An estimation of the value of alcohol sponsorship in sport 2023

NZIER report to Sport New Zealand

May 2023

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NZIER was established in 1958.

Authorship

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Key points

- The estimated value of alcohol sponsorship in sports is $10–$12 million per annum.
- Alcohol sponsorship accounts for 5%–6% of all sponsorship revenue received by sports organisations.
- The distribution between national, regional and local organisations is 45%, 5% and 50%, respectively.
- Sponsorship is typically associated with the organisations themselves rather than specific teams or events.
- The sponsorship arrangements often combine integrated cash and in-kind sponsorship through the provision of product.
- Pourage rights typically co-exist with sponsorship but are commercially independent agreements between distributors and sporting organisations at all levels.
- More than half of the surveyed organisations with alcohol sponsorship did not anticipate a significant change in sponsorship in the coming years, with evidence that the amount of alcohol sponsorship of sport has decreased in recent years.
- The method we employed utilised data from an NZIER survey, individual organisations' financial reports and estimates from alcohol industry sponsors.
- Study limitations relate to the extent of the format, comparability and commercial confidentiality requirements.

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1 Executive summary

We estimate current alcohol sponsorship expenditure in New Zealand sport to be between $10–$12 million per annum. Alcohol sponsorship accounts for approximately 5%–6% of sport sponsorship revenue, with about half of this received at the local level.

As with previous estimates, our estimates below these 'top-line' figures are limited due to respondent participation rates, post-COVID-19 pandemic uncertainty in behaviour, participation, attendance and spending and the commercially sensitive nature of agreements between sponsors and recipients.

Unlike previous studies, we have taken both a qualitative and quantitative approach that has involved research with both sponsors and recipient sports organisations.

2 Background

Advertising and sponsorship restrictions are a policy instrument deployed in public health policies intended to reduce product exposure and consumption. A Bill to restrict alcohol advertising for sporting organisations was recently presented in Parliament, and although it failed on the first reading, it has put alcohol sponsorship in the public spotlight. Sport New Zealand has requested research to better estimate the extent of alcohol sponsorship in sport, given that any policy or regulatory changes could affect the sustainability of sport and recreation activity.

This work is important because there are multiple objectives in play:

- Public health – harm reduction and disease prevention
- Sport and recreation – individual wellbeing and participation
- Sport and recreation – aspects of national identity and social cohesion
- Economic development – sport and recreation as commercial activity.

These objectives all come into consideration when assessing policy options related to alcohol sponsorship.

This study builds on a 2015 estimate from PS… Services commissioned by Sport New Zealand and a 2006 investigation into alcohol sponsorship in New Zealand conducted by the Foundation for Advertising Research. These reports provide high-level estimates of the total amount of alcohol sponsorship in New Zealand sport and the relative proportion of revenue compared to arts and community events. The 2006 estimate was $20 million, and the 2015 estimate was $21 million. The 2006 paper took a much broader approach to the scope of what sports organisations and events were covered which leads to comparative overestimation. We employed a similar methodology to the 2015 paper but found a far smaller average value of alcohol sponsorship for clubs relative to their estimations which explains the significant difference in the total figure. It should also be noted that conversations with both the industry and national sporting organisations indicate the value of alcohol sponsorship has decreased over time.

Robust quantification of sport and recreation sponsorship is affected by data limitations. To improve the accuracy of our estimates, we have aimed for a quadrangulation of data from:

- a survey of sports bodies
- interviews with national sporting organisations
- review of selected sporting organisations' financial reports and information
- discussions with the alcohol industry.

Sporting organisations offer public health benefits, build social capital and provide employment. Most rely on limited funds and voluntary service to operate. As a result, if there is a material change in how organisations can source this scarce funding, there needs to be an appreciation of its consequences. We are confident that our approach provides an accurate high-level estimate of the overall level of alcohol sponsorship in sport.

2.1 Key definitions

The key definitions for this research define the scope. Within this research, sports sponsorship includes sponsorship for all sport, activity and recreation organisations and events. Sport New Zealand's *Find a Sport or Recreation Directory*[1] is a useful prompt for national and regional organisations but does not include clubs, franchises or events.

The 2006 Alcohol Sponsorship in New Zealand study and the Sale and Supply of Alcohol (Harm Minimisation) Amendment Bill characterised sponsorship to both organisations and events as:

"….money paid or goods supplied by the sponsor to the recipient. In return the recipient acknowledges the sponsorship in various ways such as naming rights, signage, uniform badges, free seats, etc. The literature review refers to the definition of Meenaghan (Page 34) of "the provision of assistance either financial or in-kind to an activity by a commercial organisation for the purpose of achieving commercial objectives". In the wider sense commercial arrangements are entered into for the exclusive rights to sell a product at a venue."

The Sale and Supply of Alcohol (Harm Minimisation) Amendment Bill defines alcohol sponsorship as:

"alcohol product advertisement means any words, whether written, printed, or spoken, including on film, video recording, or other medium, broadcast or telecast, and any pictorial representation, design, or device, used to encourage the use or notify the availability or promote the sale of any alcohol product or to promote the consumption of alcohol."

As prior studies have done, this analysis does not define bar takings or pourage rights as part of alcohol sponsorship in sport. These are commercial arrangements that are struck irrespective of sponsorship.

The sponsorship data used throughout this report relates to the most contemporary financial years available. Major domestic events are covered in this research, but due to the increased variability caused by COVID-19, the frequency of events has been irregular in recent times. In noting, from our analysis, this does not have a substantive impact on the accuracy of the estimates made.

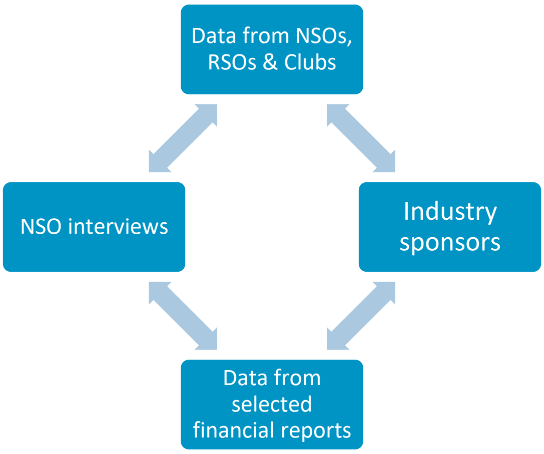
1 https://sportnz.org.nz/find-a-sport-or-recreation-activity/

The COVID-19 pandemic resulted in economic and social changes. Some of these are permanent, some have returned to normal, and some remain uncertain. Therefore it remains important to keep an eye on the dynamics surrounding the financial sustainability of a flourishing sport and recreation sector.

3 Our approach

The first aspect of our quadrangulation of data comes from a survey which captured quantitative and qualitative information on the funding of sport in New Zealand. This survey was sent out to all national, regional and local sporting and recreation organisations partnered with Sport New Zealand. Responses predominantly came from smaller National Sports Organisations (NSOs), Regional Sports Organisations (RSOs) and clubs, with a few exceptions. Each respondent provides identifying information on the organisation name, type, sporting code and region, allowing for more detailed aggregation and estimates.

Figure 1 Data sources for the estimation of alcohol sponsorship in sport



Source: NZIER

NZIER surveyed sporting organisations to capture how much, in what form, and from which sources alcohol sponsorship comes. Since these figures are of commercial interest, they are aggregated by organisation type to maintain anonymity. The organisation types covered in this research are:

- NSOs
- RSOs
- Regional Sports Trusts (RSTs)
- clubs
- sports franchises
- sports events.

The surveying approach functions well for smaller organisations whose funding streams are like the average organisation of that type. However, when dealing with the major NSOs, aggregating their data with the survey responses would greatly underestimate their impact. To circumvent this issue, NZIER directly interviewed the largest NSOs to gauge whether and how much alcohol sponsorship they receive.[2]

Supplementing this information, we utilised revenue data from applications for relief funding for COVID-19. This gave a broader picture of how sport is funded in New Zealand, particularly at the local level.

The final component of our quadrangulation approach was to interview alcohol industry firms and industry bodies. This allows for a top-down perspective of the revenue flows and a proximate understanding of the impact franchises – which were not captured in the survey – have on sponsorship revenue estimates. These figures are used as a 'ceiling' for the surrounding results.

Using the estimated upper bound of alcohol sponsorship and our understanding of what the data does not cover, we can approximate where the remaining revenue may lie. These gaps in the data set are most likely found in the availability of information on events and franchises.

We have not sought to differentiate that portion of the sponsorship that is associated with 'televised activity'. Understanding exposure to alcohol advertising is a separate research question and one that has been influenced by changes in both sponsorship and broadcasting practices since the 2015 report.

Our methodology is detailed further in Appendix A.

[2] These NSOs include New Zealand Cricket, New Zealand Rugby, Netball New Zealand, Basketball New Zealand, Hockey New Zealand, Golf New Zealand, Tennis New Zealand, New Zealand Football and New Zealand Rugby League.

4 Limitations

Our methodology aims to provide a robust estimate while recognising limitations. The limitations of these estimates are largely bound to the quality and access of the data. To mitigate the concerns, NZIER has combined a bottom-up and top-down approach to the data collection process. The first approach utilised surveying and financial reports from the less prominent organisations and scaling up based on the relative proportions of our sample. The second approach employed high-level data from key industry members to provide a ceiling to our estimates.

Previous reports have provided breakdowns that we consider in the present context to have high bounds of uncertainty resulting from data availability, confidentiality and consequences of COVID-19.

Surveying tool

Using surveying as a data collection tool has various limitations. The responses do not have detailed validity checks, so there may be inaccuracies, particularly in the club responses, due to the lack of resources available to conduct a thorough check of revenue.

Another concern when using a survey as the data collection tool is non-response bias. NZIER limited this by ensuring the questions addressed the issue precisely, and the survey was released alongside Sport New Zealand's general communication with the organisations. Furthermore, the questions concerning alcohol sponsorship were nested in a broader survey of revenue to not discourage respondents with no alcohol affiliations from responding.

Sample and response rate

Our survey was sent to all Sport New Zealand member and provided we assume that this covers all sporting and recreational organisations in New Zealand and that our survey reached each of these members, we obtain the following results.[3] The overall response rate is 1.2%; this is heavily dampened by the number of clubs that did not respond. Broken down by organisation type, we observe in Table 1.

Table 1 Survey response rate

Organisation type	Survey responses	Estimated New Zealand's total observations	Response rate (%)
NSO	33	100	33.0
RSO	38	900	4.2
RST	5	14	35.7
Club	17	7500	0.2

Source: NZIER

When expanding our sample to cover all surveyed members, organisations analysed through the COVID-19 relief fund and organisations analysed through public financial

3 It is recognised that this is evidently not the case, but we assume that our survey reached the organisations that compose the vast majority of funding and alcohol sponsorship.

reports, our coverage rate increases to 2.9%. These percentages are broken down by organisation type in Table 2. Since the variability of revenue at the club level is minimal, the low response rate is not of great concern; the scaling process detailed in Appendix A will capture the expected total alcohol sponsorship revenue of clubs.

Table 2 Combined response rate from all data sources

Organisation type	Observations	New Zealand's total observations	Response rate (%)
NSO	40	100	40.0
RSO	42	900	4.7
RST	5	14	35.7
Club	121	7500	1.6
Sport franchise	4	n/a	n/a
Sports event	1	n/a	n/a
Other[1]	35	n/a	n/a
Total	**248**	**8514**	**2.9**

1 All remaining sporting, recreation and activity organisations.

Source: NZIER

Confidentiality of trade information

Due to the particular concentration of funding in New Zealand sport and the small number of alcohol industry sponsors, it can be relatively simple to identify how much and who is contributing if unaggregated figures were released in the public domain.

Consequently, undertakings to preserve confidentiality have been given to receive the necessary information and protect sponsors and recipients. This means breakdowns of alcohol sponsorship by region, sporting code and alcohol type cannot be included in this report.

5 High-level estimates

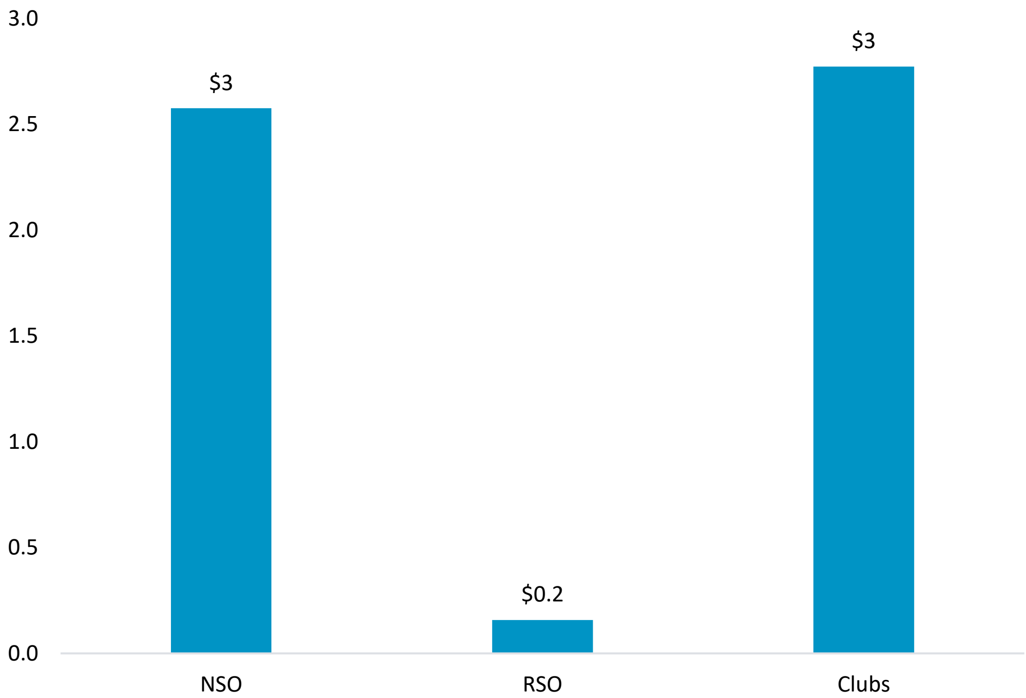
Through the quadrangulation of data from NZIER's survey, interviews of NSOs, financial reports and information from the alcohol industry, we estimate alcohol sponsorship to be $10–$12 million of total funding in New Zealand sport. This reflects 5%–6% of the approximately $190–$200 million total revenue for all sponsorship in sport. This total sponsorship figure is estimated through the same methodology used to determine the value of alcohol sponsorship.

The minor amount of revenue derived from alcohol sponsorship is in accordance with the qualitative evidence from major alcohol manufacturers and NSOs we gained through the interviewing process. When combining the perception of alcohol sponsorship in sport from prominent members with the estimates made in the past two decades, we are observing a steady decline in alcohol sponsorship revenue.

Through discussions with the alcohol industry members and NSOs it has been indicated that there is approximately $10-$12 million of annual alcohol sponsorship in New Zealand sport and recreation. Our complete dataset captures approximately $6 million of the funding split between organisation types, as shown in Figure 2. This suggests the amount of alcohol sponsorship funding from organisations not captured in our research is $4–$6 million. A reasonable assumption is that these organisations are predominantly franchises and events throughout New Zealand.

Figure 2 Estimated value distributions by organisation type

NZD$ millions



Source: NZIER, Aktive

Aggregated by organisation type, Table 3 shows the composition of the alcohol sponsorship market in New Zealand sport and recreation. The alcohol sponsorship market for sport in New Zealand is dominated by funding received by NSOs and clubs. Notably, in our interviewing process, it was found that many of the large NSOs do not have any alcohol sponsorship and the RSOs in the same sports also do not have alcohol sponsorship.

Table 3 Alcohol sponsorship revenue composition

By organisation type

Organisation type	Alcohol sponsorship revenue ($)	Market share (%)
NSO	2,600,000	45
RSO	200,000	5
Club	2,800,000	50

Source: NZIER

As expected, the average NSO receives significantly more revenue from alcohol sponsorship compared to RSOs and clubs. This comes from their capacity to attract sponsors and work at scale. Despite a low average revenue, the substantial number of clubs in New Zealand result in a relatively large total revenue contribution. Since few RSOs have alcohol sponsorship, they make up a small portion of the market.

Table 4 Mean sponsorship revenue

By organisation type

Organisation type	Mean sponsorship revenue ($)	Mean alcohol sponsorship revenue ($)
NSO	150,000	12,850[1]
RSO	25,000	2,200
Club	15,000	2,500

2 This mean is calculated without including the observation of the major NSOs to better reflect the average NSO.

Source: NZIER

5.1 Share of alcohol sponsorship compared to other types of sponsorship and funding

From our survey, total sponsorship revenue in New Zealand sport is comprised of 5% alcohol, 5% fast food and 90% by other sponsors. Comparing alcohol sponsorship to other forms of funding received by sporting organisations also shows alcohol sponsorship is a relatively small contributor of funding. For example, the Department of Internal Affairs report that in 2021, sporting organisations received $144m in class 4 gaming proceeds. Rugby and football alone received $17m and $14m in class 4 gaming proceeds, more than the total amount of alcohol sponsorship received by all sporting organisations. It is important to note that any potential change in alcohol sponsorship may have unintended consequences for other public health objectives as sporting organisations look to replace lost revenue.

5.2 What alcohol sponsorship revenue is used for?

The survey responses and information detailed from industry members suggest that the revenue from alcohol sponsorship comes in the form of cash-in-hand and products in kind. More than half the survey respondents stated that alcohol sponsorship comes in more than one form, and this revenue is typically spent on the organisation itself and event facilities.

In return, sponsorship organisations tend to receive advertising rights and hospitality benefits. Furthermore, approximately 30% of organisations that receive alcohol sponsorship also have alcohol-branded equipment.

5.3 Trends of alcohol sponsorship

The majority of respondents believe that there will be no significant change in alcohol sponsorship in the coming years. Of those that did expect to see changes, slightly more expect alcohol sponsorship to decrease in the future than expect it to increase.

This trend can be seen from publicly available information with many NSOs that have previously had alcohol sponsorship, such as New Zealand Rugby League, not having alcohol sponsorship or alcohol sponsors having a less prominent position compared to other sponsors of a sport. New Zealand Rugby is an example of this.

6 Insights and implications

There are extensive economic, social and health benefits to the prosperity of sport and recreation in New Zealand. Consequently, understanding the current funding position and financial sustainability of local, regional and national organisations is crucial.

Future policy decisions concerning the funding of sport in New Zealand will need to consider the distributional implications of where the costs and benefits fall, given that this research only provides 'top-line' estimates. From our research, the organisations that will be most affected are local clubs. They are the most likely to have some form of alcohol sponsorship, and alcohol sponsorship contributes the most to total sponsorship revenue compared to NSOs and RSOs.

A policy shift in which sporting organisations could not receive funding from alcohol sponsorship would disproportionately impact local-level sport. NSOs have the diversity of revenue, market attraction and remaining funds to transition into alternative forms of sponsorship without seriously affecting their activity. Clubs tend to operate with limited revenue, spreading their resources thinly and relying on community volunteering to make ends meet. By cutting a relatively large proportion of local funding, the financial sustainability of some community-led sport could be jeopardised.

Relative to funds that New Zealand sport receives from Class 4 gaming, alcohol sponsorship in sport appears even less significant. The government could support sporting organisations to address unintended consequences of any future changes in access to alcohol sponsorship funding.

It is important to note that attitudes towards alcohol consumption are shifting in New Zealand as evidenced by the growth in sales of low- and non-alcoholic beer (Stats NZ 2023).

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Appendix A Methodology

A.1 The numbers

There are approximately 100 NSOs, 900 RSOs, 14 RSTs and 7500 clubs according to Sport New Zealand. These figures form the basis of our relative proportions throughout the estimations. Our entire dataset – covering the survey, COVID-19 relief fund respondents and public financial information – is comprised of 40 NSOs, 42 RSOs, 5 RSTs, 121 clubs and 40 active recreation groups defined as 'other' that make up an extremely minor amount of total funding and sponsorship.

Table 5 details the number and proportion of the organisations in the dataset that receive sponsorship and the expected number once expanded to the total 'real' numbers stated above. These proportions are applied to the number of survey respondents that stated they received any alcohol sponsorship to provide the expected number of organisations throughout New Zealand that receive alcohol sponsorship (see Table 6). Once aggregated by organisation type, these figures are multiplied by the mean value of alcohol sponsorship – calculated from the survey responses – to reach a broad estimate of the total value and composition of alcohol sponsorship in New Zealand.

Table 5 Organisations with sponsorships

Organisation type	Percentage with sponsorship (%)	New Zealand total	Expected observations with sponsorship
NSO	57.5	100	58
RSO	61.9	900	557
RST	100	14	14
Club	50.4	7500	3781

Source: NZIER, Aktive

Table 6 Organisations with alcohol sponsorship

Organisation type	Percentage of organisations with sponsorship who have alcohol sponsorship (%)	New Zealand total	Expected observations with alcohol sponsorship
NSO	9.0	100	5
RSO	5.3	900	29
RST	0	14	0
Club	29.4	7500	1112

Source: NZIER, Aktive

This methodology was not applied to the NSOs of prominent sporting codes as this would significantly underestimate the funding contribution of particular organisations. Direct contact was made with these organisations[4] to determine whether they received alcohol sponsorship and estimate the amount of revenue if so.

[4] The NSOs directly contacted were: New Zealand Rugby, Netball New Zealand, Basketball New Zealand, Hockey New Zealand, Golf New Zealand, Tennis New Zealand, New Zealand Football and New Zealand Rugby League.