The Impact of Sport Sponsorship on Brand Equity

The Analysis of Red Bull GmbH

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Abstract

Recently, traditional marketing communication elements are faced with challenges of reaching increasingly fragmented consumer markets. The companies are forced to find new communication ways due to the highly cluttered market environment. Consequently, corporate sponsorship of sports has become an increasingly popular and one of the fastest growing marketing communication tools which bypasses media clutter and provides the environment where a brand can differentiate itself from the others. Red Bull sponsors various kinds of sport and athletes and through the years became the representative brand of ‘extreme sports culture’ social identity. Therefore, the paper focuses on the Red Bull sport sponsorship and strives to investigate its possible effects and reveal its impact on different aspects of brand equity. Throughout the paper several theories within the fields of cognitive and behavioural learning are applied. First part of the analysis investigates sponsorship through the spectrum of cognitive learning mechanisms whereas second part explores Red Bull’s sponsorship from the behavioural perspective. Achieved findings identify seven specific effects concerning company’s sponsorship. Furthermore, several researches within the field of brand equity assist to relate sponsorship effects to the different elements of brand equity. During the analysis David A. Aaker’s proposed brand equity model is used in order to underline different elements of brand equity. The obtained results indicate that Red Bull implemented sponsorship generates several positive outcomes which in turn influence all aspects of company’s brand equity. Therefore, Red Bull’s sponsorship could be seen as a proper marketing communication tool in order to achieve company’s objectives.

Keywords: sponsorship, brand equity, sports, extreme sports, Red Bull
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1. Introduction

In recent times traditional marketing communication elements such as advertising and sales promotion are faced with challenges of reaching progressively fragmented consumer markets and cutting through an overload of messages aimed at consumers. For this reason, sponsorship as promotional tool, has become increasingly popular marketing communication vehicle. The expenditures for sponsorship in the past decade have grown at rates faster than expenditures for mass media advertising and sales promotion (Cornwell and Roy, 2003). Linking the brand with an event via sponsorship enables companies to reach consumers’ interest and attention by associating with the events that hold great importance to them. Sponsorship bypasses media clutter and provides an environment where a brand can reach and communicate with the right target audience and differentiate itself from the other brands. The International Events Group (thereafter IEG) (2012), the leading source of information for the sponsorship industry, has defined sponsorship as:

“A cash and/or in-kind fee paid to a property (typically a sports, entertainment, non-profit event or organization) in return for access to the exploitable commercial potential associated with that property”.

What is more, IEG’s report states that corporate spending on sponsorship worldwide grew by 5.1% and reached $48.6 billion in 2011. The global sponsorship sector is expected to grow by 4.9% to $51 billion in 2012.¹ According to IEG, corporate sponsorship of sports is the most popular event type which accounted for 68% of all sponsorship money invested in sporting events in 2011.² While the interest has been rather waning for professional sports in recent years, one area experiencing rapid growth is action sports. Action sports are fueled by a passion for risk taking and include skateboarding, snowboarding, rock climbing, mountain and BMX/freestyle bike riding, and venture racing. This niche provides an opportunity for corporations to address hard-to-reach Y generation consumers.³ Even though the sponsorship

³ Generation Y (also known as the Millennial Generation) is born in 1982 and onwards. Generation Y has grown up in a globalized society where many of the limitations of time and space have been overcome by further advances in information and communication technology. In this respect Generation Y is a technological generation that takes computers, emailing, text messaging and the Internet for granted (Savage et al., 2006).
is becoming increasingly usable marketing communication tool to reach market segments, still rather small number of researches has investigated how this practise affects company’s brand (Cornwell et. al., 2001b). Therefore, the paper will explore the potential of sponsorship to influence various aspects of firm’s brand equity.

1.1. Problem Statement

As corporate sponsorship of sports is one of the fastest growing and increasingly applied form of marketing communication it can be seen as a relevant subject to explore. Therefore, the aim of this paper is to investigate sponsorship engaged by Red Bull GmbH and analyse its impact on various aspects of company’s brand equity. Hence, the consumers’ cognitive and behavioural learning mechanisms, such as congruence, mere exposure, identification, meaning transfer, context effect, operant conditioning and vicarious learning theories, interlinked with sponsorship processes, will ground the theoretical framework and will be explored and employed throughout the paper. Furthermore, brand equity’s structure model presented by Aaker (1991) and other relevant brand equity’s elements explored by Kevin L. Keller will assist in the analysis section. In order to thoroughly answer the problem statement, the following question has been outlined to specify the focus of the analysis.

- How do sponsorship practises, employed by Red Bull, affect the company’s brand equity?

1.2. Motivation

The existing literature of sponsorship has several interesting approaches but no major discussion concerning brand equity’s building even though elements of brand equity highly overlaps with the objectives of sponsorship (Cornwell, et al, 2001b). Therefore, the lack of the investigation with a focus on the role that sponsorship plays in building equity for the brand motivates the analysis of this paper. According to Cornwell and Roy (2003) the body of literature has emerged in the last 15 to 20 years that examines corporate sponsorship as a distinct marketing communication vehicle that complements company’s marketing communication platform. Hence, the study area of sponsorship in relation to brand equity is rather unexplored and the investigation of this practise could be seen as relevant and useful. What is more important, Red Bull not just well applies this powerful communication mode,
the company holds the whole brand on sponsorship platform and stands as an example for other businesses, therefore, it is interesting and challenging to analyse this type of marketing communication element in the context of Red Bull company. Furthermore, company sponsors sports in order to reach target audience of young males interested, as well as engaged in these sports, and the fact that the author is the agent of Y generation the involvement within the topic is high.

1.3. Method

The scientific approach of the paper needs to be identified in order to clarify the choice of method used to answer the problem statement. Hence, the hermeneutics will be positioned as a basis of investigation within the paper. In order to answer the problem statement question hermeneutics stands as the most appropriate approach since the aim of the paper method is to analyse various given theoretical views in the interpretative manner. What is more, the thesis will be written within the field of marketing communication. The paper will investigate the concepts of sponsorship and brand equity and will analyse the impact of the prime to the second. Therefore, in order to explore sponsorship applied by Red Bull, several consumers’ cognitive learning theories will be used as the fundamental theoretical framework: mere exposure, congruence, meaning transfer, identification and context effect. Similarly, the paper will consider behavioural learning mechanisms, such as operant conditioning and vicarious learning to explain sponsorship functioning from a behavioural perspective. The aspects of persuasion within the sponsorship will be explored in connection to Elaboration Likelihood Model (ELM). What is more, the concept of brand equity will be explored from few different perspectives. Kevin L. Keller provided useful consumer-based brand equity model (CBBE) which will be discussed in the theoretical framework section. However, the analysis section will be based on the model proposed by David A. Aaker as this model will provide the structure of the brand equity which will facilitate to account for the impact of sponsorship to brand equity. Theoretical framework section will elaborate more on all presented theories and models.

1.4. Delimitation

The paper will follow descriptive research design as it will describe relevant theories and analyse available research findings on the field. Thorough and more sophisticated investigation could be done in future research while for the thesis with such length limitations and specific problem statement descriptive design is satisfactory. Furthermore, the paper will
focus only on corporate sponsorship of sports, which is, according to IEG, the most popular event type. Due to the fact that the whole sport sponsorship area is very broad, this thesis will focus only on the company of Red Bull which engage in sponsorship from the marketing communication perspective. What is more, the paper will concentrate on the mature markets, where Red Bull has already gained its market share and now defends its strong position. Thus, the focus will be on the Western world, particularly Europe and North America. First of all, this choice has been made due to the fact that Red Bull, when entering new markets, mostly concentrates on the marketing elements such as word-of-mouth or ‘buzz marketing’ while the main marketing communication element in mature markets that company uses is sport sponsorship. Moreover, the communication and market conditions differ depending on culture and country, hence analysing trends within various different regions would be too broad having in mind delimitations on space.

1.5. Structure of the paper

The thesis will be structured as follows. There will be six main chapters. After introduction follows chapter 2 which will describe background of the beverage industry as well as Red Bull company. The context is relevant because it might assist in comprehending marketing objectives and sponsorship more in depth. The following chapter 3, theoretical framework, will present the theoretical foundations behind the methodological choices. This is followed by chapter 4, methodology, which will identify the scientific method used within the paper in order to answer problem statement. Chapter 5, the analysis part, will constitute the core of this thesis by answering problem question and presenting results. Finally, chapter 6 will draw conclusions to the thesis.

2. Background information

Red bull was founded by Austrian Dietrich Mateschitz in 1984 and Red Bull energy drink was first sold on the Austrian market in 1987 (Brol, 2011). Company began business with only one product, although recently product line has been extended by creating Red Bull shots, Red Bull sugar-free and Red Bull Cola (McDonald, 2011). While company’s sales were doubling annually in Austria’s market, Red Bull decided to enter foreign markets. In 1989, Red Bull emerged in Singapore followed by Bulgaria (1992), Hungary (1992), Germany

(1994), then Great Britain (1995) and United States (1997). Today Red Bull’s production is sold in 164 countries worldwide and reported total sales of 4.631 billion cans in 2011, which represents an increase of 11.4% compared to 2010. Moreover, even though the financial and global economic climate is rough and uncertain, still company’s plans for investment and growth in 2012 remain ambitious as Red Bull has set a goal to increase revenue by 20% ($6.22 billion) this year. Company’s revenue growth through the last years is reflected in Figure 1.

**Figure 1. Red Bull’s revenues in years 2006-2010**


Source: Bröl (2011). Note: the revenues are expressed in billions of dollars.

What is more, in 2010 Red Bull leaded the market of the energy drinks in United States recording 42.6% of the market share (Heckman, 2010). Comparing with soft drinks industry, in 2010 Red Bull held 0.8% of the market share in United States, while Coca Cola at the same time had 42% and Pepsi Co 29.3% (Figure 2). The number of shares could be perceived as small, however, Red Bull managed to invade into mature and monopolised soft drinks industry within few years and now is the 7th company in soft drinks industry (see Figure 2). Consequently, a question might rise, what lies behind such the success of Red Bull? It could be argued that company had chosen clever product positioning within emerging energy drink market and that assisted to avoid competition with carbonated soft drinks giants Coca Cola, Pepsi Co and well known sports drinks such as Gatorade. Another reason might be the fact that Red Bull was the first mover in a new market and pioneers always get the biggest piece of a pie and it takes time for the competitors to catch up.
Figure 2. Beverage companies shares of carbonated soft drinks (CSD) industry in United States in 2011

What is more, 5 years passed after Red Bull was launched in United States and in 2002, its closest competitor in US – Monster energy drink emerged (excluding its unsuccessful first try in 1997) (Monster, 2012). Monster now offers very broad product line with various different flavours and double volume for the same price. Following sections of the paper will strive to explore sponsorship, the unique communication base, created by Red Bull, which is one of the main reasons why cheaper substitutes are still losing in competition (Cirillo, 2009). What is more, sponsorship’s impact on Red Bull’s brand equity will be investigated through several theories and models.

3. Theoretical framework

This section will explore the concepts of sponsorship and brand equity in order to provide the reader with the basic knowledge of the main subjects of the thesis. Moreover, the paper will present some relevant theories and models behind the fields of sponsorship and brand equity. What is more, the presented theories and models will stand as a foundation for the analysis part in order to answer the problem statement question.

3.1 Sponsorship

As mentioned in previous section, it has been around 30 years since the examination of sponsorship as a distinctive marketing communication element emerged in the literature. First researches on the field strived to create the role of sponsorship in marketing communications
(Meenaghan, 1991). Moreover, early researches explored how sponsorship was planned, performed and evaluated by the sponsor companies (e.g. Shanklin and Kuzma, 1992; Abratt et al., 1987; Crowley, 1991). Most of the attention paid by the recent studies was on explaining the effects of sponsorship on consumer behaviour and it was done by incorporating a broad range of theories (e.g. Speed and Thompson, 2000; Gwinner, 1997; McDaniel, 1999; Gwinner and Eaton, 1999; Johar and Pham, 1999). Throughout the time, several definitions of sponsorship emerged in the literature, however, neither of them was generally accepted (Walliser, 2003). Therefore, the paper will adopt IEG’s proposed definition which is in wide use and broad sense. IEG defines sponsorship as: ‘a cash and/or in-kind fee paid to a property (typically of sports, entertainment, non-profit event or organization) in return for access to the exploitable commercial potential associated with that sponsorship (IEG Glossary and Lexicon, 2001). The definition of sponsorship proposed by IEG is widely accepted, this is mainly because of its applicability and currency to both practitioner and academic discussion of the field (Cornwell and Roy, 2003). Another definition, introduced by The American Marketing Association (AMA), describes sponsorship as a part of an integrated marketing activity. AMA defines sponsorship as: ‘advertising that seeks to establish a deeper association and integration between an advertiser and a publisher, often involving coordinated beyond-the-banner placements’ (Marketing Power, 2012). According to Meenaghan (2001), sponsorship is: ‘a financial or material investment in an activity, a person or an event, and having as benefits the access of the investor (sponsor) to a potential ‘image lifting’ associated to the activity, the people or to the event. Even though there are various definitions which point at different parts of sponsorship, it is quite clear that certain characteristics of sponsorship are still going to be discussed in the future researches and that the line between sponsorship and other tools of advertising is still unclear (Walliser, 2003).

Figure 3. The logic of sponsorship

Tribou (2002) introduced the diagram (Figure 3), where the exchange of values between the sponsor and event occurs during the process of sponsorship.

Figure 3 indicates the sponsor, who makes a contribution of financial, material and/or intellectual support to the event in exchange of image, reputation and promotion. This table is useful as it provides a basic understanding about the sponsorship process. However, Tribou’s model does not include an important element of the sponsorship process – consumer/audience. Therefore, another model of the sponsorship process is introduced (Figure 4).

**Figure 4. Sponsor, event and audience’s inter-motion**

According to Copeland et al. (1996), there are three main elements in sponsorship: the sponsor, the event and the audience/consumer. Hence, the audience plays an important role during the sponsorship process (1996). When these two models are integrated useful insights into how three elements are interconnected and what particular values they transfer are provided. During the development of the sponsorship literature, various theoretical approaches emerged in order to explain the response of consumers to sponsorship messages (Cornwell and Roy, 2003). Many researches agreed that either congruence or schema theory explain the consumers response to event sponsorship (e.g. McDaniel, 1999; Gwinner and Eaton, 1999; Speed and Thompson 2000; Johar and Pham, 1999). Both studies argue that consumers have better responses to sponsorship (including favourability toward sponsor, image transfer from event to sponsor and sponsor recognition), when relatedness between sponsor and sponsored event is perceived (Cornwell and Roy, 2003).

Marketing communications involve various cognitive and behavioural mechanisms which influence consumers’ responses towards the brand. In turn, these consumers’ responses impact brand equity (Pickton and Broderick, 2005). Since sponsorship is identified as a communication vehicle used by the companies to interact with the consumers, the consumers
during sponsorship engage in similar cognitive and behavioural processes as for the other marketing communications. Hence, in order to analyse Red Bull’s sponsorship and its effects on brand equity, a number of cognitive and behavioural mechanisms present in sponsorship’s information processing will be explored in the following sections.

3.1.2. Mere exposure

Zajonc (1968) introduced mere exposure hypothesis where he suggested that repeated exposure to a stimulus, such as pictures, logos, figures or words, evokes affective responses. The research findings on the subject suggest that when mere exposure occurs, the preference for the brand is increased (Keillor, 2007). Moreover, other studies on the field revealed that in the context of sponsorship mere exposure has significant effects on a brand’s name, such as preference for it (Olson and Thjømøe, 2003) and increased recall (Bennett, 1999). Therefore, according to the theory, only by displaying the name or logo of the brand without any additional information, brand preference and customer based brand knowledge may be positively influenced.

In a study made by Olson and Thjømøe (2003), mere exposure was explored through the spectrum of central and peripheral processing in low involvement situations. According to the Elaboration Likelihood Model (ELM), a consumer can process perceived information through the central and peripheral routes.⁷ The central route processing occurs when the consumer is highly involved with the situation and in-depth considerations have to be made to process the information (Petty, Cacioppo and Schumann, 1983). In other words, when the central route to persuasion is taken, the consumer mainly focuses on the product-related information that is provided, for example, features, attributes or benefits of the product, which could lead to the purchase intention. In opposition to this, stands the peripheral processing which occurs during the low-involvement situations. In that case, the consumer mainly focuses on non-product related attributes, such as colours, humour, shape, music and others (1983). The study supports the mere exposure effect and reveals that in the case of peripheral route to persuasion, the mere exposure to the brand’s name creates priority for that name in contrast with the others and additional information concerning brand’s attributes is insignificant. In contrast, when following the central route to persuasion, showing only the name of the brand creates weaker brand attitude change, therefore, additional exposure of the brand related information is needed in order to improve the preference of the brand. Olson and Thjømøe

⁷ See Appendix 1 where the Elaboration Likelihood Model is presented.
(2003) in their study considered only low involvement situations, where simply exposed brand’s name resulted in favourable attitude change. According to Pety et al. (1983), in high involvement situations the process of sponsorship could be perceived as even more effective if company achieves central information processing. Therefore, high involvement brand’s information is more likely to be proceeded through the central route by the audience. In addition to this, company could increase its brand preference by exposing additional brand related information in the frame of the sponsorship. In the case of low involvement brands, the company should provide not brand related information but additional information concerning the sponsored event in order to create favourable attitude change and enhance brand’s preference (Pety et al., 1983). Therefore, it could be stated that both central and peripheral cognitive processing of brand may influence the consumer’s brand attitude.

3.1.3. Congruence

The most recent studies concerning the processing of sponsorship stimuli revealed the concept of congruence (also called match-up, similarity or fit) between the sponsor and the sponsored event (e.g., McDaniel, 1999; Gwinner, 1997; Cornwell et al., 2001a; Cornwell, 1995; McDonald et al., 1999; Johar and Pham, 1999; Rifon et al., 2004; Gwinner and Eaton, 1999; Speed and Thompson, 2000). According to Cornwell et al. (2005), congruence theory states that storage in memory and retrieval of information are influenced by similarity or relatedness. Hence, the congruence, in the context of the sponsorship, is the matching degree between the sponsor and the event which is perceived by the audience. Moreover, the theory suggests that the information is best remembered by the audience when it conforms to prior expectations (Srull, 1981). Most of the studies concerning sponsorship find congruence as a positive effect on consumer responses to sponsorship. This includes recognition (Pham and Johar, 2001), recall (Cornwell, 2006) and brand image transfer (Gwinner and Eaton, 1999). On the contrary, the competing theory argues that incongruent information demands more advanced processing, thus it results in higher recall (Hastie, 1980). Therefore, when the sponsor does not relate to the event, for example, MasterCard (American multinational financial services corporation) sponsors football match, it could be remembered for its incongruence. What is more, when incongruent sponsorship occurs, as in the mentioned example above, the link between the sponsor and the event could be developed by finding and exposing overlapping images of both subjects, in that case, ‘create fit’ (or strategic link) is established (Cornwell et. al., 2005). MasterCard’s slogan “There are Some Things Money Can't Buy. For Everything Else, there's MasterCard” indicates the importance of football and
priceless feelings that it brings for the fans and that all secondary and material needs can be fulfilled with the help of MasterCard. In the case of congruence, when sponsor ‘matches’ the event, for example, if Nike company sponsors a football match, then this high level of congruence could be called ‘native fit’ (or logical link) (2005). Due to the fact that the paper is delimited only to sport sponsorship and Red Bull company is chosen and its production could be seen related to the sports as energy drinks are used by athletes to enhance their performance, this paper makes an assumption that ‘create fit’ is not relevant and will not be elaborated in further analysis.

3.1.4. Meaning transfer

During the sponsored event, sponsor’s brand becomes visible and possible for the participants of the process, hence strong associations between the brand and the event may be created. Therefore, the brand is able to influence its image in a positive way (Keillor, 2007). In order to explain this image effects during the event, the meaning transfer theory should be considered. According to Keillor (2007), the theory implies for sponsorship that the ‘meaning’ of the event moves to the sponsoring brand when these are paired together and after, it moves to the participants/spectators of the event. The example of the meaning transfer theory given in the literature perfectly correlates with Red Bull case, it says: ‘combining new, perhaps once outlawed sports such as snowboarding, sky surfing, cliff diving, skateboarding, and mountain biking, the X Games target a youth market with an ‘in-your-face-attitude’’ (Keillor, 2007). Consequently, there is a number of brands sponsoring such actions sports and seeking an image transfer effect in order to have more youthful image.

3.1.5. Identification

According to Tajfel and Turner (1985), social identity theory suggests that there are social classes, for example, organisational member, sport participant, or university’s community, and people usually place themselves and others into these categories. Study on the field revealed that these classifications are made because they create a clear way to identify people in the social environment (Keillor, 2007). What is more, when a person places himself with one of the social categories, he or she starts to feel liable for its failure or success (2007). Within the sports, this theory explains teams’ identification and its effect. Madrigal (2000) in his research found that a person has more favourable intention to purchase when he or she positively identifies himself or herself with the particular team and perceives the purchase as a group norm. Another study on the field suggested that the more prestigious sport team, the
better influence is made on the individual’s identification with that team and greater influence on key sponsorship outcomes such as sympathetic attitude toward the sponsor, sponsor patronage, recognition and satisfaction with the sponsor (Gwinner and Swanson, 2003).

3.1.6. Context effect

The background in which the message occurs can have a great influence on the consumers’ perception of the message (Clow and Baack, 2002). Therefore, when positive context takes place within the marketing communication message, normally consumers’ responses are favourably influenced (Pelsmacker and Janssens, 2005). Consequently, it could be argued that the effect of the context serves a major part in shaping positive consumers’ attitude change. In the case of sponsorship, the sponsored events usually possess positive emotional environment which transmits to the participants of the event. Hence, this positive mood of the audience may enhance the brand image of the sponsor (Clow and Baack, 2002).

3.1.7. Operant conditioning and vicarious learning

Peter and Olson (2005) suggest that operant conditioning is ‘the process of altering the probability of a behaviour being emitted by changing consequences of the behaviour’. Therefore, there is a great chance of repeating the behaviour if the usage in past is positively reinforced. This positive past experience’s reinforcement can be shifted to products – product usage can be reminded by generating positive feelings towards the product through the use of marketing communication elements, consequently, it is very likely that afterwards the consumer will use the product with greater frequency. What is more, positive reinforcement can be identified within the sponsorship. During the event, the sponsorship may work as a stimulus which uplifts positive results of the previous brand use and therefore influences to repeat the usage (Clow and Baack, 2002). However, the idea of operant conditioning cannot clarify sponsorship functioning for a new brand as it only explains sponsorship as a reminder for an established brand.

Another idea which explains the process of sponsorship is vicarious learning. It is worth mentioning that this concept does not have brand establishment limitations as the theory explained above. The idea argues that the observation of other people behaviour leads to changing our own due to the engagement to vicarious learning (Peter and Olson, 2005). Therefore, according to the idea, when a person is aware of the fact that another individual has positive results of using the brand, he or she turns to imitate the behaviour and use the
brand either. In the case of sponsorship, sponsored teams or athletes achieve superior performances which are partly attributed to the sponsor brands, thus consumers establish the belief that desired behaviour consequence can be achieved by invoking brand usage.

To sum up the section of sponsorship, it can be argued that sponsorship triggers various cognitive learning mechanisms. In order to enhance the preference for a particular brand or improve recall mere exposure should be employed. By providing additional information concerning the brand, even larger brand attitude change can be obtained if the information is fully processed. This sponsorship feature is explained through the Elaboration Likelihood Model (ELM). The congruence (or match-up, similarity, fit), meaning transfer and identification are other complementary studies which determine the effectiveness of sponsorship. What is more, during the sponsorship operant conditioning and vicarious learning can take place and induce desired consumer behaviour. The following section will explore the concept of brand equity.

3.2. Brand equity

The concept of brand equity appeared in the 1980s and for that time was one of the most popular and important marketing notions (Keller, 2008). Through the years, various research studies on the field identified that the base purpose of many sponsors is to enhance brand, corporate image and to increase brand awareness (Quester, 1997; Cornwell et al., 2001a; Marshall and Cook, 1992; Gilbert, 1988; Shanklin and Kuzma, 1992). In recent time, building and maintaining company’s brand is necessary in order to achieve comparative advantage against the competitors and obtain efficient long term performance (Erdem et al., 1999). According to Erdem et al. (1999), brand equity refers to the idea that the firm, its trade and product’s value is increased when it is identified with the elements that define the brand.

During the years, several different definitions of brand equity have been introduced in the literature. Therefore, in order to achieve the knowledge of the term, the explanation of the concept and its elements is provided. The American Marketing Association defines brand as ‘a name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers (Marketing Power, 2012). Therefore, it could be argued that the brand plays an essential role in marketing as it separates identical companies’ market offerings. Whereas, the term equity emerges from the section of finance and in general links to ‘ownership in any asset after all debts associated with that asset are paid off’ (Investopedia,
The combination of both terms is defined as ‘a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to the firm’s customers (Aaker, 1991). Even though several useful and effective perspectives of brand equity were proposed during the years, the customer-based brand equity (CBBE) model, presented by Keller (1998), provides a unique approach to the concept and the way it should be built, measured and managed. The concept of brand equity from the consumer’s standpoint is defined as ‘the differential effect that brand knowledge has on consumer response to the marketing of that brand (Keller, 1998). Hence, Keller (1998) argues that the definition of customer-based brand equity consists of three main elements: differential effect, brand knowledge and consumer response. The differential effect represents the distinction of the brand, consequently, if no differences arise, then the brand can be identified as a commodity or generic version of the market offering. Furthermore, brand knowledge, which is created through the marketing communication activities, builds the differential effect and resides in the minds of consumers. The consumer response links to the consumer’s behaviours that might occur (willingness to pay extra, repeat purchase) and favourable associations with the brand (Keller, 1998). What is more, Aaker (1991) introduced a model where he underlined five sections of assets as being the ground of brand equity (see Figure 5). According to the Aaker’s model, brand awareness generally refers to the ability of a customer to recognise that the brand belongs to a certain product category. The appearance of the element depends on the expansion of brand recognition and recall. Moreover, brand awareness not only informs the consumer about the brand’s presence, but also communicates the particular characteristics of its market offering in memorable manner (Aaker, 1991). The brand association refers to everything that consumer links in memory to a brand. Thus, Red Bull could be linked to a lifestyle or one of the sponsored athletes or teams for some, or even to the whole extreme sport. Therefore, brand association is about creating personality which evokes relations with the brand (1991). Perceived quality is the customer’s perception of the market offering’s quality in relation to alternatives and with respect to the purpose of the product (1991). The last element of the brand equity is brand loyalty, which is often called the most important one as the core goal of the company is to have constant customers. The brand loyalty reflects the attachment of the customer to a brand. Furthermore, it shows the possibility of the consumer to switch the brand due to a certain changes (in price, product features) of that brand (1991).
To conclude with, while considering all the elements of brand equity, sustainable competitive advantage can be built and maintained. Moreover, as it is already introduced in previous sections, the goal of the paper is to analyse Red Bull’s sponsorship and its impact on company’s brand equity. Therefore, the model proposed by Aaker (see Figure 5) will assist in identifying how elements of brand equity are affected by the sponsorship.

4. Methodology

In order to identify the methodological foundation which will ground the analysis of the paper, it is important to define the scientific method used within this thesis. Due to the fact that the aim of the paper is to achieve findings through exploring and interpreting several studies, the hermeneutics can be seen as an appropriate scientific method. According to Schleiermacher (1838), hermeneutics may be defined as the art of understanding the meaning of discourse. What is more, Schleiermacher (1838) emphasized two angles of hermeneutics: grammatical and psychological. As thesis refers and uses various scientific papers as well as focuses on the meanings and intentions of the theories, both aspects of hermeneutics could be recognised throughout the paper.

Several cognitive and behavioural learning mechanisms involved in the processing of sponsorship will be used as a theoretical background in order to find out the effects of sponsorship and their impact on company’s brand equity (Figure 6). As figure 6 indicates, both cognitive and behavioural learning mechanisms compose the basis of the theoretical framework within the paper. According to behavioural learning study, particular learning
results from positive or negative experiences in life, whereas behavioural learning idea suggests that the motion of learning is based on mental processes. Therefore, sponsorship engaged by Red Bull will be investigated after both cognitive and behavioural aspects.

Figure 6. Structure of methodology

Source: author’s composition. Note: the chart does not include Elaboration Likelihood Model (ELM) of persuasion which will appear in the analysis section.

Within the field of cognitive theories, several given concepts will assist in analysing consumer responses to sponsorship used by the company. Moreover, behavioural theories will supplement the analysis on the consumer responses from the behavioural perspective. It is worth mentioning that these theories should be conceived as complementary but not competing. Further on, achieved findings will be put in parallel with brand equity’s elements in order to investigate which of the elements are affected. Furthermore, the aspects of persuasion will be explored in connection to Elaboration Likelihood Model developed by Petty and Cacioppo (1983). What is more important, relevant argumentation will be provided in the analysis section to link sponsorship process results with brand equity’s elements.

5. Analysis

This section will propose the analysis of Red Bull’s sponsorship processes through the spectrum of several cognitive and behavioural learning theories. Moreover, by taking achieved findings into consideration, the investigation of sponsorship’s impact on the elements of brand equity will be provided.

5.1. Cognitive mechanisms

Several different approaches of cognitive learning will assist in the analysis of the consumer responses to Red Bull’s sponsorship processes.
5.1.1. Mere exposure

Red Bull company sponsors a variety of sport teams, athletes and events with a list that includes snowboarding, driving, climbing, skiing, flying, skydiving, biking, surfing and many other kinds of extreme as well as some normal sports like football, golf, basketball or rugby all over the world. If extreme sport is being played, a name and a logo\textsuperscript{8} of Red Bull (red and white coloured background with two bulls and a sun, and words ‘Red Bull’) are on athletes, their equipment, assisting personnel, billboards and on all other relevant places that they should appear. Mere exposure theory suggests that frequent exposure to a stimulus evokes affective response (Cornwell et. al., 2005). Hence, according to the concept, Red Bull’s widely applied logo can be understood as a stimulus which captures attention and the brand immediately finds the place in the minds of the audience. What is more, research findings on the study field suggest that this repeated exposure to a stimulus increases recall (Bennett, 1999) and preference for the brand (Olson and Thjømøe, 2003). Even though in some situations the consumer might not like the sponsoring brand, still it does not mean that he or she is not going to recall seeing the brand’s logo on his favourite athlete’s helmet. Brand recall refers to the ability of naming the brand in a product class without aid by providing the names of the products. Due to the fact that the concept of brand awareness is defined as the ability of a consumer to recognise or recall that a given brand is a member of a certain product category, therefore, it can be argued that one of the components of brand awareness is brand recall (Aaker, 1991). Whereas, brand preference is identified as a degree to which the consumers choose one brand in presence of others competing brands (1991). Hence, brand preference is a measure of brand loyalty. Therefore, Red Bull’s repeatedly exposed logo on various occasions stimulates recall and brand preference and thus influences brand awareness and brand loyalty which are the elements of brand equity.

What is more, according to Olson and Thjømøe (2003), mere exposure can be contrasted to central and peripheral processing within the Elaboration Likelihood Model (ELM). Consequently, Red Bull’s exposed brand can be perceived through central or peripheral routes. During the sponsorship process, the brand of Red Bull is interconnected with the sponsored event or athlete which evokes positive feelings for the audience, therefore, by sponsoring sympathetic event/athlete and exposing its brand, Red Bull creates favourable brand attitude change among the audience which perceives the brand via the peripheral route. When the brand is perceived via the central route by the audience, additional information like

\textsuperscript{8} See Appendix 2 where Red Bull brand and logo are presented.
slogans ‘Red Bull Gives you wings’ and ‘Revitalise Body and Mind’ which refer to the specific product’s attributes and functions such as increased endurance, performance, concentration and reaction to speed is relevant.\(^9\) Therefore, the company by emphasizing its brand qualities through the sponsored athletes who use Red Bull energy drink and slogans influences favourable brand attitude among the audience which has high involvement with the brand and perceives it via the central route. Consequently, it could be argued that exposed Red Bull brand may influence brand attitude of the consumers who perceives the brand through either central or peripheral processing. According to Aaker (1991), brand associations refer to everything that is linked in memory to the brand and that includes attitudes toward the brand. Hence, it could be argued that these favourable consumers’ attitudes towards the Red Bull brand influence company’s brand equity.

5.1.2. Congruence

As it was explained in the theoretical framework section, the matching degree between the sponsor brand and the event perceived by the participants of the event is identified as congruence. On the contrary, when sponsor brand does not relate to the event, incongruence occurs. When taking Red Bull into consideration, it is difficult to assign company’s sponsorship to one or another pole of the theory as the product can be identified within different perspectives: it can be seen as a sports drink which would be congruent with sports activities sponsored, whereas when looking from other perspective, it can be placed in the field of energy drink widely used by non-sportsmen therefore incongruence can be seen. It can be argued that Red Bull’s clever positioning of the product, when no particular occasions are defined when the drink should be used, leads to the evolution of diversified brand perception by different target groups, thus Red Bull’s product can be seen congruent with both sponsored categories: cultural and sports events. However, due to the paper delimitations only sports sponsorship is considered. Most of the companies engage in sponsorship of the existing sport events and on one hand Red Bull does the same. However, additionally, unlike most of the firms, by using more aggressive style of sponsorship, Red Bull goes out of ordinary way and strikes to create its own sport events, mostly extreme sports like Red Bull Crashed Ice, Red Bull X-Fighters, Red Bull Cliff Diving, and Red Bull Air Race. In this way, Red Bull takes the whole control of the situation and moves the events in a desirable direction. This ownership allows the company closely relate its core product with many sports and control its brand associations with the particular sport. Therefore, it could be argued that

due to the functional and emotional relation of the brand with the sport events, a high level of congruence is present between Red Bull and sponsored sport events, which, according to Cornwell (2006), could be called a ‘native fit’. According to the majority of studies within the field of sponsorship, congruence between Red Bull and sponsored sport events encourages positive responses from the consumers to the sponsorship which include recognition (Pham and Johar, 2001), brand image transfer (Gwinner and Eaton, 1999) and recall (Cornwell, 2006). As mentioned in the previous section, recall and recognition refers to brand awareness, whereas brand image to brand associations (Aaker, 1991). What is more, Red Bull sponsors as well as creates links with many extreme sports athletes all over the world. The congruence between the company and sport celebrities also impacts brand associations. This notion can be supported by Keller (1998), who argues that brand associations can be influenced when company’s brand is linked with a celebrity through an endorsement or with a sport event through sponsorship activities. To sum up, in could be argued that congruence between Red Bull and sponsored sport events and athletes has a great influence of company’s brand equity.

5.1.3. Meaning transfer

The most important objective that sponsors seek to achieve when participate at events is to create a positive brand image. The connection between the sponsor brand and sponsored event should encourage image transfer from the sponsored event to the sponsor brand (Gwinner and Eaton, 1999). Red Bull makes its brand visible as well as its product available during various sports. This enables the company to create strong associations between the brand and sponsored sport and in this way, influence the transfer of event’s positive image to its brand. The process of image transferal is supported by the meaning transfer theory, which states that the ‘meaning’ of the event moves to the sponsor when both are paired together (Keillor, 2007). Thus, Red Bull seeks for sport events and extreme adventurous which convey particular desirable attributes and attitudes that company could leverage to its brand. It can be clearly seen that Red Bull benefits from sponsoring sports and especially extreme sports by transferring the image of the event to its brand. Connecting the brand with various sports put the company in a leading place with 42.6% of the market share of energy drinks market in United States (Heckman, 2010). It is enough to see the video, where one of the Red Bull’s athletes drinks a can of energy drink and makes extremely dangerous and sensational performance or to see during the event a huge blue tent on the top of the hill or mountain with Red Bull name and logo on it to link the brand to such features as challenge, adventure, danger, speed and achievement. The results of empirical studies also support the assumption.
that the connection between the brand and an event results the translation of visitors’ positive experience straight to the brand (e.g. Gwinner and Eaton, 1999). Even though it is rather difficult to measure the effects of sponsorship process by means of meaning transfer, but still when analysing Red Bull’ image it is clear that most of the perceptions by the customers about the company are affected by the associations with its activities. To conclude with, according to the meaning transfer theory, it could be argued that through the process of sponsorship Red Bull enhances its positive brand image by associating the brand with the sponsored event. Due to the fact that a brand image is defined as a set of associations, which are organised in a meaningful manner, it will be related to the brand associations section of the brand equity model (Aaker, 1991).

5.1.4. Identification

Another important consideration within the sponsorship process effectiveness is identification. According to the theory, there are social classes that people usually place themselves into and do it to a particular degree to augment self-esteem (Hogg and Turner, 1985). Through the time, various kinds of sport have evolved. The regular sports, such as basketball, football, baseball and many others, faced competition from the extreme sports, which are becoming more and more popular among adventurous sports enthusiasts. Accordingly, it is not surprising that these full of action and adrenalin kinds of sport attract huge crowds of fans. The social class of extreme sports enthusiasts involves rather wide range of different age, gender and social status people, still, younger age males are most commonly involved. Red Bull from the beginning of its business recognised the congruence between the growing trend and company’s core product and understood the value of targeting the members of this social group (potential consumers). Therefore, Red Bull started sponsoring various adventurous sports and athletes and became the representative of extreme sport in most of the events as well as in fans’ minds. What is more, Red bull connected its brand to self-defining aspects of the consumers and started representing the whole social group. Hence, a strong and positive connection between the consumer and the social identity also involved the brand. From the standpoint of the consumers, Red Bull brand became extension of the self or ‘part of me’ as now is perceived as an attribute of a particular lifestyle (Gwinner and Swanson, 2003). Nowadays, the brand continues encouraging interacting activities which stand for social identity - oriented lifestyle and expressing the values associated with social group, consequently consumers exhibit a deep sense of loyalty and identification toward the brand.

Relying on the identification theory, it can be proposed that highly identified consumers
exhibit significantly higher level of positive sponsorship outcomes like sponsor recognition, patronage, satisfaction and positive attitude toward the brand (2003). As it was mentioned above, when referring to Aaker (1991), brand recognition supports the element of brand awareness. Furthermore, a widely cited model of brand loyalty introduced by Dick and Basu (1994) suggest that loyalty is composed of two dimensions: attitude and patronage, therefore both aspects which in Red Bull case are enhanced through sponsorship process will be classified as the elements of brand loyalty. Moreover, positive attitude towards the brand can be identified as the element of brand associations (Aaker, 1991). What is more, Pappu and Quester (2006) proposed research that demonstrated a positive relationship between consumer satisfaction and company’s brand equity. According to the study, various levels of consumer satisfaction with the brand differently influence three dimensions of brand equity: brand awareness, brand associations and perceived quality. To conclude with, Red Bull, through the sponsorship of activities which are centred at a young, creative, ‘extreme sports culture’ social identity created a loyal brand community that is deeply associated with the brand.

5.1.5. Context effect

Several studies on the field supported the notion that the context or background of the communication message play a major role in influencing the consumer’s perception of the message (e.g. Clow and Baack, 2002; Pelsmacker and Janssens, 2005). In addition to this, Red Bull makes itself visible during various sport events which attract many fans and most often possess positive emotional environment. In turn, the emotions from the event transmit to the fans. Hence, during the sponsorship process when Red Bull brand is exposed to the spectators of the event, this positive mood among the audience assists in shaping favourable attitude change toward the brand and helps to create positive brand image of the sponsor (Clow and Baack, 2002). As previously noted, referring to few researches on the field (see Dick and Basu, 1994 and Aaker, 1991), it could argued that consumers’ attitude complements brand loyalty and associations elements whereas brand image relates to brand associations.

5.2. Behavioural mechanisms

The following two sections concerning operant conditioning and vicarious learning concepts will assist in the investigation of the consumers’ responses to Red Bull’s sponsorship process from a behavioural perspective.
5.2.1. Operant conditioning

This approach gives an interesting insight on how Red Bull through the sponsorship alters probability of the presence of the consumer behaviour which would be beneficial for the brand. Red Bull exposes its product as the inseparable part of sport, achievement, power and other qualities that thrill the consumers. This is strongly supported through the sponsorship of a number of great teams and famous athletes from various kinds of sport like formula 1 Red Bull team, football clubs FC Red Bull Salzburg and New York Red Bulls. Therefore, when the consumer buys or receives a free sample of the product and afterwards sees one of his favourite teams or athletes sponsored by Red Bull using the product or just one of the exceptional events that Red Bull sponsors, the previous usage of the product becomes positively reinforced to try the product again. Sponsorship proposed by Red Bull works as a stimulus which uplifts positive emotions from the previous brand use and in turn reinforces consumers’ frequent usage of the product (Clow and Baack, 2002). Hence, it could be stated that increased preference for the brand supplements brand loyalty (Aaker, 1991). What is more, when exploring Red Bull’s sponsorship in the context of operant conditioning it could be argued that sponsorship impacts all of the elements of brand equity, however due to the lack number of researches within the field which would confirm the proposition, the impact of sponsorship on brand equity though the approach of operant conditioning will not be investigated.

5.2.2. Vicarious learning

People tend to observe other people’s behaviour and change their own accordingly, during this process they engage in vicarious learning (Peter and Olson, 2005). This mechanism assists as interesting approach to explore Red Bull’s sponsorship. Many of the representatives of the social group described above (adventurous sport fans) seek to achieve high results in the field they are interested. Hence, according to the theory, by observing other people, they try to find the means behind others’ success and apply those tools in order to reach their objectives. As it was mentioned previously in the paper, Red Bull sponsors many famous and successful athletes who are role models in their field for many. What is more, company highlights that integral part of their success is Red Bull energy drink. This notion, in turn influences consumer to believe that the desired behaviour consequence can be achieved by implementing the use of Red Bull’s product. Another example of vicarious learning can be that the social group members tend to share similar attributes which would highlight their
distinction. Hence, Red Bull energy drink became common feature or status quo in the minds of the representatives of the community in order to accent their individuality. Thus, only by drinking Red Bull people expect to distinct themselves as members of community with particular lifestyle. To sum up, it could be argued that by sponsoring various famous sport teams and athletes and by expressing the values associated with the social group, Red Bull positively influences the use of its product among the consumers. Consequently, it could be assumed that in this way company impacts brand loyalty as well as its brand equity. However literature is lacking of studies within this notion, therefore the impact of sponsorship on brand equity though the approach of vicarious learning will not be investigated.

5.3. Negative effects of sponsorship

Sponsorship sometimes may lead to a various risks that in turn might decrease the effectiveness of this marketing communication vehicle. When taking brand image transfer into consideration, not only positive association might be passed from the event or other entity which is sponsored. Therefore, various scandals or underperformance within the team or athlete that is sponsored may negatively affect sponsor’s brand image (Pickton and Broderick, 2005). It could be the case of Red Bull as company sponsors high number of various sport teams and athletes. What is more, it could be argued that during sponsorship process cognitive and behavioural learning sometimes may lead to an undesirable behaviour of the consumer which in turn might negatively influence company’s brand equity. An example for this might be a kid who after watching an extreme and incredible stunt performed by Red Bull’s athlete draws wrong conclusions and tries to imitate the seen behaviour. In case of accident negative effects concerning brand’s image might occur. Although it can be expected that such negative effects can be present in the case of Red Bull, the fact that sponsorship is the main communication tool for Red Bull and observing its successfully growing sales figures it can be argued that sponsorship positive effects outweighs possible negative effects.

5.4. Contribution to brand equity

The previous section identified seven objectives which were achieved by the company through the use of sponsorship: brand recall, preference for the brand, positive attitude towards the brand, recognition of the brand, positive brand image, brand patronage and satisfaction with the brand (see figure 7).
To begin with, Aaker (1991) defines brand awareness as the consumers’ ability to recognise or recall that a given brand is a member of a certain product category, hence it could be argued that brand recall and recognition refers to brand awareness. Moreover, according to the same author, brand preference could be identified as a degree to which consumers choose a brand over others different brands in the same product range, hence it could be assumed that brand preference is a measure of brand loyalty (1991). Dick and Basu (1994) in their model of brand loyalty suggested that it is composed of two elements: attitude and patronage, therefore it can be seen that both subjects enhanced through the Red Bull’s sponsorship process are attributes of brand loyalty. Accordingly, in his study Aaker (1991) argues that positive attitude could also be identified as the element of brand association due to the fact that brand associations refer to all matters that are linked in memory to the brand and that include attitudes toward the brand. What is more, positive brand image is defined as a set of meaningfully organised associations, therefore it could be related to the brand associations section within brand equity (1991). Pappu and Quester (2006) proposed research argues that there is a positive relationship between consumers’ satisfaction with the brand and company’s brand equity. Therefore, referring to the study, there are various levels of consumer satisfaction which in turn differently influence three aspects of brand equity: brand awareness, brand associations and perceived quality. To sum up, the assist of several researches within the field led to achieve the findings concerning the impact of Red Bull’s sponsorship to the elements of company’s brand equity. Consequently, it could be argued that sponsorship proposed by Red Bull influences all four aspects of brand equity (see figure 7).
6. Conclusion

The paper focused on the analysis of Red Bull’s sponsorship which is one of the fastest growing forms of marketing communication and is widely applied by the company. The main purpose of this thesis was to identify the possible effects of company’s sponsorship and reveal their impact on different aspects of brand equity. To specify the focus of the analysis and make thorough investigation, problem statement section raised problem question. In order to answer it several theories within the fields of cognitive and behavioural learning were applied. Firstly, sponsorship was investigated through the spectrum of cognitive learning mechanisms which included mere exposure, congruence, meaning transfer, identification and context effect theories. Further on, Red Bull’s sponsorship was explored from the behavioural perspective, hence operant conditioning and vicarious learning theories were used as a theoretical background. Consequently, eight specific effects of company’s sponsorship were identified: brand recall, preference, attitude towards the brand, brand recognition, positive brand image, brand patronage and satisfaction with the brand. What is more, with the assist of several researches within the field of brand equity proposed by Aaker (1991), Dick and Basu (1994) and Pappu and Quester (2006), achieved findings were related to the different elements of brand equity. Aaker’s (1991) proposed brand equity model was used as the basis during the analysis of sponsorship’s impact on company’s brand equity. Furthermore, according to the investigation made, it could be argued that sponsorship employed by Red Bull affects all four aspects of brand equity. Moreover, the paper presented few possible sponsorship risks that could negatively influence brand equity. However, after overview of various different information sources no evidence concerning negative effects within Red Bull’s sponsorship was found. All in all, it could be argued that sponsorship implemented by the company generates several positive effects which in turn influence all aspects of brand equity. Hence, Red Bull’s sponsorship could be seen as a powerful marketing communication tool which helps to achieve company’s objectives. However, in should be noted that some proposed researches concerning the study field vary in outcomes. Therefore, the analysis of sponsorship effects and impact on brand equity could be approached and apprehended differently. Accordingly, even though presented investigation reflects some widely cited studies, still strict and veridical conclusions cannot be drawn. Consequently, in the future research the analysis could be extended with empirical investigation of sponsorship’s impact on brand equity which would lead to more conclusive findings. Moreover, the comparison of Red Bull’s sponsorship with competitors applied techniques could be made.
7. References


8. Appendices

Appendix 1. The Elaboration Likelihood Model


The Elaboration Likelihood Model indicates two possible routes to persuasion that occurs within the consumers: central and peripheral.
Appendix 2. Red Bull logo

Picture 1 presents Red Bull company logo.

![Red Bull logo](image1.png)

Picture 2 shows typical Red Bull logo exposure on sponsored athletes.

![Sponsored athletes](image2.png)