

SPORTS ACTIVITIES SPONSORSHIP

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Abstract

Sports and economy have discovered each other, hoping to serve common interests. In view of transferring in a more efficient way the information about their products or services to consumers, the business operator finances sports activities for advertising purposes.

A company involved in sports sponsorship can instantly transmit the message about its products to millions of potential buyers, thus increasing the market share and hence the profit that it generates.

By sponsoring sport it is meant any agreement / convention, under which one party the sponsor makes available to the beneficiary the material resources, financial and / or other benefits in exchange for its association with a sport or sportsman and especially the promise to use this association with sport or sportsman for the purpose of advertising, especially TV advertising.

The growing use of athletes as spokespersons for a product is largely due to the ability of athletes to attract public attention and the credibility they enjoy.

Keywords: sports, sponsorship, consumers, sponsor, athletes.

Classification JEL: M40, M41

1. INTRODUCTION

Sports represent a modern and complex system that is in a permanent and indestructible relationship with other political, economical, cultural, social and ideological systems of the modern society.

Sports and economy have discovered each other, hoping to serve common interests. In view of transferring in a more efficient way the information about their products or services to consumers, the business operator finances sports activities for advertising purposes. The reasons for which the business operator uses the image of sports are different. Sports represents the picture of the winner, of the supreme sacrifice, of the one continuing even if defeated, thus the business operator wants a good reputation, maintaining a brand image, supporting promotional activities.

Sport represents today, more than ever, a mass phenomenon as it takes the form of a show that attracts the interest of crowds more than other activities would succeed.

Sport represents a platform that brings satisfaction both by practice and by analyzing results. Not every engagement, any sponsorship or initiative focused on sport has or may have positive, visible and lasting effects on the brand or performance of a company. Decisions in this sector often have an emotional charge, sometimes a social one. However, it is expected and the desired that these rely on numbers.

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The material basis and infrastructure in sports

Assuming that sports facilities represent public places that improve the quality of life of communities, places where different categories of people spend part of their time, they become emblematic of a neighborhood, community, city, county or region.

Sports infrastructure, which is in administration and management of the current Authority for Sport and Youth was achieved mostly to the 1980s and standards, currently require upgrading to the level of the European requirements and international sports federations, both for the preparation and carrying out of official sports competitions and for their use in recreational activities.

At the same stage we also find sports facilities under the management of Local councils, only small steps were made in upgrading facilities.

The first step in providing the material basis for physical activity and sport is completing investment objectives in process of execution of sports facilities managed by units subordinated to central and local public administration authorities.

In parallel, it will be proceed to the modernization of sports facilities of national interest consistent with the criteria imposed by the rules and regulations of international sports federations, in view of their approval to organize the official national and international competitions.

Perform an audit of sports facilities at national level to determine their functionality and their zonal distribution, according to the needs of the population is one of the basic measures to have a clear picture of the national infrastructure for sports. Data collected will be organized and synthesized in a National Registry of sports facilities.

Promotional Systems Characterization

In the contemporary economic conditions, on a highly competitive market, under the conditions of accelerating pace of change, of the amplification of requirements of customers, of the increasing climate of uncertainty, of the globalization of the economy and markets, it can no longer be conceived a sustainable performance without business promotion. It follows therefore, the need of complex promotional systems, with programs well substantiated and adapted to the specific of countries on whose markets the products are sold or intended to penetrate.

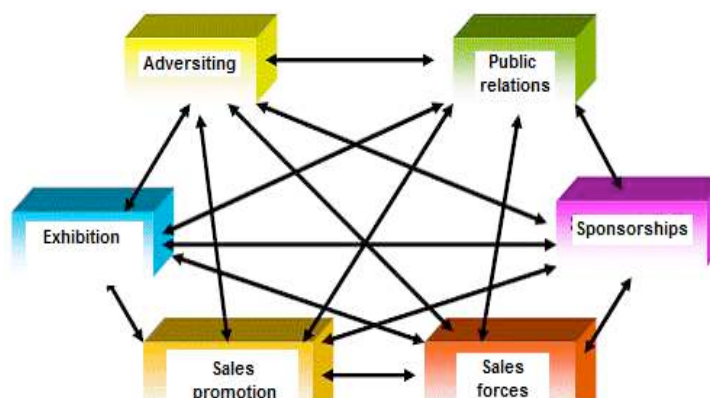


Fig. 1 The systemic approach to promoting economic affairs

Sponsorship represents a subsystem of the promotional scheme, which has known a variety of application areas: cultural, sports, social sponsoring.

Tom Duncan in the work *Principles of advertising&IMC* considers that *sponsorship represents the financial support of an organization or individual for brand advertising of the product service or institution.*

Sponsorship is a relatively recent way used big firms and represents financial support of public events, to make their brands known, for the general public. Although they appeared, early as the 70s in sports, sponsoring actions were extended also in the cultural, artistic and scientific domains.

Sponsorship, large-scale event today, and thanks to legislative regulations that facilitate these promotional activities, with high impact on the public, represents a particularly useful form of promotional system. The advantages are dual in the sense that the company manages to promote their brand and associate it in the minds of consumers with the prestigious sponsored event, but at the same time, novel funding routes are opened in the field of culture, scientific research and other social events that do not have sufficient funding from the state budget.

The main features of sponsorship are:

- means a bifunctional relationship, an exchange relation: benefit and counter performance;
- the sponsor allocates financial resources, or otherwise, to the beneficiary, while this will have to do the additional services established in the sponsorship agreement;
- sponsorship involves the use of advertising, public relations and also promotional manifestations, being characterized by a communicational mix.

The application fields of sponsorship have diversified, over the years, currently coexisting *sports sponsorship*, of events benefiting from the presence of a large audience (football, tennis, athletics etc.) *cultural sponsorship* of actions benefiting from low budgets, by sponsorships being able to grant scholarships, material support etc. and *social sponsorship* of instructive - educational activities, scientific research, environmental protection, and of social responsibility actions .

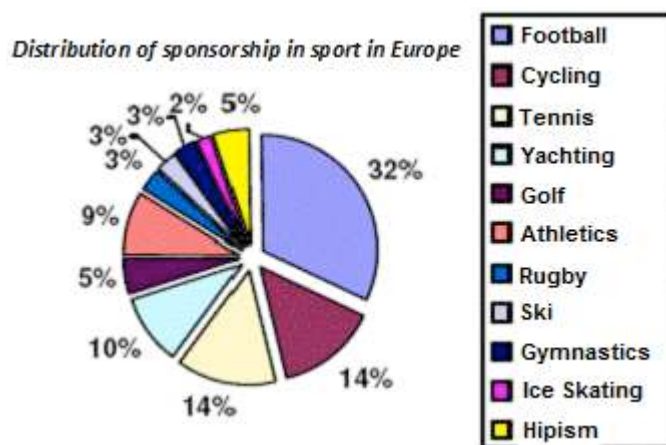


Fig.2 Distribution of sponsorship in sport in Europe

Source: Luc Marcenac, Alain Milon, Serge-Henri Saint-Michel - Advertising Strategies, Polirom Publishing House, Iași, 2006, p. 429

Fundraising for the sports activity is made by several types of requests. Direct request which does not involve compensations or return of the amount donated, request based on satisfaction of the sponsor that contributed to the cause and indirect request, involving the applicant to achieve an agreement regarding the conditions of food, equipment, materials, money that will be received and services to be made in reciprocity.

Sponsorships are legally regulated by Law 32/1994.

According to Article 1 of this law, “*Sponsorship is the legal act by which two people agree on the transfer of ownership of property or financial means to support non-profit activities carried out by one Party, the recipient of sponsorship.*”

The sponsorship contract is concluded in writing, specifying the object, the magnitude and duration of sponsorship and the rights and obligations of the parties.”

By sponsoring sport it is meant any agreement / convention, under which one party the sponsor makes available to the beneficiary the material resources, financial and / or other benefits in exchange for its association with a sport or sportsman and especially the promise to use this association with sport or sportsman for the purpose of advertising, especially TV advertising.

Sample calculation - expense sponsorship in 2016

Sample calculation concerning decrease of the profit tax due, of expenditures representing sponsorship.

A taxpayer paying income tax concludes a sponsorship contract according to the law on sponsorship, as a sponsor, for a sum of 20,000 lei.

The sponsorship contract ends on 1 October 2016, in the same month it is paid the sum of 20,000 lei for this contract.

When calculating the taxable profit for the year 2016, the taxpayer has the following financial data:

Revenue from sale of goods = 1,200,000 lei

Revenues from providing services = 5,000 lei

Total turnover = 1,205,000 lei, of which

Expenditure on goods = 800,000 lei

Personnel expenses = 40,000 lei

Other operating expenses = 100,000 lei of which 20,000 lei sponsorship

Total expenses 940.000 lei

Calculating the taxable profit for the year 2016: Taxable profit = 1205000-940000 + 20,000 = 285,000 lei.

Profit tax

before deducting expenditure sponsorship: 285,000 x 16% = 45,600 lei.

Taking into account the conditions of deduction provided for in art. 25 para. (4) i) of the Tax Code by applying limits, the values are:

- 0.5% of turnover represents 6025 lei;

- 20% of the profit tax before deducting expenses of sponsorship represents 9120 lei.

The deduction from tax on profit is 6.025 lei.

For 2016 the profit tax due is: 45600-6025 = 39.575 lei.

The amount that was not subtracted from tax on profit, ie the sum of 13.975 lei, is reported in the following 7 years.

The recovery of this amount will be performed under the same conditions at each payment due of the profit tax.

Research objectives and working hypotheses

The main objective of the research is to develop a model for calculating the sponsorship of sports clubs.

To achieve this *overall objective*, we proposed a number of *specific objectives* that can be summarized as follows:

- developing a computational model of sponsorship of sports clubs in order to identify measures for improvement;
- highlighting the potential benefits of improved management processes and activities;
- identifying specific ways and best practices in the operationalization of activities and processes in the field of sports management;

Research results

According to statistics, at 31 December 2015, a total of more than 600.000 companies were registered as active in Romania. Many of them do not make profits, and those who make don't sponsor, which is an aspect the Romanian sport is going through.

If we take a look into the Top 100 companies in Romania, at the reported profits for 2015, we think that within the 20% margin of corporation tax, but not more than 0,3% of turnover (starting January 1st 2016 it will be 0,5% of turnover), the sports, religion, health and culture together received considerable amounts. After a brief analysis, we find that we have many privatized or joint ventures national companies which record profits, but do not sponsor, either in culture, sports or other specific activities which, according to law, can be sponsored.

Also, financial and banking institutions, mobile phones companies, food trade companies, medicine, etc., report impressive profits, but also are not found as Romanian sports sponsors.

Changes from Ministry to Agency, then to Authority and the comeback to Ministry, the trend to define it as a mere department, emphasizes on the one hand the reduced “importance” granted to the sports branch and also the inability of the system and lack of vision on this important aspect.

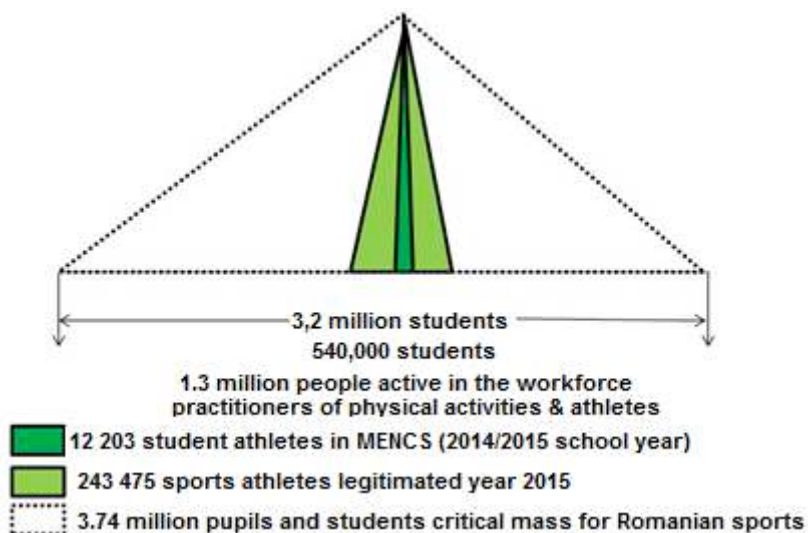


Fig.4 Romanian sports pyramid

Poor collaboration between:

- The 74 national sports federations;
- Romanian Olympic Sports Committee;
- School and University Sports Federation;

Shows lack of experience and disorients the sports structures in our country.

We had (according to Sports Performance Audit Report Prepared by the Court of Auditors) in 2013 in Romania, 417 sports organizations, of which:

- 276 structures/clubs subordinated to the central public administration, as follows:

- 48 subordinated to MTS;
 - 220 subordinated to MENCS (70 school sports clubs, 89 sports high school s, 35 children’s palaces/students clubs, 29 university sports clubs) ;
 - 8 subordinated to other Ministries.
 - 141 structures/clubs subordinated to local government administration;
 - 69 stock sports structures, legal persons;
 - 3843 structures/ private sports clubs.
- * Data extracted from Court of Auditors’ Report 2013

Federation	Year	Sports sections	Legitimated athletes	Coaches	Instructors	Referees
Athletics	2012	252	7.459	601	19	336
	2014	237	10.135	601	19	336
Basket-ball	2012	243	17.169	595	–	172
	2014	268	20.170	504	–	144
Gimnastics	2012	45	985	165	4	67
	2014	39	1.248	177	3	69
Handball	2012	227	10.525	476	–	559
	2014	231	11.514	481	–	601
Football	2012	3.078	120.520	1.918	2.715	5.735
	2014	2.535	117.328	2.277	1.427	4.419
Rugby	2012	93	4.504	46	2	59
	2014	118	4.879	200	–	96

Fig. 5 Source: INS Annual Report

According to a report data, over 90% of Romanian people’s motivation to practice sports is health. Then, if we follow the figures, the mental factor is next in the motivations top- namely that sports and movement invigorates the mind and give energy.

Within short distance there are the motivations related to physical appearance , valid especially for women: maintainin, an athletic body and going through slimming diets with sport. We come back to the mind related motivations and we see tha Romanians are motivated to practice sports to relieve the stress and also the competitive spirit and performances contribute a lo to the decision to continue to practice a sport or exercise.

CONCLUSIONS

Due to the visibility it enjoys numerous businesses want to associate themselves with the sport. Sports provides a promotional vehicle for which the audience is often quantified, and the amount of spectators (demographics) is generally good. Each sport attracts a certain audience; thus sponsoring a competition allows the associated sponsor to be quite successful in the targeted group pursued him. Public and direct participants to that sport, usually represent categories of people with higher incomes, and represent themselves prime targets for product marketing.

The growing use of athletes as spokespersons for a product is largely due to the ability of athletes to attract public attention and the credibility they enjoy.

The state must heavily invest in University and School Sports, to create leverage through a law package , so that within 4-5 years limit to be able to transfer the financial burden from its shoulders to the shoulders of the private. A sponsorship law must be very attractive to sponsors and sponsored, so much that the first category will have to seek and elect the second category. Otherwise, “sports managers” will be forever the beggars and the response regarding sponsorship, you already know it: “WE are sorry...”

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