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Carol L. Bruneau

University of Montana, carol.bruneau@umontana.edu

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A Preliminary Examination of Sponsorship Motivations and Leveraging in Motor Sports

Carol L. Bruneau

University of Montana

ABSTRACT

Sports sponsorships have become an increasingly large investment for many organizations. IEG (2018) has forecast that in 2018, total global sponsorship spending would be approximately \$65.8 billion, with US sponsors contributing \$24.28 billion. Close to 70%, or almost \$46 billion, of total sponsorship spending will be directed towards the sponsoring of sports events, leagues, teams and individual sports personalities. This paper is a exploratory examination of sponsorships in INDYCAR racing based on participant observation over nine years of viewing INDYCAR races live and on television. Four specific sponsorship examples will be discussed to highlight sponsors' motivations for sponsorship and how they activate the sponsorships to achieve marketing goals with both consumer and business markets. In addition, a potential sponsorship objective overlooked in previous literature will be examined, that of using the sponsorship to conduct R&D to improve consumer and business products and to reach niche markets.

INTRODUCTION

Sports sponsorships have become an increasingly large investment for many organizations. IEG (2018) has forecast that in 2018, total global sponsorship spending would be approximately \$65.8 billion, with US sponsors contributing \$24.28 billion. Close to 70%, or almost \$46 billion, of total sponsorship spending will be directed towards the sponsoring of sports events, leagues, teams and individual sports personalities. While there have been extensive research studies conducted on the motives of sponsoring organizations, these have mostly focused on extrinsic benefits in appealing to consumer or business target markets. This paper examines these motivations, but also explores a more intrinsic motivation of improving products by the research and developed conducted by the sponsoring organization in the extreme test situations demonstrated in INDYCAR racing. The author examines four sponsors of INDYCAR racing: Firestone Tires, Honda, Chevrolet and Arrow Electronics and attempts to determine the motivations of these sponsors and how these organizations leverage their sponsorships with consumer and organizational markets.

INDYCAR racing is the premier level of open-wheel racing in North American. Its current title sponsor is NTT (Nippon Telegraph and Telephone.) In 2019, 17 races were conducted in the series in the United States and Canada. There were approximately 23 full-time drivers from numerous countries, including the USA, France, Australia, New Zealand, Brazil, Switzerland, United Kingdom, Canada, and Japan competing in these races. The crown jewel of the racing series in the Indianapolis (Indy) 500 that is held at the Indianapolis Motor Speedway during

Memorial Day weekend in May. This race was first conducted in 1911, when the Indianapolis Motor Speedway was only a dirt track. INDYCAR has turned the month of May into one of the greatest spectacles in racing with the Indianapolis Grand Prix in early May, and practices and qualifying up until the Indy 500 at the end of May. The Indy 500 claims to be the largest one-day sporting event in the world with attendance usually around 300,000 and over 400,00 for the 100th running in 2016.

LITERATURE REVIEW

Sponsorship is defined as a relationship between a marketer and a property in which the marketer pays cash or ad value in-kind (VIK) fee in return for access to the exploitable commercial potential for that property (Fullerton, 2017.) Estimates to sponsor an INDYCAR for the full 17 race year is \$8 to \$10 million. Engine and tire manufacturers subsidize more than that as VIK contributions. For example, Firestone Tires leases INDYCAR teams a total of 26,000 sets of tires during the course of a year at lower than market value (Pruett, 2018.)

What drives these sponsors to contribute millions of dollars to motorsports? One reason is that traditional marketing channels such as television, radio and magazine ads have become less effective as consumers turn to other media for entertainment and information (Smith, et. al, 2016.) Several reviews of sports sponsorship literature have been penned over the years that examine the advantages of sponsorships over traditional advertising (Cornwell, et. al, 1998; Cornwell, et. al, 2005; Walliser, 2013; Demir & Soderman, 2015; Slatten, et al, 2017; Bruneau & Fullerton, 2018.) Increasingly sports sponsorships are viewed as a way to increase ROI (Cobbs, 2014,) attain a competitive strategic advantage (Jensen, et. al, 2016) and enhance the corporate social responsibility image (Plewa, et. al, 2016.)

Cornwell, et al (2005) identified several potential sponsorship outcomes from a consumer's point of view. These were divided in to cognitive outcomes including brand awareness and brand/corporate image, affective outcomes including brand preference and brand liking, and behavioral outcomes including purchase intent, purchase commitment and purchase. One way in which sponsorships can enhance a brand's or corporation's image is by transferring the image and the goodwill consumers have of the sponsored sport/event on to the brand or corporation (Meenaghan, 2001; Mazodier & Merunka, 2012; Grohs, 2016.) Grohs, et. al (2004) found that this image transfer was a means of reducing the effects of ambush marketing.

Another study (Levin, et. al, 2013) demonstrated that commercial messages from sponsors during a sporting event were viewed with more acceptance and credibility than commercial messages from non-sponsors. Sponsoring an event or team was a way to break through the advertising clutter that today's consumer is exposed to. In addition, sports fans have been demonstrated to be brand loyal to sponsors of their favorite teams (Levin, et. al, 2004.) In the best case scenario, sports sponsorships can be the means to build relationships between sports fans and the brand (Gordon & Cheah, 2012.)

Marketing managers' perspectives were examined in another study (Cornwell, et. al, 2001.) Findings demonstrated that managers viewed sponsorships as helping build a firm's brand equity by increasing consumers' brand awareness, brand loyalty, perceptions of brand quality, brand and corporate image and brand differentiation. Marketing managers may also use the hospitality aspects of sponsorship to entertain current clients, potential clients and to build internal moral with employees

However, sponsorships are not as effective unless they are leveraged or activated. Sponsorship leveraging can include: theme-based advertising, signage at event, advertising during broadcasting or replay of event, print ads in program and other media, experiential marketing for fans and clients, booth or tent at event, product demonstrations at event, selling product at event, hospitality suites and tents, free samples or swag, contests at event, packaging, point of purchase displays, web tie-ins, cross promotions with other sponsors, retailer push strategies (Fullerton, 2017.) Several studies have demonstrated the effectiveness of leveraging strategies such as sales promotions (DaGaris, et. al 2009) and on-site experiential marketing (Choi, 2006.)

This study examines the motivations and activation strategies of four INDYCAR sponsors from observations made over a 9 year period.

METHODOLOGY

A participant observation methodology was employed for this preliminary exploratory research. The author conducted observations over a nine-year period, attending 20 races in person and watching the remainder of the series on television. Observations were supplemented by conversations with other fans and race personnel, listening to race broadcasts on TV and radio, following INDYCAR topics on social media and apps, and consuming relevant written media from sources such as Racer Magazine and INDYCAR.com.

PRELIMINARY RESULTS

Firestone Tires

Firestone Tire and Rubber Company has been involved with INDYCAR racing since the very beginning when Ray Harroun's Marmon Wasp with Firestone tires won the inaugural Indianapolis 500 in 1911. Since then, Firestone has sponsored racing tire technology, becoming the sole supplier of tires for INDYCAR Racing in 2000 with its current contract extending to 2025. Firestone became part of racing lore when legend Mario Andretti won his only Indy 500 in 1969 in a car equipped with Firestone tires. The pit crew was unable to remove the right rear tire, so Mario had to race with that one tire for the entire 500 miles traveling an average speed of over 186 miles per hour.

Firestone's racing sponsorship's objectives target both consumer and business markets. To leverage its sponsorship to consumer markets, Firestone is an active participant in the Fan Village that is a part of the spectators' experience at every INDYCAR race. Firestone hosts a tent in the Fan Village that offers prizes and experiences to fans. To be able to participate, fans must first provide Firestone with their email contact information. Fans have a chance to win \$150 off a set of tires and a variety of Firestone-branded prizes. Prizes can be anything from a t-shirt to a key chain bearing the Firestone emblem. Experiences can include racing simulations, applications of temporary air-brushed tattoos and photographs with the Firestone mascot, the Firehawk. The Firehawk mascot participates during the entire race weekend and is a fan favorite. Firestone also provides the drivers in first, second and third place in the race with baseball caps to wear as soon as they take off their helmets. This is the beginning to the hat

dance that occurs during the podium celebrations at each race as the top three drivers in the race don the hats of multiple sponsors while heisting trophies for photograph opportunities with the sponsors' employees and guests.

Firestone signage is very visible to both spectators of the races live or by visual media. All INDYCAR races are aired on NBC networks and replays can be viewed on NBC Sports Gold digital application. In addition, Firestone's name is featured on the tires used in the race and on the cars' and drivers' liveries.

Firestone leverages its sponsorship with television advertising during the race broadcasts and other programming. During the 2019 season, Mario Andretti was featured in some of this advertising as he celebrated the 50th anniversary of his Indy 500 win. Other advertisements show Firestone tires on a variety of different vehicles including INDYCARs and large commercial trucks with the tagline, "Whatever you drive, drive a Firestone," Firestone ads also appear in the race programs and other print media. In 2019, Firestone was the title sponsor of the first and last race of the season, the Firestone Grand Prix of St. Petersburg and the Firestone Grand Prix of Monterey.

Firestone leverages its business markets by provide hospitality opportunities for business customers and suppliers. These hospitality opportunities may include luxury boxes for viewing the race and/or hospitality tents that offer food, drink and air-conditioning to business partners.

However, maybe the most important objective of Firestone's sponsorship is the ability to conduct R&D on its products in extreme conditions to improve durability and safety in consumer and industrial tires. Firestone does not sell its tire to the INDYCAR teams. Instead, it leases the tires and the team must return the tires to Firestone after the race. There are three types of tires that may be used in an INDYCAR race, primary hard compound tires, secondary softer tires and in bad weather, rain tires. Firestone develops different tire compounds for different types of INDYCAR races including ovals, road races and street races. After each race, Firestone studies the tire degradation in order to improve the tire compound for future races. This research can be used to improve the performance of Firestone tires in consumer and business markets.

Honda Performance Development

Honda Performance Development starting competing in INDYCAR racing in 1994 as an engine supplier for cars. It won its first race in 1995. From 2006 to 2011, Honda was the sole engine supplier for the series. Since 2011, there have been two engine suppliers, Honda and Chevrolet. In the 2019 Indianapolis 500, the premier event of the Indycar Racing Series, Honda and Chevrolet each supplied 18 of the initial competitors with engines. And while Simon Pagenaud, a Chevrolet driver won the Indy 500 and another Chevrolet driver, Josef Newgarden, won the Championship, Honda won the overall Manufacturer's Championship for 2019.

Honda activates its sponsorship to consumer markets by being very visible in the Fan Village. Honda displays at some races include current models of cars that consumers can examine and ask questions about. Honda's knowledgeable staff can demonstrate vehicles and answer

questions. Consumers can sign up by providing their email contact information in order to win prizes such as ball caps and t-shirts. Consumers who sign up can elect to be contacted by their local Honda dealership to receive deals on a new vehicle. In addition, at some races Honda drivers are available for question and answer and/or autograph sessions.

Honda is also involved in experiential marketing, offering consumers; and business customers the opportunity for a ride in fast lap around the track driven by an INDYCAR licensed driver. These laps, in a deceptively ordinary-looking Honda Civic, can reach speeds of 120 miles per hour. In addition, Honda conducts a contest to ride in the Honda two-seater, an INDYCAR with a front and back seat, usually driven by a famous driver, such as Mario Andretti or Arie Lyendyk. These laps can reach speeds as fast as 200 miles per hour. At all races, a two-seater, usually chauffeuring a local celebrity, proceeds the pace car during the warm-up laps.

In some races, such as the Honda 200 at Mid-Ohio, Honda is the title sponsor of the event. In all races, Honda signage is very visible around the track, in the paddock and on cars' and drivers' liveries. And the engine manufacturers' ball caps are worn during the winners' podium hat dance.

Additional activation to target consumer markets include extensive TV advertising during races and other programming. James Hinchcliffe, a popular Canadian INDYCAR driver has been featured in some of these ads. Honda print ads may also have an INDYCAR ad, for example a 2019 ad showed a Honda Civic turning into an INDYCAR.

Honda also leverages its business markets by provide hospitality opportunities for business customers and suppliers. These hospitality opportunities may include luxury boxes for viewing the race and/or hospitality tents that offer food, drink and air-conditioning to business partners. The experiential marketing offered to consumers is also offered to its business partners.

Similarly to Firestone, Honda leases its engines to the racing teams. These leases allow Honda to do research and development on Honda engines in extreme conditions. Honda uses data obtained by INDYCAR engine testing to improve its consumer and industrial engines. Just as an example, during the six seasons that Honda was the only engine manufacturer for the INDYCAR Series, the engines completed 1,188,376 miles during practice, qualifying and racing (INDYCAR.com 2019), providing valuable data on performance, as well as engine wear and causes of engine failure.

Chevrolet

Chevrolet has been an engine manufacturer for the INDYCAR racing since 2012. In its first seven seasons, Chevrolet amassed 73 victories, 83 pole positions, five driver championships and six consecutive manufacturers titles (INDYCAR.com.) While Chevrolet may not be as aggressive in its sponsorship leveraging as Honda, it has the advantage of being the hosting manufacturer of the Indy 500, the crown jewel of the INDYCAR season. During the Indy 500 race festivities, Chevrolet supplies all the vehicles for the parade and the pre-race Memorial Day activities. A Chevrolet Corvette serves as the pace car for the Indy 500. The race attracts approximately 300,000 fans from around the world at the Indianapolis Motor Speedway, except

for the 100th running in 2016 when attendance was estimated at 350,000. In 2019, NBC reported a total viewership on NBC, NBCsports.com and the NBCsports app of 5.446 million (NBC.com)

At the Indy 500, Chevrolet has a display of current Chevrolet models, including the Corvette pace car, as well as pace cars from past Indy 500 races. The winner of the Indy 500 receives a copy of the pace car in a well-publicized ceremony in Indianapolis. A Vette-Palooza was held during the weekend of the DXC Technology 600 at Texas Motor Speedway in 2019. Hundreds of Corvettes were on display and were paraded on the track during the pre-race festivities. And Chevrolet does participate in experiential marketing by providing fast laps to fans at some races including the Indy 500 and the DXC Technology 600 at Texas Motor Speedway.

Chevrolet signage is very visible at races by live and media spectators. Chevrolet is the engine manufacturer of the current dominant team in INDYCAR, Team Penske. Team Penske participates in several motorsports including INDYCAR, NASCAR and IMSA. It celebrated its 50th racing anniversary in 2016 and its 500th motorsports victory in 2018. Penske drivers won nine of the 17 races in 2019, and its drivers won the 2019 Indy 500 and the INDYCAR Championship. Chevrolet's visibility will probably increase as Penske Entertainment, a subsidiary of Penske, purchased the INDYCAR series and the Indianapolis Motor Speedway in November 2019.

While Chevrolet does extensive TV and print advertising, including race broadcasts and programs, the ads are fairly generic and content does not mention its racing participation.

Chevrolet offers similar hospitality opportunity for business partners including luxury box seating and hospitality tents at race venues.

Similarly to Firestone and Honda, Chevrolet leases its engines to the racing teams. These leases also allow Chevrolet to do research and development on its engines in extreme conditions. Like Honda, Chevrolet uses data obtained by INDYCAR engine testing to improve its consumer and industrial engines.

Arrow Electronics

Arrow Electronics is a provider of computer components and computer products distributions to over 200,000 technology manufacturers and service providers around the world. It was founded in 1935, and its 2018 sales were \$29.7 billion. It ranks 109th in the Fortune 500, has 20,100 employees in over 349 locations. (Arrow.com) Arrow began its INDYCAR sponsorship in 2009 when James Hinchcliff was participating in the Indy Lights series. In 2014, Arrow began sponsoring Schmidt Peterson Racing for whom Hinchcliff was driving. In a 2018 move to increase its sponsorship of Schmidt Peterson Racing name was changed to Arrow Schmidt Peterson Racing. Driving for this team in the 2019 season was the aforementioned James Hinchcliff and Marcus Ericsson, a former F1 driver from Switzerland. At the end of the 2019 season, McLaren, a big name in F1 racing merged with Arrow Schmidt Peterson to become McLaren Arrow SP.

As Arrow Electronics is strictly a B2B company, it is not really motivated by consumer markets. Therefore, the only Arrow signage usually seen is on the team's cars, drivers fire suits and transport trailers. Arrow does not participate in the INDYCAR Fan Village, nor does it provide experiences for consumers. Instead Arrow focuses on hospitality for its suppliers and customers. Arrow has an elaborate hospitality tent that is seen at every race.

In addition, Arrow uses the INDYCAR platform for R&D on technology, specifically it has developed cars that can be driven by individuals with physical disabilities. In 2014, Arrow launched the SAM (Semi-Autonomous Motorcar) Car Project with former INDYCAR driver and current team owner, Sam Schmidt. Schmidt was made a quadriplegic in 2000 after an accident in a practice lap. Schmidt was determined to get back behind the wheel of a car despite the loss of the use of his arms or legs. In 2014, Schmidt performed the first test drive of the SAM Car, a Chevrolet Corvette, that allowed him to steer, accelerate and brake using only the motions of his head. Since then Schmidt has tackled the switchbacks of Colorado's Pikes Peak, raced Mario Andretti at the Indianapolis Motor Speedway and accelerated to a speed of 190 miles per hour on the runway of Nellis Air Force Base.

When Robert Wickens, a Canadian Arrow-sponsored INDYCAR driver was injured in a horrific accident during his rookie season in the 500-mile race at Pocono Raceway in 2018. Wickens' accident left him virtually a paraplegic. Wickens' story of perseverance and determination in the face of his disability made him a fan-favorite. He and his fiancée, Karly Wood, have posted his rehabilitation extensively on social media. At the 2019 Honda Indy Toronto, Wickens was able, with the help of Arrow-modified Acura NSX, to drive Karly around the track on the parade lap before the race.

Thus Arrow is using its INDYCAR sponsorship to become a leader in a niche market of semi-autonomous cars that can enable disabled drivers to regain control and mobility in their lives. In 2016, Sam Schmidt became the first person with quadriplegia in the United States to receive an autonomous driver's license. He has since driven the SAM Car in the streets of Las Vegas, demonstrating that the technology is not just limited to the racetrack.

DISCUSSION

While this research is still in its very early stages, it does contribute to the research on sports sponsorships by providing concrete examples of sponsorship motivation and examples of the leveraging of those sponsorships. It also introduces the idea that there may be other intrinsic motives such as improving product quality/safety and developing technology to serve niche markets such as the disabled.

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ABOUT THE AUTHOR

Carol L. Bruneau received her PhD at the University of Arizona and has undergraduate and MBA degrees from Oklahoma State University. She is an Associate Professor of Marketing at the University of Montana in beautiful Missoula, MT. She has also served as visiting faculty at St. George University in Grenada. Her research interests are diverse and include sports marketing, services marketing and generational studies. She has published in the *Journal of Applied Marketing Theory*, *Journal of Product and Brand Management* and *Journal of Computer Information Systems*. She attended her first AMTP Conference in 2000.

