

ESAT BT – Managing the complexities of sponsorship campaigns¹.

Conor Carroll and Rob Moorehead

ESAT BT has a tough challenge on its hands in beating Eircom, Ireland's near monopoly status telecommunications provider. As a relatively new brand, it strives to boost its brand awareness and identity amongst its targeted audiences. Originally seen as a successful mobile phone operator, now the company has to try and position itself differently, yet again². The company has used a variety of different marketing communications activities to get the brand noticed, and to communicate the ESAT BT brand identity. Sponsorship has been one such avenue that has been exploited. The company has been involved in an array of programmes ranging from sports, broadcast, to event related sponsorship.

Managing these activities has provided the company with mixed results. Many blue chip companies are beginning to realise the benefits of sponsorship programmes in reaching target audiences. However, measuring their effectiveness and leveraging these opportunities, has been fraught with difficulties. This case charts the highs and lows of such sponsorship programmes, which are of growing prevalence in modern marketing management.

1 The authors of this case are sincerely indebted to Mr Paul Simon (Head of Sponsorship, for BT (UK)) and Mr. Peter Broad, Marketing Project Director for Esat BT, Ms. Mari Calahane and Mr. Gerald Jeffers, Esat BT's Marketing department, for their help in the construction of this case study. It is intended as the basis for class discussion, rather than to illustrate either effective or ineffective management practices.

2 O₂ was created as a spin-off of ESAT Digifone. The two companies are operated completely independently.

Traditional advertising has become increasingly costly. Media fragmentation and increased clutter have contributed to the rising disillusionment with traditional advertising methods, and marketers are seeking new ways to communicate their brand's values. Managers need to understand what sponsorship can and cannot do, the role of sponsorship in an integrated marketing communications campaign, the objectives of a sponsorship programme, and how such a programme can be evaluated. Esat BT, like many other companies, are trying to leverage their sponsorship programmes to full effect.

BACKGROUND

Esat BT is currently the second largest telecommunications solutions provider in Ireland serving both the corporate and residential markets. It was established as Esat Telecom in 1991 by a consortium led by the Irish entrepreneur Denis O'Brien. The company's primary objective was to offer the Irish consumer an alternative telecommunications service provider to the incumbent Eircom, and to challenge the then government monopoly by forcing deregulation of the Irish telecommunications industry. This goal was attained when the Irish telecommunications industry was liberalised and finally opened to competition in 1995. Esat expanded at a rapid pace in the booming Celtic Tiger economy and made several acquisitions throughout the period of 1991 to 2000 including:

- Labyrinth, BridgeCOM: network solutions
- Ireland on line: an internet service provider
- Ocean telecom: a voice/internet service provider

In addition to the expansion of their portfolio of service offerings, the organisation diversified in 1997 into the mobile services industry with the launch of Esat Digifone; again acting as the first source of direct competition to Eircom's wireless business, Eircell, now owned by Vodafone. In November 1997, Esat Telecom announced its intention to become one of Ireland's leading telecommunications service providers, becoming the first Irish company to obtain a quotation on the NASDAQ stock exchange. Esat's potential for expansion in the newly de-regulated customer market was

obvious and attracted interest from numerous other telecommunication entities.

Following the company's flotation it became the target of a hostile takeover bid by the Scandinavian group Telenor. British Telecom (BT) entered the takeover battle, offering \$50 per share for Esat Telecom Group, creating a deal worth £1.89 billion (€2.4 billion) to Esat's shareholders. BT's acquisition of Esat telecom was approved by the board of directors of Esat, and in January 2000, BT chairman Sir Iain Vallance announced that Esat Telecom would be amalgamated with BT to form the newly established Esat BT (*the name under which British Telecom would operate in the Republic of Ireland*). Esat BT became part of BT's European network of telecommunications solutions providers. Currently ESAT BT does not deal in the mobile telephony business, as this part of the business is now managed under a separate entity and was rebranded as O2, a new pan-European mobile telephony brand.

Esat BT's share of this market is approximately 40% of the large corporate sector (*includes firms in its customer portfolio such as Dell, Apple, Bank of Ireland*). Taking into account SMEs (small to medium sized enterprises) this equates to just in excess of 20% of the overall figure for the corporate sector. The number of residential customers subscribing to Esat BT services is estimated to be 60,000, which equates to approximately 6% of the overall share of the residential market. The company now claims an 18% share of the overall Irish telecommunications market. In the face of a near monopoly in the residential sector, BT has focused on appealing to new consumers who desire greater choice. It has used cost-based promotions such as the company's 'Advantage' scheme and broadband internet access campaigns to emphasise the financial benefits involved in selecting Esat BT as opposed to an Eircom package.

However, the essence of Esat BT's marketing communication is to underpin their position as communication innovators. This strategy focuses on the technological and innovative communication solution capabilities of the company and is oriented towards a younger more technologically minded consumer. Introducing telecommunications services such as broadband Internet capabilities, DSL (direct subscriber line)

and Wi-Fi (Wireless broadband Internet Connectivity) in the Irish market. Much of their marketing communications is designed to generate consumer knowledge about these products and services and to increase brand recognition and affinity amongst its target audience.

In common with all telecommunications companies, Esat BT finds it challenging to communicate some of its products to its targeted customers because of the complexity of the technology involved. The company acknowledges the importance of having a well-recognised corporate brand name, which acts as an umbrella for the marketing activities of its individual products. In developing the Esat BT corporate brand, the firm uses sponsorship to communicate its brand values to its varied stakeholders. See table 1 for a snapshot of Esat BT's customers targeted, product range and sponsorship programmes.

Table 1 – ESAT BT – At a Glance

<p>Background Owned by British Telecom group Employs over 1000 people Share of the Telecommunication Market estimated at 18%</p>
<p>Customers Targeted Domestic Consumers SME (Small Medium Sized Enterprises) Corporate Client</p>
<p>Types of Products Sold <i>Domestic (Residential) Consumers</i> – IOL Broadband Internet (<i>Broadband internet access</i>) – IOL Internet (<i>Regular Dial Up Internet</i>) – Voice-Advantage call rates (<i>Residential call tariffs for voice calls</i>) – Esat in touch calling cards (<i>Pre paid calling cards that can be used anywhere in the world</i>) – Pre-pay residential service (<i>Allows customers to pay in advance for calls to enable them to better manage their expenditure</i>)</p>

Table 1 – contd.

<p><i>SME Sector</i></p> <ul style="list-style-type: none">– IOL Anytime broadband service (<i>Always on internet service which provides broadband internet connectivity for business.</i>)– Business tariffs for customers bases on call volume and data requirements <p><i>Corporate Clients</i></p> <ul style="list-style-type: none">– Voice and data– E business solutions– Web consultancy– Conferencing facilities– Private line– Premium rate numbers (<i>Numbers like 1800, 1850, 1550 for businesses</i>)– WI-FI (wireless fidelity) (<i>Portable Wireless broadband internet connectivity</i>)
<p>Current Sponsorship Programmes</p> <p>Esat BT Young Scientist & Technology Competition</p> <p>Last Word on Today FM</p> <p>ICT Excellence Awards 2003</p> <p>Esat BT Golden Spider Internet Awards 2003</p> <p>Esat BT Cork Company of the Year</p> <p>Wanderers Rugby Club</p>

SPONSORSHIP & ESAT BT

Sponsorship as a marketing communications activity has greatly evolved. A wide variety of sponsorship opportunities exist for organisations such as sports, broadcast, arts, education, exhibitions, events, professional awards, causes and charities. Events such as the World Special Olympic Games in Dublin in 2003 and the Rugby World Cup in Australia have ensured the continued growth of the Irish sponsorship industry as a whole. With the Olympic Games in Greece and European football championships in Portugal it appears set to continue throughout 2004 and beyond. The sponsorship industry in Ireland is estimated to be worth €12 million a year

annually, with 5% growth projected. Sport sponsorship remains the dominant segment in the Irish sponsorship sector with drinks companies such as Heineken and Guinness dominating, in terms of sponsorship spending. Educational and environmental sponsorship have also become increasingly important in the Irish market in recent years. However, the most staggering growth in the Irish market has been in the broadcast sponsorship segment. Over the last three years the sector has exploded with sponsors vying for properties that represent their brand values. Renault sponsors the “*Late Late Show*”, Cadburys sponsor “*Coronation Street*”, Eircom sponsors RTE weather forecasts to name but a few. The rapid growth of this aspect of sponsorship is attributed to the effectiveness of broadcast sponsorship to reach a defined target audience and to generate real affinity with the brand.

What may emerge in the future is even stronger growth of non-traditional sponsorship sectors such as education, the arts, environmental, and cause-related activities. Sponsors faced with a limited choice of sponsorship properties may also go the route of creating their own sponsorship events, such as the Guinness Witness musical event or the Heineken Green Energy Festival, leading to an overall growth in sponsorship sectors in the future. One of the most significant factors facing sponsors is the limited number of premier sponsorships available. Many of these, such as soccer and golf events, have become increasingly cluttered, making it difficult for sponsors to gain exclusive association with an event and its perceived values and to differentiate themselves from other sponsors. Furthermore, companies are faced with sponsorship “legacy effects”, in that audiences still have strong memory recall levels of past sponsors. These legacy effects are very hard to shake off, unless a sponsored event is coupled with a strong supporting marketing communications activity. Examples of legacy effects include: Who sponsors Manchester United – Sharp or Vodafone?, Who sponsors Liverpool – Carlsberg or Crown Paints?, or who sponsors Irish Masters snooker – Benson & Hedges or the Department of Health?

“There’s no point in having a great association with some property if we don’t let people know about it.”

Paul Simon, Head of Sponsorship, for BT (UK)

According to the BT group, advertising is what you say, sponsorship is what you do. The process of setting clearly defined sponsorship objectives is vital in determining the success of a company's sponsorship strategy. Within the BT Group, a designated sponsorship department in the UK centrally controls sponsorship activity. Subsidiaries of BT, which includes Esat BT, are governed by a policy paper, which has been put in place by the Group's sponsorship department at BT headquarters in London. The result of this is a centralised co-ordination process, which enables the company to:

- Assess the benefits and cost effectiveness of sponsorships
- Monitor and manage global sponsorship spend
- Exploit potential synergies to optimise leverage
- Ensure proposed properties are consistent with sponsorship objectives and brand values
- Protect sponsoring managers from allegations of cronyism
- Ensure that company goals and values are reflected in the sponsorship opportunity, and that all sponsorship activity undertaken across global markets is consistent with a set of clearly defined objectives.

The objectives for all BT sponsorship activity have been clearly defined by the BT Group. The issue of setting clearly defined sponsorship objectives, as opposed to adopting an ad-hoc opportunistic approach to sponsorship, is vital to the overall marketing communication strategy of BT. An analysis of these objectives permits us to obtain an insight into the manner in which Esat BT approaches the sponsorship decision making process. For a potential property to be successful it must meet the eight objectives set out by the company, which are as follows:

1. Utilisation

Sponsorship is just another form of media communications unless the sponsorship can engage a target audience on a particular level and cover the image and associations the sponsor desires for their brand or image. Crucial to the

selection of any property is its ability to bring the sponsorship to life so that Esat BT can create beneficial meeting points for the company and its target audience.

2. Lifestyle and interest

This section of the sponsorship selection policy emphasises the need for the sponsorship to be consistent with the interests of BT's target audience including customers, shareholders, employees and industry partners. The group must be aware of all their stakeholder concerns, before a sponsorship is undertaken. It is of particular importance to the company to ensure that sponsorship relates to the attending target consumer and that it is perceived to be genuinely enabling the property, rather than merely exploiting a PR opportunity. The property must reflect well on the Esat BT brand.

“What the customer doesn't want to see is BT put its name on a F1 racing car as a means of sponsorship which they may feel is terribly extravagant when their share price is languishing at £1.50”

Paul Simon, Head of Sponsorship, for BT (UK)

3. Target audience

For sponsorship to be effective not only must the property fit the profile of the sponsor's target audience it must be seen to add value to the lives of their targeted audience. Therefore sponsorship must communicate a tangible benefit from the sponsor to the audience, e.g. an event that would otherwise not be held, enhanced programming or other material benefits.

4. Passion

This objective has become increasingly important to sponsors in recent years. Crowding of the property market (*e.g. World Cup 2002, has made it more difficult for sponsors to differentiate themselves in the media clutter*). Esat BT must attempt to understand the target audience's likes and dislikes, their views and beliefs and to establish a method of communicating the company's message in a way that is easily and clearly understood by the consumer. If the company's sponsorship incorporates something that its customers are

passionate about then it allows Esat BT to actively bring the brand to life through the sponsorship.

5. Partner/control

An effective sponsorship takes time, two-way interactive communication, flexibility, and trust to succeed. The extent of control the company has over the sponsorship is an important factor in the decision-making process. This refers to issues such as what other sponsors, if any, are permitted to be involved if the sponsorship is not exclusive to Esat BT; the sponsor's rights in the event of a cancellation; and the necessity for a crisis management plan to protect the brand if negative issues arise from a particular event or sponsorship.

6. Relevance

Relevance refers to the property's need to be appropriate for the brand that is sponsoring it. A good fit between the sponsored property and the group's brand image is needed. The identification between the brand and the property should be so intuitively and intrinsically correct that customers should instantly understand it and the relationship.

7. Integration/activation

This refers to how the company implements its sponsorship programme into the overall marketing and communications mix of the company. A key factor for the success of sponsorship is that the other elements of the marketing mix are geared to support the sponsorship activity. The leverage, which is used to support the sponsorship, should take the form of advertisements, promotions and public relations, if the company is to realise the full potential of any sponsorship associations.

8. Corporate governance

The policy outlines the need for any property that is under consideration to fulfil the criteria of the company's corporate governance policy. The property and any of its associates must correspond with the image which Esat BT endeavours to portray in the public domain. Through implementing a practice similar to the one outlined above, an organisation can improve how it is perceived by the general public and generate

goodwill providing the sponsorship property is suitable for the organisation.

“There is no point in a company like ours putting its name and brand to something which doesn't reflect the status and stature of our company”

Paul Simon, Head of Sponsorship, for BT (UK))

THE ESAT BT SPONSORSHIP PORTFOLIO

Esat BT's sponsorship portfolio includes sponsorship associations in most of the different sponsorship categories mentioned. These serve different purposes for the company. The company has been involved in the varied types of sponsorship ranging from sports, broadcast, and events. All of these sponsorships differ in their core objectives, and their targeted audiences. For example, Esat BT is the broadcast sponsor of the Last Word programme on Today FM. This provides a good fit between the show's listenership audience and Esat BT's targeted business customers. In addition, sponsoring events like award ceremonies, gains good coverage in the business community. The benefits of such sponsorships to the organisation can be as straightforward as Esat BT's sponsorship of Wanderers rugby club in Ballsbridge, which entitles Esat BT to an allocation of tickets for the Irish national rugby team's home internationals and signage around Wanderers rugby grounds. This sponsorship is predominantly hospitality-related as the allocation of tickets received is used to host corporate guests of Esat BT's and is not one of the organisation's primary sponsorships.

Young Scientist & Technology Exhibition

The Esat BT Young Scientist & Technology Exhibition (www.esatys.com) is an annual event, which showcases the work of Irish secondary school students throughout Ireland and Northern Ireland. Large numbers of science and technology themed projects are submitted to the competition by students for exhibition in the Royal Dublin Society (RDS) arena, every January. The competition has been running for over forty years, and was previously sponsored by Aer Lingus. The exhibition is the flagship sponsorship in the Esat BT

portfolio. It attracted approximately 31,000 visitors in 2003 with over 2,000 students participating in the event itself. In 2003, Esat BT elected to renew their sponsorship of the event on a year-by-year basis, based on their evaluation of the success of the property.

Although the event provides Esat BT with an excellent vehicle for the communication of both corporate and marketing values, its main objective is to serve Esat BT as a cause-related sponsorship property. Esat BT's sponsorship of the Young Scientist & Technology Exhibition represents an obvious example of cause related-marketing, which supports the company's philosophy of seeking meaningful sponsorships. Through its association with the event, Esat BT reinforces its image as a responsible company within the market in which it carries out business. The association of the Irish government and Minister for Education and Science with the sponsorship also supports Esat BT's policy in terms of corporate governance. The sponsorship always gains favourable media coverage from press, radio and television during the event. Typically the award winners are photographed as cover stories in the country's leading newspapers.

The sponsorship also meets a number of key objectives outlined in the BT sponsorship assessment paper. The operation of the exhibition is the sole responsibility of Esat BT. In addition to the title sponsorship this offers, it also gives the company control over all aspects of the property including associate sponsors' involvement and the planning and management of all advertising and PR for the exhibition. This element of control also allows the company to structure the event to meet the lifestyle and interests of their target youth audience. Since Esat BT took over the organisation of the event it has evolved to include a technology element. This has underpinned Esat BT's relevance to their target audience of young technologically astute individuals, while showcasing their pioneering technologies and latest product offerings such as broadband internet access and Wi-fi (*Wireless Fidelity Broadband Internet Connectivity*).

One of the primary reasons for the success of this sponsorship is that it provides Esat BT with a valuable meeting point with target consumers. The age profile of

visitors at the Young Scientist & Technology Exhibition is 16-30 years of age, which reflects BT's target audience for many of its products such as Wi-Fi and broadband Internet connectivity. The effectiveness of the sponsorship lies in the fact that Esat BT can

- Generate brand awareness among potential future users
- Channel their product offerings at this engaged target audience
- Promote the sale of their voice and Internet access services to schools, students and their families.

This sponsorship property achieves a degree of passion from its target audience, it serves to connect the target audience with a subject that they are passionate about, and allows Esat BT to reach the youth market while still communicating the company's message with relevance and integrity.

The Dunphy Show Debacle

When Esat BT sponsored *The Dunphy Show* on the nation's only commercial television station, TV3, it became the primary media sponsorship in the company's portfolio. The association formed when the launch of "*The Dunphy Show*" coincided with Esat BT's desire to have a sponsored media vehicle, which could reach their target market. The chat show, hosted by former footballer, radio talk show presenter and general media personality, Eamon Dunphy, aired on Friday nights at approximately nine o'clock, in direct competition with the world's longest established prime time chat show, *The Late Late Show* on RTE, the state owned broadcaster. A chat show war would ensue between the two stations. It was going to take on RTE's most prized asset, *The Late Late Show*. Although this show had seen a decline in its viewing figures when the original host, Gay Byrne, retired and Pat Kenny took the reins, it still boasted formidable viewership ratings.

TV3 commissioned 30 programmes of *The Dunphy Show*. The producers and station were backing the much-vaunted venture to the alleged tune of €2,500,000. This led to a huge national debate as to who would win the chat shows wars, Eamon Dunphy or Pat Kenny. Eamon Dunphy had just left the

successful Today FM current affairs programme, *The Last Word*, and was riding on a high. It was felt that, with such a high media profile, he would effortlessly transfer from a successful radio broadcaster into a successful television presenter. However, other television ventures associated with Dunphy had failed, such as Ireland's version of the successful *The Weakest Link* franchise. The show opened to huge publicity. Television critics predicted the demise of Ireland's national institution *The Late, Late Show*. Esat BT pledged €500,000 to the property which was to be spread across the whole planned series of shows until the following summer and which entailed Esat BT advertisements being shown at the beginning and end of each programme and at intermittent advertisement breaks. The initial publicity around the launch of the show augured well for the sponsors.

The show promised to pull in excess of 300,000 viewers per episode. However, the show's very last episode only attained 152,000. Advertisers were increasingly nervous of placing ads within this time slot, due to the costs involved, declining numbers, and channel hopping between RTE and TV3 during the adverts. The television show failed to meet such lofty earlier predictions, and most importantly failed to meet viewers' high expectations of the programme due to all the advanced hype and publicity. The opening night attracted 350,000 viewers to the show, a very enviable figure in Irish broadcasting terms. Initially, the show rolled out big name celebrities from sport, politics and showbiz such as Roy Keane, Eddie Irvine, Taoiseach Bertie Ahern, Alistair Campbell, and ever open to a media opportunity, glamour model Jordan.

Esat BT's sponsorship of *The Dunphy Show* was reflective of the company's own position in the telecommunications industry. *The Dunphy Show* intended to pose a direct form of competition to the dominant established chat show, *The Late, Late Show*, a situation comparable to the Eircom and Esat BT context. The chat show wars also had an impact on the incumbent broadcast sponsor of *The Late, Late Show*, Renault, the car manufacturer. Viewers were said to be channel hopping between programmes to see what guests were on either show.

Soon after the launch of the show, things began to unravel.

The Late, Late Show upped the ante by booking better quality guests, while *The Dunphy Show* began to rely on the handful of Eamon's celebrity friends, and journalist buddies. The show's brand promise was not being fulfilled. Furthermore, the show was generating bad press coverage, with critics questioning Eamon's suitability as a television interviewer, the poorly received lampooning of Gay Byrne in comedy sketch routines, and revelations that the show was in fact pre-recorded at DCU's Helix concert venue, rather than the promised live version. The show's nadir occurred when Eamon admitted that he used "recreational drugs". This throwaway comment caused a media sensation, with Esat BT having to answer questions on the topic. The firm released messages that it was constantly reviewing its sponsorship of the programme, and could not condone drug-taking. Esat BT directly contacted TV3 in relation to the show.

A decision to axe the show was made in early December by TV3. However, Esat BT was informed of this decision only through the media, despite having invested substantially in the programme. The company was furious that it had not been consulted or even informed of the decision by TV3!

The Dunphy Show as a property satisfied many of the criteria, which the BT sponsorship report outlines. However, there are some fundamentals absent, which may highlight the importance of the sponsorship objectives the company had outlined. One of Esat BT's primary objectives in selecting *The Dunphy Show* as a property was that its broadcast target audience corresponded with Esat BT's target audience. The profile of the audience for *The Dunphy Show* was:

- aged between 18-55 years of age;
- supporters of the charismatic and controversial presenter;
- looking for a variety of choice.

Dunphy's previous radio venture, *The Last Word* which is now sponsored by Esat BT, is a current affairs programme on the radio station Today FM. This programme had a high category ABC1 listenership. This audience was consistent with the target market of Esat BT and enabled the company to reach their target audience. This was of crucial importance for

Esat BT in associating a sponsorship property with its target market.

The qualities which were necessary for *The Dunphy Show* and Esat BT to be a successful sponsorship association were missing from the outset and would inevitably have led to the demise of the relationship, even had the programme continued. Two principal corporate sponsorship objectives – corporate governance and control – were evidently missing from the equation. With the benefit of comparing the qualities of this property with the sponsorship policy paper issued by BT group, it can be concluded that one of the principal issues with *The Dunphy Show* property was that it did not fulfil the corporate governance requirements outlined. The host's character was one of the most appealing attributes of the property. Some executives saw Eamon's unpredictability as a major selling point. Yet it was also widely acknowledged as being somewhat flawed.

The cancellation of the show in early December 2003 illustrated the inadequate assessment of *The Dunphy Show* property by Esat BT in relation to their main sponsorship objectives. The company failed to obtain or maintain a degree of partnership or control with the property owner TV3. The BT sponsorship policy paper states that a good sponsorship “requires communication, flexibility, patience, time and trust” yet the show was cancelled by the television station without informing its €500,000 sponsor Esat BT. Such behaviour scarcely relates to any of the elements outlined by the sponsorship paper and accentuates the lack of control or partnership that Esat BT had in its relationship with TV3. A spokeswoman for Esat BT claimed that “despite everything, it actually worked out quite well for us ...we've been tracking calls into the business and *The Dunphy Show* was a good source of callers”. This may prove that there is no such thing as bad publicity after all. This sponsorship association is an excellent example of why objective setting and pre-sponsorship assessment are essential to evaluate success.

In looking at any sponsorship programme, a number of challenges arise, namely,

- sponsorship property selection,

- controlling the sponsorship programme,
- leveraging the sponsorship association to the brand,
- evaluation of sponsorship.

Finding the right type of sponsorship property, which matches a firm's corporate communications objectives and leveraging that relationship are seen as crucial. Managing sponsorship campaigns raises fresh challenges, but also rewarding possibilities for marketing managers.