Sponsorship as a Form of Fundraising in the Arts: A Bilateral Perspective Involving Relationship Marketing

Beverley J. Thompson
Lecturer, School of Marketing and International Business,
University of Western Sydney, Sydney, Australia

Beverley J. Thompson, *Beverley Thompson's academic background is in Economics and Marketing, with previous experience in the pharmaceutical and marketing research industries. She has published in the areas of cultural labour practices, arts marketing and sponsorship. She has lectured at several universities in Australia and at Bristol Polytechnic, UK. She is currently lecturing at the University of Western Sydney*.

Abstract
An understanding of the workings, management and implications of sponsorship relationships, are becoming increasingly important to all arts administrators, in times of dwindling government assistance, and keener competition for audiences. Sponsorship research suffers from a lack of a suitable theoretical underpinning to assist operators in its understanding. This paper examines sponsorship in the context of relationship marketing and network theory. It concludes with case studies of two Australian theatre companies, illustrating application to relationship marketing principles.

Keywords:
Sponsorship, fundraising, relationship marketing, strategic relationships, network analysis

> *"Sponsorship for Company B is like a pleasurable three-step dance: Their support helps our shows. Our shows touch our people. Their people become our people. And in the words of Cloudstreet, the shows become "all of us's"."*

Neil Armfield, Artistic Director
Company B Belvoir Theatre
Business Support for the Arts in Australia: Recent developments and future directions
A report prepared by AbaF for the National AbaF Councillors' Forum
August 2002

Introduction

Neil Armfield's quotation aptly sets the context for the theme of this paper, the core argument of which is that sponsorship is not simply a donor-recipient relationship but a mutual support system in which both parties benefit. While this principle might apply to sponsorship in all domains - sport, television, charities - this paper will argue that it applies particularly in the arts, which is why all involved in fund-raising in the arts, must be fully cognisant of relationship management and be prepared to take a bilateral perspective. Furthermore, arts managers must be familiar with sponsorship relationships being established by their sponsorship rivals in other domains so that arts organisations can promote their cause on a maximise their strengths/minimise their weaknesses (SWOT) basis.

This paper is set in the context of the performing arts industry in Australia, which is becomingly increasingly dependent on non-Government sources of funding, making all forms of fund-raising (especially sponsorship) critical to the survival of most performing arts organisations (Souter and Close 1997). The environment has also necessitated the adoption of a greater marketing orientation by most arts organisations as they have had to place more emphasis on attracting consumers (subscribers, single-ticket buyers, patrons), rather than concentrating solely on the production side (performances, exhibitions and works) (Kotler and Scheff 1997). A marketing orientation is necessary for both sponsor and sponsee sides of the relationship. The study will draw on elements relationship marketing theory and network analysis to help develop a theoretical framework that aids in the understanding of the bilateral sponsorship relationship.

Finally, the paper will incorporate the findings of two Australian performing arts organisations' case-studies to help understand the nature of the relationship required to ensure success and longevity of a sponsorship relationship.

Background

Sponsorship involves a relationship or exchange between two entities, which differs from other business-to-business relationships in that the elements of the exchange are not always definite. At one extreme, sponsorship may be essentially equated with patronage (Calderon-Martinez et al. 2005), while at the other extreme a sponsorship may involve a joint sharing of resources between two entities with no clear-cut donor-recipient roles specified (Thompson 2004), with various combinations in-between. In general, sponsorship relations are moving further and further away from the donor-recipient position, towards a more relationship-oriented one, where mutual sharing of relative expertise and resources is becoming the norm (Harvey 2001). In many Western countries, including Australia, this shift has been exacerbated by reductions in Government assistance to the arts, requiring many arts organisations to become more self-sufficient, through the adoption of an increased marketing-orientation, in which the development of sponsorship relationships is a critical component (Souter and Close 1997). Likewise, many corporations have had to learn how to sponsor, with some sponsoring organisations viewing a sponsorship arrangement as simply paying the fee, then awaiting outcomes.

The Dimension of Sponsorship

The sponsorship literature has largely been derived from sport as a sponsee activity (Farrelly and Quester 1997) with some contrasts being offered between sports and arts sponsorship (Witcher et al. 1991);(Crowley 1991), and with cause-related marketing (Meenaghan, 1998). Sponsorship as a communications tool is increasing in popularity, often at the expense of conventional advertising (Quester and Thompson 2001);(Grimes and Meenaghan 1998), because of such factors as increasing corporate disillusionment with conventional advertising, government restrictions on tobacco and alcohol advertising, reduced government assistance to the arts, increased commercialism of sports, arts and causes, and, the increased visibility of sponsorship presence through international exposure of sporting events via television and the Internet. Precise statistics on sponsorship expenditure are difficult to derive. The SRI (Sponsorship Research International) estimated that worldwide sponsorships had reached $US 17.4 billion in 1998 (Lloyd 2000) and US$25 billion in 2000 (Tripodi et al. 2003), while in Sydney, the 2000 Olympics sponsorships exceeded $US 1.4 billion (Lloyd, 2000). Further expenditures on "leverage" are estimated to double the figures paid for the initial sponsorship rights (Quester and Thompson 2001). This leverage figure is for additional advertising and promotion of the sponsorship, usually by the sponsor, to ensure that a wider audience is informed of the sponsorship. It is this expenditure on leverage that starts to move sponsorship away from the arena of philanthropy, more towards its usage as a promotion tool in its own right. The modern day corporate sponsor is certainly not, a silent benefactor!

The AbaF 2002 Findings on Arts Sponsorship in Australia

The need to educate sponsors and sponsees in successful relationship management has prompted the Australian Government to fund an advisory body called AbaF (The Australian Business for the Arts Foundation) whose task is to foster sponsorship relationships between arts and business. AbaF has produced numerous reports documenting the state of corporate finding in the arts. In particular, the findings of a 2002 report ((AbaF) 2002) titled *Business Support for the Arts in Australia: Recent Developments and Future Directions* are extremely pertinent to this study, so that there is justification for reporting them in some detail.

The AbaF 2002 report provides the following overview comments in relation to business support for the arts:

- Business support for the arts has increased substantially over the last five years
- Most businesses supporting the arts receive benefits in return
- Business support makes a crucial difference to the quantity and quality of arts in Australia
- There is much scope for increasing business support for the arts
- AbaF is facilitating the matching of potential/actual sponsors and sponsees.

The AbaF 2002 report suggested that, in particular, sponsorship aids arts organisations by:

- Enabling the successful day-to-day running of arts and cultural organisations
- Allowing arts and cultural organisations to substantially expand their operation
- Improving the reputation and raising the profile of arts and cultural organisations
- Enabling arts and cultural organisations to make long-term plans.
- Providing access to the arts for a greater number of people
- Enabling arts organisations to take their work to remote and regional communities
- Funding arts and cultural projects for young people and disadvantaged groups

A further dimension analysed in the AbaF 2002 report was that of the sponsoring organisation. The report suggested that sponsorship aids sponsoring organisations by providing:

- Clear benefits to the community and attract social approval (Corporate Reputation)
- Benefits that are tailored to a business' s needs and objectives
- Multiple benefits; i.e. different units of the company benefit from the partnership
- Benefits that are measurable; of the businesses that had established or renewed partnerships in the arts in the last three years, 75% nominated identifying and valuing the benefits as the most important challenge a cultural sponsor has to meet.

In examining why more business support for the arts is not forthcoming, the AbaF 2002 report presented a number of commonly expressed misconceptions or myths as follows:

- There are few benefits associated with supporting the arts
- Arts sponsorships are short-term, one-off events only
- There are few prominent brand exposure opportunities in the arts
- Arts and cultural events offer little opportunity for consumers to - experience a product as part of an enjoyable event
- The reach of the arts is small relative to the reach of television and sports events
- The community views arts organisations as exclusive and too serious – not a useful image with which to align
- There is a lack of community goodwill towards the arts compared with community attitudes to health and environment issues.

Finally, various studies have also revealed the fact that there remains huge scope for fostering increased support for the arts because:

- The proportion of businesses currently supporting the arts appears to be small
- Many businesses have not yet considered or have not yet been approached to support the arts
- Some businesses still do not understand the benefits of arts partnerships
- Sports and recreational organisations still receive nearly ten times more business support than arts and cultural organisations. The ABS Generosity of Australian
- Businesses survey (ABS 2001) found that in 2000-2001, businesses gave a total of $1,447M to the community sector. The survey found that businesses provided sports and recreational organisations with $628.0M, while arts support was approximately one ninth of this amount.

The Aim of this Paper

Given the preceding overview of the arts sponsorship situation in Australia in the opening stages of this century, the aim of this paper is to examine the linkages between sponsee and sponsor inherent in the AbaF findings, and to determine the nature of the sponsorship relationship experienced by a number of Australian performing arts organisations, in order to better understand the nature of the elements and dynamics of such a relationship. The challenge for all individuals and organisations concerned with arts funding, is to build on the positive attitudes to sponsorship, to help promote the value to businesses in providing assistance to the arts. Kotler and Scheff (1997; p. 175) advise that corporations can serve their own strategic goals by teaming up with arts organisations. They suggest that the enrichment of a community in which the arts flourishes helps attract and retain highly educated and talented personnel, as well as promoting goodwill among customers, clients and employees. By supporting the arts, businesses add a human element to their corporate image. By linking up with the arts organisations' image, appeal, and customer base, they gain visibility and an enhanced profile.

Research Objectives

1. To better understand the nature of the sponsor-sponsee relationship, and to define areas of mutual benefit, and deficit, in order to prescribe ways in which sponsorship relations can be better developed and enhanced.

2. To place arts sponsorship relationships in the theoretical framework of relationship marketing and networking, to provide a theoretical foundation to enhance understanding of these critical relationships.

Research Methodology

The paper will be largely discussional, but will conclude with case studies of two theatre companies in Sydney, Australia, both of which foster very successful sponsorship relationships using the principles of relationship marketing. However as with relationships between two different couples of human beings, the factors upon which the success of these relationships is built is quite different. Some lessons can be learned from these cases for arts sponsorship relationships in general.

An Examination of the Sponsorship Relationship

Sponsorship involves a relationship exchange between two entities, which often have different agendas and purposes. The sponsee, in the case of a performing arts organisation is usually registered as a not-for-profit organisation, whose existence involves working in an economic environment where balancing the income-cost equation, while employing quality performers, instigating relevant and interesting works, using suitable venues, and keeping up with technological developments, while needing to attract audiences (consumers) at prices competitive with other forms of entertainment. This is a fine line for many performing arts organisations in a typical financial season, when a number of factors can interplay to reduce earnings and increase costs. Such a situation has been reported in the Australian media recently whereby The Sydney Dance Company has faced a difficult season when the staging of several innovative and relatively expensive works coincided with lower audience demand, one explanation being audience-competition with the stage musical *The Lion King.* While government contributions assist a selection of arts organisations, most arts organisations rely on assistance from sponsorships, to facilitate their survival and development.

The sponsor, on the other hand, may enter a sponsorship relationship, for a number of different reasons, which may differ for companies sponsoring the arts as opposed to those sponsoring sport (Farrelly and Quester 1997; Thwaites 1995). A general consensus is that arts sponsors tend to seek image rather than market objectives with an emphasis on relationship-enhancing with the wider community (Quester and Thompson 2001). Sports sponsors however are generally believed to be seeking more specific audience reach, brand and product awareness and media exposure (Marshall and Cook 1991).

The critical issue is that sponsorship involves a relationship or exchange that differs from other business-to-business relationships, in that elements involved in the exchange process are often less tangible than those in a conventional business exchange process, where tangible goods or services are exchanged for money, or bartered. The process represents a net utility gain for both parties. In a sponsorship relationship, the elements of the exchange are not always so definite. At one extreme, sponsorship is essentially just patronage - whereby one entity provides another entity with assistance, to ensure the ongoing operation of the recipient entity, and asking of nothing in return. At the other extreme a sponsorship may involve a joint sharing of resources between two entities with no clear-cut donor-recipient roles and commercial sponsorship (Calderon-Martinez et al. 2005). In the middle are a range of intermediary positions between philanthropic and commercial sponsorships.

The distinction between philanthropy, patronage and sponsorship is not always clear-cut. In general, most sponsorship relationships are becoming less philanthropic (donor-recipient) and more commercial (relationship-oriented where mutual sharing of relative expertise and resources is becoming the norm (Thwaites 1995; Witcher et al. 1991). (Collins 1993) believes that with sponsorship, the mutuality of benefits is more likely to be specifically stated as an objective from the outset of the relationship. (Walliser 2003) in an international review of sponsorship research noted that although sponsorship definitions differ from country to country, agreement exists when it comes to distinguishing sponsorship from corporate philanthropy, patronage, corporate giving and product placement.

So - What Exactly is Sponsorship?

The search for an enduring definition of sponsorship tends to reflect the historical progression of the sponsorship entity from its philanthropic origins, towards a more business-based relationship backed by legal agreements, definitions of property rights, focus on returns-on-investment and the exploitation of a mutually beneficial relationship (Cornwell 1995); (Townley and Grayson 1984). A definition of corporate sponsorship that captures the relationship aspect well is one offered by (Tripodi 2001) written in the context of sport, but nonetheless is useful in the current arts context (the word "arts" substituted for the word "sports"):

> *“Sponsorship is the provision of assistance by a commercial organisation (sponsor), in cash or kind, to an arts property (sponsee), in exchange for the rights to be associated with the arts property for the purpose of gaining commercial and economic advantage.”*

The Tripodi definition is really applicable to sponsorship of sports, arts or causes, each of which is thought to provide a unique relationship with a business sponsor. It has often been argued that sports sponsorship is more blatantly commercial than sponsorships associated with the arts (Burridge 1989), where some degree of gentility is still thought to exist through “philanthropy aligned with profit motives” (Shanklin and Kuzma 1992); (Varadarajan and Menon 1988). The popularity of sports sponsorship is increasingly being enhanced by the opportunities for exposure offered by modern communication technologies, and by its ability to reach certain advertising-resistant segments, such as young males, or multicultural segments (Marshall and Cook 1991); (Thwaites 1995). In comparison, the arts, while being recipients of a smaller share of the sponsorship purse with a lower-key media profile, do offer valuable sponsorship linkages to segments who are often more affluent, better educated and older (Quester and Thompson 2001).

The modern sponsorship relationship has in most cases moved well away from the philanthropy position, to being more of an exchange (Thompson 2001). It is now useful to consider in some detail the nature of this exchange by asking who gives and gets what?

Firstly, in considering the position of the sponsee, as suggested in the Tripodi definition, the sponsee is usually the recipient of an input by the sponsor “in cash or kind”. Discussions with most arts organisations indicate that cash investments are usually most welcome, because they offer total flexibility in how such funds might be utilised, from paying salaries of artists, assisting with building maintenance or other infrastructure expenses, funding special exhibitions, paying for particular theatrical expertise such as a director or producer, paying for production costs such as costumes and scripts, or assisting with administration costs. In-kind sponsorships, or contra, involve the sponsoring organisation providing goods or services, which are part of its business portfolio, to the sponsored organisation. In sport, contra sponsorships saw companies such as Nike providing the Olympics 2000 teams with uniforms. In the arts, in-kind sponsorships often involve the provision of accommodation to artists and arts workers by hotel chains, the provision of wine for interval by wine companies, or the provision of free or subsidised advertising by media companies. In return for the offerings of a sponsor, the sponsored entity usually has to enter a commitment to an exchange of offerings from its portfolio of expertise. Such offerings might include reserved corporate seating at performances, corporate training workshops conducted by performers, or fully catered banquets at the performance venue. In addition, an ideal sponsorship exchange may require the sponsored entity to produce an offering that fits with the image of the sponsoring organisation, in a synergistic manner. This synergy can then be exploited through sponsor advertising which relates positive aspects of the sponsored organisation with image qualities desired by the sponsoring organisation.

The benefits flowing to the sponsee in the sponsorship equation are usually very obvious, and, in many cases represent the lifeblood to a sponsored organisation, without which 'the show would not go on'. In the case of arts organisations, costs of production and maintenance are ever increasing. Without subsidies from sponsors, ticket prices would become prohibitively high. Consumers are therefore also beneficiaries in the sponsorship arrangement. But, what about the sponsors - why do they embark upon a sponsorship agreement and what do they gain in return for their outlay? (Quester and Thompson 1999) used exploratory research to determine reasons why corporate entities sponsored Australia's best-known arts festival - The Adelaide Festival. Reasons cited in this research included:

- Enhancing their corporate image to society
- Increasing awareness in specific target markets of their product/service
- Presenting an image of a strong national/international corporate presence
- Creating a public perception of 'giving something back' to society via the arts
- Ensuring a perception of a corporate image to match that of a strong competitor
- Enhancing 'trust' among the public/consumers
- Promoting practical aspects of a product offering
- Positioning or repositioning in relation to competing corporations or products
- Political motives
- Seeking advertising that differs from conventional advertising.

Although probably not a comprehensive list of the reasons why sponsors sponsor, it nonetheless goes some way towards providing a rationale for the investments made via sponsorship, and makes clear the fact that a sponsorship relationship is indeed an exchange, and not merely a form of benevolence. Sponsorship is a critical communications tool, and an essential component of an organisation's promotional mix, with a role to play in conveying and image or an implied message to a target audience (Thompson 2001).

Having ascertained that both sponsor and sponsee parties have much to gain from embarking on a carefully planned, synergistic sponsorship relationship, it becomes apparent that sponsorship is in fact a form of relationship marketing, and that both sponsoring and sponsored organisations could benefit from an understanding of the principles of this paradigm. Although concise evaluations may not be possible for relationships in general, or for sponsorships in particular, it is generally conceded that such relationships can offer an organisation some degree of competitive advantage. (Dyer and Singh 1998) outline sources of competitive advantage emanating from relationships as being: relationship-specific assets; knowledge routines; the benefits of complementary resources and knowledge; and lower transaction costs than competitors due to trust in the relationship eliminating the need for checks. They further argue that if advantage is to be developed and sustained in a relationship, "a certain mystique" should identify the relationship making emulation difficult.

Strategic Marketing Relationships

Relationship marketing and *strategic marketing relationships* have become the nexus of what amounts to a new paradigm for the study of marketing at the crossroads of the twentieth and twenty first centuries, following pioneering work comparing the traditional stimulus response model of exchange (supply and demand or the marketing mix ethos) with systems recognising the value of “relationships” and ultimately “networks” (Hakansson and Snehota 1995); (Cook and Emerson 1978); (Johanson and Mattsson 1993). Recognising that transactions are not isolated events, the relationship marketing advocates introduced social exchange theory (Blau 1964) into the world of business and economics. This recognised that business relationships are not unlike human relationships, taking time for an initiation, the gradual development of a relationship as parties become more familiar (Wilkinson and Young 1994), finally reaching a period of consummation epitomised by a certain level of trust and commitment, and ultimately in some cases, the recognition that the relationship must be terminated (Low 1996). A relationship marketing ethos sees exchange as being characterised by collaboration and co-operation rather than conflict and confrontation, by joint involvement of particular rather than unilateral action, and by interdependence rather than independence (Donaldson and O'Toole 2002).

(Vary 2002) notes that traditional marketing thinking has been prejudiced in favour of the benefits of competition, while excluding collaboration as an inhibiting force. As such the consumer has been viewed as a passive and receptive object to be acted upon through market interventions. Relationship marketing however, views the consumer as a highly active agent who acts productively on the basis of personal motivations. As such the exchange between two business entities is not based solely on the transaction, but on the relationship-building and understanding necessary to facilitate a series of ongoing transactions.

The same principle applies to a sponsorship relationship, in that a successful sponsorship is not simply an injection of funds for an event or a season, but the development of a mutual understanding of the values and needs of both parties in the bilateral relationship, with the view to maximising the mutual goals of each party. A successful sponsorship relationship can therefore benefit by seeking to contain *values* prescribed by (Gummesson 1999) as follows:

- long-term collaboration for mutual value creation
- all parties recognised as active
- relational and service values (discarding of bureaucratic-legal practices in favour of recognition and utility of mutual assets).

Relationship Models - and Sponsorship

It is now useful to consider the role of sponsorship relationships in the context of several models of relationships, or in the more encompassing networking models. Initial marketing strategists such as (Porter 1980) took a rational approach to strategy in which a business is positioned and its direction decided, by that company's management after consideration of a company's relative strengths and weaknesses and the opportunities and strengths confronting it, leading to a foregone conclusion of "survival of the fittest". Later strategists argued that the strategic management of relationships cannot be managed in isolation, but must be considered as part of a network (Hakansson 1982). They view organisations as being embedded in layers of connected networks between the company and many active or passive stakeholders. This interdependence and co-operation requires a relationship strategy. It is the argument of this paper that sponsorship relationships also form part of this network - both for the sponsor and the sponsee. In considering the three following models, sponsorship relationships are mostly conspicuous by their absence.

(Morgan and Hunt 1994) proposed a model based on ten discrete relationships under the four sub-headings of: supplier partnerships (goods and services); lateral partnerships (competitors, non-profit organisations, Governments); buyer partnerships (ultimate and intermediate consumers); and internal partnerships (functional departments, employees and business units. In the Morgan and Hunt model it could probably be argued that sponsorship falls in the lateral partnership as a non-profit organisation. However this positioning implies that any sponsorship relationship would be of a donor-recipient nature, rather than a dynamic partnership offering mutual gains to both sides. (Peck et al. 1999) categorise alliances as being customer markets, recruitment markets, supplier alliance markets, internal markets, referral markets and influence markets. It is actually difficult to see just how this model accommodates the sponsorship relationship. (Gummesson 1999) has depicted the 30 R's of relationship marketing which have as their core: R1 - the classic diad - the relationship between a supplier and a customer; R2 - the classic triad - the drama of the customer-supplier-competitor triangle, R3 - the classic network of distribution channels; followed by special market relationships such as R11 - a customer loyalty relationship; mega relationships, such as R23 - the mass media relationship; and nano relationships - such as R30 - the owner and financier relationship. However, in the Gummesson classification, the sponsorship relationship does not appear to be accommodated.

The lack of consideration of the sponsorship relationship in these strategic relationship models is reciprocated in the study of sponsorship models that basically preclude consideration of sponsorships in a relationship marketing context. This is a gap that would be beneficial to fill, as an understanding and application of relationship marketing principles would be an aid to both sponsors and sponsees as they initiate and develop meaningful sponsorship relationships that go beyond a mere donation approach of sponsorship, or even the traditional approach to competition. Likewise researchers in relationship marketing would benefit from learning more about the elements of a sponsorship relationship, as an unusual relationship that moves beyond the obvious supplier-customer linkage. In the following section, further principles of strategic relationships are examined, with the view to forming a degree of fusion with sponsorship application.

Principles of Strategic Relationships: Their Application to Sponsorship

This section of the paper adopts a text-book approach in defining many of the principles set down for effective formation, development and management of strategic relationships, and their application to the sponsorship relationship, and as such borrows heavily from the work of (Donaldson and O'Toole 2002). These authors suggest that among the characteristics of organisations operating in relationship mode, developing new opportunities via partnerships and strategic alliances is of foremost importance, along with other customer-oriented goals depending on the nature of the business of the firm. A focus on being market-driven and customer-led is also important, with the relationship approach being different from the transaction approach through such aspects as customer involvement in joint planning, and through consideration of the priorities of the customer or partner, often ahead of the priorities of the firm itself. As a result it is necessary for firms to show belief and commitment in their relationship with stakeholders. This ethos should apply to both sides of the sponsorship equation.

From the outset of a sponsorship relationship, certain strategic questions should be asked by both sponsors and sponsees (Donaldson and O'Toole, 2002; p. 27). The strategic questions are as follows:

- should parties be collaborators or competitors?
- which relations are worthy of further development?
- what level of commitment or investment should be made to a specific relationship?
- how can we maximise the benefits potentially accruing from the relationship, possibly by making changes to our own internal procedures/structures?

In addition participants in a prospective or actual sponsorship relationship must face the question of how much they act as donors-recipients and how much they form a strategic mutual relationship with shared social beliefs and practices, useful allocation of human and other resources, trust and commitment. One of the shortcomings of many modern sponsorships is that they are relatively short-lived. The cost of acquiring a new sponsorship partner is high for both the sponsor and the sponsee involving time spent: submitting sponsorship applications for the sponsee, and vetting such applications for the sponsor; in the social/business interaction usually a necessary prelude to the formation of a sponsorship relationship; in initiating and fostering the full synergies of a successful sponsorship; in educating consumers and other audience members on the existence and nature of the sponsorship, via logo recognition on programmes, at venues or through associated leveraging advertising.

One of the key aspects of a strategic relationship approach to business is that short-visioned plans give way to longer-term strategic planning. Donaldson and O'Toole (2002 pp. 63-66) suggest that the very nature of planning strategy for relationships requires an outward orientation, which necessitates examining the resources and competencies of a partner when developing strategy or defining the impact of a relationship on a business. The principles that they advocate would also be appropriate principles to apply when formulating a sponsorship relationship, where synergy between the sponsor and the sponsee is critical. The principles espoused by Donaldson and O'Toole, and which originate from the seminal framework of the IMP group are as follows:

- Interdependence - instead of an individual focus, a relational planning scenario means working on partner outcomes and sometimes involving them in the planning process
- Longer-term horizons - co-operative relationships are characterised by long term rather than single transactions. This means that firms can maximise value over repeated interactions rather than in a single one and invest more in the initial relationship knowing that is has some longevity
- Analysing interactions with a relationship partner becomes necessary because of the assumption that 'our success is predicated on theirs'.

- Relationships may depend on mutual values - that either precede the relationshipor which are ‘designed’ to reflect the relationship, often reflecting an ethical stance, an environmental position or a social statement.
- People and processes are two key elements in strategic relationship planning. Relationships are socially constructed - people interact with others across organisations and with consumers. The mutual human capital component of a relationship is an integral one and should be considered in planning. Relationships are also about processes, which are combinations of products, services and other interactions, involving principles of trust and commitment, the relationship orientation of a firm, sales and customer support on customer relationship, employee satisfaction and retention, media, and financial market communications processes (Donaldson and O’Toole, 2002 p. 65).
- The final principle of relational planning is the network. A firm is embedded in a series of connected relationships, which in turn are connected to other relationships. Analysing the total network to which a firm is part, is a task in strategic relationship planning.

Parties embarking on a sponsorship relationship would benefit from an appreciation of these strategic relationship principles. If incorporated, many sponsorship relationships would be enhanced by being stronger with greater synergistic power between the two partners, leading to greater consumer recognition of the sponsor’s contribution and ultimately a sponsorship with increased longevity and depth. Such relationships will develop a deeper interaction process (Donaldson and O’Toole 2002, p. 66) which is suggested will lead away from an emphasis on shorter-term episodic exchanges or one-off transactions (sponsorships) to longer term interactions of a continuous nature. The dimensions of this interaction process involve consideration of: product and service components exchanged; information exchange patterns; money transfers; communication exchanges; longer term institutionalisation support, relationship adaptations; and analysis of repeated interaction value. These dimensions applied to a sponsorship relationship, will necessitate a consideration of many of the elements in a sponsorship relationship, by forcing questions such as: is our ideal sponsorship relationship based on a money or a contra contribution? do we interact with our sponsorship partners sufficiently? is our sponsorship relationship sufficiently flexible to cope with changed circumstances, such as a poor team result in the case or sport, or negative reviews in the case of an arts property?

Coupled with the necessity of knowledge of the interaction process is the necessity for knowledge of the interaction parties (Donaldson and O’Toole 2002, p. 67). Such knowledge involves: understanding individuals (behaviours, attitudes, opinions) and being prepared to use this knowledge of consumers or audiences, in a segmentation process; a knowledge of the history of the parties’ relationship management; understanding the resources and competencies of each party and the elements used in the exchange; and for inter-organisational relationships, understanding company size, strategy and structure is crucial. In a sponsorship relationship, such knowledge of potential or actual sponsorship partners (at a personal and an organisational level) is also a necessity, in all stages of the sponsorship relationship development, from the initial courting stage, through the contract development and implementation stages, and even in the closing stages.

At each of these stages and analysis of the relationship atmosphere elements is also integral to a successful sponsorship exchange. (Donaldson and O'Toole 2002, p. 68) suggest the following elements of atmosphere are important:

- an understanding of how power is used and the interdependence of the parties
- an analysis of trust among partners
- an analysis of loyalty towards company and products
- an analysis of closeness and co-operation
- expectations and norms in the relationship
- an analysis of commitment in the relationship

The relationship environment is regarded as being analogous to the political, social, technological and economic analysis that is part of a general strategic environmental analysis (Donaldson and O'Toole 2002, p. 68). Theses authors suggest that the elements necessary for consideration in an environmental analysis of a relationship (such as a sponsorship) are:

- the pace and direction of environmental change affecting a relationship
- cultural perspectives of the relationship
- channel issues in the relationship
- the network dimension - the connectedness of the relationship to other relationships

Finally, a consideration will be made of the strategic relationship implementation issues, or, the core dimensions in a relationship (Donaldson and O'Toole 2002, p. 70). The dimensions for consideration in the development and maintenance of any relationship, including a sponsorship relationship are:

- structure - organisational structural issues - of each partner and the partnership
- staff - people dimensions of a relationship from top management down to service staff
- style - the way managers behave influences the nature of the relationship
- systems - such as relational measurement systems, or communications systems
- schemes - programs that support relationship implementation, such as sponsorship hospitality programmes.

Many of the text book principles espoused by Donaldson and O'Toole, have applicability in the planning, development, implementation, management and even the termination of a sponsorship relationship. Both sponsoring and sponsored partners would benefit from a knowledge of strategic relationship principles which enhance the synergy potential in such a relationship, making a sponsorship a win-win situation, and not merely a donor-recipient exchange.

In closing case studies will be presented of two case studies, which serve to illustrate the critical importance of sponsor-sponsee relationships adhering to many of the principles of relationship marketing discussed in this paper.

Case studies

The following is a relatively brief exposition of the sponsorship relationship practices of two performing arts organisations in Sydney Australia, selected for their equally successful sponsorship relationships based on quite different relationship characteristics. The first case - that of the Sydney Theatre Company (STC) depicts sponsee-sponsor synergistic qualities relating predominantly to the fact that STC projects an image of mainstream strength, glamour and predictability. The second case - that of Company B Belvoir is attracted to sponsors who feel a synergy with its "cutting edge" artistic ethos, its underdog image, and its appeal to egalitarianism.

The Sydney Theatre Company (STC)

STC is the state theatre company of Sydney and as such is the recipient of funding from Federal and State governments. However levels of government funding have dropped significantly in the past decade, necessitating STC to place much greater emphases on box office, corporate sponsorship and other fund raising.

STC stages relatively mainstream productions, and enjoys an image of sophistication, with access to excellent theatre facilities (the Drama Theatre of the Sydney Opera House with seating capacity of approx. 500; two small and rustic STC Wharf Theatres holding 325 and 200 seats; and the new 'state of the art' Sydney Theatre with a capacity of 800).

STC regards its sponsorship activities as text-book examples of relationship marketing. STC seeks sponsorship relationships that exhibit "commonality of values" with the principles espoused by STC. In return, the association of an appropriate sponsoring organisation with the STC entity, or a particular play being staged, or a certain actor performing - will seek to provide a beneficial synergy to the brand image of that sponsor. So it has to be a win-win situation.

During 2004, the STC Wharf Theatre was home to a very classy Jaguar car in its foyer, denoting the Principal Sponsorship of STC for a period by the Jaguar corporation. Both entities in this sponsorship relationship benefited from the "signals" emitted from this icon; STC gained an association with exclusivity, finesse and appeal to the sophisticated demographic; while Jaguar enjoyed a conspicuous presence in an unlikely, but demographically suitable showroom.

Other STC sponsors now involve a large department store, a major Australian airline and a shipping company, a number of banks, insurance and legal companies, some hotels, and a major Sydney newspaper. The nature of each sponsorship deal differs according to the level of sponsorship. These are described in the STC 2005 Subscription catalogue as: Principal Sponsor, Government, Major Partner, Presenting Sponsors, Associate Sponsors, Season Sponsors, and Corporate Sponsors. Each sponsorship level reflects differing conditions as to contributions (cash or contra), the duration of the sponsorship agreement, the nature of the entity being sponsored (e.g. being an ongoing sponsor, sponsoring a particular production, or being a season sponsor). The contra sponsorships, generally involve a contribution to the sponsored entity of goods or services of the sponsor's bounty, rather than a cash contribution. Hotels typically offer accommodation, airlines offer air fares and media companies offer advertising.

The STC operates a sophisticated sponsorship operation, which incorporates many of the principles of relationship marketing. Other performing arts bodies offer sponsorship relationships with different characteristics.

Company B – Belvoir

Company B is a drama company, with its home theatre the Belvoir Street Theatre located in Belvoir Street, Surrey Hills, in Sydney. Compared with productions staged by STC, Company B's repertoire is less mainstream, less predictable, and more "cutting edge". The theatre building was originally a tomato sauce factory, and has since accommodated a theatre and theatre company, in a delightfully rustic and slightly chaotic manner,. This is part of the charm of the Belvoir Street Theatre. The works staged by Company B tend to reflect this non-conformism. Audiences don't feel the need to dress up to come to Company B. It is part of its successful ethos that "you come as you are". An expansion of the theatre building is soon to be commenced. One of the challenges has been to plan for increased space without sacrificing the much-loved and well-known Belvoir atmosphere.

A further critical component of the Company B brand is its artistic director Neil Armfield whose reputation in Australia and internationally for creative genius is unsurpassed.

The sponsors working with Company B, also have to embrace this "cutting edge" and egalitarian ethos that is an integral and successful part of the entire philosophy of Company B. For every production Company B, does one free performance for the unwaged, the costs of which are often met by a sponsor. Recently a law firm has undertaken a sponsorship deal, that facilitates the staging of many performances free of charge to a number of deprived schools in the inner-city area.

At the same time there is a trade-off between Company B - the "Aussie battler" and underdog, and Company B very successful theatre company. The renovation is involving the current business base (subscribers, sponsors, suppliers, employees). Company B regards as critical, the building and maintaining of stable relationships with all business partners. Their marketing department is aware that this historically inspired hand-made and quirky feel to things must not be lost. This is essentially the brand mantra of Company B. For example, Company produce a very small notebook-style subscription brochure, while the STC subscription brochure is traditionally very glossy and/or large.

Within the theatre pipes and cables are obvious. This is part of the "we hide nothing" ethos. Company B certainly does not associate itself with extravagance at all off-stage. But their dramatic productions are known to be world-class.

In terms of sponsors, Company B appeals to a large variety of companies. Its current Corporate partner is Optus; the logo " '*yes'* OPTUS" is evident in the brochure. A hierarchy of sponsors also exists. These are known as Corporate Partner, Education Partner, Media Partner, Major Sponsors, Associate Sponsors, Government Partners, and Supporters. As with the STC case, these sponsorship arrangements consist of a range of deals involving both cash injection and contra.

The key issue with the Company B sponsor relationship is that Company B is most insistent that their work must never be compromised in order to please (or gain) a sponsor. The Marketing Manager notes:

> *The relationship between the Company B brand and that of its sponsor, becomes most critical when the artistic process and business become intertwined. It is a delicate position. We are dependent on sponsoring businesses for our short-term financial survival. But we are dependent on*

our artistic stance for our creative survival, and our long-term financial survival.

One of the reasons that Optus was keen to become a sponsor of Company B was because it wanted to be seen as being different from Telstra; that Optus was thinking differently, and was changing established methods of working in the communications industry. The Company B marketing manager explained that the relationship works well because expectations are managed well. Occasionally there will be discussions about whose logo is biggest and which goes first - all that sort of thing. But paramount to the success of the relationship is that the sponsor understands that the artistic integrity of Company B must come first.

Conclusion

The above case studies serve to illuminate sponsorship of the performing arts as an excellent example of relationship marketing. Both sponsors and sponsees would benefit from having a knowledge of the principles of relationship marketing expressed in this paper.

References

Australian business for the arts Foundation (AbaF). 2002. *Business Support for the Arts in Australia: Recent Developments and Future Directions* Melbourne: AbaF.

Australian Bureau of Statistics (ABS). 2001. *Generosity of Australian Businesses* Adelaide, SA:

Blau, P.M. 1964. *Exchange and Power in Social Life* New York: John Wiley.

Burridge, M. (1989), "The Fine Art of Sponsorship" *International Journal of Physical Distribution and Materials Management*, Vol. 19, n° 3, p. 19-23.

Calderon-Martinez, A., F. J. Mas-Ruis and J.L. Nicolau-Gonzalbez. 2005. "Commercial and Philanthropic Sponsporship" *International Journal of Market Research*, Vol. 47, n° 1, p. 75-99.

Collins, M.1993. "Global Philanthropy - Marketing Beyond the Call of Duty", *European Journal of Marketing*, Vol. 27, n° 2, p. 46-58.

Cook, K.S. and R.M. Emerson. 1978. "Power, Equity and Commitment in Exchange Networks" *American Sociological Review*, Vol. 43, p. 721-39.

Cornwell, T.B. 1995. "Sponsorship-Linked Marketing Development," *Sport Marketing Quarterly*, Vol. 12, n° 4, p. 13-24.

Crowley, M.G. 1991. "Prioristing the Sponsorship Audience," *European Journal of Marketing*, Vol. 25, n° 11, p. 11-21.

Donaldson, B. and T. O'Toole. 2002. *Strategic Market Relationships: From Strategy to Implementation.* Chichester, UK: John Wiley and Sons

Dyer, J.H. and H. Singh. 1998. "The Relational View: Cooperative Strategy and Sources of Interorganisational Competitive Advantage" *Academy of management Review*, Vol. 23, n° 4, p. 660-79.

Farrelly, F. and P. Quester. 1997. "Sports and Arts Sponsors: Investigating the Similarities and Differences in Management Practices," in *AMA Conference Proceedings*. Dublin.

Grimes, E. and T. Meenaghan. 1998. "Focusing Commercial Sponsorship on the Internal Corporate Audience" *International Journal of Advertising*, Vol. 17, n° 1, p. 51-74.

Gummesson, E. 1999. *Total Relationship Marketing: Rethinking Marketing Management - From 4P's to 340R's*. Oxford, UK: Butterworth-Heinemann.

Hakansson, H. 1982. *International Marketing and Purchasing of Industrial Goods - an Interaction Approach*. London: John Wiley.

Hakansson, H. and I. Snehota. 1995. *Developing Relationships in Business Networks*. London:Routledge.

Harvey, B. 2001. "Measuring the Effects of Sponsorship," *Journal of Advertising*, Vol 41, n° 1, p. 59-65.

Johanson, J. and L.G. Mattsson. 1993. *Network Positions and Strategic Action - an Analytical Framework*. London: Routledge.

Kotler, P. and J. Scheff. 1997. *Standing Room Only: Strategies for the Performing Arts*. Boston, Mass. USA: Harvard Business School Press.

Lloyd, S. 2000. "The Games are Over: Let the Sponsorships Begin" *Business Review Weekly* Vol. 22.

Low, B.K.H. 1996. "Long-Term Relationship in Industrial Marketing" *International Journal of Advertising*,Vol. 11, n° 4, p. 307-24.

Marshall, D.W. and G Cook. 1991. "The Corporate (Sports) Sponsor" *International Journal of Advertising*, Vol. 25, n° 11, p. 307-24.

Morgan, R.M. and S.D. Hunt. 1994. "The Commitment-Trust Theory of Relationship," *Journal of Marketing*, Vol. 58, p. 20-38.

Peck, H., A. Payne, M. Christopher, and M. Clark. 1999. *Relationship Marketing*. Oxford, U.K.: Butterworth-Heinemann.

Porter, M.E. 1980. *Competitive Strategy*. New York: The Free Press.

Quester, P.G. and B.J. Thompson. 2001. "Advertisinh and Promotion Leverage on Arts Sponsorship Effectiveness," *Journal of Advertising Research*, Vol. 41, n° 1, p. 33-47.

Quester, P.G. and B. Thompson. 1999. *An Experimental Study of Arts Marketing Effectiveness: The Case of the 1998 Adelaide Festival of the Arts*. Sydney, Australia: University of Western Sydney.

Shanklin, W.L. and J.R. Kuzma. 1992. "Buying the Sporting Image" *Marketing Management.* Spring, p. 59-67.

Souter, G. and H. Close. 1997. *Marketing the Arts: A Study of Marketing and Audience Development by Australian Arts Organisations*. Sydney, Australia: Australia Council.

Thompson, B.J. 2004. "Bangarra Dance Theatre - The Sydney Swans: a 'Cousins' Relationship," in *Marketing: Creating and Delivering Value*, P. Quester and R. McGuiggan, eds. Sydney: McGraw-Hill Australia.

Thompson, B.J. 2001 "Sponsprship of the Adelaide Festival," in *Basic Marketing: A Managerial Perspective*, P.G. Quester and R. L. McGuiggan and E. J. McCarthy and W. D. Perreault, Eds. Sydney, Australia: McGraw-Hill.

Thwaites, D. 1995. "Professional Football Sponsorship - Profitable or Profligate?" *International Journal of Advertising*, Vol.14, n° 2, p. 149-64.

Townley, S. and E. Grayson. 1984. *Sponsorship of Sport, Arts and Leisure: Law, Tax and Business Relationships*. London: Sweet and Maxwell.

Tripodi, J.A. 2001. "Sponsorship - a Confirmed Weapon in the Promotional Armoury," *International Journal of Sports Marketing and Sponsorship*, Vol. 3, n° 1, p. 95-116.

Tripodi, J.A., M. Hirons, D. Bednall and M. Sutherland. 2003. "Cognitive Evaluation: Prompts Used to Measurer Sponsorship Awareness" *International Journal of Market Research*, Vol. 45, n° 4,p. 435-55.

Varadarajan, P.R. and Anil Menon. 1988. "Cause-Related Marketing: A Coalignment of Marketing Strategy and Corporate Philanthropy," *Journal of Marketing Research*, Vol. 52, n° 3,p. 58-74.

Vary, R.J. 2002. *Relationship Marketing: Dialogue and Neyworks in the E-Commerce Era*. Chicester, UK:John Wiley and Sons, Ltd.

Walliser, B. 2003. "An International Review of Sponsorship Research: Extension and Update," *International Journal of Advertising*, Vol. 22, p. 5-40.

Wilkinson, I.F. and L.C. Young. 1994. "Business dancing - the nature and Role of Interfirm Relations in Business Strategy," *Asia-Australia Marketing Journal*, Vol. 2, n° 1, p. 67-79.

Witcher, B.J., G. Craigen, D. Culligan and A. Harvey. 1991. "The Links Between Objectives and Function in Organizational Sponsorship" *International Journal of Advertising*, Vol. 10, n° 1, p. 13-21.