

# Chapter 3

## Branding through Sponsorship– Linked Marketing: A Case of Chinese Sports Apparel and Equipment Brand “Li Ning”

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### ABSTRACT

*The essence of sponsorship is reciprocity. Whereas sport organizations and event promoters have increasingly relied on sponsors’ resources and financial support to stage their events, many companies have also been vigorously seeking sponsorship opportunities to actualize their marketing goals, such as enhancing brand equity. This research examines the impacts of sponsorship-linked marketing activities on perceived consumer-based brand equity elements (i.e., brand loyalty, perceived quality, and brand awareness/associations) of the sponsor. This was done through a case study of how sponsorship-linked marketing strategy has shaped the development of Li Ning Company Limited, a Chinese sports apparel and equipment company. Results show that the branding effectiveness of sponsorship directly depends on event quality, perceived event-brand congruency, and brand experience, but not level of sports involvement.*

### INTRODUCTION

Sponsorship-linked marketing is the “orchestration and implementation of marketing activities for the purpose of building and communicating an association (link) to a sponsorship” (Cornwell, 1995, p. 15). Research findings have suggested that most companies invest in sport sponsorships

in an effort to achieve branding goals, such as increasing brand awareness and enhancing brand image (Cornwell & Maignan, 1998; Walliser, 2003). Many corporate marketing managers have perceived sponsorship as an effective vehicle to enhance brand equity (Cornwell, Roy, & Steinard, 2001). In fact, corporate investments on sponsorship have increased rapidly over the past two

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decades. The number of U.S.-based companies spending more than \$ 15 million on sponsorship grew from 85 in 2005 to over 100 in 2013 (IEG, 2014), with worldwide sponsorship expenditure projected at \$ 53.3 billion in 2013 (IEG, 2013). Companies of various backgrounds have actively involved in sponsorship-linked marketing (IEG, 2014). The top U.S. based sponsors, among many others, include Anheuser-Busch, PepsiCo, General Motors, Coca-Cola, Nike, and Visa (IEG, 2014). The magnitude of sponsorship can also be manifested by The Olympic Partners (TOP) program. For instance, the twelve TOP sponsors of the Beijing Olympic Games contributed \$866 million in cash, goods, and/or services for the 2008 Olympic Games (IOC, 2009). The average expenditure for each TOP sponsor exceeded \$ 60 million.

With the prevalence of sponsorship-linked marketing, the evaluation of its effectiveness has attracted much scholarly interest. Researchers have proposed various theoretical explanations in an attempt to demystify the black box of the branding function of event sponsorship, including mere exposure (Zajonc, 1968), low involvement processing (Pham, 1991), image transfer (Gwinner, 1997), consumer inference (Pracejus, 1998), brand-event-dual-route (Martensen et al., 2006) and associative learning (Mao, Zhang, Connaughton et al. 2013). For instance, the central theme of mere exposure theory is that when an individual is repeatedly exposed to a stimulus, the mere exposure is capable of creating a positive attitude or preference for this stimulus, which is independent of cognition system (Zajonc, 1980). The image transfer theory, assuming that the cumulative interpretation of meanings or associations attributed to events is “transferrable” to sponsoring brands, by paring a brand with an event. Whereas mere exposure effects just take advantage of event as a vehicle for exposure, the effects of image transfer is typically moderated by the degree of function and/or image similarities between event and brand (Gwinner & Bennett,

2008; Kamins & Gupta, 1994; McDaniel & Heald, 2000). Therefore, sports apparel and equipment companies, such as Nike, Adidas, Wilson, and Speedo, have an innate advantage of using sports sponsorship and athlete endorsement to promote their brands due to their natural links (i.e., function and image similarities) with sports. Sponsorship resource is typically regarded by these companies as their distinct competitive advantage (Amis, Pant, & Slack, 1997).

Most existing studies on sponsorship have taken the prevailing effects-measurement perspective, which essentially are empirically driven (Olkkonen, 2001). A case study based on more detailed and longitudinal descriptions may offer an alternative approach to delineate the picture of the phenomenon. At issue is how a company may adopt sponsorship-linked marketing to enhance brand equity. The development of the Chinese sports apparel and equipment company, Li Ning (itself is also a brand), is a case that provides insight of how a company gradually learns to position and market its brand by using sponsorship-linked marketing. The goal of this case is to show how sports sponsorship-linked marketing has helped Li Ning to raise brand awareness and establish brand image in its domestic market—China during different stages of development, and how it plans to use sponsorship marketing strategy to gain entry into western markets that are predominated by international industrial leaders (e.g., Nike, Adidas, and others). The case is structured as follows. First, we briefly introduce the company (brand) of Li Ning. We then discuss the managerial dilemma confronted in current stage of development, followed by an investigation of its sponsorship practices in building its brand equity. Third, to corroborate the section on “Li Ning and its sponsorship-linked marketing practice”, a survey study was also conducted and discussed. Finally, we summarize its successful experience and propose caveats and suggestions for future development.

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