursue an inductive research approach aiming at theory building. We first compile existing knowledge from the sports management, sponsorship, and service marketing literature. Building on this base, we conduct interviews with experts from the three typically involved parties (sponsors, sponsees, and sports agencies) to discuss the sponsees' goals, determinants to achieve these goals, and potential gaps or inefficiencies in sponsee organisations. Based on a three-step analysis approach by Miles and Huberman (1994), we propose a framework for sports sponsorship from a sponsee perspective.

In this framework, we describe the three main sponsee goals and the relevant determinants for the achievement of these goals. Most important, we identify and systematise six sources of inefficiencies (SOI) which can impede the achievement of sponsee goals. Moreover, we disentangle the underlying drivers for the identified SOI, mainly resource constraints, capabilities and know-how issues, communication issues, and what we call management's "degree of professionalism".

The paper addresses two key audiences. First, for academics it complements the transactional and relational views of sponsorship by examining the sponsee perspective in greater detail. It thereby broadens the field of research and potentially triggers further empirical research about sponsees, potential SOI and their underlying drivers, and professionalism on the sponsee side. Second, the framework is intended to serve as an analysis and management tool for sponsorship managers on either side, for sponsees and sponsors. Sponsees may compare their own situation with the framework presented here and check whether, and to which degree, the SOI apply to them. Sponsors may benefit from a better understanding of what happens inside the sponsee organisations and how that is related to their potential dissatisfaction.

The remainder of this paper is structured as follows: section two reviews the sponsorship literature and the "model of service quality" (Parasuraman, Zeithaml, & Berry, 1985); section three describes the exploratory research approach; section

four addresses the proposed framework, the SOI and their underlying drivers, and research propositions; finally, section five concludes with a brief summary, a discussion on limitations, and directions for further research.

## **Literature Review**

Until the 1990s the vast majority of studies in the sponsorship literature analysed sponsorship as a discrete transaction between sponsor and sponsee (Cornwell & Maignan, 1998; Walliser, 2003). According to Bühler (2006), one limitation of this transactional view of sponsorship is that the role of the sponsee is reduced to being the recipient of money in exchange for granting promotional rights. Consequently, most of the studies concentrated on the sponsor perspective and rather neglected the sponsee perspective. Popular fields of research include the sponsors' goals (e.g., Copeland, Frisby, & McCarville, 1996), the measurement of sponsorship effects (e.g., Lardinoit & Derbaix, 2001), the sponsorship management organisation at the sponsor side (e.g., Chadwick & Thwaites, 2005) and the sponsor-sponsee fit (e.g., Becker-Olsen & Hill, 2006).

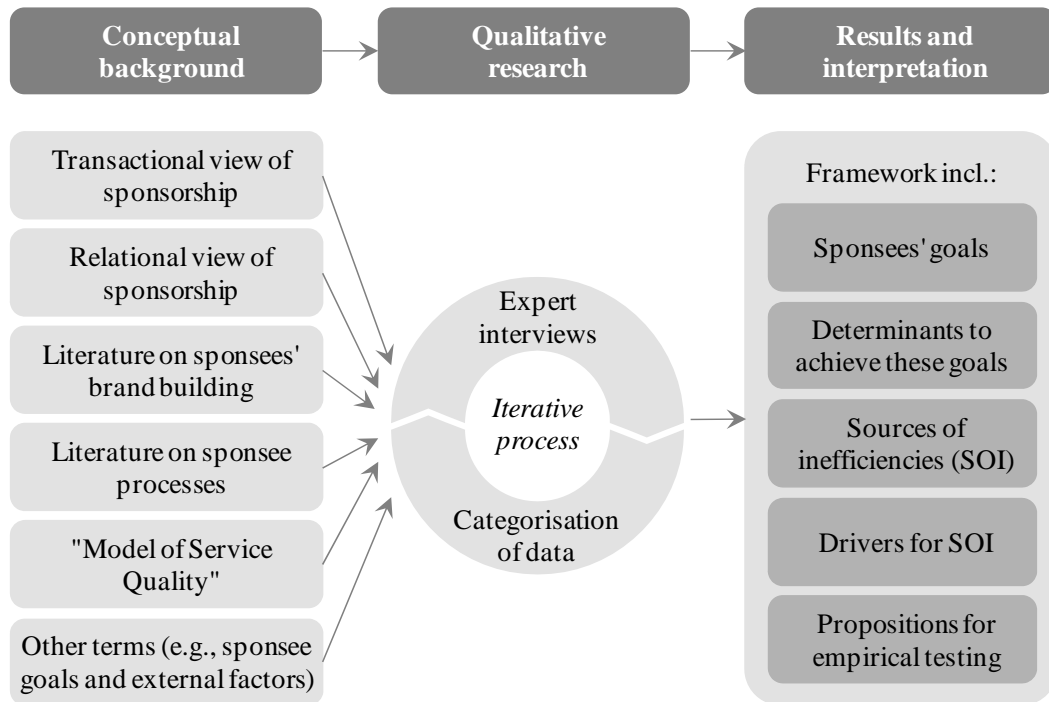
Since the beginning of the new millennium, the research focus in the sponsorship literature has shifted toward a relational view of sponsorship. The business-to-business relationship character of sponsorship is emphasised and, consequently, slightly more attention is on the sponsee perspective (Ryan & Fahy, 2012). At the core of the relational view is the analysis of success factors in sponsor-sponsee relationships. Trust, mutual understanding, long-term perspective, commitment, communication, and cooperation are among the most frequently mentioned factors (Bühler, Heffernan, & Hewson, 2007; Farrelly & Quester, 2005; Nufer & Bühler, 2010, 2011).

A few research streams in particular take the sponsee perspective into account. Recent studies (e.g., Frederick & Patil, 2010; Milligan, 2009) concentrate on brand building efforts of sponsees, i.e., to build a brand and to position themselves for potential sponsors and other "customers", like fans. Other research (e.g., Doherty & Murray, 2007; Gaede, 2006) investigates the sponsees' organisational

setup and sponsorship-related processes like sponsor screening, sponsor approach, sponsorship execution, and sponsorship evaluation.

In addition to the sponsorship literature, we draw on another concept from service marketing literature: the "model of service quality" by Parasuraman et al. (1985). This model describes determinants and causal relationships of quality in services – in contrast to the at that time prevailing research topic of quality in tangible goods. For this purpose, Parasuraman et al. (1985) compile existing knowledge about service quality and then undertake an exploratory study, using interviews with executives and consumers to investigate service quality and formulate a conceptual model. Finally, a number of discrepancies or gaps that affect the service quality as perceived by consumers are identified. The model of service quality has been used rarely in a sports context.<sup>2</sup> To the authors' knowledge it has not been applied in a sports sponsorship context. When service quality is investigated in a sports context, the focus is on the sports consumers' perception of service quality in sports facilities and sports events (e.g., Bodet & Bernache-Assollant, 2009; Koo, Andrew, & Kim, 2008).

The literature review illustrates the conceptual background of our study. Because existing literature on sponsees and potential SOI in sports sponsorship is scarce, we conduct an exploratory study with sponsorship experts to discuss sponsees' goals, determinants to achieve these goals, and potential gaps or inefficiencies in sponsee organisations. This information enables us to propose a framework to identify and systematise sources of inefficiencies in sports sponsorship from a sponsee perspective. This research approach is visualised in Figure 1.



*Figure 1: Research approach*

## **Methodology**

### **Initial Categorisation**

Categorisation or coding of data is a classical concept in qualitative research and specifically in theory building (Dey, 1993). We used categories throughout the data collection and analysis process to organise the data and develop the framework.

The review of existing literature about sponsorship, sponsees, and service quality led to an initial categorisation of potentially relevant components of the framework. The initial categorisation scheme is displayed in Table 1.



<b>Initial categorisation scheme</b>	
<b>Layer 1</b>	<b>Layer 2</b>
Building blocks in Model of Service Quality	Management perception of sponsor expectations Translation of perceptions into sponsorship service quality specifications Delivery of sponsorship service External communications to sponsor Perceived sponsorship service Expected sponsorship service Word of mouth communications Sponsor needs Past experience
Gaps in Model of Service Quality	Sponsor expectation - management perception Management perception - service quality specifications Service quality specifications - service delivery Service delivery - external communications Expected service - perceived service
Sponsee processes	Acquisition process and sub-processes Execution process and sub-processes
Relationship quality factors	Trust Mutual understanding Long-term perspective Communication Cooperation Commitment
Others	Sponsorship concept Maximisation of sponsorship income Image considerations and brand building External factors

*Table 1: Initial categorisation scheme*

### **Exploratory Study**

Robson (2002) describes an exploratory study as a means of identifying "what is happening; to seek new insights; to ask questions and to assess phenomena in a

new light" (p. 59). Our initial categorisation scheme served as the starting point for our exploratory study. We decided to conduct semi-structured interviews. Semi-structured in this context means that the "researcher will have a list of themes and possibly some key questions to be covered, although their use may vary from interview to interview" (Saunders, Lewis, & Thornhill, 2012, p. 374). This approach allowed us to ask additional questions to explore topics in more detail and to receive additional information by probing the answers of the interviewees.

The guiding principle for the search for interview partners was to find decision-makers from all three parties (sponsee, sponsor, and agency) that are directly involved in sponsorship planning, acquisition, and execution processes. Regarding the sponsees, the focus was set on sports clubs and sports associations, but not on sports events or individual athletes.

In total, 13 interviews were conducted, which is in line with the statement of Kvale and Brinkmann (2009) that "in common interview studies, the number of interviews tends to be around 15 +/- 10" (p. 113). Of the 13 interview partners, four are classified as "sponsors", five as "sponsees", and four as "agencies". The interviewed sponsors are from two commercial banks, one food and beverage company, and one manufacturing company. All sponsors have been active in different sports and different sponsorships. Three of the interviewed sponsees are football clubs, one is a multi-sports club, and one is a sports association. Three of the interview partners in agencies represent sports marketing agencies and one represents a communication agency. All interview partners are from Germany or Switzerland.

The interviews were conducted face-to-face or via telephone and lasted from 30 to 90 minutes. All interviews were audio-recorded and full confidentiality and anonymity was guaranteed to the interviewees. Interview transcripts were produced directly after the interviews.

## Final Categorisation

According to Miles and Huberman (1994), data analysis consists of three steps: data reduction, data display, and conclusion drawing. Data reduction is the transfer of raw data, i.e., the transcribed interviews, into a more manageable and comprehensible form. We applied our initial categorisation scheme to the interviews by attaching all relevant pieces of information from the interviews (paragraphs, sentences, or phrases) to appropriate categories. During the analysis of the interviews, the categorisation scheme was iteratively refined, i.e., previous categories were erased, split, or merged and new categories were added. Our final categorisation scheme is shown in Table 2. For reasons of space, only the first two layers are displayed while layer three is omitted.

<b>Final categorisation scheme</b>	
<b>Layer 1</b>	<b>Layer 2</b>
Goals	PG – Maximisation of sponsorship income SG1 – Sponsor satisfaction SG 2 – Creation of brand/image effects
External factors	E1 - Sponsor expectations E2 - Market conditions E3 - Sponsee specifics
Sponsee processes	P1 - Management perception of sponsorship market and sponsors P2 - Development of a sponsorship strategy P3 - Organisational structure and processes P4 - Approach towards brand building P5a - Operational sponsorship activity – Sponsor acquisition P5b - Operational sponsorship activity – Execution of sponsorship
SOI	SOI 1 - Market and sponsors – management perception SOI 2 - Management perception - sponsorship strategy SOI 3 - Sponsorship strategy - org. structure and processes SOI 4 - Sponsorship strategy - brand building SOI 5 - Org. structure and processes - operational activities SOI 6 - Brand building - operational activities

*Table 2: Final categorisation scheme (layer 3 omitted)*

An example for refinement from the initial to the final scheme is that concepts like "external communications to sponsor" or "relationship quality factors" are no longer listed in the final categorisation scheme. They are dropped not because they are unimportant; rather they are implicitly covered in the proposed SOI.

In the next section, we move on to the steps "data display" and "conclusion drawing" in the Miles and Huberman (1994) approach. As a result, the final categorisation scheme is converted into the proposed framework and insights and propositions are discussed.

## Results

The building blocks and relationships of the framework are shown in Figure 2. The framework is structured in three parts. At the bottom are the sponsee's processes (P1 – P5b) which are targeted at the achievement of the sponsee's sponsorship-related goals (PG, SG1, and SG2). At the top, external factors (E1 – E3), which also affect the sponsee's goal achievement, are displayed. Six sources of inefficiencies (SOI 1–SOI 6) are located at the transitions from one process step to another.

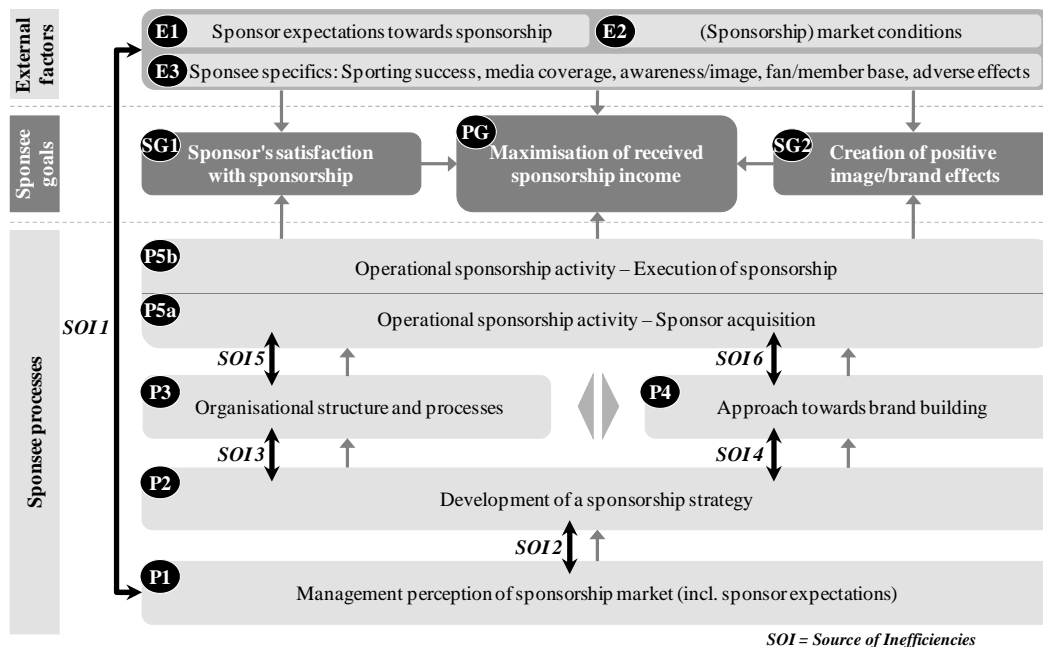


Figure 2: Framework for sports sponsorship (sponsee perspective)

In general, it is important to re-emphasise that the framework takes the perspective of the sponsee, i.e., "management", for example, refers to the sponsee's management if not otherwise stated.

### **The Sponsee's Goals**

The interview partners commonly agree that the primary goal (PG) of sponsees is to maximise their received sponsorship income. While all interview partners point out that there are other goals as well, they agree that any secondary sponsorship-related goal eventually contributes to the financial goal. Two secondary goals (SG1 and SG2) stand out in the discussion with the interview partners and are displayed in the framework: "sponsor's satisfaction with sponsorship" and "creation of positive image/brand effects". Sponsor satisfaction contributes to the primary financing goal, especially because satisfied sponsors tend to continue their sponsorships (and perhaps at higher amounts of money) and there is no need to acquire new sponsors which saves resources. Similarly, a positive image and a strong brand contribute to the primary financing goal because sponsors will likely be willing to invest more and tie more closely to such a sponsee. Hence, we make two propositions.

*Proposition SG1: The higher sponsor satisfaction, the higher received sponsorship income.*

*Proposition SG2: The more positive image effects emerge from sponsorships, the higher received sponsorship income.*

### **SOI and the Sponsee's Processes**

In this section we focus on the SOI, which are related to the sponsee's sponsorship processes. Each process step is characterised by a few success factors. Each SOI is based on a few drivers prerequisite for efficient accomplishment of the subsequent process step (and eventual achievement of the sponsee's goals). We discuss each SOI and identify (1) the process steps that the SOI impact, (2) the

success factors of these process steps, (3) the underlying drivers of the SOI, and (4) the research propositions regarding the achievement of the sponsee's goals.

***SOI 1: Management perception of sponsorship market (and sponsor expectations) doesn't meet real market conditions (and sponsor expectations)***

The starting point for the sponsorship process chain at the sponsee side is the "management perception of sponsorship market (including sponsor expectations)" (P1). The first source of inefficiencies (SOI 1) is located between the perception of the sponsee's management about the outside world and the outside world itself. The closer to reality the management's perception of the outside world, the more likely it will set up a sponsorship organisation and architecture which is eventually able to achieve the sponsee's sponsorship goals.

*Proposition SOI 1: Inefficiencies between the sponsorship market and the management's perception of it will negatively affect the sponsee's goal achievement.*

As shown in Table 3, one success factor for the process step P1 is the management's understanding of what sponsors generally expect from a sponsorship and from a sponsee as contractual partner. That is, what kind of sponsorship strategy, processes, structures, and/or brand characteristics do sponsors expect from their counterparts; what are their needs and targets; which relationship quality aspects (trust, long-term focus, etc.) are important to them; and what connotes high quality service to them. The other success factor is the management's understanding of the (sponsorship) market conditions. This comprises a realistic assessment of the sponsee's own sporting, economic, and image situation; an understanding of the economy as a whole and its effects on sports sponsorship; moreover, a grasp for trends in sponsorship, knowledge about the current climate for sports sponsorship, and information about recent sponsorship contracts from competitors.

Drivers for <b>SOI1</b>	Success factors at <b>PI</b>
<ul style="list-style-type: none"> <li>• Management disinterest</li> </ul>	<ul style="list-style-type: none"> <li>• Understanding what sponsors generally expect from sponsorships and sponsee</li> </ul>
<ul style="list-style-type: none"> <li>• Lack of interconnectedness in the sponsorship community</li> </ul>	
<ul style="list-style-type: none"> <li>• Insufficient or inadequate upward feedback from sponsorship personnel</li> </ul>	<ul style="list-style-type: none"> <li>• Understanding of (sponsorship) market conditions</li> </ul>
<ul style="list-style-type: none"> <li>• Weak market research orientation</li> </ul>	
<ul style="list-style-type: none"> <li>• Inability to assess own sporting, economic, and image situation</li> </ul>	
<ul style="list-style-type: none"> <li>• Inability to assess economic situation and its effects on the sponsorship market</li> </ul>	

*Table 3: Potential reasons SOI 1 affects the implementation of success factors at PI*

Table 3 shows the drivers for SOI 1 that were identified in the interviews with industry experts. One driver is simply management disinterest in the sponsorship market as a whole or disinterest in trying to understand (potential) sponsors. This may be due to a lack of commitment towards professional sponsorship and is especially prevailing when sponsorship is understood solely as a financing instrument by the sponsee organisation.

If the management is committed to professional sponsorship, it may still be quite far away from the sponsorship community. A lack of interconnectedness in the sponsorship community (actual and potential sponsors, associations, and competitors) is another driver for SOI 1. A complementary mechanism to overcome the distance to the sponsorship community is upward feedback from sponsorship personnel to the sponsee's management. Thus, insufficient or inadequate upward feedback is a third driver for SOI 1.

Weak market research orientation can drive SOI 1 as well, e.g., a lack of receptiveness for (self-initiated or external) market research and relevant publications or the inability to understand and process them.

In addition, we identify two more drivers particularly affecting the understanding of the (sponsorship) market conditions: (1) the management's inability to assess its own sporting, economic, and image situation and potential

and (2) the management's inability to assess the broader economic situation on a regional, national, and global scale and its implications for the sponsorship market. These two drivers for SOI 1 may often reflect management's lack of expertise or experience.

*Proposition Drivers 1: The size of SOI 1 is positively related to the drivers displayed in Table 3.*

***SOI 2: Management perception of sponsorship market (and sponsor expectations) not properly translated into sponsorship strategy***

So far, the management interacted with the outside world and developed a perception of the (sponsorship) market and potential sponsors' expectations. In a next step perception must be translated into a "sponsorship strategy" (P2). A sound sponsorship strategy provides the basis to professionally perform subsequent sponsorship-related tasks. The second source of inefficiencies (SOI 2) is located at the transition from management perception of the sponsorship market to development of a sponsorship strategy. Even if no inefficiencies existed at SOI 1, i.e., management perfectly understood the sponsorship market and sponsor expectations, there is no guarantee that it will develop an appropriate sponsorship strategy that is able to improve the achievement of the sponsee's goals.

*Proposition SOI 2: Inefficiencies at the transition from management's market perception into a sponsorship strategy will negatively affect the sponsee's goal achievement.*

Based on the discussions in the expert interviews, we identify three success factors for an appropriate sponsorship strategy (Table 4). The first success factor is a "quantitative" element: a well-defined sponsorship hierarchy, a rights catalogue for sponsors, and a price list, of which all should be tailored to the specific sponsee's situation. The second factor is a "qualitative" element: a recorded sponsorship concept or philosophy including a long-term vision, objectives, and sponsee personnel guidelines for how to interact with sponsors and other partners. The third factor is transparency of the sponsorship strategy towards the sponsee's personnel which is necessary to create a common understanding



about the sponsorship strategy and to trigger a service mentality in the sponsee organisation. Transparency should not be underestimated because it demonstrates internally and externally that management is fully committed to professional sponsorship and willing to act accordingly to eventually achieve the set goals.

Drivers for <b>SOI2</b>	Success factors at <b>P2</b>
<ul style="list-style-type: none"> <li>• Reluctance to change the way sponsorship is approached</li> </ul>	<ul style="list-style-type: none"> <li>• Well-defined sponsorship hierarchy/rights catalogue/price list</li> <li>• Recorded sponsorship concept/philosophy incl. vision, objectives, and guidelines</li> <li>• Transparency of sponsorship strategy towards sponsee's personnel</li> </ul>
<ul style="list-style-type: none"> <li>• Perception of infeasibility to achieve objectives</li> </ul>	
<ul style="list-style-type: none"> <li>• Neglect of long-term sponsorship focus in favour of short-term orientation</li> </ul>	
<ul style="list-style-type: none"> <li>• Resource constraints (personal and financial)</li> </ul>	
<ul style="list-style-type: none"> <li>• Insufficient know-how about determinants and implementation of sponsorship strategy</li> </ul>	
<ul style="list-style-type: none"> <li>• Lack of communication from management to sponsorship personnel</li> </ul>	

*Table 4: Potential reasons SOI 2 affects the implementation of success factors at P2*

The drivers for SOI 2 are displayed in Table 4. One driver is the management's reluctance to change the way sponsorship is approached. "We have always done it like this" is a common but critical phrase that shows a lack of courage and commitment to change.

Another driver is the management's perception that it is simply not feasible to achieve all sponsee goals at the same time, i.e., satisfy the sponsors, strengthen its own brand, and receive maximum sponsorship fees. This perception of infeasibility may occur especially in difficult situations like a struggle against relegation in the sporting field.

The next driver, neglect of long-term sponsorship focus in favour of short-term orientation, is closely related. A long-term focus comprises the management's commitment, patience, and persistence to develop a sustainable sponsorship architecture which may be costly (personnel, equipment, etc.), but helps the sponsee in the long run. It contrasts with a relapse into old short-term thinking

patterns, e.g., to invest into a new fringe player at the expense of higher future sponsorship income.

The fourth and fifth drivers for SOI 2 are related to resources and capabilities. Resource constraints cover personal and financial constraints. A capabilities issue is: insufficient know-how about the determinants and implementation of a sponsorship strategy, e.g., what a proper sponsorship hierarchy looks like, how to set prices, which guidelines should be set for the sponsorship personnel, and how to embed sponsorship in the sponsee's overall organisation.

Finally, the sixth identified driver for SOI 2 is the lack of communication from management to sponsorship personnel. This driver is clearly linked to the transparency success factor. If the management does not properly communicate the set sponsorship strategy and its commitment towards professional sponsorship, it will be difficult to create a common understanding, achieve broad acceptance, and trigger a service mentality among the sponsee's personnel.

*Proposition Drivers 2: The size of SOI 2 is positively related to the drivers displayed in Table 4.*

### ***SOI 3: Sponsorship strategy not properly translated into organisational structure and processes***

After the development of a sponsorship strategy the sponsee has to set up "organisational structure and processes" (P3) to execute the set sponsorship strategy. No matter what the sponsorship strategy exactly looks like, to achieve the set goals an organisational structure and well-defined processes are a necessity for professional sponsorship. The existence of an appropriate sponsorship strategy is no guarantee that proper organisational structure and processes will be established. Hence, the third source of inefficiencies (SOI 3) is located between the sponsorship strategy and the development of organisational structure and processes.

*Proposition SOI 3: Inefficiencies between the sponsorship strategy and the development of organizational structure and processes will negatively affect the sponsee's goal achievement.*

We identify two success factors for organisational structure and processes (Table 5). First, there is the allocation of clear roles, responsibilities, and tasks to prevent role conflict and role ambiguity. Typically, marketing, sales, and service/execution roles have to be allocated; ensuring sufficient interlinkages between these roles is equally important. The discussions in the expert interviews suggest that there is no standard blueprint for how to design such an organisational structure, but it must incorporate the sponsee's specific situation. One organisational feature that was clearly important to all interview partners is the creation of clear-cut sponsor interfaces, i.e., key accounts, where sponsor and sponsee personnel can build close and enduring relationships. Here the relationship quality aspects mentioned above come into play. Second, all relevant sponsorship processes and sub-processes should be defined, including processes for operational sponsorship activities, processes for internal and external communication, and interlinkages with other business processes (e.g., controlling, reporting).

Drivers for <b>SOI3</b>	Success factors at <b>P3</b>
<ul style="list-style-type: none"> <li>• Lack of understanding that org. structure and processes needed to implement strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Clear allocation of roles, responsibilities, and tasks</li> <li>• Definition of all relevant processes</li> </ul>
<ul style="list-style-type: none"> <li>• Resource constraints (personal and financial)</li> </ul>	
<ul style="list-style-type: none"> <li>• Insufficient know-how about determinants and implementation of org. structure and processes</li> </ul>	
<ul style="list-style-type: none"> <li>• Absence of goal-setting regarding sponsorship activities</li> </ul>	
<ul style="list-style-type: none"> <li>• Inadequate standardisation of standardisable tasks</li> </ul>	

*Table 5: Potential reasons SOI 3 affects the implementation of success factors at P3*

Table 5 shows the drivers for SOI 3 that were identified in the interviews. The first driver for SOI 3 is the management's lack of understanding that

organisational structure and processes are important factors for professional sponsorship, especially in the long run. "I don't invest into sponsorship architecture – it doesn't score any goals" was a remarkable sponsee statement in one of the interviews and may well explain the occurrence of SOI 3.

Beyond management's understanding and commitment, resource constraints and deficits in relevant capabilities are important drivers for SOI 3. Even if the management is committed to establish a professional sponsorship architecture, there may be personal and financial constraints as well as insufficient know-how about the determinants and implementation of organisational structure and processes, e.g., to what extent are sales, marketing, and service/execution personnel divided and interlinked and which processes need to be defined.

The last two drivers for SOI 3 are closely related to the definition of sponsorship processes and were explicitly highlighted in the interviews. One driver is the absence of goal-setting regarding sponsorship activities. Thorough goal-setting helps the sponsee clarify the roles, responsibilities, and tasks for sponsorship personnel and it serves as an incentive mechanism for service quality towards sponsors and success in sponsor acquisition, for example. Second, standardisable tasks may be inadequately standardised. Finding the right balance of standardisation versus flexibility in processes is important; processes with sponsor interaction typically need more flexibility than analysis processes.

*Proposition Drivers 3: The size of SOI 3 is positively related to the drivers displayed in Table 5.*

#### ***SOI 4: Sponsorship strategy not properly translated into approach towards brand building***

Part of the implementation of the sponsorship strategy is not only the development of organisational structure and processes, but also the development of an "approach towards brand building" (P4). The experts in the interviews emphasised that the sponsees' brand building is an integral part of professional sponsorship. And it is something that most sponsors, whether consciously or not, simply expect from their sponsees. Whether or not the sponsee has actively and consciously

developed a brand, brand building plays an important role in the achievement of the sponsee's goals. Even if brand building is covered in the sponsorship strategy, a proper approach to it does not necessarily emerge. Accordingly, the fourth source of inefficiencies (SOI 4) is located between the sponsorship strategy and the development of an approach towards brand building.

*Proposition SOI 4: Inefficiencies at the transition from a sponsorship strategy into a brand building approach will negatively affect the sponsee's goal achievement.*

Based on the discussions in the expert interviews, we identify three success factors for an approach towards brand building (Table 6). First, the sponsee has to position itself, e.g., define its strengths and its philosophy. Accordingly, its brand positioning should be integrated in the sponsee's communication, e.g., in a claim or a slogan. A sponsee that is able to position itself as a real brand may even largely uncouple its sponsorship success from its sporting success. Second, the own brand should be promoted actively and continuously, e.g., with Corporate Identity activities, by selecting sponsors that fit to or even push the sponsee brand, or by contractually settling a sponsor's obligation to carry out certain sponsorship activation measures. Third, transparency about the brand positioning within the sponsee organisation is important to make sure that every employee acts accordingly.

Drivers for <b>SOI4</b>	Success factors at <b>P4</b>
<ul style="list-style-type: none"> <li>• Lack of understanding about importance and value-add of strong brand</li> </ul>	<ul style="list-style-type: none"> <li>• Development of brand positioning</li> </ul>
<ul style="list-style-type: none"> <li>• Resource constraints (personal and financial)</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous and active promotion of own brand</li> </ul>
<ul style="list-style-type: none"> <li>• Insufficient know-how about determinants and implementation of brand building approach</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency of brand positioning towards sponsee's personnel</li> </ul>
<ul style="list-style-type: none"> <li>• Lack of communication from management to sponsorship personnel</li> </ul>	

*Table 6: Potential reasons SOI 4 affects the implementation of success factors at P4*

The drivers for SOI 4 are listed in Table 6. The first driver is management's failure to understand the importance of a distinct sponsee brand or image. An interview partner stated that sponsees should learn to think and behave like brand manufacturers where the whole club structure and communication are designed accordingly. A prominent example of such an approach is F.C. Barcelona with its slogan "Més que un club" (<http://www.fcbarcelona.com>). But also for smaller and less professional sponsees where the term "brand building" may sound somewhat pretentious, the motivation to know and utilise their own strengths and to position themselves is the same – as one interview partner said, "If you don't look at the mirror and comb your hair sometimes, you aren't an attractive partner".

Resource constraints and deficits in capabilities also are drivers for SOI 4, as they are for previous SOI. Resource constraints may impede focused brand building when investments in the brand (own personnel, external agencies, studies, etc.) are subordinated to other investments. Insufficient know-how about the determinants and implementation of brand building relates to questions such as how to differentiate the own brand from competitors' brands or how to select sponsors that benefit the sponsee brand.

Lack of communication from management to sponsorship personnel is the fourth identified driver for SOI 4; it is linked to the transparency success factor. Without proper communication the sponsorship personnel will not be able to fully grasp and implement the sponsee's brand building efforts.

*Proposition Drivers 4: The size of SOI 4 is positively related to the drivers displayed in Table 6.*

***SOI 5: Operational sponsorship activities improperly executed despite organisational structure and processes***

The term "operational sponsorship activities" (P5a and P5b) comprises sponsor acquisition and the execution of activities during the sponsorship. Assuming that defined operational and communication guidelines are established in a sponsorship strategy; that the guidelines are internally communicated, widely understood, and everyone theoretically knows what to do; and that proper

organisational structures and processes are in place does not guarantee the operational sponsorship activities will be performed professionally and in a way that the sponsee can achieve its set goals. Hence, the fifth source of inefficiencies (SOI 5) is located between the organisational structure and processes and the operational sponsorship activities.

*Proposition SOI 5: Inefficiencies between the organizational structure and processes and the operational sponsorship activities will negatively affect the sponsee's goal achievement.*

Based on the discussions in the expert interviews, we identify several success factors for the operational sponsorship activities (Table 7). Success factors for sponsor acquisition refer to (1) good market knowledge (understanding of sponsorship market, own business, and specific sponsor needs); (2) technically well-executed acquisition processes (screening and approach of sponsors, negotiations, and conclusion of contracts); and (3) the exploitation of own strengths and the own brand to the sponsee's own advantage. Moreover, a good balance regarding the personnel's sales approach, i.e., selling and acquiring new sponsors versus building partnerships and satisfying sponsors, is required.

Similarly, success factors for sponsorship execution refer to (1) compliance with relationship quality aspects (understanding of sponsor needs, communication, trust/reliability, and cooperation); (2) technically well-executed processes (conceptual and tactical support for sponsors, availability of personnel, reliability and flexibility in execution, support in market research and impact measurement, and support beyond mere sponsorship); and (3) the exploitation of sponsors and sponsorships to strengthen the own brand. Additionally, our interviews reveal that managing and communicating the sponsorship agreements internally is as important as externally.

Drivers for <b>SOI5</b>	Success factors at <b>P5a</b>
<ul style="list-style-type: none"> <li>• Absence of commitment/passion of sponsorship personnel</li> </ul>	<ul style="list-style-type: none"> <li>• Understanding of sponsorship market, own business, and products</li> </ul>
<ul style="list-style-type: none"> <li>• Resource constraints (personal and financial)</li> </ul>	<ul style="list-style-type: none"> <li>• Understanding of specific sponsor needs, targets, and expectations</li> </ul>
<ul style="list-style-type: none"> <li>• Insufficient know-how/people skills (hard and soft skills)</li> </ul>	<ul style="list-style-type: none"> <li>• Professional screening and approach of sponsors</li> </ul>
<ul style="list-style-type: none"> <li>• Inappropriate tools and equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to demonstrate benefits of a sponsorship for a potential sponsor</li> </ul>
<ul style="list-style-type: none"> <li>• Lack of training for sponsorship personnel</li> </ul>	<ul style="list-style-type: none"> <li>• Conclusion of "ironclad" sponsorship contracts</li> </ul>
<ul style="list-style-type: none"> <li>• Insufficient business contacts network</li> </ul>	<ul style="list-style-type: none"> <li>• Utilization of own strengths and own brand</li> </ul>
<ul style="list-style-type: none"> <li>• Lack of teamwork</li> </ul>	<ul style="list-style-type: none"> <li>• Right balance regarding sales approach</li> </ul>
<ul style="list-style-type: none"> <li>• Lack of continuity in sponsor-sponsee relationship</li> </ul>	
Drivers for <b>SOI6</b>	Success factors at <b>P5b</b>
<ul style="list-style-type: none"> <li>• Lack of understanding how to leverage own brand in acquisition and execution</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous understanding of specific sponsor needs, targets, and expectations</li> </ul>
<ul style="list-style-type: none"> <li>• Unavailability or unawareness of sponsee-related information and data</li> </ul>	<ul style="list-style-type: none"> <li>• Proactive (conceptual and/or tactical) communication with and support for sponsors</li> </ul>
	<ul style="list-style-type: none"> <li>• Availability of sponsorship personnel</li> </ul>
	<ul style="list-style-type: none"> <li>• Reliability and flexibility in execution</li> </ul>
	<ul style="list-style-type: none"> <li>• Support in market research/impact measurement</li> </ul>
	<ul style="list-style-type: none"> <li>• Ability to offer benefit to sponsor beyond the mere sponsorship opportunity (e.g., CSR)</li> </ul>
	<ul style="list-style-type: none"> <li>• Utilization of sponsors and sponsorships to strengthen own image/brand</li> </ul>
	<ul style="list-style-type: none"> <li>• Internal management and communication of sponsorship activities to entire sponsee organisation</li> </ul>

*Table 7: Potential reasons SOI 5 and SOI 6 affect the implementation of success factors at P5a and P5b*

Table 7 shows which drivers for SOI 5 were identified in the interviews. These drivers show what can impede the professional execution of the operational sponsorship activities despite appropriate organisational structure and processes. The first driver is the sponsee personnel's lack of commitment or passion for the job. Second, personal and financial resource constraints are drivers for SOI 5. Third, the sponsee personnel's hard and soft skills may be insufficient to execute the set processes. This insufficiency may refer to all relevant skills: selling, negotiations, analytics, communication, creativity, marketing, project management, legal affairs, etc. Inappropriate tools and equipment for operational sponsorship activities and a lack of training for sponsorship personnel are additional drivers for SOI 5. An insufficient business contacts network can



particularly impede sponsor acquisition efforts, too. Another driver is the lack of teamwork and coordination, especially between acquisition and execution personnel. Finally, we identify a lack of continuity in the sponsor-sponsee relationship as another reason for SOI 5 to occur.

*Proposition Drivers 5: The size of SOI 5 is positively related to the drivers displayed in Table 7.*

### ***SOI 6: Brand building not fully leveraged in operational sponsorship activities***

The last source of inefficiencies, SOI 6, is located between the brand building and the operational sponsorship activities. The operational sponsorship activities and their success factors are described in the previous sub-section on SOI 5 and can be found in Table 7. Although SOI 6 affects the same process steps as SOI 5, the rationale for SOI 6 is different and revolves around the sponsee's brand building approach. Even if a sponsee brand is well positioned, there is no guarantee that it can be utilised appropriately in the sponsor acquisition and execution processes.

*Proposition SOI 6: Inefficiencies between the brand building approach and the operational sponsorship activities will negatively affect the sponsee's goal achievement.*

There are two relevant drivers for SOI 6, also displayed in Table 7. First, there is the lack of understanding how to actually leverage the own brand in the operational sponsorship activities although it has been defined and positioned. This driver is apparent if sponsee personnel are unable to utilise the brand either to acquire sponsors that are willing to pay a premium to a sponsee with special brand characteristics or to acquire sponsors that have particular profiles or plans for activation measures that support the sponsee's brand. Second, unavailability or unawareness of sponsee-related information and data is a driver for SOI 6. For example, if the sponsee does not have any information or any pertinent information about its members or fans, it simply cannot use it for sponsor acquisition.

*Proposition Drivers 6: The size of SOI 6 is positively related to the drivers displayed in Table 7.*

### **External Effects**

In addition to the performance of the sponsee, which is induced from the abovementioned process steps, external factors affect the achievement of the sponsorship-related goals. First, the "sponsor expectations towards sponsorship" (E1) are determined by the sponsor's expectations from past sponsorships and by its marketing-related needs and targets. Obviously, E1 predominantly affects the sponsor satisfaction goal. E1 also indirectly affects the sponsee processes through SOI 1.

Second, the "(sponsorship) market conditions" (E2) include the state of the economy as a whole, the current climate for sports sponsorship, and recent sponsorship contracts from competitors. E2 is arguably most relevant for income maximisation and sponsor satisfaction.

Third, "sponsee specifics" (E3) and their development over time include the sponsee's sporting success, media coverage, its image and awareness levels, its fan and member base, as well as adverse effects like bad fan behaviour or scandals. E3 is relevant for all of the three sponsee goals.

*Proposition EE: External effects will (positively or negatively) affect the sponsee's goal achievement.*

### **Extended Framework with Research Propositions**

Figure 3 shows an extended version of the proposed framework covering all the research propositions we have set up in the course of this paper. All of these propositions target the achievement of the sponsee's sponsorship-related goals. The extended framework is proposed as a starting point for further research on sponsees and sources of inefficiencies in sports sponsorship.

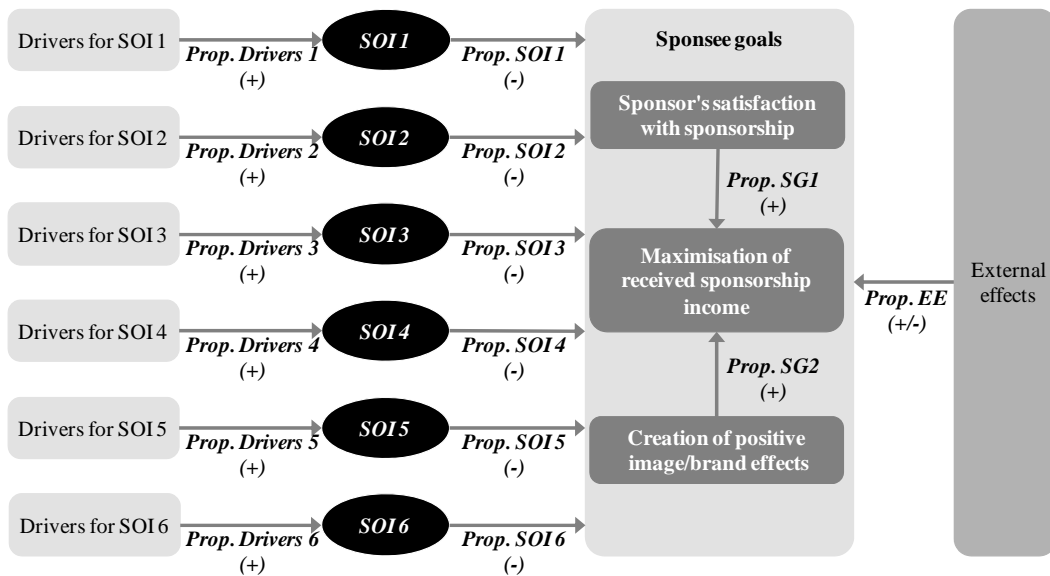


Figure 3: Extended framework including research propositions

## Conclusion

The intention of this study is to explore the sponsee perspective of sports sponsorship to understand why sponsees often struggle to achieve their sponsorship-related goals. The exploratory research (interviews with industry experts) detailed in this paper offers various insights and propositions regarding the sponsee's goals and the determinants that affect the achievement of these goals. Within the presented framework we identify six sources of inefficiencies (SOI) on the sponsee side – analogous to the gaps in the "model of service quality" by Parasuraman et al. (1985). First, the SOI affect the achievement of the sponsee's goal of sponsor satisfaction. Hence, the SOI can help to explain the reported dissatisfaction with service quality among sponsors. Second, the SOI also affect the achievement of the sponsee's other goals: income maximisation and creation of positive brand effects from sponsorship.

We also disentangle the drivers of the SOI in this paper. Across all SOI, these drivers mainly involve personal and financial resource constraints, capabilities and know-how issues, communication issues, and what we call management's "degree of professionalism". Degree of professionalism refers to the sponsee management's *understanding* that the development of a sponsorship strategy,

organizational structure, processes, and brand building approach is essential for successful sponsorship in the long run. It also refers to the sponsee management's *commitment* to act, and, if necessary, to invest accordingly in qualified personnel and infrastructure (equipment, training, etc.). Hence, we offer an extensive and systematic set of reasons for why and how sponsees struggle to achieve their sponsorship goals.

By explicitly taking the sponsee perspective this paper complements the classical transactional and relational views of sponsorship where the sponsee perspective often has been marginalised. To our knowledge, the proposed framework is the first to identify and systematise SOI (and the drivers or reasons behind them), indicating why sponsees often struggle to achieve their sponsorship-related goals. We hope this study will spawn more academic interest to examine in greater detail the sponsee perspective and (sources of) inefficiencies in sports sponsorship. The proposed framework and associated propositions should serve as a starting point for further research projects.

The framework could be a valuable tool for practitioners as well. Managers at sports clubs and associations can (1) review their sponsorship setup, e.g., compare their goal setting, sponsorship architecture, and processes with those described in the framework, and (2) check whether, and to which degree, the proposed SOI may be applicable to their own situation. Managers at sponsoring organisations, in turn, benefit from the framework as it may provide them with a better understanding of sponsees and of arising difficulties, like sponsor dissatisfaction.

A number of limitations to this study need to be mentioned. As in any qualitative study the generalisability of the results is limited. Further limitations regarding generalisability exist due to the background of the interview partners: (1) the framework may convey a German/Swiss perspective to sports sponsorship because it does not incorporate interview partners from other regions of the world; (2) the interviews focus on team sports as opposed to sports events or individual athletes; (3) we talked to large sponsee organisations and to sponsors that have experience working with large sponsee organisations – in contrast to the majority of small and smallest sponsees in the world.

Finally, there are ample opportunities for further research. Primarily, methods should be developed to accurately measure the identified SOI and their underlying drivers. Reliable measures are necessary to empirically test the propositions set up in this paper. Moreover, it is worth examining the quality of the different SOI. Are certain SOI more likely than others? Is the occurrence of one SOI more critical than the occurrence of another? And given the limitations of the study, how can the framework be applied to other countries, events, and individual athletes, as well as to smaller sponsees?

### **Notes**

<sup>1</sup> In fact, Ryan and Fahy (2012) separate five approaches in the sponsorship literature including the most recent "relationships and networks approach".

<sup>2</sup> Daumann and Römmelt (2012) apply the model to sports associations and its stakeholders. Welling and Dirks (2005) apply a modified GAP model of brand management to a professional German football team.

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## **2.2. Outsourcing Sports Sponsorship Activities: A Multi-Theoretical Approach\***

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\* This paper has been jointly written with Helmut M. Dietl.

## Introduction

Sports sponsorship, the marketing and sale of commercial rights to sponsors, is an important income source to professional sports organizations (Deloitte, 2014; Nufer & Bühler, 2010). It requires activities such as sponsorship strategy formulation, sponsor acquisition, and day-to-day sponsorship execution. Professional sports clubs and associations (henceforth referred to as "sponsees") often seek external support for their sponsorship activities to increase their sponsorship income today and tomorrow. This means, many sponsees have fully or partly outsourced sponsorship-related activities to sports marketing agencies like IMG, Infront, and Sportfive. These sports marketing agencies typically act as intermediaries between sponsees and their actual and potential sponsors.

We observe in practice that sponsees approach this make-or-buy decision very differently. For example, commercial rights for many diverse sponsees like the FIS World Cup in skiing, the Swiss Football League, several football clubs in Europe, and the IRONMAN triathlon series are marketed by Infront, one of the world's leading sports marketing agencies (<http://www.infrontsports.com>). Other sponsees, like the German football club Bayern Munich, purposely forego outsourcing sponsorship-related activities and carry them out themselves.

Why do some sponsees outsource and others do not? When does it make sense for sponsees to outsource sponsorship-related activities to sports marketing agencies and to what extent? In this article, we seek to answer these questions by exploring the determinants of the sourcing decision from a sponsee perspective. Specifically, we focus on three central questions: (1) why sponsees would outsource sponsorship-related activities, (2) which activities are likely to be outsourced, and (3) which kinds of sponsees will outsource and to what extent?

According to Busi and McIvor (2008) outsourcing is an underresearched field in the scientific world compared to the interest that outsourcing generates in practice. This applies even more to the combination of outsourcing and sports. Few studies on outsourcing in sports (marketing) have been published and these few studies have focused on US college sports (Bouchet, 2010; Burden & Li, 2005, 2009; Lee & Walsh, 2011; Li & Burden, 2002). Except for these studies,

outsourcing of marketing and, more specifically, sponsorship operations to external specialists is discussed from a legal point of view (Kupfer & Neuß, 2013; Von Appen, 2012) and broadly within the scope of sports marketing or sponsorship textbooks highlighting the range of services provided by agencies, the process of cooperation, and sponsees' motives to work with sports marketing agencies (Bruhn, 2010; Pedersen, Parks, Quaterman, & Thibault, 2011).

A common approach to investigate outsourcing in various industries and settings is to refer to classical theoretical concepts, particularly the Resource-Based View (RBV) and Transaction Cost Economics (TCE) (Busi & McIvor, 2008; Espino-Rodríguez & Padrón-Robaina, 2006). Some studies, in fact, apply RBV and TCE in the context of sports sponsorship, particularly taking the sponsor perspective, the perspective of the sponsor-sponsee relationship, and, to a lesser extent, the sponsee perspective (Amis, Pant, & Slack, 1997; Daellenbach, Davies, & Ashill, 2006; Fahy, Farrelly, & Quester, 2004; Sam, Batty, & Dean, 2005). Other relationships in sports (e.g., players to team, player agent to players and league to players' association) also are investigated using these classical theoretical concepts, for example by Mason and Slack (2005); however, the relationship between sponsees and agencies in sports which is our focus still remains poorly studied and quite vague.

In this paper we argue that RBV- and TCE-related outsourcing determinants are useful to analyze which sponsorship-related activities are more or less likely to be outsourced, but they are not sufficient to answer which kinds of sponsees will outsource and to what extent. To address this shortfall, we turn to Contingency Theory (CT) and propose two additional determinants, a sponsee's size and its degree of professionalism, as key drivers for the sourcing decision. This enables us to (1) make recommendations on how intensively different sponsees should use the outsourcing option, (2) explain why sponsees actually deviate from these recommended outsourcing levels, and (3) discuss ways to counteract these deviations.

The remainder of this paper is organized as follows. In the second section we briefly review outsourcing in general, define "outsourcable" sponsorship-related

activities in our focus, delineate different sponsorship-sourcing models, and illustrate the trade-off between outsourcing and insourcing from a sponsor perspective. In section three we concentrate on the classical theoretical concepts of TCE, RBV, and CT to derive determinants for the sponsorship-sourcing decision. In section four we discuss recommended and actual sourcing choices. We conclude the paper in section five with a brief summary, implications for practitioners and researchers, and directions for further research.

## **Outsourcing and Sponsorship Background**

### **Outsourcing**

Outsourcing is a popular and widely-used business strategy for companies of all industries. In the editorial of the first volume of one of the very few scientific journals fully dedicated to outsourcing, "Strategic Outsourcing: An International Journal", Busi (2008, p. 8) defines outsourcing as "the strategic decision of a business to stop carrying out an activity in-house".

The overarching goal of any strategic management decision (e.g., sourcing decision) is to achieve and maintain a superior competitive position (Day, 1994). Different objectives associated with outsourcing are discussed in the outsourcing literature. From an economic point of view, cost reductions are the most important objective (Kumar & Eickhoff, 2006). A second motivation for outsourcing is improved quality through superior skills, manpower, or networks of a third party supplier (Baldwin, Irani, & Love, 2001). The desire for improved quality through outsourcing usually occurs when companies cannot develop or do not want to develop certain skills in-house and would rather concentrate on their core competencies (Kumar & Eickhoff, 2006; Logan, 2000). Furthermore, outsourcing can establish strategic relationships and access to special resources of service providers (Clott, 2004), open up learning opportunities (Yakhlef, 2009), and lead to higher strategic flexibility (Mol, 2007). After all, firms seek to outsource for three reasons: cost, quality, and strategic considerations.

Among the most obvious outsourcing risks are a company's loss of control over activities, the risk of choosing a bad external supplier, a supplier's opportunistic behavior, limited learning opportunities for the company, and organizational disharmony through outsourcing (Kumar & Eickhoff, 2006; Mol, 2007; Walker, Sartore, & Taylor, 2009).

### Outsourceable Sponsorship-Related Activities

As in any other industry, outsourcing is adopted in sports. Sponsees seek professional external support for many activities: human resources, facility management, marketing and sponsorship, and media relations. Sponsorship is one of the most common operations outsourced by sponsees and is associated with large amounts of money (Lee & Walsh, 2011; Li & Burden, 2002).

The sports sponsorship function can be broken down to a couple of sponsorship-related activities, all or part of which may be outsourced. Referring to the work by Dietl and Schweizer (in press) we focus on five outsourceable sponsorship-related activities, which are depicted in Figure 1.

		Commercial rights portfolio				
		Shirt sponsor	Kit sponsor	Hospitality	Stadium naming right	Others
Activities	Sponsorship management & execution	●	●	●	●	●●●
	Regional sponsor acquisition	●	●	●	●	●●●
	Supraregional sponsor acquisition	●	●	●	●	●●●
	Sponsorship strategy formulation			●		
	Brand building, positioning and management			●		

● "Outsourceable" activity

Figure 1: "Outsourceable" sponsorship-related activities in focus

Sponsorship management and execution refers to the management of existing sponsorship agreements, including conceptual planning with the sponsor; the actual execution and organization of events; communications; customer (=sponsor) service; impact control of sponsorship measures; and activities beyond the mere sponsorship, like corporate social responsibility (if required by the sponsor). Regional and supraregional sponsor acquisition includes sponsor screening, sponsor approach, and negotiations. For the upper three activities in Figure 1 we need to further distinguish their application to different commercial rights of the sponsee. The commercial rights portfolio of a sponsee typically contains commercial rights which are bound to the sponsee (e.g., shirt sponsor, kit sponsor); stadium-related commercial rights (e.g., hospitality, perimeter ads); and naming rights, licenses, and others (Keller, 2008).

Sponsorship strategy formulation is a more conceptual activity and comprises the development of a sponsorship strategy with quantitative (sponsor hierarchy, rights catalogue, price list) and qualitative (vision, guidelines) elements, and can be handed to an agency as well. Strategic marketing activities with an impact on sponsorship, like brand building, positioning, and management, can be outsourced to external sports marketing agencies, too. Besides these commercial rights a sponsee may have access to media rights (if not centrally marketed by a superordinate institution), but they are not a focus of this paper.

### **Different Sponsorship-Sourcing Models**

Various sponsorship-sourcing models exist with different arrangements regarding the scope of outsourced commercial rights, legal ownership, decision control, and other dimensions (Keller, 2008; Pedersen et al., 2011; Von Appen, 2012). A sponsee may legally sell its commercial rights to a sports marketing agency and receive a guaranteed payment each year. Additional sponsorship revenues will then go fully or partly (depending on the contract design) to the agency. This arrangement implies that control over sponsorship-related decisions (which sponsors, how many sponsors, etc.) lies with the agency, but sponsee and agency may agree on certain guidelines concerning this control matter. In contrast, a

sponsee may retain legal ownership of its commercial rights and commission the agency to act in its name. Consequently, decision control remains with the sponsee and in this setting the agency is typically compensated with a percentage of the annual sponsorship revenues. Whether or not the commercial rights legally remain with the sponsee, the agency may buy into the outsourcing deal with a signing fee and other benefits like loans, financial guarantees, and financial support for a stadium development project (Keller, 2008).

Figure 2 illustrates five stylized sponsorship-sourcing models in which we focus on the sourcing of the outsourcable activities. The top-level differentiation between the five models is the outsourcing degree. It ranges from outsourcing (model 1 and 2) to partial outsourcing (model 3 and 4) to insourcing (model 5).<sup>1</sup> "Partial" means that either sponsee and agency personnel jointly work on activities or some commercial rights are outsourced to an agency whereas others are retained in-house.

Model	Model 1	Model 2	Model 3	Model 4	Model 5
Outsourcing degree	Total outsourcing	Nearly-total outsourcing	Partial outsourcing (mixed teams)	Partial outsourcing (differing per commercial right)	Total insourcing
Responsibility for sponsorship management & execution	Agency	Agency	Agency (supported by sponsee)	Differs per commercial right	Sponsee
Responsibility for sponsor acquisition	Agency	Agency	Agency (supported by sponsee)	Differs per commercial right	Sponsee
Sponsorship strategy formulation	Agency	Agency	Sponsee (advised by agency)	Sponsee (advised by agency)	Sponsee
Overall marketing governance (e.g., brand building and positioning)	Agency	Sponsee	Sponsee	Sponsee	Sponsee

Figure 2: Five stylized sponsorship-sourcing models

Obviously these stylized models cannot show all possible combinations of the dimensions' characteristics. Even when an activity is primarily performed in-house, the sponsee may seek temporary support from large sports marketing agencies or very specialized agencies, e.g., regarding the redesign of a

sponsorship strategy or regarding execution support for a particular sponsorship deal. However, the models may be helpful to illustrate the crucial distinguishing features in sponsee-agency arrangements. And, in fact, these models are close to reality. Bayern Munich serves as a real example for the insourcing option of model 5. An example for partial outsourcing, as in model 4, is the German football club Werder Bremen where shirt sponsor, perimeter ads, and a certain category of sponsors are marketed by a sports marketing agency; other commercial rights are marketed in-house (Rehm, 2012). The differentiation between models 1, 2, and 3 is difficult because they are often publicly referred to as comprehensive marketing models, e.g., at the German football clubs Hamburger SV and Eintracht Frankfurt (Rehm, 2012). Although sponsees and agencies are usually quite reluctant to disclose any contract details, the authors know from previous interviews with sponsees, sponsors, and agencies that each of these models 1, 2, and 3 exist or existed in reality.

### **Outsourcing/Insourcing Trade-Off**

The basic motivation of sponsees to outsource their sponsorship operations is the same as that for companies in any other business: for cost, quality, and strategic considerations. From a financial point of view, drivers in the outsourcing/insourcing trade-off are potentially higher annual sponsorship returns that an agency may generate, potential signing fees and other financial benefits, and lower personnel cost versus the commissions that have to be paid to the agency in return. Quality-wise the crucial points are superior experience, networks, and know-how of agencies, their innovative capabilities, and the neutral outside perspective agencies may provide versus the risk of choosing a bad agency or one that is acting opportunistically. Strategically, the trade-off is about control, dependency, risk transfer, and organizational learning. Especially with regards to organizational learning, partial outsourcing may offer the best learning opportunities for sponsees compared to total in- or outsourcing.<sup>2</sup>

In contrast to other industries, a special characteristic in the sports business is the intense and intertwined sporting *and* economic competition (especially in the



European professional sports system) paired with the enormous public interest in sports (Budzinski, 2012). Sponsees, especially sports clubs, are therefore under pressure to be successful in the short run. One result is that at least some outsourcing decisions in the past were made not only because of well-grounded cost, quality, and strategic considerations; in some cases, clubs were looking for short-term financial support in the form of signing fees or other benefits granted by sports marketing agencies (Keller, 2008).

Assuming that sponsees are aware of these basic arguments in the trade-off between outsourcing and insourcing sponsorship operations, they nevertheless choose different approaches. In the next section, we examine the influencing factors that determine the sourcing decision.

## **Determinants for the Sourcing Decision**

### **Resource-Based View**

The Resource-Based View (RBV) suggests that “a firm's distinctive competence is based on the specialized resources, assets and skills it possesses, and focuses attention on the optimum utilization of these to build competitive advantage and thus economic wealth” (Seth & Thomas, 1994, p. 177). The company itself is conceived as a set of resources where resources may be knowledge, physical assets, human capital, and other tangible and intangible assets (Amit & Schoemaker, 1993; Wernerfelt, 1984). Various other terms have been used to describe the idea of corporate resources, including capabilities, skills, assets, and core and distinctive competencies (Fahy & Smithee, 1999).

The underlying assumptions of the RBV are that resources are heterogeneous across firms and imperfectly mobile (Barney, 1991). A firm's ability to create and maintain a competitive advantage depends on its access to strategic resources. "Strategic resources" are resources that fulfill four criteria – they must be valuable, rare, difficult to imitate, and non-substitutable (Barney, 1991). If a resource is not valuable, competitive advantage obviously cannot arise. If a resource is not rare, every company could obtain it and it would not generate

competitive advantage, either. Finally, strategic resources are difficult to imitate and substitute by competitors; otherwise, competitive advantage would not be sustainable.

### *Strategic relevance of sponsorship-related activities*

Sponsorship-related activities that require strategic resources have a high strategic relevance whereas activities that require non-strategic resources have a low strategic relevance (Aubert & Weber, 2001). Sponsees will retain in-house activities with high strategic relevance; on the contrary, sponsees will seek to outsource activities with low strategic relevance (Quinn & Hilmer, 1994).

Strategic resources in the context of sponsorship are mainly related to human capital, but may also include intangible resources. Human capital resources include experience, know-how, and qualified personnel. Intangible resources comprise relational and cultural aspects, like interconnectedness with sponsors and with the market, internal and external communication, commitment, and a certain sponsee culture (Dietl & Schweizer, in press). One stream of sponsorship research examines the relationship quality between sponsor and sponsee and identifies trust, mutual understanding, communication, cooperation, and conveyance of a long-term perspective as important relational factors (Nufer & Bühler, 2010). Credibility and an authentic representation of the sponsee brand should also be considered as potentially strategic resources for some sponsorship-related activities.

Each outsourcable sponsorship-related activity is dependent on some potentially strategic resources. For example, for sponsor acquisition interconnectedness and relationship quality factors are likely to be most relevant, whereas for strategy formulation and brand building activities specific know-how is likely to be most important. Whether the resources fulfill Barney's (1991) criteria and can be classified as strategic for a particular activity must be decided on a case-by-case basis. Resources, at least, can be strategic, for instance in situations where a sponsee manages to gain access to a particularly good and

exclusive network and acquires or develops superior (e.g., sponsee specific) know-how.

### *Deficits in strategic resources*

So far we have implicitly assumed that strategic resources are always available to a sponsee, that it is fully able to utilize these strategic resources, and that it will therefore keep all strategically relevant activities in-house and outsource others. However, this is not always the case. A sponsee may diagnose deficits in relevant strategic resources and seek external support to fill this gap (Dibbern & Heinzl, 2009). For example, a sponsee identifies access to a broad global business network and specific know-how in sponsor screening and sponsor approach as strategic resources for supraregional sponsor acquisition; however, the sponsee lacks these resources or can generate them only at a high cost, then outsourcing the supraregional sponsor acquisition to a globally-oriented sports marketing agency may be an attractive alternative.

In the logic of RBV, the sponsee should maintain those strategically relevant activities in-house where it already possesses or can generate the relevant strategic resources at reasonable cost, but outsource those strategically relevant activities to external agencies where agencies can provide the strategic resources in a better or cheaper way. The larger the deficits in strategic resources and the less likely this gap can be closed in-house, the more attractive it becomes to outsource (Dibbern & Heinzl, 2009).

### **Transaction Cost Economics**

While the RBV suggests that companies focus on strategic resources and their optimum utilization to achieve and maintain competitive advantage, Organizational Economics and predominantly Transaction Cost Economics (TCE) asserts that companies seek to organize their governance structure efficiently to maximize performance (Rindfleisch & Heide, 1997). In the logic of TCE, a firm's governance decision (e.g., regarding outsourcing) is based on the minimization of

the sum of its production and transaction costs, where transaction costs include ex ante costs such as planning and searching for an exchange partner, drafting and negotiating contracts, and ex post costs such as adapting, measuring, monitoring, and enforcing agreements (Williamson, 1979, 1981). The amount of transaction costs is a function of the actual sourcing decision and given environmental determinants. The actual sourcing decision is any position on the outsourcing-insourcing continuum. Environmental determinants comprise asset specificity, uncertainty, and transaction frequency (Williamson, 1979, 1981, 1985). We drop frequency in the context of sports sponsorship because the outsourcable activities in our focus typically occur on a recurring or ongoing basis and most previous studies have failed to empirically justify a relation between transaction frequency and the tendency to outsource (Rindfleisch & Heide, 1997).

### *Asset specificity*

Asset specificity is often mentioned as the most powerful and empirically most robust determinant from a TCE perspective (Holcomb & Hitt, 2007; Parmigiani, 2007; Rindfleisch & Heide, 1997). It refers to the degree to which assets have a specific value for a certain use versus the value that they have for any other use and for other users. Assets with high specificity have little value outside a particular transaction; they are called idiosyncratic, i.e., highly customized to the firm and to the transaction. Assets with low specificity are highly standardized and can be used in various transactions or situations and by different actors (Williamson, 1981).

In the context of sports sponsorship human assets, site-specific assets, structural assets, cultural assets, and reputation are among the most important sponsee assets. Human assets include the personnel's sponsorship-specific qualifications, skills, know-how, experience, and business contacts, as well as sponsee-specific information and information about sponsor requirements. Site-specific assets refer to a sponsee's physical infrastructure, mainly the stadium, and associated marketing opportunities such as perimeter advertising space, business seats, and VIP boxes. Structural assets contain a sponsee's operational and

organizational structure, governance, control systems, and its legal form. Cultural assets refer to the management of knowledge and learning in a sports organization, employee identification and loyalty, teamwork, and other cultural aspects. Reputation comprises a sponsee's brand and image. (Keller, 2008)

These assets differ in their specificity. According to Williamson (1981) there are necessary and sufficient conditions for asset specificity to arise. For example, abstract sponsorship know-how (e.g., how to set-up a sponsorship hierarchy or how to approach a potential sponsor) is a necessary but not sufficient condition for human asset specificity. Williamson (1981) states that "the nature of the skills also matters" (p. 563). The sufficient condition is that know-how is also transaction-specific or, in other words, specialized to a particular sponsee or a particular sponsorship-related activity. For example, an activity like brand building, positioning, and management is highly specific because it depends on in-depth knowledge about a sponsee's history, identity, members, and fans. By contrast, a sponsee's hospitality management is an example for rather low asset specificity as it is a standardized task and similar for most sponsees.

TCE logic suggests that the higher the asset specificity associated with an activity the more transaction costs arise under an outsourcing agreement. Higher transaction costs make insourcing relatively more attractive compared to outsourcing. For example, high asset specificity requires an external provider to make significant upfront investments to learn and understand the specific situation and requirements of a sponsee (Dibbern & Heinzl, 2009).

### ***Uncertainty***

Uncertainty refers both to unpredictable changes in the environment and to unpredictable behavior of a transaction partner (Williamson, 1985). Uncertainty about future developments creates contractual problems with transaction partners. As these contracts will always be incomplete they may have to be renegotiated, and transaction partners may be tempted to act opportunistically. These problems increase the associated transaction costs.

Environmental uncertainty primarily regards unpredictability in demand or volume, but also includes changing technological developments (Williamson, 1985). Volume (or demand) uncertainty refers to the unpredictability of the sponsor demand that the sponsee will face in the future. Although some drivers of sponsor demand may be somewhat controllable (e.g., sponsor satisfaction through good service, brand and image management) sporting success is highly unpredictable and, thus, volume uncertainty tends to be high. Technological uncertainty exists when the technology in an industry or in a specific business function is subject to change. It refers to developments like new sponsorship opportunities in social media channels and the rise of rotating LED perimeter advertising boards in stadiums.

The outsourcing literature provides mixed evidence that high environmental uncertainty eventually leads to more or less outsourcing (Parmigiani, 2007). Williamson (1985) argues that high environmental uncertainty leads to more adaptation and coordination challenges, which make outsourcing less attractive compared to insourcing. Sports marketing agencies may want compensation for an outsourcing agreement, charging higher fees in situations of high environmental uncertainty. Moreover, technological uncertainty may increase the risk of opportunistic agent behavior (Holcomb & Hitt, 2007). On the other hand, one might argue that a firm wants to outsource such activities associated with high technological uncertainty because they fear being locked in an obsolete technological standard (Balakrishnan & Wernerfelt, 1986) and face high resource commitments if technological change happens (Holcomb & Hitt, 2007).

In contrast to environmental uncertainty, which exogenously affects the transaction, behavioral uncertainty arises within the transaction itself from the risk of opportunistic behavior of the transaction parties (John & Weitz, 1988). Williamson (1985) states that behavioral uncertainty results from the possibility for “strategic nondisclosure, disguise or distortion of information” (p. 57) by the transaction parties. High behavioral uncertainty creates coordination problems such as ex ante costs of information and ex post costs of control to prevent opportunistic behavior (Heide & John, 1990). These transactions costs are higher under an outsourcing agreement, which makes insourcing relatively more

attractive compared to outsourcing. Hence, activities that are associated with high behavioral uncertainty are more likely to be retained in-house (Parmigiani, 2007; Rindfleisch & Heide, 1997). This is not to say that retaining activities in-house fully protects from opportunistic behavior, but the measurement and control of the own organization is typically easier and cheaper than the measurement and control of the market (John & Weitz, 1988; Poppo & Zenger, 1998).

The sponsorship-related activities are associated with different degrees of uncertainty. With regards to environmental uncertainty, regional sponsor demand is likely to be more predictable than supraregional sponsor demand, which is likely to be more dependent on sporting success, e.g., international presence through international competitions. With regards to behavioral uncertainty, the risk of opportunistic behavior of an agency is higher for sponsor acquisition (the sponsee can observe the sponsorship deals the agency proposes, but it cannot easily observe the deals the agency does *not* propose or conclude) than for sponsorship strategy formulation (the sponsee can more easily observe the outcome).

Not only the RBV- and TCE-determinants themselves, but also interactions between these determinants are addressed in the outsourcing literature. Most widely discussed is the interaction between asset specificity and (either form of) uncertainty: the interaction of the two determinants influences the outsourcing decision rather than the separate determinants on their own. For example, Williamson (1979) states that only when there is a non-trivial degree of asset specificity does the degree of uncertainty matter; however, the empirical findings for this interaction are mixed (Rindfleisch & Heide, 1997).<sup>3</sup>

### **Sufficiency of RBV- and TCE-Determinants**

Do these RBV- and TCE-determinants (and their interactions) help us understand why sponsees choose different approaches to sponsorship sourcing? Partly: The characteristics of these determinants suggest which activities are generally more likely to be outsourced or retained in-house by sponsees. This means, due to strategic relevance, deficits in strategic resources, and levels of asset specificity

and/or uncertainty, the outsourcing of a specific activity (e.g., supraregional sponsorship acquisition) is more likely than for another activity (e.g., brand building, positioning, and management).

Assuming that each sponsee rationally makes the strategic sourcing decision based on RBV- and TCE-determinants, and that the decision is not biased by other non-strategic factors (which we will discuss later), the natural reason for choosing disparate sourcing approaches is that sponsees assess the actual characteristics of the determinants differently.

Each of the RBV- and TCE-determinants can take different characteristic values, i.e., strategic relevance, deficits in strategic resources, asset specificity, and uncertainty for a specific activity can be high for one sponsee but low for another. With regards to strategic relevance, each outsourcable activity requires a set of critical resources, but whether these required resources are strategic (i.e., fulfill the criteria of "valuability", rareness, inimitability, and non-substitutability) depends on the sponsee and its situation. Sponsees also differ in the actual strategic resources available in-house for the various outsourcable activities. One sponsee may face a low deficit in strategic resources for an activity (insourcing is favored) whereas another faces a large deficit for the same activity (outsourcing is favored). The latter sponsee may be unwilling or unable to develop and maintain the respective strategic resources in-house. The asset specificity that is associated with a specific outsourcable activity may differ between sponsees as well. For assets like sponsee-specific know-how or brand reputation the level of specificity may be high for one sponsee but low for another. Sponsees may also face different levels of uncertainty with regards to a specific sponsorship-related activity. For example, a globally-oriented sponsee will most likely face higher environmental uncertainty for supraregional sponsorship acquisition than a regionally-oriented sponsee.

In sum, the determinants discussed so far are useful to distinguish which activities are more or less likely to be outsourced. However, at this point we cannot sufficiently explain why two sponsees make different decisions about sourcing the same activity.



We argue that it matters *who* is concerned with the question of how to source sponsorship-related activities and that additional determinants affect whether a sponsee associates high or low strategic relevance with an activity and whether it faces a small or large deficit in strategic resources, for example. In the next subsection we propose additional determinants to understand why sponsees assess the RBV- and TCE-determinants differently.

### **Contingency Theory**

According to Contingency Theory (CT) there is not a single best organizational structure for a company; the appropriate organizational structure depends on contingencies in a company's internal and external situation (Galbraith, 1973). In our context this means a sponsee's approach to sponsorship sourcing depends on its characteristics and its situation.

Numerous potential determinants (contingencies) in the context of sponsorship, e.g., a sponsee's size, sporting and economic success, image and awareness, appeal to potential sponsors, legal structure, professionalism, regional conditions, and the management's risk preference, may influence the classical RBV- and TCE-determinants and, in consequence, the sponsorship-sourcing decision. However, we consider two determinants (contingencies) as most promising for the sourcing decision in sports sponsorship: a sponsee's size and its "degree of professionalism" (DoP).

An organization's size is often regarded as a key contingency in the empirical literature on outsourcing and other strategic decisions (Abraham & Taylor, 1996; Cusmano, Mancusi, & Morrison, 2010; Taymaz & Kilicaslan, 2005). We argue that an organization's size is also an important determinant in the context of sports sponsorship. The sponsee's size may be approximated by its revenue and is influenced by its financial resources, sporting success, image and level of awareness, appeal to potential sponsors, and the attractiveness of the sport itself. The larger a sponsee the more likely it has a smaller deficit in strategic resources and the less likely it outsources. Development and maintenance of sponsorship infrastructure, know-how, and qualified personnel require financial efforts, which

are relatively easier to manage for larger sponsees. This argument is in line with the RBV literature that suggests that small companies are more likely to outsource because they have limited resources and concentrate on core activities (Abraham & Taylor, 1996).

Size also matters in regard to the strategic relevance of activities. For example, a small sponsee with a sponsorship focus primarily at the regional level will consider resources necessary for supraregional sponsor acquisition, e.g., an international business contacts network, as non-strategic and consequently associate low strategic relevance with that activity; whereas for a large sponsee with a supraregional focus the same activity may be highly strategic.

In order to develop and maintain strategic resources a sponsee's management also needs a certain DoP. We propose DoP as a second important contingency in the context of sports sponsorship. Dietl and Schweizer (in press) emphasize the importance of management's DoP towards sports sponsorship: DoP encompasses the sponsee's management's (1) *understanding* that the development of an appropriate sponsorship architecture including sponsorship strategy, organizational structure, processes, and brand management is essential for successful sponsorship in the long run, and (2) *commitment* to act, and, if necessary, to invest accordingly in qualified personnel and infrastructure (organizational set-up, processes, tools, equipment, and training).

The effects of size and DoP are not as clear for the TCE logic. On the one hand, we can argue that outsourcing is more likely for small sponsees than for large ones. Small firms face relatively higher costs of governance mechanisms to reduce transaction costs; hence, transactions tend to gravitate to large external suppliers (agencies), if there are any (Nooteboom, 1993). Moreover, a large and especially more professional sponsee may develop more specific assets such as human assets, physical assets, and reputation for a specific activity than a small and less professional sponsee.

On the other hand, we can argue for the opposite; outsourcing is more likely for large than for small sponsees. A large and especially more professional sponsee is likely to face a relatively lower level of behavioral uncertainty than a

small and less professional sponsee, because the latter sponsee has more difficulties in protecting itself against the risk of opportunistic behavior by external providers and in preventing it.

In sum, we propose size and DoP are additional CT-determinants that influence the classical RBV- and TCE-determinants and, in consequence, the sponsorship-sourcing decision. All determinants are illustrated in Figure 3.

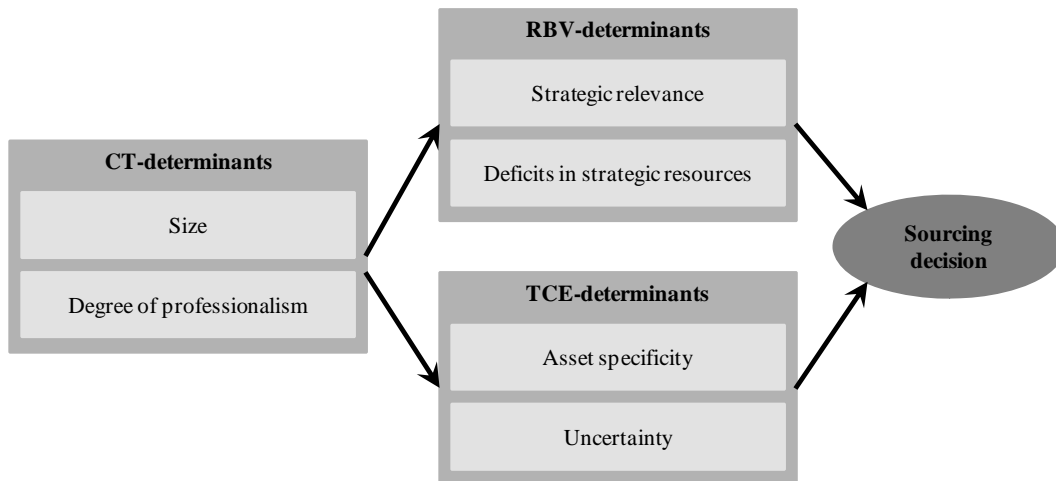


Figure 3: TCE-, RBV-, and CT-determinants affecting the sourcing decision

## Discussion

### Recommended Sponsorship Sourcing Choices

Building on these additional CT-determinants we provide a graph in Figure 4 to explain which sponsees should outsource to sports marketing agencies to what extent. The outsourcing degree is displayed against the sponsee's size. Most sponsees may be considered as small and medium sized enterprises (Moore & Levermore, 2012). Our designation of sponsees as small, medium, or large is therefore indicative and relative to other sponsees. The outsourcing degree in Figure 4 ranges from 0% to 100%, comprising our five stylized sponsorship-sourcing models. The black shaded area denotes the range of recommended (or efficient) sourcing choices for sponsees according to our reflections on TCE-, RBV-, and CT-determinants. It is implied that the recommended sourcing choices are valid for those sponsees with a sufficiently high DoP.

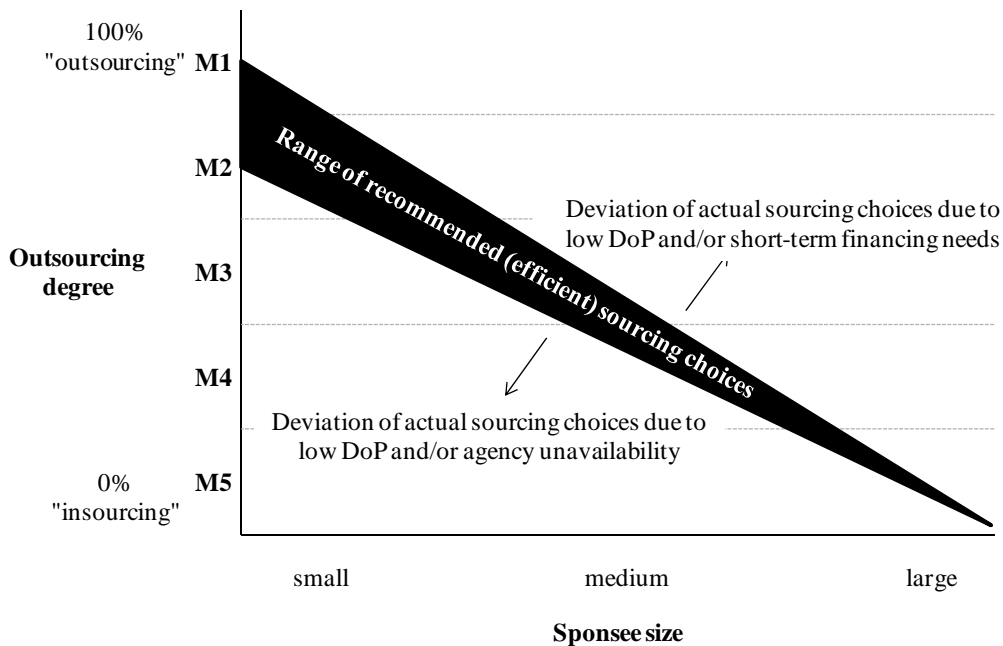


Figure 4: Recommended (efficient) sourcing choices and potential deviations

The recommended sourcing choices can be interpreted with regards to the five stylized sponsorship-sourcing models. Model 1 can only be recommended to very small sponsees which have virtually no internal resources to retain the governance over general marketing activities like brand building, positioning, and management.

Model 2 is recommended for small-to-medium sponsees, especially those which do not expect to grow in the future and wish to cast off operative sponsorship tasks. However, even small and small-to-medium sponsees should retain general marketing governance to avoid any loss of control over strategic issues.

Model 3 is also within the recommended sourcing choices for small-to-medium sponsees. This choice makes sense especially for ambitious sponsees expecting to grow in the future. In model 3 sponsees can still benefit from the agency's expertise, but they avoid losing control over strategic and operative issues and they utilize opportunities for organizational learning by integrating own sponsorship personnel in agency-led teams.

Model 4 is recommended for medium and medium-to-large sponsees. Taking full responsibility for some commercial rights (e.g., those with high strategic relevance and high asset specificity) but leaving others to agency-led teams can make the most out of the outsourcing/insourcing trade-off, i.e., agency expertise is only used where needed, externals may be fully excluded from sensitive information, full control is retained, and learning opportunities are high.

Finally, model 5 is recommended for large sponsees. These sponsees have the size and financial power to acquire/develop and maintain a level of expertise which is close to that of a top sports marketing agency, where it no longer makes sense to pay commissions to an agency and where all other benefits of the insourcing option can be fully utilized. The inevitable loss of learning opportunities is compensated because whenever specific expertise is needed the sponsee may seek temporary support by specialized external suppliers.

### **Deviations from Recommended Sponsorship Sourcing Choices**

Sponsees' actual sourcing choices often deviate from the recommended sourcing choices. We discuss three reasons for these deviations: low DoP, agency unavailability, and short-term financing needs. These potential deviations also are indicated in Figure 4.

The black shaded area of recommended sourcing choices implicitly assumes that the sponsee's management has a sufficiently high DoP. If the management's DoP is low, i.e., there is a lack of understanding that professional sponsorship matters and how it should be set up and/or there is a lack of commitment to act and invest accordingly, the actual sourcing choice may deviate from the recommended one. The DoP-induced deviation can work in both directions: a sponsee can be located below the range of recommended sourcing choices (outsourcing degree lower than recommended), e.g., because the management does not fully understand which net benefits a certain outsourcing degree has at a certain size level; a sponsee can be located above the range of recommended sourcing choices (outsourcing degree higher than recommended), e.g., because the

management does not have the commitment to invest in more insourcing which would be beneficial at a certain size level.

Agency unavailability refers to a situation in which the sponsee is unable to attract a sports marketing agency as an outsourcing supplier. Sports marketing agencies as economically rational actors will engage in an outsourcing deal only if the sponsee is economically attractive enough today or has the potential to be in the near future. At a certain size level there is a barrier of agency availability. Below this availability barrier, sponsees would benefit from external support due to their limited internal resources, but agencies cannot offer their services at a cost level that makes it advantageous for either side to enter an arrangement. Hence, below this availability barrier, the outsourcing degree is forced to 0% and insourcing is the only remaining option.

We previously mentioned that outsourcing decisions are not always made only because of strategic considerations; sometimes they are made because of sponsees' short-term financing needs to receive financial support (e.g., via signing fees) from a sports marketing agency, either in a situation of severe financial distress or when there is a perceived need to invest and take a sponsee's sports team to a higher sporting level (Keller, 2008). A deviation induced by a short-term financing need may lock the sponsee into a situation of too-high outsourcing compared to the recommended outsourcing degree, given its size.

### **Ways to Counteract Deviations**

A low DoP is primarily related to the management's attitude and behavior. Dietl and Schweizer (in press) identify various indicators for a low DoP, among them are: (1) indifference towards a professional sponsorship approach; (2) neglect of a long-term sponsorship approach in favor of short-term orientation; (3) narrowing of sponsorship solely to the financing aspect; (4) perceived infeasibility to achieve various sponsorship-related goals; (5) reluctance to change the way sponsorship is approached; and (6) quick relapse into old short-term thinking patterns if problems, e.g., in the sporting field, occur. To be able to improve DoP, the sponsee's management needs the understanding about the importance of

professional sponsorship and the commitment, patience, and persistence to establish a sustainable sponsorship approach which may be costly (e.g., personnel, equipment), but beneficial to the sponsee in the long run. However, the sponsee's management must be given time to establish such a sponsorship approach and strong backing in case problems occur. There are indications that sponsees are working to professionalize their sponsorship operations (Cornwell, 2008; Klewenhagen, Oediger, & Stelmaszyk, 2011). This ongoing professionalism should, in consequence, increase DoP and reduce associated DoP-induced deviations from recommended sourcing choices.

Agency unavailability is a problem typically faced by small sponsees for which we have identified (nearly) total outsourcing as the recommended sourcing choice. Following industry portals like Sports Business Journal, Sports Sponsorship Insider, and SPONSORS, we observe that ever smaller sponsees outsource to agencies (Eberhardt, 2012). Referring to Figure 4 this means that the imaginary barrier at which small sponsees are unable to find an external agency is shifting to the left, opening the opportunity of working with external agencies to smaller sponsees. Those sponsees that still do not suit the agencies' customer profile might think about pooling their marketing and sponsorship opportunities with other small sponsees to arouse sports marketing agencies' interest.

To prevent situations where a sponsee is locked in a long-term deal with a sports marketing agency, sponsees should look for alternative forms of financing, especially those forms that do not bear the strategic disadvantages of outsourcing (loss of control over sponsorship issues, lack of proximity to sponsors and market, etc.). Arguably, many presumably short-sighted decisions sponsees to enter long-term outsourcing agreements have to do with the DoP discussion above, especially with the long-term aspect. We assume that with improved DoP fewer sponsees will decide to outsource a topic as strategically relevant as marketing and sponsorship operations, particularly not for financing reasons.

## Conclusion

This paper offers an explanatory framework to describe why sponsees approach the sourcing of sponsorship-related activities in completely different ways, ranging from (nearly) total outsourcing to partial outsourcing to total insourcing. The determinants typically used to explain outsourcing decisions from TCE and RBV theories (i.e., strategic relevance, deficits in strategic resources, asset specificity, environmental and behavioral uncertainty) are useful to explain which sponsorship-related activities are more or less likely to be outsourced. However, these determinants are not sufficient to explain which kinds of sponsees will outsource and to what extent. We argue that the reason for the differing approaches to sponsorship sourcing is that it matters *who* is concerned with the question of how to source sponsorship-related activities. Hence, we propose additional determinants relating to CT: a sponsee's size and its management's DoP. We contend CT-determinants affect the TCE- and particularly the RBV-determinants and, in consequence, affect the sponsorship-sourcing decision. On the basis of these considerations we make recommendations on sponsees' outsourcing levels in relation to their size and explain why sponsees may deviate from these recommended outsourcing levels.

It is important to note that neither outsourcing nor insourcing should be generally considered as a better choice, rather the recommended choice depends on the sponsees' situation and characteristics, predominantly size. We make the point that the sponsee's DoP is also an important factor; indeed, we consider a high DoP to be beneficial for sponsees. However, DoP on its own does not lead to a recommendation regarding how much to outsource. Instead, a high DoP enables the sponsee's management to strategically select the outsourcing level that fits its size. A low DoP, in turn, may cause the actual sourcing choice to be a random or a forced decision instead of a strategic one. These considerations suggest that there are two mechanisms for the variations in sourcing approaches: first, size determines the recommended outsourcing level (in conjunction with a sufficiently high DoP); second, other reasons (low DoP, agency unavailability, and short-term financing needs) cause sponsees to deviate from recommended outsourcing levels.



This paper has implications for managers and practitioners in sports sponsorship. We hope that our arguments that the DoP is a noteworthy aspect of sponsorship convince managers to scrutinize their own approaches towards sponsorship. Given that, a sponsee's management should decide on a sourcing approach that fits its situation and characteristics, predominantly its size. The five stylized sponsorship-sourcing models as well as the discussion on recommended sourcing choices, reasons for potential deviations, and ways to counteract these deviations might help sponsees to evaluate different sourcing options.

Generally, the stylized sourcing models and the recommended sourcing choices can only be indications. Further research on this topic could operationalize the proposed determinants and empirically test their effects on actual sponsorship-sourcing decisions. Such testing could indicate how well the proposed determinants explain actual sourcing approaches. With it, the slope of the area of recommended sourcing choices may be substantiated, the proposed reasons why sponsees deviate from these recommendations may be verified, and additional reasons may be identified. Moreover, we restrict the contingencies that we analyze to size and DoP; other contingencies, for example sponsee managers' risk preferences and Agency Theory considerations may also influence the sourcing approach and could be investigated subsequently.

The industries of the actors in the sponsee-agency relationship are constantly changing. Sponsees are professionalizing and internationalizing; they are exposed to ongoing technological advances and increasingly demanding sponsors. The industry of sports marketing agencies is characterized by margin pressure, more professional counterparts, a tendency towards global consolidation, and changing business models, e.g., a growing focus on consulting services (Glendinning, 2014; Klewenhagen et al., 2011). Therefore, further research may also help sponsees and agencies cope with these changes and adjust approaches to sponsorship sourcing accordingly.

## Notes

<sup>1</sup> The special form of "internal outsourcing", where a subsidiary is founded and certain tasks are outsourced from the core company to this subsidiary, is not separately addressed and is included in the total insourcing domain as no external party or agency is involved.

<sup>2</sup> The arguments for the outsourcing/insourcing trade-off are inspired by Bruhn (2010) and Pedersen et al. (2011), but in some points go beyond these.

<sup>3</sup> Other interactions are analyzed by David and Han (2004).

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### **2.3. Brand Management throughout Professional Athletes' Careers\***

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\* This paper has been jointly written with Helmut M. Dietl

## Introduction

Companies select professional athletes and other celebrities as endorsers or testimonials for their products because they want consumers to pay attention to their products and hope that the positive athlete image spills over to the product image (McCracken, 1989; Till, 2001).

Most endorsement studies take a company perspective and focus on topics such as celebrity selection, celebrity-product fit, and celebrity usage (e.g., Hsu & McDonald, 2002; Kamins, 1990; Miciak & Shanklin, 1994). Recently, academics have started to emphasize the athlete's perspective and have focused on how to develop athlete brands (Arai, Ko, & Kaplanidou, 2013). This is triggered by two phenomena: (1) the growing importance of sponsorships and endorsements as an income source for professional athletes (Renard & Sitz, 2011); and (2) the acknowledgement by professional athletes or their management that active athlete brand management is crucial for an increase in athletes' commercial revenues (Wilson & Liu, 2012).

Arai et al. (2013) particularly investigate the brand image of professional athletes. Because an athlete's career duration is limited, they plea for further research that investigates athlete brand management throughout the athlete's career: "[...] a systematic understanding of athlete brands using their product lifecycle may help develop an effective brand strategy for an athlete in any stage" (Arai et al., 2013, p. 400). We address this plea by incorporating a long-term perspective to understand how professional athletes can optimize commercial (i.e., sponsorship and endorsement) revenues throughout their careers. Special attention is given to athlete brand management, particularly balancing brand building (BB) and brand selling (BS).

Because of the scarce knowledge about the long-term athletes' perspectives, particularly toward athlete brand management and strategies to optimize their accumulated commercial revenues (ACR), this paper is conceptual in nature. It is not intended to yield exact numbers or definite instructions on which commercial offers an athlete should accept or reject. Rather it offers a conceptual framework regarding the dynamics of athlete brand management throughout an athlete's

career, which may be a valuable tool for advertising companies and for professional athletes. Moreover, the paper aims to trigger further empirical research on athlete brand management.

We propose four key determinants for the optimization of athletes' ACR in section two: (1) absolute and relative brand equity; (2) associated risks; (3) the length of athletes' careers; and (4) the rate to which brand equity is converted to commercial revenues throughout athletes' careers. In section three we discuss the trade-off between BB and BS and show how athlete brand management can actually affect the ACR optimization. We further propose a number of contingencies related to an athlete's situation and environment that determine appropriate athlete brand management strategies at different stages of the athlete's career. Finally, we outline a typology of brand management strategies based on the previously-defined contingencies and apply it to the brand management strategies of famous professional athletes. The high-level framework is shown in Figure 1; more detailed parts of the framework are introduced in sections two and three. Section four concludes with a brief summary, implications for companies and athletes, and directions for further research.

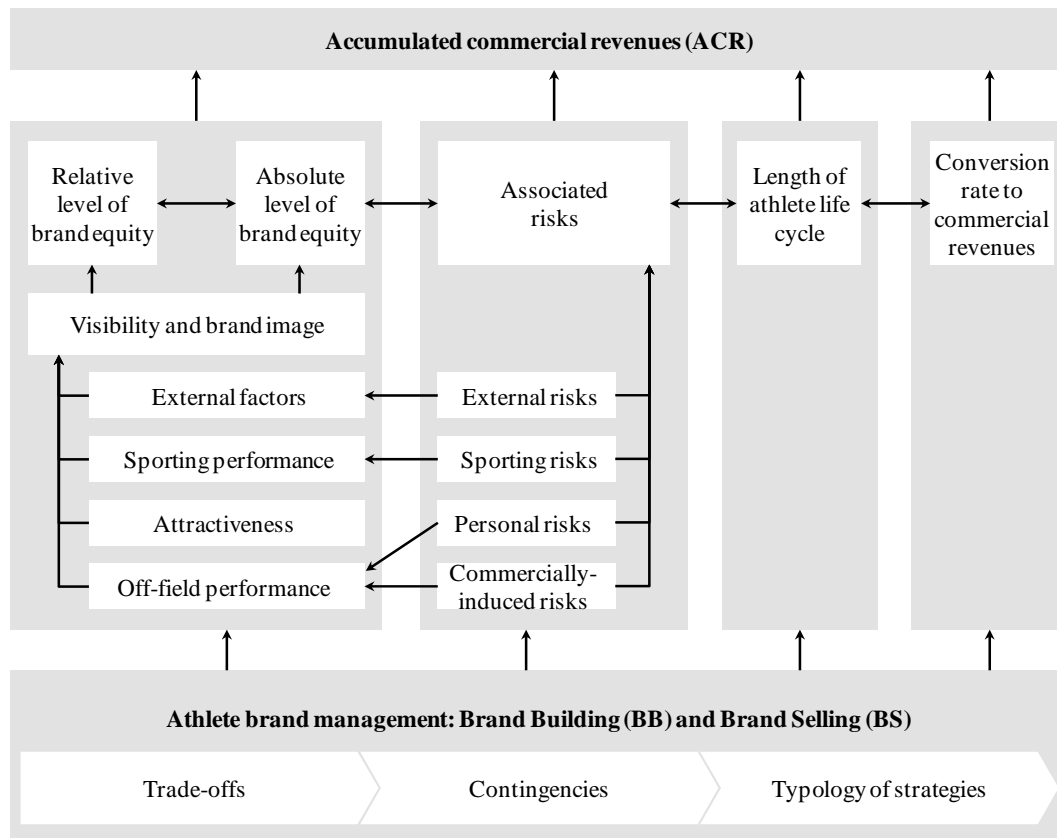


Figure 1: Overall framework for the optimization of athletes' ACR

## Determinants of Athletes' Accumulated Commercial Revenues

An athlete's ACR is the sum of all sponsorship and endorsement revenues throughout the athlete's career. One might simply say that sporting success is the most important driver for ACR and that in some cases, such as soccer player David Beckham and tennis player Maria Sharapova, a certain glamour factor may boost ACR even higher. However, we want to take a closer look at what really drives ACR and will therefore first exploit extant literature on brand equity and discuss other key determinants subsequently.

### Athlete Brand Equity

The higher the brand equity of a product, the more revenues a company will be able to generate with this product. Similarly, athlete brand equity influences to a large extent an athlete's commercial revenues. Keller (2013) states that brand

equity is driven by consumers' awareness of the brand and its image. Extending this statement to athletes, athlete brand equity is determined by consumers' awareness of the athlete (i.e., the athlete's visibility) and the athlete's brand image.

We differentiate brand equity in absolute terms and brand equity relative to other athletes. As athletes always compete with other athletes for commercial revenues, not only the absolute level of brand equity matters but the relative level of brand equity also does. However, the determinants of absolute and relative brand equity are the same: athletes' visibility and brand image.

An athlete's visibility is mainly determined by external effects such as the sport's popularity and media coverage, which the athlete cannot directly influence. Simply stated, an athlete that is active in a sport like soccer will (*ceteris paribus*) have a higher visibility than a springboard diver because in most countries people are more interested in soccer and it has much higher media coverage. The overall performance of an athlete's team or club or association may also affect the athlete's visibility and image, both positively and negatively; hence, it is incorporated in the external factors.

Past studies have examined celebrities' or athletes' brand image dimensions, albeit typically from the perspective of companies that aim to find the "right" athlete-endorser and not from the perspective of athletes who aim to manage their brand images (Arai et al., 2013; Erdogan, 1999). However, because an athlete who is looking for commercial revenues will try to anticipate a company's perspective, we can also use this research stream for our purpose, which is to identify the drivers of brand equity and, subsequently, ACR. Various approaches have been used to describe the dimensions of celebrities' and athletes' brand image: for example, Ohanian (1990) suggests attractiveness, trustworthiness, and expertise in her Source Credibility Model; Choi and Rifon (2007) add other dimensions such as genuineness and sociability. As shown in Figure 1, we broadly group these different approaches in three dimensions for an athlete's brand image: sporting performance, attractiveness, and off-field performance (incorporating concepts such as trustworthiness, likeable personality, and sociability).

## **Associated Risks**

When we move from a short-term brand equity view to a long-term ACR view, associated risks play an essential role and are a constant threat to the optimization of ACR. We differentiate four different types of risks.

First, external or exogenous risks refer to the external factors of an athlete's visibility and brand image, e. g., reduced popularity and media coverage of the sport; scandals in the athlete's sport, such as doping; and sporting problems in the athlete's team, club, or association.

Second, every athlete is exposed to sporting risks, i.e., events that temporarily or permanently diminish the athlete's on-field performance. Examples are injury, disease, and a drop in sporting capacity.

Third, we define personal risks as risks that are located in the personal environment of the athlete and may negatively affect the athlete's off-field performance and subsequent brand equity. Negative publicity and public controversy may be triggered by personal misconduct, e.g., reports on golf professional Tiger Woods' infidelity (Ruihley, Runyan, & Lear, 2010) and recent domestic violence by some American football players (Armour, 2014). Similarly, if an athlete is proven guilty of doping, he or she will suffer a significant cut in brand equity and ACR opportunities, as in the case of cyclist Lance Armstrong (Carrillat, D'Astous, & Christianis, 2014).

Fourth, there are commercially-induced risks that stem from an athlete's involvement in product endorsements and sponsorship arrangements. Such risks are particularly relevant for an athlete's brand image and brand equity (Till, 2001). We group commercially-induced risks into five categories:

- People may link an athlete brand with negatively connotated product brands which the athlete endorses or endorsed in the past. (Doss, 2011; Till, 2001). Extreme cases in the world of sports would be tobacco and alcohol endorsements.
- There is a risk of overexposure when the athlete endorses too many products at the same time; the athlete's trustworthiness and likeability may

be reduced (Erdogan, 1999; Miciak & Shanklin, 1994; Tripp, Jensen, & Carlson, 1994).

- The athlete may be too closely linked with one or more product brand(s) he or she endorsed in the past; this may rule out some attractive future endorsement opportunities (Charbonneau & Garland, 2005; Erdogan & Baker, 1999; Erdogan & Drollinger, 2008).
- A bad fit between product and athlete brand can spoil the product brand (Kamins, 1990; Till & Busler, 1998, 2000). Likewise, it may also damage the athlete brand and reduce future endorsement opportunities.
- Companies also face the risk of celebrities overshadowing the product brand, drawing all consumer attention to the athlete and away from the endorsed product (Doss, 2011; Erdogan & Baker, 1999; Yannopoulos, 2012). If this happens, an athlete's future endorsement opportunities also may be reduced.

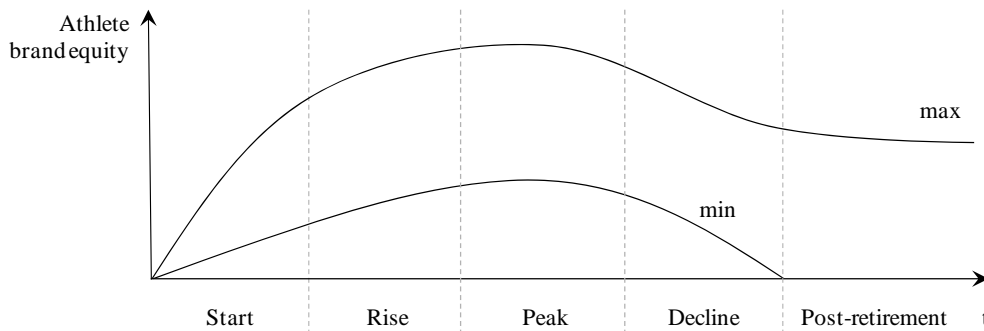
### **Length of Athletes' Careers**

The concept of product life cycles is often used in marketing and in the management of brands over time. Briefly summarized, it posits that each product has a certain lifespan and goes through different stages, usually labeled introduction, growth, maturity, and decay/decline. At each stage in the product life cycle environmental threats and opportunities make particular marketing strategies and activities more appropriate than others (Proctor, 2008).

We apply the concept of product life cycles to celebrity (or athlete) life cycles. It is not a unique approach: Erdogan, Baker, and Tagg (2001) mention celebrity life cycles, albeit from a company perspective where the company selects celebrity endorsers; Wilson and Liu (2012) also touch on the topic of athlete life cycles when they discuss athletes' opportunities to prolong their commercial revenues opportunities beyond their actual sporting career by starting new careers (e.g., in film or fashion). We add a fifth stage to the athlete life cycle: the post-retirement stage although it may not be (commercially) accessible for every athlete. The post-retirement stage may also be referred to as "career after the career", e.g., as a coach, sports commentator, or any other public figure. In the

course of this paper, however, we will put the emphasis on how to reach this additional stage rather than how to act in this stage, once reached.

The length of an athlete's career influences ACR; the longer the career, the more commercial revenues may be accumulated over time. Figure 2 shows the stages of an athlete's life cycle and the (stylized) potential levels of athlete brand equity at different stages of the life cycle. Although careers develop differently and there may be meteoric career rises, sudden retirements, or surprising revitalizations, the standard career can be divided into five stages: start, rise, peak, decline, and post-retirement. After starting a career as a young athlete with low brand equity, a career rise is usually paralleled by growing brand equity, with a performance peak at some point in time, and declining performance afterwards. The brand equity of some athletes may vanish after a sporting career; others may sustain brand equity and enter the post-retirement stage. Note that the y-axis in Figure 2 shows brand equity, not an athlete's ACR. Conversion of brand equity into ACR is discussed in the next subsection.



*Figure 2: Stages of the athlete life cycle*

### **Conversion of Brand Equity to Commercial Revenues and Interactions**

The fourth key determinant for ACR optimization is the rate to which athlete brand equity is converted to commercial revenues at any given point throughout the athlete life cycle. To clarify, a high brand equity alone does not increase ACR, it has to be commercially leveraged by sponsorships and endorsements to accumulate commercial revenues. Accordingly, a high conversion rate will increase ACR in the short-run.



However, the key determinants are highly interlinked with various interactions between them. A high conversion rate may increase the associated risks, put brand equity at risk, and potentially shorten careers. Similarly, the levels of absolute and relative brand equity are inherently linked, but they may also intensify the associated risks, increase the conversion rate, and prolong careers. The associated risks may deplete the absolute and relative levels of brand equity, shorten the length of an athlete's career, and trigger a higher conversion rate. A long career may increase associated risks and slow down the rate to which brand equity is converted to commercial revenues. For reasons of clarity these interactions are indicated with double-headed arrows between adjacent key determinants in Figure 1.

### **Brand Management throughout Athletes' Careers**

Having defined the determinants of ACR, we explore how brand management can be used throughout an athlete's career to optimize ACR. We first discuss the trade-off between BB and BS, move on to contingencies influencing the appropriate brand management strategy at different career stages, and finally discuss a typology of brand management strategies.

#### **Brand Management and Brand Building/Brand Selling Trade-Off**

Brand management is about activities targeted at building, measuring, and managing brand equity. As Keller (2013, p. 484) states: "marketers face tradeoffs between activities that fortify brand equity and those that leverage or capitalize on existing brand equity to reap some financial benefit". In the course of this paper we look at athlete brand management as the balancing of BB and BS activities with the objective of optimizing athletes' ACR. We refer to activities that fortify or at least maintain brand equity as BB. On the other hand, we refer to activities that leverage brand equity as BS. However, an activity is not necessarily purely BB or BS, but can serve both aspects to different degrees. That is, each activity is located along a BB-BS continuum with 100% BB and 100% BS as opposite poles.

Parmentier and Fischer (2012) state that BB can happen on the field and off the field. On-field BB simply describes an athlete's sporting performance. Off-field BB can be much more diverse, including social engagement, public appearances, the use of social media, and the choice of the "right" sponsors. Athlete reluctance regarding commercial offers may also be interpreted as a means to build the athlete brand.

BS, in turn, is always related to an athlete's commercial revenues generation through endorsements or sponsorship agreements. It is closely linked to the commercially-induced risks described earlier. Examples for activities with a high degree of BS are endorsements for products with a bad reputation, an excessive number of endorsements at the same time, or a bad product-athlete brand fit regarding the endorsed products.

Athletes or their management, respectively, face the challenge of optimizing ACR. Although other approaches may eventually increase ACR (e.g., intensive athletic training to improve sporting performance which may lead to higher brand equity and yield higher ACR), we focus on the optimization of ACR through brand management, i.e., balancing BB and BS. Each of the four key determinants discussed in section two can be influenced by athlete brand management. When considering commercial (i.e., sponsorship and endorsement) offers from companies, athletes need to weigh the short- and long-term benefits and risks of these offers.

Table 1 summarizes the trade-off between BB and BS by looking at their effects on the four key determinants of ACR optimization. First, athlete brand management may affect absolute and relative brand equity through an athlete's off-field performance attributes, such as trustworthiness and likeability. BB increases brand equity, BS reduces it. The higher the brand equity at any time throughout the life cycle, the higher ACR can become. Second, athlete brand management may affect the occurrence of commercially-induced risks and, therefore, protect athlete brand equity today and tomorrow. BS increases the probability that serious commercially-induced risks occur, which may temporarily or permanently destroy brand equity, whereas BB keeps the risk constant or even

decreases it. Third, the longer the life cycle, the more commercial revenues may be accumulated. As BB fortifies brand equity it may help athletes reach the post-retirement stage. Hence, BB tends to prolong the time span in which athletes can generate commercial revenues. On the other hand, BS tends to shorten this commercially relevant time span. Fourth, brand management considerably affects the rate to which brand equity is converted to commercial revenues at any given point throughout the life cycle. BB is associated with a low conversion of brand equity to ACR because it postpones the revenues generation to the future. BS leverages brand equity and converts it to commercial revenues today. Generally, BB demonstrates a long-term focus but it is expensive in that revenues today are sacrificed for (potentially higher) revenues in the future, and it requires a long-term plan and long-term care to realize sufficient future revenues compensating for the earlier foregone revenues. BS, on the other hand, is related to a short-term focus, sacrificing long-term opportunities for the materialization of today's opportunities for revenues generation.

		Effects on ACR via...				
		Brand equity	Risks	Length of life cycle	Conversion to revenues	
Focus of commercial agreements	<b>Brand Building (BB)</b>	<b>positive</b> , increases absolute & relative brand equity	<b>neutral to positive</b> , keeps constant or reduces commercially-induced risks	<b>positive</b> , prolongs commercially relevant time span	<b>negative</b> , postpones revenues generation to the future	<b>Long-term focus, "expensive" and requires long-term care</b>
	<b>Brand Selling (BS)</b>	<b>negative</b> , reduces absolute & relative brand equity	<b>negative</b> , increases commercially-induced risks	<b>negative</b> , shortens commercially relevant time span	<b>positive</b> , leverages brand equity to generate revenues today	<b>Short-term focus, sacrifices long-term opportunities</b>

*Table 1: Trade-off between BB and BS*

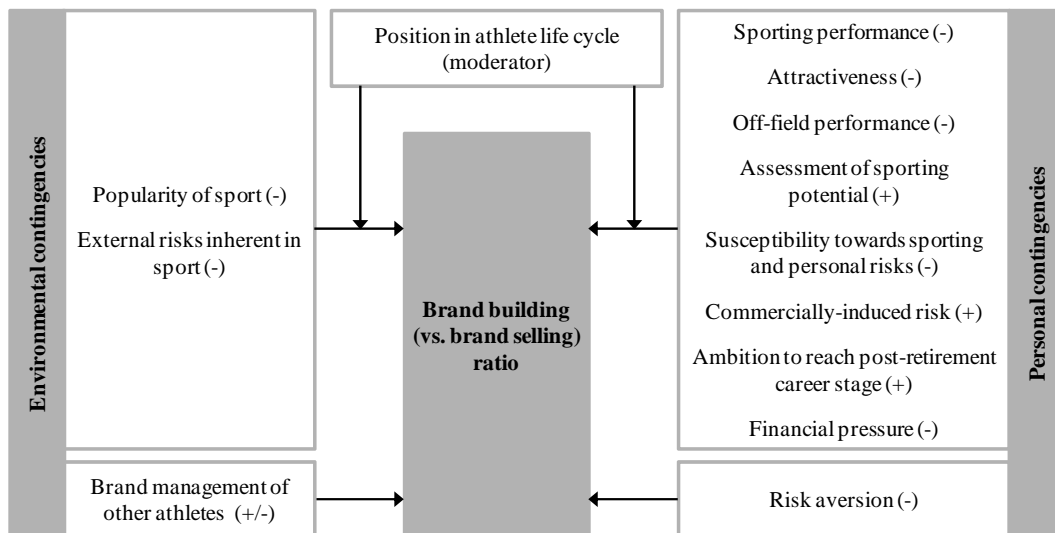
An athlete is usually engaged in more than one (commercial or social or other) activity at the same time; each athlete has a certain BB-BS ratio at any point in time, which is based on the aggregate of all of the athlete's activities. The BB-BS ratio changes with each new activity. This leads to the question of which BB-BS

ratio (or BB-BS strategy) athletes should have (apply) in the different stages of their careers to maximize ACR. To be precise, as athletes may be present in different markets (regional, national, and global markets), athletes may have different BB-BS ratios in different markets.

Let us consider two hypothetical, extreme cases. In the first case we have 100% BB at any time. From an ACR optimization point of view this does not make sense because the brand equity that is continuously built up is never leveraged appropriately. In the second case we have the other extreme of 100% BS at any time. Unless the athlete creates enormous brand equity via sporting performance and/or attractiveness, that approach does not make sense because brand equity remains at a low level and cannot be leveraged appropriately. The optimum must be somewhere in between. Binet and Field (2007) analyze the effectiveness of hundreds of branding campaigns and postulate that there is a 60/40 rule for optimal balance: 60% of the marketing budget should go to long-term BB and 40% of the budget should go to short-term activation (which is BS in our terms). Intuitively, we might say that in the early stages of their careers athletes should apply more BB activities (high BB-BS ratio) and in the later stages more BS activities (low BB-BS ratio). However, the 60/40 rule, as well as the intuition that there should be more BB in earlier career stages, is vague and generalized, so we will analyze appropriate BB-BS strategies in more detail.

### **Contingencies Influencing Appropriate Brand Management Strategies**

We argue that appropriate brand management strategies in different stages of the athlete life cycle depend on (1) an athlete's characteristics and situation and (2) an athlete's environment. We propose twelve contingencies that influence the appropriate BB-BS ratio (or BB-BS strategy) at different stages of the life cycle, nine are personal contingencies and three are environmental contingencies. "Position in athlete life cycle" is introduced as a moderator, i.e., the early, middle, or late position in an athlete's career affects the strength of the relation between the contingency and the BB-BS ratio. Figure 3 illustrates these contingencies.



*Figure 3: Contingencies for the selection of appropriate brand management strategies*

The popularity of the sport in which the athlete is active, is related to the external factors dimension of brand equity mentioned earlier. The higher the sport's popularity, the higher is (ceteris paribus) the athlete's brand equity and the more BS the athlete can afford to undertake. The effect is likely to be most significant in the earlier career when athletes aim at building up a brand equity base for their careers.

External risks inherent in the athlete's sport also affect the appropriate BB-BS ratio. Specific external risks are that (1) the sport loses popularity; (2) the sport is impacted by scandals such as doping; and (3) the athlete's team experiences sporting problems. Athletes are unable to directly influence these external risks. Hence, the higher these risks, the more BS an athlete will undertake knowing that brand equity is threatened. The effect is likely to be most significant in the earlier stages of a career when there is more time for risks to materialize in the course of the athlete's career. Individual athletes, as opposed to team athletes, are not exposed to the risk of teammates compromising their own sporting performance. Hence, they face less external risks and will, therefore, have a higher BB share than team athletes. This effect is mitigated by a counter effect: team athletes can "hide" in a team when their individual performance is weak. However, "hiding" is

supposed to be possible only for a limited time, especially in sports that attract considerable media interest. Moreover, a high BS share can be a signal that the sport is going to be impacted by a scandal or lose popularity in the near future for some other reason which is known to the athlete but not yet to the public.

The three personal contingencies, sporting performance, attractiveness, and off-field performance, refer to the dimensions of brand equity mentioned earlier. The better the sporting performance, and the higher an athlete's attractiveness, and the better the off-field performance, the higher an athlete's brand equity will be and the more BS an athlete can afford to undertake. For example, a very successful or attractive athlete with high brand equity can afford to select the best paid sponsorship contract even if it curtails some of his or her brand equity, e. g., due to a bad product-athlete brand fit. Conversely, an athlete with low brand equity is paid less for a sponsorship or endorsement contract and will therefore have a higher BB focus to try to capitalize on higher brand equity later. This effect is likely to be most significant in the middle of the life cycle where brand equity is at its maximum.

The more favorably athletes assess their sporting potential, the more BB these athletes will undertake to build up high brand equity that can be leveraged later on. This effect is likely to be most significant in the earlier stages of athletes' careers. Although it is not easy – even for the athletes themselves – to appraise sporting potential, the athletes have better information than anyone else whether they already are performing at the limit, whether they can improve the current performance in the future, or whether they feel that sporting performance will deteriorate soon. Athletes who see their sporting performance in jeopardy will focus on BS. Hence, a high BS share can be a signal that athletes either assess their own sporting potential negatively or that they have passed their sporting peak.

Athletes' susceptibility towards sporting and personal risks also may affect the appropriate BB-BS ratio. Regarding sporting risks, athletes have superior information on past, current, and threatening future injuries. Regarding personal risks, athletes also know best about their personal environment and threats that

may potentially trigger negative publicity. The more susceptible to risk athletes consider themselves, the more BS they will undertake, knowing that due to the risks their career may end early and opportunities to leverage brand equity are limited. This effect is likely to be most significant in the middle stages of athletes' careers when there has been enough time for sporting and personal risks to amass but still enough time remaining until the regular end of their career. Similarly to the previous contingency, we argue that a high BS share can be a signal that athletes are exposed to high sporting or personal risks that are unobservable to the public.

The higher the commercially-induced risks inherent in athletes' commercial portfolio structures, the more constrained these athletes are in the selection of their additional commercial agreements and they will consequently focus on more BB. Otherwise, athletes risk to seriously impairing their brand equity and their opportunities to optimize ACR. This argument applies to all kinds of commercially-induced risks, e.g., reputation of sponsors and number of commercial agreements. This effect is likely to be most significant in the middle stages of the life cycle when there has been enough time for commercially-induced risks to amass but still enough time left for these risks to materialize.

A post-retirement commercial career is not accessible for every athlete and largely depends on an athlete's brand equity before retirement. The greater the ambition to reach the post-retirement stage, the more an athlete will invest in BB to build up enough brand equity to reach that stage and, as a result, prolong the life cycle and with it, the opportunities to generate commercial revenues. This effect is likely to be most significant at the end of an athlete's sporting career. A sudden increase in BB can be a signal that an athlete plans to retire soon and is trying to lay the foundations for a "career after the career".

The more financial pressure athletes are exposed to, the more BS they will (have to) focus on. The need to earn money in a sporting career that is limited in time is greater in case of a weak financial base than in a situation where an athlete does not have to cope with financial pressure. This effect is likely to be most significant at the end of the life cycle when time to earn money from commercial

agreements is running out. As with other contingencies, a sudden shift in the BB-BS ratio towards BS can be a signal that an athlete faces severe financial problems.

The less risk-averse athletes are, the more they will focus on BB in the hope that more brand equity can be leveraged in the future; the opposite is true for athletes with high risk aversion. This contingency is likely to be equally significant in all stages of athletes' careers.

The brand management of other athletes is another environmental contingency affecting an athlete's appropriate BB-BS ratio. Athletes compete against each other in different markets. For example, tennis players Maria Sharapova from Russia and Li Na from China were both very successful in recent years. However, they are active in different markets. Maria Sharapova is a world-wide endorser for global brands, whereas Li Na's endorsement focus is more on China, for both Chinese and international companies (Ubha, 2014). Furthermore, athletes compete for commercial revenues in different brand image categories or niches; for example, athletes may position themselves as adventurous guys or as family guys to attract different potential sponsors. This contingency can work in both directions, i.e., towards BB and towards BS. For example, if an athlete identifies a niche or gap in a market that is currently not covered by any other athlete, he or she may want to target this gap through intensive BB to either increase relative brand equity in a market or to specifically reposition his or her brand image. Hence, a sudden BB focus may be a signal that athletes are trying to cover certain market niches. On the other hand, athletes may realize that certain markets are blocked by other athletes so they cannot gain access and decide to "cash out" of these markets which would show a significant increase in BS in these blocked markets (and potentially an increase in BB in other markets).

### **A Typology of Brand Management Strategies**

Due to the variety of personal and environmental contingencies, there are numerous ways in which athletes' BB-BS strategies or BB-BS ratios may develop throughout their careers. However, we attempt to create a typology of basic brand



management strategies and reasons for athletes to deviate from these basic strategy types.

A sports' popularity and its inherent risks determine the basic types of brand management strategies. Based on our discussion of contingencies in the previous subsection, we argue that (1) athletes active in very popular sports can afford to start their careers with a lower BB-BS ratio than athletes active in less popular sports; (2) the BB-BS ratio will be lower for team athletes than for individual athletes; and (3) the differences decrease in the course of the life cycle. The basic strategy types are shown in Figure 4.

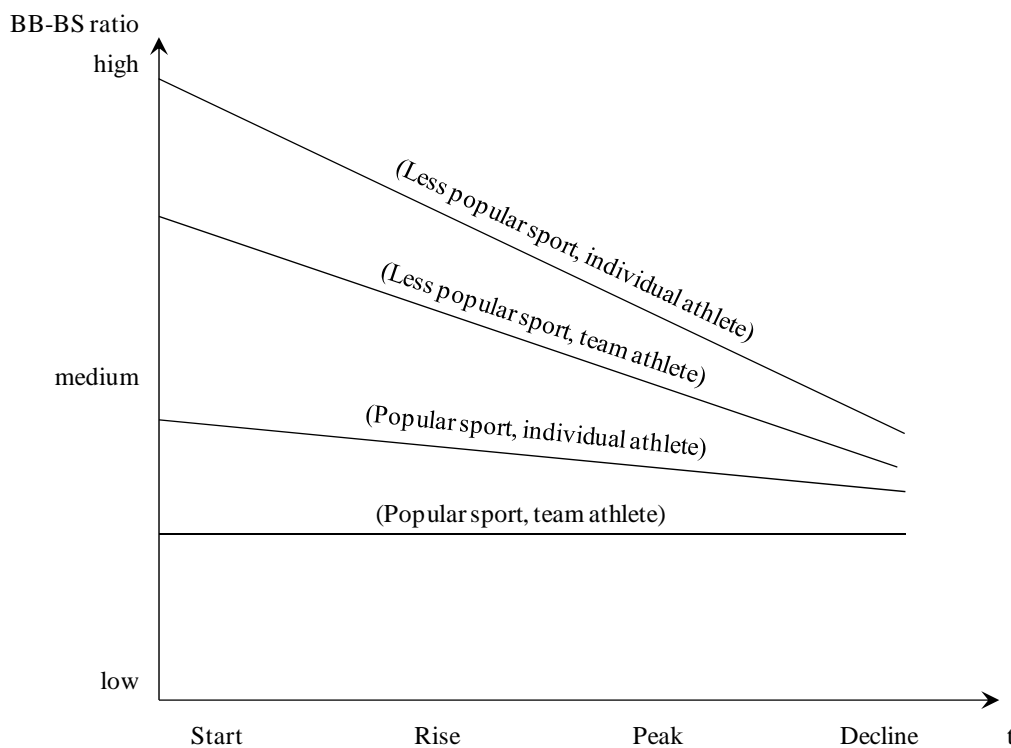


Figure 4: Basic types of brand management strategies

Sprint star Usain Bolt is an example for the top line in Figure 4. Active in an individual sport with comparably low popularity and media coverage, he started his career with a high share of BB, only endorsing Puma and a small Jamaican company for many years. Later in his career, when he had built a higher level of brand equity through his extraordinary sporting performance, he agreed to endorsement offers from other companies such as Gatorade, Virgin Media, and

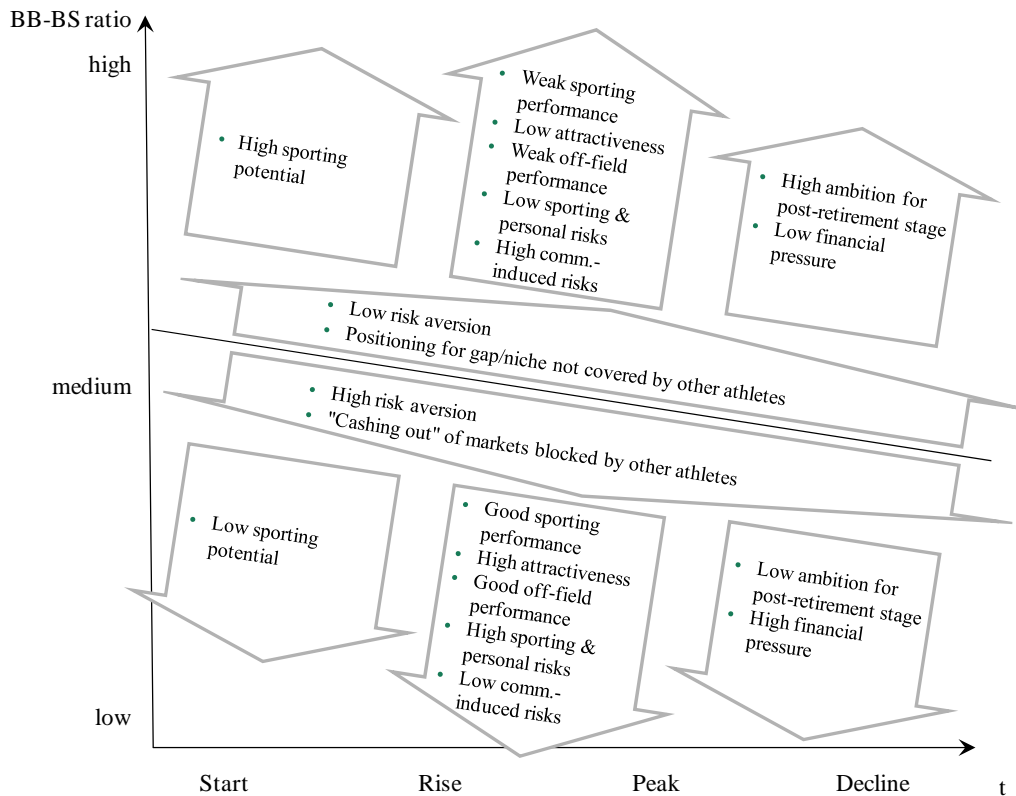
Visa (Badenhausen, 2012). However, compared to other athletes Bolt endorses relatively little and still has a quite high BB-BS ratio.

An example for an athlete in a team sports with comparably low popularity is US women's soccer player Abby Wambach. Although women's soccer is much more popular in the US than elsewhere, it cannot be compared to men's soccer or basketball in terms of popularity. Similar to Usain Bolt, Wambach had a single endorsement contract with Nike for some time and only later added a few deals with Bank of America and Gatorade (James, 2011).

Russian tennis player Maria Sharapova serves as an example of an athlete in a popular individual sport. She has been an endorser for various companies such as Motorola, Nike, and Porsche since the beginning of her career. Next to these endorsements she has built up her own brand by launching a tennis apparel line and founding a charity organization (<http://www.mariasharapova.com>). Sharapova even introduced her own candy brand "Sugarpova" which helped make her the world's highest-paid female athlete, particularly due to her massive commercial revenues, which are far beyond any other female athlete (Novy-Williams, 2012).

US basketball player LeBron James is one of the best-paid athletes in the world and a good example for the lower line in Figure 4 representing the basic BB-BS strategy in a popular team sport. From the beginning of his career he has had numerous endorsement deals, e.g., with Nike, Coca-Cola, and Samsung (Badenhausen, 2014a). With his continuously high brand equity he can afford to have a low BB-BS ratio.

These are typical examples of the different basic types of BB-BS strategies. However, the personal contingencies and the brand management of other athletes play a major role in athletes' BB-BS strategy considerations, too. Figure 5 illustrates a basic type of BB-BS strategy somewhere between a very popular and an unpopular sport. It shows how the personal contingencies and the brand management of other athletes can push the BB-BS ratio in the early, middle, and late career stages away from the basic strategy. Some of these effects are illustrated in the following real world examples.



*Figure 5: Effects of other contingencies on basic types of brand management strategies*

US swim star Michael Phelps is the world's most decorated Olympic athlete. Although swimming is certainly not the most popular sport in the world, Phelps had a number of endorsement deals including Visa and Omega even before his first Olympic medals in 2004. Later he collected many other endorsement deals, up to eleven deals at the same time in 2013. Even personal misconduct like a drunken-driving incident and marijuana abuse had only minor effects on his brand equity (Horovitz, 2005; Korch, 2013) Overall, we see that Phelps has always had a high BS share, actually higher than the basic strategy for a sport like swimming would suggest. One major reason is obviously his extraordinary sporting success which also increased the popularity of the sport. However, sporting and even more personal risks may have played a role as well. According to the contingency "susceptibility towards sporting and personal risks", the high share of BS may also

reflect the fear that his drug abuse might be disclosed to the public and jeopardize his long-term endorsement opportunities.

In contrast to Abby Wambach, her US soccer national teammate, Hope Solo, has applied a different BB-BS strategy. Although both are similar in age and sporting success, after the World Cup 2011 in Germany, Solo amassed a large number of endorsement deals, many of which are certainly not suitable for BB but rather represent BS (James, 2011). Why did Solo move so clearly and so abruptly towards BS. Certainly, her sporting success and her attractiveness have been major reasons. However, it also may have been partly due to several risks. First, the World Cup created kind of a soccer boom in the US and she might have thought the new popularity would deteriorate soon. Second, at the age of thirty, she might have felt beyond her sporting peak. Third, there might have been undisclosed sporting or personal risks driving her towards a BS focus. We do not know her motivations, but in 2012 she was warned by the US Anti-Doping Agency after a positive drug test (Brooks, 2012) and in 2014 she was arrested during an investigation of domestic violence (Sullivan, 2014).

German basketball star Dirk Nowitzki, active in a very popular sport, is the rare example of a world class athlete with hardly any endorsement deals (Badenhausen, 2014b). Except from a deal with Nike and ING Diba, he does not do anything close to BS. According to our framework one explanation might be that he is very risk-seeking and is saving all the large endorsement deals for the very end of his sporting career or for the time after his sporting career. Another factor might be that he has very low financial pressure, given he has earned \$140 million in his career this is certainly true. However, Nowitzki revealed that he simply does not see himself as a brand, he wants to concentrate on basketball, and he is not really interested in endorsements (Bennett, 2011). Hence, we technically cannot explain this rare example with our framework that is based on ACR optimization.

Finally, skateboarding legend Tony Hawk is a good example of how things can change during a career. On his website (<http://www.tonyhawk.com>) he claims that when he started his career in the early 1990s, skateboarding was unpopular in the

US and elsewhere. Hawk had a low BB-BS ratio and soon ran into financial problems. When the popularity of skateboarding grew rapidly, coinciding with his excellent sporting performance, he signed many endorsement deals, even more focusing on BS at that time. In 1998 and 1999 he increased his BB-BS ratio and started a children's skate clothing company called Hawk Clothing and co-created the Tony Hawk's Pro Skater video game series. Soon afterwards, he retired. We may speculate that the late change in his BB-BS strategy was due to his ambition to reach the post-retirement stage.

## **Conclusion**

The intention of this paper is to examine how professional athletes can optimize ACR throughout their careers. We put special attention to athlete brand management, i.e., balancing BB and BS. Arai et al. (2013) contribute to the endorsement literature by examining "how to develop a strong athlete brand" in contrast to the previously prevailing approach to examine "how to use an athlete for branding products and companies". Now we extend this development by adding a long-term view examining "how to manage an athlete brand to optimize commercial revenues throughout an athlete's career."

We establish a framework consisting of two main blocks. In the first block we examine what actually drives ACR and identify four key determinants: athlete brand equity, associated risks, the length of athletes' careers, and the rate to which brand equity is converted to commercial revenues throughout athletes' careers. In the second block, in three steps we examine appropriate brand management strategies to optimize ACR in different stages of the athletes' life cycles. First, we examine the trade-off between BB and BS and their effects on the key determinants for the optimization of ACR. We label BB as the long-term approach where athletes invest into their future and BS as the short-term approach where brand equity is leveraged to generate commercial revenues today. Second, we propose twelve contingencies to examine how athletes balance BB and BS in different stages of their careers to eventually maximize ACR. Third, we develop a typology of brand management strategies with basic strategy types based on

environmental contingencies and we show how personal contingencies and the brand management of other athletes can alter the basic strategy types in the different career stages. Examples of the brand management of professional athletes support our framework.

A company that works with athlete-endorsers may use the proposed framework as a monitoring (or screening) tool to interpret the environment and the personality of an athlete that endorses (or is to endorse) the company's products. The company's marketing management could compare the athlete's basic strategy type with the athlete's actual BB-BS strategy. They must keep in mind that the athlete may have an information advantage. A shift towards BS may be a signal that the athlete is beyond the sporting performance peak, exposed to high personal or sporting risks, in serious financial trouble, or assumes that the sport is soon going to lose popularity. A shift towards BB may be a signal that the athlete plans to retire soon or faces serious commercially-induced risks. Athletes and their management, on the other hand, could use the framework as a brand management tool that raises their awareness of the various factors influencing an appropriate brand management strategy. Athletes and their management could start with an analysis of the athletes' environment, then evaluate their characteristics and situations, then analyze the brand management and positioning of other athletes, decide on an appropriate brand management strategy, and repeat the whole process regularly.

To our knowledge, this is the first paper to examine an athlete's long-term commercial revenues through athlete brand management. It complements the regularly-researched company perspective of athlete endorsements by examining the athlete's perspective in more detail. Moreover, the dynamics of a long-term view of *accumulated* commercial revenues are explored as opposed to a static short-term view. Thus, this paper expands the research of athlete endorsement and athlete brand management one step further and hopefully spawns more academic research. Specifically, advancing the proposed framework towards empirical testing would be highly desirable. Empirical testing might focus on both the key determinants of ACR and relevant contingencies that drive appropriate brand management strategies at different stages of the athlete life cycle.

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# Curriculum Vitae

## Personal data

Name	Nicolas Schweizer
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Nationality	German

## Education

2013-2015	University of Zurich, Switzerland PhD student in Business Administration
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2004-2009	Johann Wolfgang Goethe-Universität, Frankfurt am Main, Germany Student in Business Administration (Diploma)
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2006-2007	University College Dublin, Ireland Exchange student
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2004	Heinrich-von-Gagern-Gymnasium, Frankfurt am Main, Germany (High school diploma)
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## Professional experience

Since 2010	The Boston Consulting Group GmbH, Munich, Germany Consultant
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