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**SPORTS SPONSORSHIP AS A COMPREHENSIVE ACTIVITY**  
**TOOL IN MARKET CONDITIONS**

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**Abstract**

In recent years, much attention has been paid to sponsorship and private investment in sports. It presents massive potential both for the development of sports and the economic growth of the companies. This paper examines the state of the Russian sponsorship market, its problems and payback risks. The relevance of the work lies in the fact that sports sponsorship in Russia does not reach its full potential. The authors believe that this is due to a misunderstanding of the sponsorship, high payback risks and the absence of centralized sponsorship organizations. The study aims to examine the phenomenon of "sponsorship" in the sports field at relevant examples. This goal is decomposed into the following tasks: to understand the sponsorship nature, to describe the features of its application in sports and to analyze the case studies. Growth in private investment, sponsorship and public-private partnerships can raise Russian sports to a new level. Government already attempted to popularize sports in Russia. It will undoubtedly lead to increased sponsors and investors attention to sports. Therefore, it is crucial not to allow a decline in interest in sports among people and the loss of promising athletes caused by insufficient monitoring of sports by third-party companies. The general conclusion suggests that entirely new technologies are needed in conducting of the competition and the method of "problem-free" orientation of those in need of support sports clubs in search of a suitable sponsor. It is also essential to readjust to new requirements of the current market environment.

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*Keywords:* Economic attractiveness, market economy, payback risks, private investment, public-private partnership



## 1. Introduction

One of the main socio-economic goals of the state at the moment is to create conditions for ensuring that citizens can regularly carry out physical activities and sports. In this regard, the state has to face many challenges, e.g.: to develop infrastructure necessary for the promotion of physical culture, taking into account its accessibility to persons with disabilities; to provide technical and organizational support thus protecting infrastructure facilities from various types of impacts; to ensure the development of scientific activities in the field of physical culture and sports, etc.

It is apparent that in order to achieve these goals, special importance must be given to the ability of the State to secure financial support for the sphere of physical culture and sports, as well as to the need of determining sources of its funding (Sahut et al., 2019). Physical culture and sport is a sphere that significantly ensures the population physical and mental health, contributes to maintaining the efficiency and competitiveness of a person in the labor market, and affects the reproduction of the population. Moreover, sport is seen as an effective tool of political life. And holding major sports events contributes to the development of industrial and social infrastructure while increasing the country's international attractiveness. In this regard, it is necessary to pay attention to the sources of funds that make the existence and development of physical culture and sports in the Russian Federation possible.

Financing of physical culture and sports in the Russian Federation is carried out at the expense of three sources of funds: federal budget, consolidated budget of a constituent entity of the Russian Federation, which includes the budget of the RF subject and municipal budgets, extra-budgetary resources (which include income of physical culture and sports organizations from business activities, income from various extra-budgetary funds promoting the development of physical culture and sports, income coming from sponsors, sports lotteries, as well as other income that is not prohibited by law) (Belomestnov et al., 2019). In recent years, more and more attention has been paid to sponsorship and private investment in sports. It presents massive potential both for the development of sports and the economic growth of the companies.

## 2. Problem Statement

Amid the growing trend of maintaining a healthy lifestyle, entrepreneurs increasingly see their future in "sports" investments. However, sports sponsorship in Russia is currently not realizing its full potential. The authors believe that this is due to a misunderstanding of the sponsorship, high payback risks and the absence of centralized sponsorship organizations. Therefore, it is particularly relevant to monitor the state of the Russian sponsorship market and to study its problems and payback risks (Kabanov et al., 2018). Sponsorship in the field of physical culture is a contractual relationship consisting in the exchange of advertising, marketing functions and responsibilities assumed by the sponsor. On behalf of the sport organisation, it is connected with using logos and trademarks in gear, shooting in commercials, as well as achieving representative results. This type of support is not charitable in nature, since the interaction of participants is based on mutual benefit, based on the desire to increase the profit of the sponsor, the salaries of athletes and the income of clubs. The sponsor (the one who invests money in the "sports enterprise") makes a contribution in a certain amount to the organization, for example, to the

organizing Committee, or to the authorized capital itself. That is why contacts on cooperation for long-term periods of time are concluded quite actively, thus attracting both spectators and potential sponsors (Saveleva, 2020).

### **3. Research Questions**

Lack of investment structure in Russia is another problem of sports sponsorship. There are only a few organizations working in this field, and there are no sponsorship associations, such as ISL Marketing AG (Switzerland) and the Institute of Sports Sponsorship (UK) (Westlund & Nilsson, 2005). Moreover, there are no special media or research agencies in Russia that specialize in evaluating the effectiveness of sponsored advertising campaigns, and there is no specialization in any segments of the sports marketing and sponsorship market. This lack of specialized organizations leads to the fact that the sponsorship market is not transparent enough, and entrepreneurs cannot find enough objective information to make investments (Makhmudov & Savelyeva, 2017). Unlike the investor, the sponsor does not expect a cash return directly from the invested funds. Sponsorship creates an image of social responsibility, thereby increasing the level of customer loyalty. The result of sponsorship depends on many factors, which significantly increases the risk of payback. To support sponsors, other countries provide tax or other incentives in the legislation (Myakonkov & Maleeva, 2019).

### **4. Purpose of the Study**

The study aims to examine the phenomenon of "sponsorship" in the sports field at relevant examples. The activities of the organizer of financial and property support in sports are divided into two major categories: financing competitions and investing in the organization itself, in its athletes. Thus, various firms that take on the burden of putting money into sport events expect to get some dividends from the investment (Hibbeln et al., 2019). After all, the interest of the media encourages people to pay attention to football matches, swimming or downhill skiing. Also, one of the methods of attracting potential customers is symbolic products, including free flyers, "caps", as well as paid branded t-shirts, scarves, toys. Those who are outside observers not only pay attention to the brands presented, but also increase their interest directly in sports, which has a beneficial effect on society as a whole. However, for any sports sponsor, the most important thing is to attract money and to recoup his costs. This is why such companies try to get involved in global and regional events (Nadeem et al., 2019). After all, the most important thing in sponsorship is to help each other get benefits from mutual use and increase profits, attracting larger money amounts so that both parties stay on the profitable side.

### **5. Research Methods**

In this paper, the researchers employ such methods as standardized observation, study and analysis of scientific and methodological literature on the research problem, content analysis, and qualimetry. As it has already been mentioned, sponsorship in Russia is still not attractive for most companies. Therefore, in Russia, more attention is paid to the development of public-private partnership (PPP) in the field of physical culture. The state provides investors with orders, as if being a guarantee of project payback. According to Pavel

Kolobkov, Minister of sports of the Russian Federation, the use of PPP allows countries to save from 15% to 20% of public spending. Therefore, the question of PPP is often raised at various meetings. Thus, at a meeting of the Presidential Council in September 2018, Pavel Kolobkov noted that the Ministry of Sport is systematically working to attract extra-budgetary investments and develop public-private partnerships; in addition, a set of measures is being formed to attract private investment in the sports industry. About 60 PPP projects were launched in 2018, and the volume of private investment was 12.5 billion rubles (Ministry of Sports of the Russian Federation, 2018). Moreover, the development of PPP is one of the tasks of the Federal project "Sport as a way of life". So, on June 5, 2020, at a meeting of the Board of the Ministry of Sport, Oleg Matytsin noted that it is necessary to attract private investors, especially in case of large and commercially interesting objects and to provide a guaranteed volume of state tasks (Ministry of Sports of the Russian Federation, 2020). In June 2020, at a meeting of the Board of the Ministry of Sport of the Russian Federation, it was proposed to create a sports investment Bureau, the purpose of which would be to attract funds from private companies to finance sports projects. At the same time, there was a decrease in the amount of funding for sports programs from the Federal budget by 9% in 2020 as compared to 2019 (National Rating Agency, 2020).

## 6. Findings

"The reduction in the amount of funding for sports programs from the Federal budget was affected by the completion of such global projects as the World Cup, the Universiade in Krasnoyarsk," explained Oleg Matytsin, the Sports Minister (Ministry of Sports of the Russian Federation, 2020, p. 4). In general, many meetings of the Ministry of Sport draw attention to the need to strengthen extra-budgetary funding for sports programs, but no specific measures were proposed other than the creation of a sports investment Bureau. The situation on the Russian private sponsorship market, despite stable growth in recent years, still left much to be desired. According to leading Russian sports agencies, the share of sponsorship in the budgets of private companies is barely 2.5-3% on average, while such small figures are achieved mainly at the expense of the largest Russian companies, such as LUKOIL, Gazprom, and Rostelecom. Russia's rather modest success in this area can be attributed to the peculiarities of the Russian mentality and the structure of Russian sports. The greater the public interest, the greater the return on private investment, which makes sports a very lucrative industry for sponsorship (Groothuis & Rotthoff, 2016).

In turn, Russian sports in terms of their infrastructure and the quality of events offered are not always competitive in comparison with foreign ones. This situation significantly reduces the interest of people and makes it difficult to "sell" Russian sports as a product. According to research by TNS Gallup AdFact, a company that monitors advertising in Russia, the most popular, and in fact the most effective in terms of sponsorship investments, sports in Russia are football and figure skating. But children's sports in Russia still do not have enough sponsors. This is due to the lack of global events and famous players that would attract sponsors attention. In addition, sponsorship is still perceived by many entrepreneurs as a charity, not an investment. However, here, unlike charity, the money and efforts invested are returned in the form of increased sales, advertising, improving reputation, and increasing consumer loyalty.

For example, during the 2018 FIFA World Cup, the Samara region, where the main sponsor is the Government of this subject of the Russian Federation, received 2.5 billion rubles. The money came from both Russian fans and foreign citizens. The income received came from football gift products, tickets to

sports events as well as various services, such as excursions to "Samara Arena", accompanied by acquaintances with famous football players.

Let's take another example. Every year the ski marathon "Sokoly Gory" (part of Russialoppet series) is held on the territory of the Samara region. The event is organized by the Ministry of Sport of the Samara region, the Department of physical culture and sports of the administration of Samara (both being general sponsors of the event) and the Samara regional ski-racing federation. For such a major event, other sponsors and partners are invited, as this is not only a great opportunity to promote sports in general, but also to show their products and services to attract interest. At the moment, companies that finance "Sokoly Gory" include "Shatura" furniture company, radio "Chanson 91.5", a chain of sports nutrition stores "Fitness Formula", "POWERUP" and others.

Samara is widely known for its FC "Krylia Sovetov". Years earlier, the team responsibly represented the interests of the region, and many companies were ready to support this club financially. JSC VTB Bank, oil company "Rosneft", OJSC "Russian Railways", OJSC "Kurumoch international airport" and many others were among the club's sponsors. However, since 2016, the team has ceased to bring victories at the Championships, so sponsors began to refuse to invest their money. The club main sponsor at the moment is still the Government of the Samara region, but in 2018 Krylia Sovetov successfully signed an agreement with "Parimatch" bookmaker company, which became their new title sponsor for the period from 2018 to 2019. This company symbols were printed on football players' t-shirts seen in television advertisements and in commercials of the championships. However, now the agreement with this company has been terminated, and the financing of the club has completely passed to the Samara region. The budget of "Krylia Sovetov" is 1.6 billion roubles. In other words, their plan stipulates that the club spends 86.48% in favor of football players through taxes. This is called "other operating income" in accounting. Commercial revenue is quite small, approximately 3.56%, and revenue on match days is only 6.56%. These percentage distributions tell us that the club has become a burden, both for the region and for the sponsoring companies.

## 7. Conclusion

Thus, sponsorship is a form of engaging and promoting mutual interests through various means: financial, organizational, marketing and other types of support, in order to attract customers to buy goods and services, observe athletes or individual teams, and participate as spectators at competitions. Therefore, it is crucial not to allow a decline in interest in sports among people and the loss of promising athletes caused by insufficient monitoring of sports by third-party companies. At the moment, it is becoming increasingly difficult to find a commercial sponsor that would provide sufficient funding to organizations. There is also a need for completely new technologies in conducting competition and techniques for problem-free orientation of sports clubs in need of support while searching a suitable sponsor (Hsieh & Wu, 2019). Evgenia Maltseva, the Director of Sponsor Consulting, said the current state of the sponsorship market was a "purgatory". She saw the pandemic as an opportunity to create a new product, and for some sports projects in the regions, as a chance to create a 'product' in general (Orlov, 2020). Growth in private investment, sponsorship and public-private partnerships can raise Russian sports to a new level. Government already attempted to popularize sports in Russia. Thus, the

goal of the Federal project "Sport as a way of life" is to increase the number of people involved in sports to 55%. This will certainly increase the attention of sponsors and investors to the sport, despite the impact of the pandemic, which has severely crippled the sponsorship market. At the moment, it is also essential to readjust to new requirements of the current market environment.

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