UEFA Champions League Sponsorship Awareness and Financial Performance

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Abstract

The value of sponsorship has been constantly proved not only by the large theoretical volume produced in the area but also the increasing number of companies investing in this promotional activity. ‘Associations’ built around the brand’s image as created by the sponsored activity have been considered to be clear, certain and positive. However, there is a great lack of studies suggesting evidence that sponsorship’s beneficial outcome is contributing to enhanced revenues and profitability for the companies vividly counting on its power. This lack of measureable results in terms of financial returns is attempted to be filled with the present study. The results presented here constitute an effort to provide interested parts insights into possible generation of revenue, or better indicators suggesting a relation between sponsorship awareness and profit levels.

Keywords: Sponsorship, Brand awareness, Financial performance, Revenues, UEFA’s Champions League, Greece
Introduction & Conceptual Background

A considerable number of studies have proved the beneficial nature of sponsoring when proving positive results in terms of sponsors awareness, identification, recognition, loyalty and overall equity (Aaker, 1996). More specifically, brands are fiercely seeking to exploit events into building a compatible positive and vivid image (Chien, Cornwell and Pappu, 2011; Keller, 1993; Smith, 2004).

Amongst the variety of candidate events and activities to receive the connected brand, sport and most importantly, mega sports events seem to feature as the best exposure environment since they enjoy a large audience with certain or wider consumer characteristics (Chien, Cornwell and Pappu, 2011). The exercise of matching the brand’s image with the appropriate event will maximize the benefits and overall outcome (Aaker and Joachimsthaler, 2000). Once the decision to invest in a certain event profile is taken, techniques should be applied to measure the overall or partial outcome.

Attempts to measure the different components of the sponsorship affect have led to research of a more corporate meaning than academic value. Even these, have been focusing on the awareness part of the effect than the actual revenue calculation. These research limitations have been vividly described by theorists as largely based on the dynamic market, the competitors’ influential promotional vehicles, economic as well as social changes, and overall the industry’s idiosyncratic parallel activities that could confuse consumers’ perceptions and obstruct awareness and recall levels.

Despite the above limitations, sponsorship seems to be thriving in sports events climaxing at Olympic levels, Formula1, Football World Cup and other continental championships such as the Football Champions League. Gigantic live audiences have become the decisive factor to invest in sponsoring a sports event. With obvious reasoning, profit expectations are largely based on probable assumptions rather than on measurable returns. Despite this insecurity brands do not hesitate to be connected recognizing the varied benefits sponsorship could provide (Mason, 2005).

The scope of this study is to shed further light on the contradictory evidence in the literature regarding the potential financial impact of sponsorship on firms’ profitability and revenues. Our study makes a significant contribution to existing literature by associating the financial performance of the UEFA Champion’s League primary and secondary sponsors with the sponsorship awareness of fans. In other terms it relates corporate financial measures with the awareness levels of potential consumers of sponsor firms’ products, thus it provides another perspective of the sponsorship-profitability relation not based on sponsorship deals or indicator variables. The rest of the paper is organized as follows: the following section provides
a discussion on the issue of sponsorship evaluation, followed by further analysis on the sponsorship on the football industry. The fourth section describes the data selection procedure and the methodological construct of the paper. The fifth section includes a discussion of the main findings and the last section concludes the paper.

**Sponsorship evaluation**

Recalling sponsored brands tends to be the measurable indicator of the sponsorship evaluation and overall usefulness. However, one could sincerely suggest that profitability is largely affected by a wide spectrum of the social and economic factors. The reality seems more complicated. Brand perceptions tend to be confusing, associations can be clear under specific conditions and long term recalling is problematic. Measuring possible returns seems a puzzling exercise awaiting sophisticated suggestions.

Authors internationally, have attempted to provide practical evaluation models (Laurent, Kapferer and Roussel, 1995; Pham, 2000) but is Aaker in 1972 that strongly emphasized the value of ‘measuring’ the impact of sponsorship as part of effective brand management. Focusing largely on analyzing associated perceptions and most importantly ‘brand awareness’ Aaker (1996) suggested the ‘three levels evaluation model’ producing a significant tool of measuring sponsorship’s impact. These three levels of post – sponsorship’s reactions are still useful to record levels of brand associations under different questioning setting (Aaker, 1991; 1996). More specifically, the first level of questioning includes ‘top of mind’ sponsoring brand recalling, perceived as the most valuable part of the model when respondents are asked to recall the brand without any assistance. The second evaluation stage involves the assistance of the ‘product class’ to gain better awareness levels. Sponsorship categories are involved to assist recollection where the recalled brand receives increased significance since in many cases becomes “synonymous to the product category signifying the distinct position the brand holds in the specific category” (Vrondou, Kriemadis, Douvis and Leivadi, 2014). The third level, namely ‘brand recognition’ is considered to offer generous assistance since other competitors per brand category are presented to aid recollection. As a great exercise of recalling amongst competing brands, this level of evaluation is positioned last after having obtained the unaided responses amongst consumers.

Since then, varied studies have attempted to follow similar evaluation techniques such as the long term post-Olympic sponsorship awareness levels following the Athens 2004 Olympic Games (Vrondou et al., 2014). Results seem to justify
Aaker’s model of the three recollection levels proving its diachronic value. The study comes to extent brand recollection models by connecting sponsors’ financial performance with awareness levels at the Football Champions’ League as recorded amongst viewers in 2012-13.

Sponsoring Professional Football

Football continues to attract passionate audiences around the globe producing some of the most popular events such as the World Cup, the European Championship and the Champions League in Europe. The Union of the European Football Associations (UEFA) hosts every year the most popular football competition namely, the Champions League, encompassing the Champions of the participating European nations and thus, attracting the interest of international brands recognizing the potentialities in this quality event environment.

Similarly to the Olympic Games sponsorship environment, where international brands compete each other in order to be included in the pantheon of ‘Olympic Patterns’ and maximize their exposure through the most significant sport as well as cultural event in the world, UEFA Champions League has designed sponsoring opportunities for brands wishing to be connected in this most televised football competition. Exposure includes television adverts, field of play, sports gear, venue positions, etc. shared between the 9 to 12 sponsors’ categories that constitute the UEFA marketing program enjoying great televised attention and increased competition between brands. Renewing the fleet of sponsors every three years UEFA has managed to create a unique promotional platform responsible for almost the 96% of the total profits. In the period 2012-2013 MasterCard, Sony (PlayStation 4), Nissan, Gazprom, Heineken, UniCredit and HTC became the official UEFA sponsors for this specific period as well as Adidas and Konami being the official UEFA suppliers. The study focuses on the period 2012-13 in an effort to identify indicators of brands’ associations and its impact on actual revenues and profits.

Data and methodology

Data selection

The sample includes data from all primary and secondary sponsors of UEFA Champions League (CL) for the fiscal years 2012 and 2013. Table 1 presents the UEFA’s sponsors along with the beginning and final year of the contract. As we can see Ford and Heineken are the only two corporations with the longest primary
sponsorship contract with UEFA spanning for more than 12 years. All financial data are extracted from the firms’ annual reports and the data regarding sponsorship awareness are collected using a questionnaire as in Vrondou et al. (2014). Similarly, the research engaged a tailor-made questionnaire that reflected Aaker’s paradigm of three awareness stages with aided and non aided questioning. ‘Top of mind’ first questioning produced significant unaided awareness levels. The next two stages of aided questioning assisted recollection further, producing high levels of awareness amongst brands. Overall, 200 usable questionnaires were extracted and analyzed. All sponsor firms close their fiscal year on December, therefore all variables are estimated at the end of the fiscal year. No further trimming on the data was conducted to avoid excluding a significant number of firm year observations which will probably affect the empirical results.

<table>
<thead>
<tr>
<th>Brand</th>
<th>Start of sponsorship contract</th>
<th>End of Sponsorship contract</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary sponsors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ford</td>
<td>1992</td>
<td>2015</td>
</tr>
<tr>
<td>Gazprom</td>
<td>2013</td>
<td>2015</td>
</tr>
<tr>
<td>Heineken</td>
<td>1994</td>
<td>2015</td>
</tr>
<tr>
<td>MasterCard</td>
<td>1996</td>
<td>2015</td>
</tr>
<tr>
<td>Sony</td>
<td>1997</td>
<td>2015</td>
</tr>
<tr>
<td>UniCredit</td>
<td>2009</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Secondary sponsors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adidas</td>
<td>2003</td>
<td>2017</td>
</tr>
<tr>
<td>HTC</td>
<td>2003</td>
<td>2015</td>
</tr>
</tbody>
</table>

**Methodology**

In order to examine the impact of fans’ sponsorship awareness on the sponsors’ financial performance, the study borrows previous studies by Naidenova et al. (2016) and Reiser et al. (2012) and estimated the following OLS regression model (with robust standard errors):
Model (1) includes two separate accounting measures of financial performance, namely return on assets (ROA) and the return on sales (ROS). ROA is measured as the ratio of net income divided by total assets at the end of the fiscal year and ROS is estimated as the ratio of net profit divided by total revenues. The higher the ROS and ROA the profitability and the ability of management to extract more profit from revenues and the utilization of total assets (Dimitropoulos and Tsagkanos, 2012; Dimitropoulos and Limperopoulos, 2014). The reason for selecting the ROA and ROS (rather ROE) as the financial performance measure is because they mainly reflect operating results rather than capital structure decisions as Schmalensee (1989), Elsayed (2007) and Dimitropoulos and Tsagkanos (2012) argue.

The main variable of interest is FACTOR_AWARE which is the factor of total sponsorship awareness form the three levels of awareness as explained in the previous assumption and was estimated using principal component analysis. This factor was determined using eigen values greater than 1.0. The principal component analysis was used since Guadagnoli and Velicer (1998) and Dimitropoulos et al. (2010) argue that the solutions generated from principal component analysis have not significant differences from the factor analysis techniques. Also, principal component analysis is less complex than factor analysis and has numerous similarities to discriminant analysis. Under this framework we have applied the orthogonal method of extraction and specifically Varimax which tries to maximize the dispersion of loadings within factors as in Dimitropoulos et al. (2010). Finally, in order to include the factor scores as an independent variable in model (1) we employed the Anderson–Rubin method so as to mitigate the existence of multicollinearity in the predictor variables. The results from the principal component analysis indicated that data do not suffer from multicollinearity, the KMO statistic of sampling adequacy had a value up to 0.91 indicating that this kind of analysis is appropriate for the sample data. Finally the extracted communalities are close to 1 suggesting that the factor we extracted explains the original data adequately, and the factor loadings are above the critical value of 0.70 suggesting that the estimated factor is statistically significant.

Another control variable included in model (1) is the return on capital employed estimated as the ratio of operating profit to total assets and measures the efficiency of asset utilization on the operating level of the firm. According to Naidenova et al. (2016) and Dimitropoulos and Limperopoulos (2014) a positive coefficient will suggest that firms with increased operating efficiency with be associated with higher profitability. We also controlled for firm size measured as the natural logarithm of each club’s total assets at the end of the fiscal year (SIZE). According to Dimitropoulos and Tsagkanos (2012), Dimitropoulos and Limperopoulos (2014)
and Orlitzky (2001), firm size is positively related to firm performance because it may lead to economies of scale in operations and greater control over resources. Therefore, we expect SIZE to have a positive impact on financial performance.

Finally, we control for the impact of firm leverage (LEV). Singh and Faircloth (2005) suggest that increased leverage impact negatively on a firm’s future investment opportunities, which can lead on a negative effect on the long-term operating performance. According to Naidenova et al. (2016), highly leveraged sponsors in the top European football leagues are associated with lower levels of revenues and market capitalization. Therefore, we believe that leverage (as measured by the ratio of total debt to common equity) will have a negative relation with financial performance and of the CL sponsor firms.

Empirical results

Table 2 presents the descriptive statistics of sample variables including the three levels of sponsorship awareness. As we can see profitability is positive with average ROA and ROS being 4.87 and 2.04 respectively. This indicates that sponsor firms can extract almost 5 cents from every dollar invested in total assets and 2 cents as net profit from each dollar of revenues. Regarding the sponsorship awareness, the average of the first level awareness is lower than the other as expected since it is more difficult for fans to recall without any clues the UEFA’s CL sponsor, however the sponsorship awareness increases as the fans are given certain characteristics of the brand categories as well as the choice amongst competitors, where the average awareness on the third level reaches up 54 per cent. The factor of overall awareness has an average value of 1.86. Finally, the sample firms indicate a rather small return on capital up to 0.08 suggesting the sample generate almost 8 cents of operating profit from each dollar of assets invested and they are highly leveraged (total debt covers more than three times the firm’s common equity).
Table 2

*Descriptive statistics of sample variables*

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>St. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>0.05</td>
<td>0.763</td>
<td>-0.03</td>
<td>0.22</td>
</tr>
<tr>
<td>ROS</td>
<td>0.02</td>
<td>0.368</td>
<td>-0.08</td>
<td>0.04</td>
</tr>
<tr>
<td>1st LEVEL_AWARE</td>
<td>0.09</td>
<td>0.11</td>
<td>0.00</td>
<td>0.35</td>
</tr>
<tr>
<td>2nd LEVEL_AWARE</td>
<td>0.42</td>
<td>0.20</td>
<td>0.20</td>
<td>0.81</td>
</tr>
<tr>
<td>3rd LEVEL_AWARE</td>
<td>0.54</td>
<td>0.16</td>
<td>0.27</td>
<td>0.78</td>
</tr>
<tr>
<td>FACTOR_AWARE</td>
<td>1.86</td>
<td>1.66</td>
<td>-1.90</td>
<td>3.28</td>
</tr>
<tr>
<td>ROC</td>
<td>0.08</td>
<td>0.10</td>
<td>-0.02</td>
<td>0.31</td>
</tr>
<tr>
<td>LEV</td>
<td>3.13</td>
<td>2.96</td>
<td>2.97</td>
<td>7.63</td>
</tr>
<tr>
<td>SIZE</td>
<td>19.28</td>
<td>3.34</td>
<td>16.47</td>
<td>27.02</td>
</tr>
</tbody>
</table>

Sample spans over the period 2012-2013. ROA is return on assets estimated as the ratio of net income over total assets, ROS is return on sales estimated as the ratio of net profit over total revenues. 1st LEVEL_AWARE is the percentage of fans first level awareness on sponsor recognition, 2nd LEVEL_AWARE is the percentage of fans second level awareness on sponsor recognition, 3rd LEVEL_AWARE is the percentage of fans third level awareness on sponsor recognition, FACTOR_AWARE is the factor of fans’ total sponsorship awareness using principal component analysis, ROC is return on capital estimated as the ratio of operating profit to total assets, LEV is leverage measured as total debt to common equity and SIZE is the firm size measured as the natural logarithm of total assets. All ratios are estimated using accounting data at the end of fiscal year.

Table 3 presents the regression results from the estimation of model (1) with the two dependent variables ROA and ROS. As we can see for both models the F-stat is highly significant and the adjusted $R^2$ exceeds 90 per cent indicating that the independent variables explain effectively and more than adequately the dependent variables. Also the variance inflation factors – VIF for the independent variables (untabulated) are below three (3) indicating that the model does not suffer from multicollinearity. The FACTOR_AWARE variable is found positive and significant for both models indicating that sponsor firms with higher levels of fans awareness are associated with higher levels of financial performance (ROA and ROS). This finding corroborates arguments by Naidenova et al. (2016) that sponsorship can stimulate consumer purchase intention leading to higher profitability.

Regarding the rest of the control variables, ROC produced a positive and highly significant coefficient for the model including ROA as the dependent variable.
This indicates that higher return on capital employed is associated with higher profitability. Thus managers who utilize assets more efficiently achieve enhanced financial performance (Dimitropoulos and Tsagkanos, 2012). Finally, SIZE found positive and significant for the model using ROS as the dependent variable. This verifies previous arguments by Dimitropoulos and Tsagkanos (2012), Dimitropoulos and Limperopoulos (2014) and Orlitzky (2001) that firm size may lead to economies of scale in operations and greater control over resources thus contributing to increased financial performance.

Table 3
Regression results on the impact of sponsorship awareness on financial performance

<table>
<thead>
<tr>
<th>Variables</th>
<th>Dependent variable: ROA</th>
<th>Dependent variable: ROS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient</td>
<td>T-stat (P-value)</td>
</tr>
<tr>
<td>FACTOR_AWARE</td>
<td>0.638*</td>
<td>2.66 (0.071)</td>
</tr>
<tr>
<td>ROC</td>
<td>0.641**</td>
<td>17.12 (0.000)</td>
</tr>
<tr>
<td>LEV</td>
<td>-0.003</td>
<td>-1.48 (0.237)</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.284</td>
<td>1.62 (0.204)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.624</td>
<td>2.02 (0.136)</td>
</tr>
<tr>
<td>F-stat</td>
<td>120.789**</td>
<td>(0.001)</td>
</tr>
<tr>
<td>R² adjusted</td>
<td>0.985</td>
<td>0.931</td>
</tr>
</tbody>
</table>

*, ** indicate significance at the 5% and 1% significance level respectively, p-values in the parentheses. ROA is return on assets estimated as the ratio of net income over total assets, ROS is return on sales estimated as the ratio of net profit over total revenues, FACTOR_AWARE is the factor of fans’ total sponsorship awareness using principal component analysis, ROC is return on capital estimated as the ratio of operating profit to total assets, LEV is leverage measured as total debt to common equity and SIZE is the firm size measured as the natural logarithm of total assets. All ratios are estimated using accounting data at the end of fiscal year.

Furthermore, several sensitivity tests were performed in order to control for the robustness of the main findings. At first, we re-estimated model (1) for both dependent variables including the three levels of awareness as separate independent variables instead the factor. Untabulated results indicated that only the 3rd level awareness was found positive and significant for the model using ROS as the
dependent variable. The first and second level awareness were insignificant within conventional levels. Thus, we are convinced that the utilization of the separate levels instead of the factor may lead to a loss of value relevant information and distort the empirical results. Also, we re-estimated model (1) using alternative definitions of the control variables (LEV, SIZE and ROC) but the results remained qualitatively unchanged. Moreover, we utilized different definitions of the dependent variables such as the natural logarithm of revenues, annual change is revenues etc but still the factor awareness variable produced a positive and significant coefficient on those cases. Finally, following the study by Naidenova et al. (2016) we included the years of the sponsorship deal and a dummy indicating whether the firm is the primary sponsor or not as additional controls. Results were qualitative unchanged compared to those presented on Table 3.

Concluding remarks

The study’s value is located in the sphere of attempting to map indicative measurements of profitability levels amongst sponsors fiercely competing to be included in a mega event sponsoring program. In fact, the amounts of sponsorship involved for example in Olympic Games has tripled the last two decades proving that sponsors insist on investing in events despite not only the significant lack on measureable benefits but also on uncertain awareness levels and in general associated brand perceptions by the great audience. Evidence from the analysis indicated that sponsor firms with higher levels of fans awareness are associated with higher levels of financial performance (measured via profitability and revenues). This finding corroborates arguments by Naidenova et al. (2016) that sponsorship can stimulate consumer purchase intention leading to higher profitability. Thus, corporate managers can use the findings of this study useful in designing, accepting or improving a sponsorship deal since it has a significant positive impact in firms’ financial outcomes.

Proving profitability levels post-event needs further in depth analysis in order to reach robust results. Similarly, brand awareness still needs additional volumes of different research settings to offer generalizable results. In a constantly changing social and economic environment evaluating the sponsorship’s financial effect remains a questionable area in need for reliable and measurable techniques to assist sponsorship decisions. Nevertheless, this study has some shortcomings that future studies may address. At first, the present study is focused only on the sponsorship awareness for a single year. Future research can provide an analysis over a period of time in order to extract relevant inferences regarding the impact of sponsorship awareness on financial performance. Also, this type of study could be
replicated on other mega sport events as the Europa League, UEFA’s Euro, FIFA’s world cup or the Olympic Games in order to gain additional perspectives on the impact of fans sponsorship awareness on the sponsors’ financial results.

References


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