

Submission to

The Advertising Standards Authority

**Review of the Code for Advertising to Children and
Children's Code for Advertising Food**

From

The New Zealand Sponsorship Association

April 2016

1 Introduction

The New Zealand Sponsorship association (NZSA) is a trade body representing major brand sponsors across a variety of industries. NZSA is aligned with and supports the objectives and principles of the European Sponsorship (ESA), the peak global organisation on sponsorship.

Sport, music and cultural events in New Zealand make a significant contribution to the country's vibrant and diverse culture as well as having important economic and social impact. Commercial funding of these activities also provides essential support enabling investment in grassroots programmes and community activities nationwide. NZSA believes that brand sponsorship of such events is an important contributor to the diversity of these activities throughout the country.

NZSA seeks to unify, strengthen and advance the business of sponsorship by building understanding, value and demand for sponsorship. Aligning with ESA, our mission is to:

- Set standards, identifying and promoting responsible best practice and self-regulation
- Advance sponsorship competencies, practice and knowledge
- Promote the importance, value and ethics of sponsorship
- Act as an advocate on key policy issues regarding sponsorship
- Encourage the role of sponsorship to make a contribution to society

2 Interest in the ASA Review

NZSA is submitting specifically on Q9 of the Code Review consultation – *Do you support or oppose a specific guideline on sponsorship?* - and considers how a guideline, within the ASA Code might benefit the community, together with the impact unreasonable restrictions on sponsorship could be expected to generate

We do so having endorsed, to the Ministerial Forum on Alcohol Advertising and Sponsorship, the principle of guidelines for alcohol sponsorship to be included within the *ASA Code for Advertising and Promotion of Alcohol*.

3. The Role of Sponsorship

Sponsorship, like advertising, is an important avenue for both brand promotion and brand differentiation. Sponsorship has seen a significant increase in importance relative to other marketing techniques around the world in the last two decades or so for all manner of marketers – food and beverage companies, telecommunications and automotive brands for example.

Sponsorship is used by a wide range of entities to build brand awareness and to foster a positive relationship between people and the organisation. In that respect it build brand image rather than generating short-term sales.

The development of sponsorship as a marketing mechanism has been a consequence of a number of factors – the maturing of categories in many developed countries for example and changes in media; in particular how the public have moved from traditional media channels to new media platforms, making traditional advertising less effective.

At the same time there has been increased recognition of the symbiotic economic benefit to sponsored organisations from relevant brand association as the mechanics of sponsorship are better understood by all types of organisations from the local sports or surf club to the Olympic movement.

While sponsorship forms part of companies' corporate social investment programmes, the deployed capital must nonetheless carry realistic prospective returns to justify the sponsor's involvement, as sponsorship decisions are increasingly being targeted at a strategic level within companies' marketing functions.

The food industry is no different to other commercial sponsors, in that brands seek to translate their sponsorship investment into economic return through growth in brand awareness, brand preference and ultimately market share.

NZSA accepts that because of the vulnerability, innocence and susceptibility of children, it is appropriate that there are reasonable controls governing the advertising of products like food through the ASA self-regulatory system. However, firms in the food sector should not be unreasonably singled out for particular attention for building relationships though sponsorship designed to raise brand awareness. It is a business activity well used by other sectors – banking and automotive for example – and the commercial environment should be a level playing field.

4. Sponsorship and the Community

Sport, music, community and cultural events in New Zealand make a significant contribution to the country's vibrant and diverse culture as well as having important economic and social impact. Sponsorship of such events is an important contributor to the diversity of activity throughout the country, and the food and beverage sector industry is a contributor to that, with events as diverse as Coca-Cola "Christmas in the Park" to support for school gala days and fund-raising.

Commercial funding also delivers essential support allowing investment in grassroots programmes nationwide.

Sponsorship is for many organisations, sporting and community, vital for their ongoing viability and enabling growth of those organisations that may not otherwise be realised. There are typically two primary forms of sponsorship:

- Event sponsorship, where a specific event or series is sponsored. An example would be the Weet-bix Tryathlon series, now held over 18 events nationally and for which more than 200,000 participants have been recognised over many years.
- Organisation sponsorship, where an annual amount is paid to an organisation usually for general purpose. Organisation sponsorships are usually associated with sports. The sport uses the elite teams to attract the sponsorship, but the funds are primarily used to develop the sport at the grassroots level. An example would be New Zealand Rugby's former partnership with Powerade.

Sponsorship is generally crucial for events. Without the sponsorship the event would not occur or would be in a much smaller form. Sponsorship of sporting events has enabled events to take place that would otherwise be unaffordable in this country at both the national or regional level.

At the same time, clubs provide an important focus in the community and perform valuable social services in the form of community pride and community activity. They are a large contributor to the creation of social capital. At the community level it is recognised that clubs receive significant benefit from sponsorship, which is used to encourage maximum participation in the sport and cultural activities throughout the country.

There is a third form of sponsorship, specific to the food and beverage sector, and that is contribution to the school sector. A number of companies have partnerships with schools, which can cover a wide range of activities, sporting and educational.

Particularly important however is industry's contribution to student nutrition. For example Fonterra and Sanitarium both contribute significantly to the Ministry of Social Development's KickStart Breakfast programme whereby thousands of students experience the power of a nutritious breakfast to provide both strength and energy for maximum learning at school. While sponsorship may be perceived as negative, KickStart is an excellent example of considering corporate sponsorship holistically.

The general consensus is that the sponsorship market in this country is tough, small and competitive. Brand owners are approached for sponsorship almost daily and there is a significant gap between what the private sector is asked for support through corporate sponsorship and what it is able to provide.

If sponsorship was unreasonably restricted, there would be extreme difficulty and in most cases impossibility of replacing that funding with the same value sponsorship from elsewhere. This would lead directly to a reduction in community events and assets. The social, economic and cultural capital of New Zealand communities would be eroded.

It is also important to remember that sponsorship provides a legitimate means of targeting adult consumers to encourage the choice of one brand over another in a competitive, mature market. That is as legitimate in the food and beverage sector as in any other category.

5 Evidence of Harm

The argument is made by some that obesity, and particular childhood obesity is driven by marketing activity. There is no compelling evidence that demonstrates a significant causal link between food and beverage sponsorship and community harm.

Rather the Review Panel should recognise that childhood obesity is multi-faceted. Amongst the potential influences on obesity, sponsorship is a minor variable. We make that statement on the basis of the findings from the UK Government commissioned Foresight Report (2007), recognised internationally as the pre-eminent review of the factors leading to obesity. This report identified no less than 106 variables influencing obesity in the community.

Yes, marketing, including sponsorship, has played its part, and industry recognises and is responding to that. But sponsorship is a very small part of a very complex network of influencing factors. It should not then be unreasonably restricted.

5 Self-Regulation of Sponsorship

The food industry is committed to promoting its products in a socially responsible manner. Responsible self-regulation of brand sponsorship is commonplace at all levels and amongst all sectors of the industry. Organisations and events typically go out of their way to demonstrate a high level of responsibility.

NZSA submits that it is now widely understood and accepted by both rights holders and sponsors in New Zealand that both have an obligation to promote responsible attitudes toward food consumption and those bodies are typically responsible in the handling of this issue, as they are in other countries (European Sponsorship Association, 2009). This should not be a surprise since the major producers in New Zealand are part of international companies who are intent on applying publically declared standards for responsible advertising and sponsorship.

The ASA has specifically addressed sponsorship in one of its Codes - *the Code for Advertising and Promotion of Alcohol* which could provide some precedent for food and beverages sponsorship with appeal to children. However, it is always useful to test the ASA Codes of Practice in New Zealand with international best practice.

We turn the Panel's attention to the Australian (AANA) Code for Advertising and Marketing Communication to Children which refers to marketing rather than advertising, and seeks to identify what is excluded from the definition rather than, as in the ASA Code, what is included:

In this Code, unless the context otherwise requires, Advertising or Marketing Communications means:

any material which is published or broadcast using any Medium or any activity which is undertaken by, or on behalf of an advertiser or marketer,

- *over which the advertiser or marketer has a reasonable degree of control, and*
- *that draws the attention of the public in a manner calculated to promote or oppose directly or indirectly a product, service, person, organisation or line of conduct,*

Under the AANA Code:

Advertising or Marketing Communications to Children means Advertising or Marketing Communications which, having regard to the theme, visuals and language used, are directed primarily to Children and are for Product.

By referring to 'Advertising or Marketing Communications', and being specific as to what is excluded, rather than attempting to identify what is included in the definition of advertising, the AANA Code provides greater clarity as to the breadth of the code and enables the complaints board to better interpret complaints.

In NZSA's view this definition does include, by not specifically excluding, sponsorship. We suggest that the Panel considers adoption of a similar definition, which would therefore include sponsorship.

6 International Sponsorship

While we understand the Review Panel's interest in sponsorship is whether this genre of marketing should be included within a new Code for Children, we cannot overlook the fact that a number of calls have been made by public health advocates for a ban on sponsorship by food and beverage products, particularly so-called "unhealthy" products. It is appropriate to respond to those suggestions.

Firstly, the Panel should note that restrictions on sponsorship in New Zealand would not eliminate sponsorship of sport by food and beverage brands. In fact any restriction creates a number of anomalies.

A cursory look at international sports events broadcast into New Zealand shows a number of commercial partnerships that would continue to be visible on broadcast, online and in print coverage of such events, despite any local restriction on sponsorship. The following list is intended to be illustrative rather than complete:

- Olympics – McDonalds and Coca-Cola
- FIFA World Cup – Coca-Cola and McDonalds
- ICC Cricket World Cup - PepsiCo
- Australian T20 Cricket – KFC Big Bash League
- IRB Rugby World Cup – Coca-Cola
- Rugby League World Cup – Gatorade
- NRL Rugby League – KFC
- Formula 1 – Red Bull
- Australian V8 Supercars – Monster, Red Bull
- NASCAR – M&Ms and Burger King
- NFL / NBA / NHL - Gatorade
- UEFA Champions League – PepsiCo

Where international events include New Zealand-based events, such as the V8 Supercars round at Pukekohe, a ban on advertising and promotion of these team sponsors at the New Zealand event would place that event in jeopardy. Alternatively, if the sponsors were given dispensation to show their livery in New Zealand at that event, this would provide a significant marketing advantage to those brands over local brands and would encourage New Zealand brands to invest into Australian-based events to maintain a sponsorship presence.

NZSA submits that any Code guidelines must not create an artificial market in favour of international sponsorship.

7 Economic Impact of a Ban on Food & Beverage Sponsorship

Successful involvement in sponsorship shows that a company and its brand are part of a wide beneficial involvement in society, of which the consumer is a participating member. The food industry's sponsorship of sport, culture and events is therefore a direct function of the potential returns to deployed capital and marketing effort. The impact to individual sponsored organisations is best made by those organisations to the Forum; nonetheless NZSA makes the following observations:

The most comprehensive review of the economic impact of sponsorship bans has been made by Econometrix (2013). They note that when considering a possible ban on sports sponsorship, there will be an impact not simply on the sports bodies themselves, but on the sportsmen and women, on sport development, on stadium owners, and on the general public who might not be able to view sports on broadcast media (as broadcasters will not be able to raise the sponsorship required).

Banning sponsorship would be a high-risk recommendation in that it would see the diminution of clubs and events, and the scale of their activities and therefore the services they provide to the community. This would result in the erosion of social capital and the consequential social consequences that brings.

If food and beverage sponsorship of sport was banned, the likelihood is that sports organisations would maintain their elite teams, but cut back on the services to the grassroots and long term development of the sport. If a company sponsors a major sports team, a certain portion of the money is also allocated to development and filters through to the grassroots sports level.

The potential loss of sponsorship funds could therefore impact adversely on domestic sports development structures and objectives. This could have a negative impact on the performance of national sports teams in the longer run. Poor sporting performance at the national level could detract other corporate sports sponsorship. The pressure on development programmes (if sponsorships are banned) will compromise transformation efforts in sports. In the longer term the quality of the elite teams would erode making them less internationally competitive.

A further risk from a potential sponsorship ban on domestic sports development is likely to be concentrated on peripheral sporting codes benefiting from sponsorship. While these may not carry the financial clout of the major sporting codes, given the relatively lower inherent return on such sponsorship investment, there is a risk of total collapse in the structures within these peripheral sporting codes. Equally larger codes will target sponsors of 2nd and 3rd tier codes to replace sponsorship lost as a result of a ban.

By way of example, we can look to New Zealand experience with tobacco sponsorship. While NZSA does not represent any tobacco companies, nonetheless we can look to the experience of sponsored organisations when tobacco sponsorship was banned. Initially any existing tobacco sponsorship was replaced by sponsorship from Smokefree for a period of three years, to allow organisations the opportunity to transition to alternative funding sources. The reality is that many were not successful or not successful to the level previously enjoyed.

Peripheral sporting codes supported by the food industry are likely to endure similar financial distress and sustainability risks if the potential ban on alcohol advertising, which will bring with it a loss in sponsorship funding, is implemented.

Large companies are already daily receiving and rejecting applications for sponsorship from national, regional and local teams, associations and events. At the same time available funding from gaming trusts is reducing, creating a bleak picture for many sports and community events.

NZSA therefore reminds the Panel that any suggestion to ban sponsorship by food and beverage brands in New Zealand would be without logic and commercially unreasonable.

New Zealand Sponsorship Association

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