# Marketing Proposals through Sporting Event Sponsorship to Telstra
## from the Hierarchy of Effects Perspective

## Megumi TANO

[Lecturer at Department of Language and Literature, Kyoritsu Women's Junior College]

**Abstract**

This study aims to develop theoretical and conceptual frameworks to evaluate the effectiveness of sporting event sponsorship from the hierarchy of effects perspective. The findings from comprehensive literature review present a guideline for designing successful sponsorship activities and contribute to organizational practices. Organizations have been investing in various forms of sporting events; however, it is a controversial aspect in the literature whether sporting event sponsorship really persuades consumers to change their behaviours. In the Australian mobile telecommunication market, Telstra had established a strong market positioning and top of awareness, although they had experienced declining in brand equity between the 1990s and early 2000s. This paper explores how persuasion technique from response process works in terms of changing consumer behaviour and producing brand loyalty. Finally, to achieve the marketing objectives for Telstra, a strategic marketing campaign combined with sporting event sponsorship and message strategies is proposed.

Keywords: Telstra, sporting event sponsorship, hierarchy of effects model, response process, persuasion technique

## I. Introduction

### 1.1 Background on the Theory

Organizations have been investing in various forms of sporting events and developing sponsorship activities. It has ranged from corporate sponsorships of worldwide sporting events to the regional sponsorships, such as the Olympic Games by Coca-Cola, and Geelong Football Club and AFL Tasmania by Jetstar (Carrillat, 2005). According to Carrillat (2005, p.2), "in 2004, corporations spent $28 billion worldwide in sponsorship activities, a growth of 8.1% compared to 2003", and "in North America alone, 2004 sponsorship spending reached $11.14 billion, up 8.7% from 2003".

In general, sporting event sponsorship is regarded to convey positive values, and consumer associates with notions of excitement and entertainment (Meegan, 1994). However, this persuasion strategy via sponsorship has not been substantially recognised (Cornwell, Roy & Steinard, 2001). Another author supports that "many studies have not employed theoretical and methodological rigour" (McDaniel, 1999, p.163). Research in this area should add more theoretical understanding of positive and negative impacts on consumer attitude, belief, and purchase intention (McDaniel, 1999). Therefore, this study aims to develop theoretical and conceptual frameworks to evaluate the effectiveness of sporting event sponsorship from the hierarchy of effects perspective. The findings will present a guideline for designing successful sponsorship activities and contribute to organizational practices.

### 1.2 Background on the Issue

This research centres on Telstra which is a leading telecommunications company and one of the best-known brands in Australia. Telstra has developed a various range of telecommunication services such as mobile phone, land phone, pay phone, internet, and

other IT related services. They established an extraordinarily strong market positioning with 44% market share and top of awareness in the mobile phone market (Lloyd, 2005). However, the presence of Optus, Vodafone, and other new entrants has been a trigger for a price war in the mobile phone sector. This price-driven competition resulted in substantial changes to the positioning of Telstra in the market.

All the major mobile phone companies, which are Telstra, Optus, Vodafone, Hutchison, Orange, and Virgin invested heavily in advertising to increase the number of customers by poaching from each other. Particularly, Optus expanded the business activities against Telstra. Other companies have been pushing to differentiate themselves from Telstra through competitive pricing, services, and creative marketing activities. Despite the factor such as growing competitors, the market is strong, and the potential of marketing effect could be the highest. (Lloyd, 2005)

In addition, a change of political regulations created uncertainty in Telstra (Telstra, 2006). Privatization influenced consumer attitude and behaviour, although Telstra had been a traditional company with social responsibility. The existing customers are always seeking what is the best for themselves. More people are getting more sensitive to price, technology, and quality of service rather than trust in large companies.

*1.3　Problem Statements*

Based on the background of the issues, three marketing problems and the specific research problems in Telstra can be identified.

*(1)　Decreasing brand image*

*How can Telstra build positive brand image?*

*How can Telstra positively change consumer perception?*

Perceived image toward Telstra was negatively changing to expensive, less convenient, or less customer friendly. According to "Trusted Brands" survey by Australian Reader's Digest (Buchan, 2006), Optus moved to number one in the telecommunications category, ahead of Telstra.

*(2)　Little differentiation from competitors*

*How can Telstra satisfy the existing customers with distinctive offerings?*

The revenue of new 3G phone was $317 million in fiscal 2006. It represented just 3.7% of total mobile (Telstra, 2006), although Telstra boosted to introduce it. It shows that Telstra did not demonstrate a prominent vision to be different from other products or services.

*(3)　Decreasing brand loyalty and customer retention*

*How can Telstra reconnect with their existing customers through marketing communications?*

*How can Telstra maintain market share and brand loyalty?*

Telstra has experienced loss of their existing customers. Consumers may be getting more sensitive to which brand best suits them, and always thinking to switch brand.

## II. Plan for the Project

There are five steps for analytical and creative proposals to Telstra.

### 1. Literature Review

The effectiveness of sponsorship is critically examined with relevant resources. The research content concerns response process through sponsorship exposures.

### 2. Case Study of Telstra

Internal and external factors are investigated based on SWOT analysis.

### 3. Analysis

The outcomes of marketing activities including sporting event sponsorship are analysed with review of sales performances .

### 4. Marketing Strategies

The findings from analysis identify marketing objectives and target audience.

### 5. Proposals

Based on the theoretical and analytical understanding, marketing proposals are presented.

## III. Literature Review

### 3.1 Purpose of Literature Review

Sponsorship is, generally, regarded as useful in building brand awareness, brand image, and corporate image (Cornwell et al, 2001). Also, another author in his theoretical development of brand equity notes that "anything that cause the consumer to 'experience' or be exposed to the brand has the potential to increase familiarity and awareness" (Keller, 1993, p.10). On the other hand, Cornwell et al (2001) argue that building brand equity by sponsorship has not been a major discussion in the existing literature, and no study has considered a broad range of brand equity elements such as brand image, differentiation from others, and brand loyalty. Consequently, main purpose of literature review is evaluating the effects of sporting event sponsorship and building theoretical basis to address the marketing problems in Telstra.

*3.2　Definition of Sponsorship*

Sponsorship has been variously defined in the literature. Sleign (1989, p.4) defines sponsorship as a "business relationship between a provider of funds, resources or service and an individual, event or organization which offers in return some rights and association that may be used for commercial advantage". Another author says that "sponsorship marketing is the practice of promoting the interests of a company and its brands by associating the company and its brands with a specific event" (Shimp, 2003, p.4). Cornwell (1995, p.15) also defines sponsorship-linked marketing as "the orchestration and implementation of marketing activities for the purpose of building and communicating an association to a sponsorship". In these definitions, the idea of creating mutually beneficial relationships has become a major theme in sports marketing thoughts. Boyle (2001, p.2) states that "authorities in the industry continuously stress the importance of creating a win-win situation for sponsor and sponsored event".

*3.3　Focus on Sporting Event Sponsorship*

Sponsorship activities have widely ranged such as arts, non-profits, entertainment, and festival. Shimp (2003) shows the sponsorship spending in North America for 2001. It was invested US$9.55 billion in various forms of sponsorship which involved sports, entertainment, festivals, and art. Significantly, US$6.51 billion which roughly equalled two-thirds of this amount was spent to sporting events like motor sports, golf, other professional sports leagues, and even the Olympics. Overall sporting event sponsorship is practiced worldwide with huge amount of expenditure, and the impact of them should be greater than other sponsorship events. Additionally, Cornwell et al (2001) claim that sporting event sponsorship has established a significant role of building or improving value of brand or a product.

Although sponsorship generally conveys positive values with notions of excitement and entertainment (Meegan, 1994), another author shows a historical negative impact of sporting event sponsorship (Landler, 2000). In 2000, Ansett Australia sponsored the Sydney Olympics as the official airline of the games, however, they collapsed in 2001. Qantas airways and Ansett Australia were engaged in the most serious battle in the Australian aviation industry. On the one hand, Qantas spent $8 million on dealing with Australia's Seven network, which was the local broadcaster of the Games, against Ansett. Qantas placed its TV commercials around the hottest events involving Australian athletes with an attractive Qantas theme song based on Australian spirit. On the other hand,

Ansett managed to keep the song out of formal Olympic ceremonies. As a result, Ansett's marketing efforts in the Olympics could not involve Australian people. Little study and inadequate exploration of sporting event sponsorship may involve risky business for organizations. Shimp(2003) claims that unless sponsorship without analytical research and theoretical studies, it is not worth investing in it. Research into measurement of the effectiveness is essential.

### 3.4  Impact of Sponsorship on Brand Equity

Brand equity can be defined as "a meaning of moving customers to favourable action toward the brand–that is, trying it, repeat purchasing it, and, ideally, becoming loyal toward the brand" (Shimp, 2003, p.23). Belch and Belch (2004, p.59) also define brand equity as "an intangible asset of added value or goodwill that results from the favourable image and impressions of differentiation". Accordingly, to build brand equity, it is fundamental to create positive, strong, and distinctive association about the brand.

Turco (1996) attempted to measure spectators' recognition and attitudes toward courtside advertisers over a season of NCAA men's basketball games. Recognition over a season of live basketball as opposed to a one–time exposure to a televised game was measured (Turco, 1996). The survey consists of eight real advertisers and four dummy advertisers. Participants were instructed to circle the name of the sponsors they recognized and to rank their attitudes using a five–point Likert scale. One week after the completion of the season, the exact same questionnaire was sent to the respondents of the initial survey. The result showed that recognition levels increased after the season for 7 of the 8 sponsors being tested, and audience also more accurately recognized dummy (Turco, 1996). Remarkably, participants had distinctive association about the real sponsors through their exposures in the event.

Cornwell et al (2001) identify that brand equity consists of seven elements like brand awareness, brand image, corporate image, brand personality, differentiating the brand, brand loyalty, and adding financial value to the brand. Then, they are classified into general elements (brand awareness, brand image, corporate image) and distinctive elements (brand personality, differentiating the brand, brand loyalty, adding financial value). From marketing managers' perspectives, Cornwell, et al (2001) conducted a survey investigating the effectiveness of each element of brand equity. A two–stage survey of managers was conducted in the summer of 1996 and 1997. The first survey in 1996 focused on sponsorship management activities. In the second survey after one year,

respondents were asked the approximate budget ratios and duration of the sponsorship using a five-point Likert scale. The two-stage survey enables to elicit both positive and negative impacts of sponsorship from the managers. In the second survey after one year, 51 companies out of 126 responded. The findings demonstrate that sporting event sponsorship contributes more value to general elements of brand equity rather than to distinctive ones, although adding financial value element is excluded. As shown in Table 1, the ranked average rating of sponsorship's contribution to brand equity elements highlights a difference between general and distinctive elements. It indicates that differentiating a brand and building brand loyalty should be a challenging task to achieve. These two elements will be discussed from more theoretical and conceptual approaches in the later section.

Table1 Ranked average rating of sponsorship's contribution to brand equity elements

| Rank | Brand equity elements | Mean | Standard Deviation |
|------|----------------------|------|--------------------|
| 1 | Corporate image | 4.28 | .86 |
| 2 | Brand image | 4.24 | .84 |
| 3 | Brand awareness | 4.05 | 1.05 |
| 4 | Image of quality | 4.04 | .83 |
| 5 | Brand personality | 4.01 | .93 |
| 6 | Differentiate the brand | 3.75 | 1.01 |
| 7 | Build loyalty | 3.68 | 1.02 |

Source: Cornwell, Roy & Steinard (2001)

## 3.5 Response Process in a Hierarchical Model

The extent of brand equity depends on two factors. One is how positively consumers perceive attributes and benefits of the brand as compared to competitors. The other is how strongly consumers store the information associated with the brand in their memory. (Shimp, 2003) There is a significant relationship between brand equity and information processing process. In sporting event sponsorship, target audience may be engaged in passive learning and random information catching, rather than active information seeking (Belch & Belch, 2004). Cornwell et al (2005) claim that investigating response process in a hierarchical model contributes to assist in the management of successful sponsorship outcomes. Cornwell and Maignan (1998), and Cornwell (1998) criticize a lack of theoretical frameworks of how sponsorship works in the consumers' minds. Little is known about how individuals process the fragments of information (Pham & Vanhuele, 1997, cited as Cornwell et al, 2005).

Response process can be defined that the receiver may go through in moving from a state of being unaware to purchase behaviour (Belch & Belch, 2004). They also identify a hierarchy of effects as "the process by which advertising work; it assumes a consumer passes through a series of steps in sequential order from initial awareness of a product or service to actual purchase" (Belch & Belch, 2004, p.148). Outcomes of advertising can be classified into cognitive, affective, and behavioural stages in the hierarchy of the effects model. If sponsorship works effectively, a series of effects must occur with each step fulfilled before the consumer can move to the next stage (Belch & Belch, 2004).

They (Belch & Belch, 2004) define the three stages in the hierarchy. First, the cognitive stage represents what the receiver knows about a product or brand, involved in knowledge, information, or its attributes. Second, the affective stage refers to the receiver's feeling such as preference. Third, the behavioural stage refers to the customer's action like trial, purchase, adoption, or rejection. More important, marketers must know where target audience is on the response hierarchy to design appropriate stimuli engaging them toward the higher hierarchical stage (Belch & Belch, 2004).

### 3.6  Changing Consumer Perception and Attitude

Response process moves from cognitive to affective and finally behaviour. When individual experiences increase attention toward a brand or product through sponsorship exposure, it results in greater storage of information (Roy, 2005). They (Cornwell et al, 2005) state that repeated exposure through sport events produces an affective response. At the second stage, awareness is high. Consumers have already stored information related to a brand or product. However, Belch and Belch (2004) argue that this change in the consumer's knowledge does not directly produce attitude change but is related to learning something about a brand. It results in subtle change in the consumer's information processing.

To positively change consumer perception and attitude, adequate sponsorship exposure and creative brand messages can be effective. McDaniel (1999) states that consumers have memory-based expectation of the attributes embodies by a sport event. Marketers may conduct message strategy creating stimuli with a consumer's prior experience that can impact on consumer attitude (Cornwel et al, 2005). Belch & Belch (2004) state that impression or image determines its communication effectiveness, rather than the actual words of the message. Based on this persuasion technique from a consumer behaviour perspective, corporation between sporting event sponsorship and

message strategy may change consumer perception or attitude.

### 3.7 Changing Consumer Behaviour

Purchase behaviour and brand loyalty are the final stage which most of marketers attempt to reach. In general, marketing communication may not lead to immediate behavioural response or purchase (Belch & Belch, 2004). Other authors also underline that the relationship between product category and event involvement remains relatively unexpected (Gwinner & Eaton, 1999). It is one of the most controversial aspects in the literature whether sporting event sponsorship really persuades consumers to changing behaviour.

Cornwell et al (2005, p.32) define consumer knowledge as "a cognitive-based individual-level variable that can influence information processing of a brand-event linkage presented via sponsorship". Consumers with higher level of knowledge about a brand or a sport event can make more judgment about the match between a sponsor and an event (Roy and Cornwell, 2004). For example, individuals with expertise in golf might know about past sponsors of golf events. They would bring this knowledge to their assessment of another sponsor (Roy & Cornwell, 2004).

Previous studies identify that consumer's prior experience with a sponsor or event influences the response process. Increased product familiarity enables consumers to store brand and product information, and develop more refined cognitive structure (Boyle, 2001). Soderlund (as cited Cornwell et al, 2005) states that a high level of familiarity results in more positive consumer reactions such as product satisfaction, word of mouth recommendation, and repurchase intentions. This indicates that positive affection associated with an event can be transferred to a sponsor.

Madrigal (cited as Cornwell et al, 2005) conducted two field studies considering the influence of sponsorship on consumer behaviour. First, a three-point scale was used to query attendees at a football game, asking them about their likelihood of buying the products of a sponsor. Second, a five-point scale was used asking people about their likelihood of purchasing the sponsor's products within a three-month period, and about the amount of effort they put into buying the sponsor's products. Findings prove that people have insights into specific attitudes and intentions about future behaviour, and that their responses reflect the influence of sponsorship exposures (Cornwell et al, 2005). The authors say that "if one assumes that a hierarchical information-processing model of advertising applies to sponsorship, then exposure to and comprehension of marketing

communications are foundational to higher-order effects such as preference and purchase intent" (Cornwell et al, 2005, p.30). Consequently, when the consumer enters a purchase situation, stored image and information may be sufficient to trigger a purchase (Belch & Belch, 2004).

Loyalty provides the mechanism by which increased profit margins arise (Rubinson & Pfeiffer, 2005). For example, Indianapolis 500 race-winning sponsors with direct ties to the automotive industry experienced increases in stock prices almost 3 % higher than the sponsors of unrelated products in USA (Cornwell et al, 2001). Moreover, other authors examined 27 sponsorship announcements of the 1996 Summer Olympics and reported statistically significant increase in stock prices (Miyazaki & Morgan, 2001).

Starr and Rubinson (1978, p. 379) define loyalty toward a particular brand as "a high probability of purchasing it". Though several competitive brands may be available, consumers who are highly loyal customers of one particular brand would not purchase randomly. They perceive a brand or product differentiation among brands and prefer the one that they purchase most often (Starr & Rubinson, 1978). If a brand is improving brand equity, it is succeeding in creating loyalty based on uniquely favourable image and differentiation from others (Rubinson & Pfeiffer, 2005). Therefore, this approach shows that persuasion technique works in terms of changing consumer behaviour, moreover, sponsorship exposures ultimately create brand loyalty.

## IV. Case Study of Telstra

Internal and external factors in Telstra will be explored from the specific perspectives. Table2 shows SWOT analysis of marketing activities in Telstra.

Table2: SWOT analysis of marketing activities in Telstra

| Strength | Weakness |
|---|---|
| Top of the market share<br>Strong market positioning<br>Strong awareness<br>-as a traditional Australian company<br>Traditional brand image<br>-social responsibility, regional contribution, Australian characteristics<br>High network coverage<br>-both capital cities and remote areas<br>Affordable budget<br>Expanded Products line-land phone, mobile phone, internet & IP solutions, advertising & directories, intercarrier services, pay TV, pay phones | Decreasing brand loyalty<br>Less competitive pricing<br>Slow responses to improve technology<br>Lack of marketing efforts of new products<br>Perceived negative image<br>-less fashionable, low innovation, expensive<br>Decreasing social responsibility<br>-reducing the number of public phones |
| Opportunities | Threats |
| Right economic future<br>Bright economic trends<br>Market potential of introducing new products | Matured and competitive industry<br>Aggressive new entrant<br>Offering competitive prices by competitors<br>Australian attitudes toward big companies<br>-preferred new entrants<br>Privatization – possibility of decreasing brand loyalty<br>Bargaining power of customers |

## 4.1 Market Factors

A change from state-owned to privatized influenced consumer attitude and behaviour toward Telstra. Hilmer (2006) argues that in a competitive environment, government ownership creates a potential conflict of interests between the commercial interests of the enterprise and wider consumers' interests. Moullakis and Boyd (2006) say that "cutting the number of pay phones in rural areas was an attack on the most vulnerable in the community" (Moullakis & Boyd, 2006, p.14). Universal public service obligations should be one of the most important components of the organizational practices. The failure of persuasive communication with consumers should be a considerable negative factor.

There are two representative descriptions about Australian beliefs and attitudes toward trend. One is regarding big companies. Patterson (2006) reports the ethics of big companies may affect sales. 67% of the respondents do not trust large corporations and believe they lack morals and generosity of spirit. According to Lloyd (2005), 78% of the participants say that Australia needs more entrepreneurs, and 55% say that they do not trust most big companies such as Telstra and Qantas. Conversely, Qantas's efforts succeeded in earning Australian's trust. Buchan (2006) reposts that Qantas jumped 16 places from previous year to enter the top four for the first time in "Trusted Brands" survey by Australian Reader's Digest in 2006. Qantas's willingness to listen and help Australians in need was a decisive factor. Especially, attractive sporting event sponsorship and the rapid responses to crises were pivotal to improving consumer

perception toward Qantas. Buchan (2006) also reports in "Trusted Brands" survey that Optus moved to number one in the telecommunication industry, ahead of Telstra.

*4.2   Company Factors*

Telstra covered a wide range of sporting event sponsorship at the national, state, and grassroots community level. It included seven categories like commonwealth games, athletics Australia, Australian Paralympic Committee, Australian swimming, National Rugby League, Australian Olympic Committee (AOC), and Australian Rugby Union. In addition, Telstra acquired the naming rights to two of the country's most prestigious and technologically advanced sporting and entertainment venues in 2002 which were Telstra Stadium and Telstra Dome. In conjunction with 18 regional and 16 metro local rugby clubs, Telstra enabled more than 65,000 rugby fans to experience rugby matches at these two stadiums. In December 2004 Telstra announced to be the official partner of the Melbourne Commonwealth games. The Commonwealth Games saw 4,500 athletes from 71 nations in 2005. Telstra also signed an agreement with the AOC to sponsor the Australian teams competing in the 2004, 2006 and 2008 Olympic Games. Historically, Telstra's association with the AOC began with the 1992 Barcelona Games. (Telstra, 2006)

On the other hand, Telstra was rated the second least admired company, ranking 4.4 out of 10. James (2006, p.42) reports that "the bottom five companies which were Amcor, Telstra, Paperlinx, Zinifex and AWB". Simultaneously, Telstra suffered from a lower share, and it estimated a 16% fall to approximately $3.6 billion in 2002. At a conservative estimate, the planned 8,000 jobs to be cut took＄1 billion or 10% of total costs out. (Durie, 2006) In fiscal 2006, overall revenue grew by 2.7% or $589 million to $22,750 million. It resulted in a profit after tax of $3.18 billion for fiscal 2006 and a decrease of $1.13 billion or 26.2% on the prior year. Earnings before interests and tax (EBIT) declined by 20.7% or $1.44 billion to $5.50 billion. (Telstra, 2006) Overall, the findings suggest that Telstra fell behind other companies in terms of brand image, marketing positioning, and financial outcomes. An ability to effectively use sporting event sponsorship has a greater impact on organizational achievements.

## V.   Analysis

This section will mainly concern the outcomes of marketing activities including sporting event sponsorship and sales performances in Telstra.

### 5.1 Analysis of Marketing Activities

Telstra cut its advertising expenditure from $89.5 million in calendar 2004 to $76.3 million in 2005 (Shoebridge, 2006). They reduced its advertising expenditure by $15.4 million in 2005 decreasing 5.5% of the previous year. Durie (2006) argues that Telstra should be demonstrably more aggressive in the market to squeeze competitors. Brands that build loyalty from year to year show a corresponding pattern of increased advertising spending over time (Rubinson & Pfeiffer, 2005). In contrast, Shoebridge (2006) reports that Optus increased its advertising expenditure in 2005, lifting its budget from $50.2 million to $57.2 million.

### 5.2 Review of the Marketing Activities

Telstra attempted to build market leadership with next generation network and launched a new department to target young people in 2005 (LIoyd, 2005). It could be a trigger to gain market share from other companies. Furthermore, Telstra, Optus, and Vodafone joined Hutchison in 2005. Although the joint enterprise may stimulate growth in new service, the transition may be a painful management operation. Washington (2006) states that the transition to new service should be a big challenge for these companies, because they had profoundly invested on their existing network.

Telstra developed a TV advertising campaign showing the technological possibilities by George Patterson Partners. However, there was a difficulty to upgrade their customers to the new services. From the view of the number of subscribers, Optus gained six million, confronting Telstra which gained 8.7 million. Vodafone gained 3.1 million subscribers (Washington, 2006). This highlights that product introduction with simple mass marketing campaign is not guaranteed to success.

### 5.3 Analysis of Sporting Event Sponsorships

Telstra invested on Telstra Stadium in Sydney and Telstra Dome in Melbourne. Quinlivan (2006) reports Telstra Stadium was built for $690 million for the 2000 Olympics and with 83,500 seats. After initial high hopes, Telstra Stadium missed out on hosting any international cricket games (Quinlivan, 2006). Seriously, Telstra could not develop a successful sponsorship with Telstra Stadium. On the other hand, Qantas designed a unique event for fans to join the Socorro team. The Qantas Socorro World Cup squad members were back in Australia, and a sporting event for sports fans was held at Queen Street Mall in Brisbane (Qantas, 2006). With give-away, some interactive activities, and

competitions were prepared with the scenes from the World Cup. Fans relived the incredible achievement of Australian football. Finally, Qantas invested huge money in sporting event sponsorship and succeeded in improving brand equity.

## 5.4  *Financial Analysis of Telstra*

Overall revenue grew by 2.7% or $589 million to $22,750 million in fiscal 2006; however, the growth rate dropped from 4.8% in 2005 (Telstra, 2006). There are four negative factors as follows.

First, revenue from new products within last three years was 2.2 % of total sales revenue or $22.6 billion (Telstra, 2006). It indicates that the number of the existing customers switching to the new service was lower than they had expected. Revenue from the next generation network was $317 million in fiscal 2006, which represented just 3.7% of total mobile revenue (Telstra, 2006). Telstra failed in introducing the new network, despite they had heavily invested on it. Second, revenue from prepaid phone decreased by 11.4% or $12.24 million to $10.85 million (Telstra, 2006). Optus increased it by 8 %, and the market share of prepaid mobile phone also increased to 30% (Optus, 2006). Third, a distinct difference between Telstra and Optus was average revenue per user per month. It was $10.85 in Telstra, and $22 in Optus (Optus, 2006). Finally, revenue from business sector decreased by 10% in Telstra (Telstra, 2006). Compared with this, Optus continued to focus on the business mobile market with customer numbers increasing by 11%, and the revenue in the segment increased by 2 % (Optus, 2006). Optus focused on two strategies to drive grouth such as the business and prepaid mobile phone market. Therefore, revenue from mobile phone sector in Telstra was seriously impacted by Optus.

## VI.  Marketing Strategies

In this section, marketing objectives and target audience for Telstra will be identified.

## 6.1  *Identification of the Stage in a Hierarchy of Effects Model*

In the high-involvement situation the response process moves from affective to finally behaviour. There are three stages on the response hierarchy such as cognitive, affective, and behavioural. Previous studies presented that the decision-making process engages the target audience toward the higher hierarchical stage. Obviously, Telstra is on affective stage, because they had a high level of awareness, and consumers stored information related to Telstra. However, preference or favourable attitude should be more

considered. Consequently, the role of marketing programs should be designed to generate favourable perception and create stimuli engaging the customers toward behavioural stage.

## 6.2　Marketing Objectives

Telstra stated their vision as follows.

To do for customers what no one else has done, a mission is creating a world of 1 click, 1 touch, 1 button, 1 screen are 1 step solutions. In other words, it is to give customers a personalized, seamless experience that makes it easy for them to do what they want (Telstra, 2006).

In decision making process, setting appropriate marketing objectives is necessary. It must be linked to the mission of the company. Three marketing objectives for Telstra can be identified.

A)　To improve brand image

B)　To offer innovative products to target audience in distinctive ways

C)　To build close relationships with existing customers and create brand loyalty

## 6.3　Segmentation and Targeting

Marketing process begins with identifying segmentation and targeting. Inefficiently identified them, it may produce confusion and misattributions in consumers' minds (Cornwell, et al, 2005). In fact, as consumers become less typical and can be segmented into diverse niches, more organizations are targeting more specific groups (Swift, 2003). Table3 shows the target audience for Telstra. It can be discribed that they are from 15–25–year–old male and female living or working in capital cities in Australia, in addition, they tend to be heavy users and sensitive to price with low loyalty. In other words, they likely to embrace technology and be keen to understand how consumers can gain maximum benefits from their telecommunication lives. To identify its component of the target audience, the target market segmentation is shown in Table4. There are five elements such as demography, psychology, geography, lifestyle, and behaviour.

Table3: The target audience for Telstra

| Demography | from 15–25–year–old | |
| --- | --- | --- |
| | male and female | |
| Psychology | low involvement | savvy/ brand switching/ product comparison/ contemporary/ seeking good value |
| Geography | living or working in capital cities in Australia | |
| Lifestyle | heavy users | busy/ preference of innovation and convenience/ interests of technology and topical events |
| Behaviour | pre–paid mobile users | sensitive to price/ low loyalty |

Table4: The target market segmentation for Telstra

| | under 15 | 15–25 | 26–35 | 36–50 | over 50 |
| --- | --- | --- | --- | --- | --- |
| Demography | Male | | | | |
| | Female | | | | |
| Psychology | Low involvement | savvy/ brand switching/ product comparison/ contemporary/ seeking good value | | | |
| | High involvement | affective/ traditional/ seeking quality | | | |
| Geography | living or working in capital cities | | | | |
| | living or working in remote areas | | | | |
| Lifestyle | light users | preference of traditional things/ interests of quality of life | | | |
| | heavy users | busy/ preference of innovation and convenience/ interests of technology and topical events | | | |
| Behaviour | pre–paid mobile users | sensitive to price/ low loyalty | | | |
| | post–paid mobile users | sensitive to quality of service/ high loyalty | | | |

## VII.  Proposals to Telstra

Critical discussions and comprehensive analysis with relevant articles have undertaken in this paper. Based on the findings from them, strategic marketing communications will be proposed to meet the three marketing objectives.

### A)  To Improve Brand Image

Brand image and purchase behaviour are inseparable, because building consumer trust and interests leads to changing consumer behaviour. An intelligent approach with sporting event sponsorship should be designed to improve brand image. Prior to determining a sponsoring event, in-depth marketing research on various sports should be conducted. More important, a sporting event must associate with specified target audience. Target audience of Telstra is identified as 15–25–year–old male and female, living or working in capital cities, heavy users, being sensitive to technology and benefits

with low loyalty. To reach them and communicate effectively, message strategy should be applied. The message should be creative and focus on the targeted consumer insight.

Particularly, the message should involve the meaning that Telstra is a leader of the Australian companies with fun and trust. For example, "A proud of Australian", "Advantages of supporting Telstra for Australia", "Using Telstra means supporting Australian sports", "Connecting Australian players through Telstra". Shaw (2005) theoretically supports that transformational message strategy changes the perception of a brand in emotional way. This message strategy enables to improve brand image.

*B) To Offer Innovative Products to Target Audience in Distinctive Ways*

A key to success in introducing innovative products to the existing customers is comprehensive marketing communications. A successful sponsorship is accomplished via promotion, advertising, direct marketing, and merchandising with the link between a sponsor and event (Crimmins & Horn, as cited Cornwell et al, 2005). A winning combination with sporting event sponsorship based on consumers perception of the trend, technology, and affordability increases product familiarity.

In the marketing promotion, Telstra should offer lower prices for new products with distinctive display related to a sport event. Despite price competition is storing, special prices attract customers who are sensitive to price. In Telstra retail shops, shop assistants can play a crucial role to develop consumers perception. They may wear special uniforms associated with a sport event and emotional messages. Customers will be encouraged to support a sport team or players with Telstra. Those who purchase new products during the period get a chance to draw a prize. Prizes should be memorial ones which attract sport fans with seeking substantial value of topical events. For example, the first prize is the right to play a sport at Telstra Stadium all day. The second prize is the right to reserve the entire Telstra Stadium for a half day. It can be used for a wedding ceremony, a birthday party, baby shower, Christening party, or any other individual events. Such extraordinary events with winners will be exposed to mass media or SNS.

These attempts to restore the consumer's image with the experiences that link to a sport team or stadium, and then increase the perceived value of target audience. Even if they do not purchase at the first attempt, preferable image with the messages is stored. Furthermore, an accumulation of positive image creates brand equity. This approach greatly helps offering new products in unique ways and differentiating from others.

*C)  To Build Close Relationships with Existing Customers and Create Brand Loyalty*

Telstra should develop marketing mix targeting the existing customers. If an organization improves brand equity, it succeeds in creating loyalty based on uniquely favourable image and differentiation from others (Rubinson & Pfeiffer, 2005). Successfully, Qantas generates sufficient communication and interaction among the existing customers and has established positive brand image with consumer trust. Qantas demonstrates a wide range of communication channels, rapid responses to enquiries, and exclusive offers for loyal customers with continuous interaction.

To build close relationships with existing customers, there is a comprehensive proposal using strategic marketing communications. Telstra offers tickets for popular games with special prices. Especially loyal customers may have chances to get free tickets. At Telstra Stadium or Telstra Dome Telstra's users enjoy secured Wi-Fi without charge. In Telstra network, special contents related to teams and players in a sport event are available only for Telstra's users. Telstra should create own media and deliver messages directly to their existing customers. They may receive messages from popular players with photos and communicate with the players. Telstra users who do not participate in a sport event, they may receive the fastest game results  from Telstra with exclusive information. Even after a sport event, Telstra should create continuous interaction with the customers and send enthusiastic messages.

When the consumer enters a purchase situation, this stored image and information may be sufficient to trigger a purchase (Belch & Belch, 2004). This study underlines that sponsorship exposures and associated communication-based marketing make great contributions to build close relationships with existing customers. Finally, Telstra can improve brand image, differentiate from others, and build brand loyalty through successful sporting event sponsorship.

## VIII.  Conclusion and discussion

This study aims to evaluate the effectiveness of sporting event sponsorship and build theoretical basis to address the marketing issues facing Telstra. Although organizations have been investing in sporting event sponsorship, the importance of response process through sponsorship exposures has not been sufficiently discussed. To address the research gap, comprehensive literature review and analysis are conducted. The findings underline that persuasion technique from a response process perspective works in terms of changing consumer behaviour, then, sponsorship exposures finally produce brand

loyalty. Based on the theoretical understanding, three marketing proposals are presented. First, emotional messages should be delivered toward the target audience through a sporting event that exactly matches with the targeted consumer insight. Second, a marketing promotion that associates with a sporting event should be generated with offering affordable prices and attractive prizes in distinctive ways. Finally, Telstra should create own media and deliver messages directly to their existing customers for continuous communications. Therefore, Telstra can improve brand image, differentiate from others, and ultimately build brand loyalty with marketing mix combined with sporting event sponsorship and strategic marketing communications,

This study was conducted in Australia in 2006. The future research should be more considered because the telecommunication market in the world is dramatically expanding. The development of information and communication systems is accelerating, similarly, consumer behaviour and attitude are changing. Marketers should adapt to innovative technologies and adjust their marketing strategies with rapid changes in the internal and external factors. On the other hand, this paper focused on the findings from literature review. Approach with greater theoretical understanding can be replicated in other countries and still applicable to the present day.

［References］

Belch, G. E., & Belch, M. A. (2004). Advertising and promotion: An integrated marketing communications perspective (6th ed.). New York: McGraw-Hill.

Boyle, A. M. (2001). The effectiveness of Sports Sponsorships: A Study of the New Orleans Zephyrs. Retrieved 1 August 20, 2006 from http://etd.lsu.edu/docs/available/etd-1114101-172927/

Buchan, N. (2006, May 26). Deeps speak louder than words in trust poll. B&T, p.10.

Carrillat, F.A. (2005). The effect of perceived entitativity on implicit image transfer in multiple sponsorships, Retrieved August 10, 2006 from ProQuest ABI/INFORM Global.

Cornwell, B. (1995). Sponsorship-linked marketing development. Sport Marketing Quarterly 4 (4): 13-24. Retrieved March 5, 2006 from ProQuest ABI/INFORM Global.

Cornwell, B. (1998). An international review of sponsorship research. Journal of Advertising, 28(1). 1-21. Retrieved August 10, 2006 from ProQuest ABI/INFORM Global.

Cornwell, B., & Maignan, I. (1998). An international review of sponsorship research. Journal of Advertising, 27 (1), 1-21. Retrieved August 10, 2006 from ProQuest ABI/INFORM Global.

Cornwell, B., Roy, D., & Steinard, E. (2001). Exploring managers' perceptions of the impact of sponsorship on brand equity. Journal of Advertising, 30(2), 41-51. Retrieved August 10, 2006 from ProQuest ABI/INFORM Global.

Cornwell, B., Weeks, C., & Roy, D. (2005). Sponsorship-linked marketing: opening the black box. Journal of Advertising, 34(2). 21-39. Retrieved August 20, 2006 from ProQuest ABI/INFORM Global.

Durie, J. (2006 June 30). Some positives ahead for Telstra. The Australian Financial Review, p.100.

Gwinner, K., & Eaton, J. (1999). Building brand image through event sponsorship: the role of image transfer. Journal of advertising, 28(4), 47-56. Retrieved August 15, 2006 from ProQuest ABI/INFORM Global.

Hilmer, F. (2006 July 19). National interest must come before Telstra profits. The Australian Financial Review, p.63.

James, D. (2006 July 13-19). The biggest losers. BRW, p. 42-43.

Keller, K. L. (1993). Conceptualizing, measuring, and managing customer-based brand equity. Journal of Marketing, 57, 1-22. Retrieved August 17, 2006 from ProQuest ABI/INFORM Global.

Landler, M. (2000, September 29). Sponsors guard their investments at Olympics. NewYork Times. Retrieved March 20, 2006 from ProQuest ABI/INFORM Global.

Lloyd, S. (2005, May 5-11). Heroes rise again. BRW, p. 40-41.

Long, D. (2005, February 25). Mobile saturation: a price war. BRW, p. 7.

McDaniel, S. T. (1999). An investigation of match-up effects in sport sponsorship advertising: The implications of consumer advertising schemas. Psychology & Marketing, 16(2), 163-185. Retrieved August 10, 2006 from ProQuest ABI/INFORM Global.

Meegan, T. (1994). Ambush marketing, immoral or imaginative practice? Journal of Advertising research, September, 77-88. Retrieved August 15, 2006 from ProQuest ABI/INFORM Global.

Miyazaki, A. D., & Morgan, A. G. (2001). Assessing market value of event sponsoring: Corporate Olympic sponsorship. Journal of Advertising Research, 41(1), 9-15. Retrieved September 5, 2006 from ProQuest ABI/INFORM Global.

Moullakis, J., & Boyd, T. (2006, February 20). Telstra's secret plan for a cutback in pay phones. The Australian Financial Review, p. 14.

Optus. (2006). Financial highlights. http//www.optus.com.au/dafiles/OCA/AboutOptus/ MediaCentre/SharedStaticFiles/SharedDocuments/1stqtr0607-MDA.pdf (accessed September 1, 2006).

Patterson, N. (2006, May 5). Consumer trust in big business slumps. B&T, p.3.

Qantas (2006). Spirit of Sport. http://www.qantas.com.au/info/about/community/sport (accessed October 1, 2006).

Quinlivan, B. (2006 March 16-22). Stadium wars. BRW, p. 42-45.

Roy, D. (2005). An examination of the influence of perceived brand-event congruence on consumer responses to event sponsorships. Ph.D. dissertation, University of Memphis. Retrieved August 15, 2006 from ProQuest ABI/INFORM Global.

Rubinson, J.R., & Pfeiffer, M. (2005). Brand key performance indicators as a force for brand equity management. Journal of Advertising Research, June. Retrieved August 15, 2006 from ProQuest ABI/INFORM Global.

Shimp, T. A. (2003). Advertising, promotion, and supplemental aspects of integrated marketing communications (6th ed.). Ohio: Dryden.

Sleigh, S. (1989). Sponsorship: What it is and how to use it. London: McGraw-Hill.

Shoebridge, N. (2006, February 27). Admen answer Telstra's call as one. The Australian Financial Review, p. 18.

Shaw, S. (2005 March 25). BDA Sydney scores NZ rugby ads. AdNews, p.7.

Starr, M. K., & Rubinson, J. R. (1978). A loyalty group segmentation model for brand purchasing simulation. Journal of Marketing Research, August. Retrieved August 19, 2006 from ProQuest ABI/INFORM Global.

Swift, H. (2003, February 23). Research and marketers: Target event audiences. M2 Presswire. Retrieved August 20, 2006 from ProQuest ABI/INFORM Global.

Turco, D. (1996). The effect of courtside advertising on product recognition and attitude change. Sport Marketing Quarterly, 5(3), 35-37. Retrieved August 19, 2006 from ProQuest ABI/INFORM Global.

Telstra, 2006. Telstra Corporation Limited and controlled entities: Results and operations review year ended 30 June 2006. http://www.telstra.com.au/abouttelstra/investor/docs/fin_highlights.pdf (accessed September 1, 2006).

Washington, S. (2006 February 23-March 1). Carriers fight to survive. BRW, p. 53-54.