

Effects on Sport of Bans on Tobacco Advertising and Sponsorship in Australia

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Executive Summary

1. There is no evidence that the bans on tobacco company advertising and sponsorship through sport has harmed Australian sportspeople or sporting organisations from either perspective of raising revenue or sporting achievement.
2. Rather than harming sport, all of the evidence points in the other direction, with Australian corporate sponsorship of sport at record and rising levels. Since the federal ban on tobacco advertising and sponsorship became effective in 1996 corporate support for Australian sport has risen from \$350 million annually to \$700 million in 2000 – excluding Olympic sponsorships, an increase of 45% (Business Review Weekly, <http://www.brw.com.au/stories/20001110/7812.htm>).
3. The most prominent sponsorship of Australian sport has been the Benson & Hedges sponsorship of the Australian Cricket Team. Since Benson & Hedges stopped sponsoring Australian cricket, revenues to the Australian Cricket Board have increased and the on-field success of the Australian Cricket Team, in both One Day and Test Matches, has been at an all time high.
4. Far from harming sport, the exodus of the “easy tobacco money” has caused sporting administrators to need to know the real commercial value of their sports and to be more creative in marketing their sports to commercial sponsors.
5. In an apparent paradox, the commercial radio and television industry in Australia found that total advertising revenues increased substantially after direct cigarette advertisements were banned. In an identical vein corporate sponsorship of sport has increased substantially after the ban on tobacco advertising and sponsorships.

Background to the history of bans on tobacco advertising and sponsorship in Australia

Following the decision of the British Government in 1964 to ban direct advertisements for cigarettes on commercial radio and television, a public debate began in Australia on introducing a similar ban.

The Australian Government announced in 1972 that phasing them out over three years from 1973 to 1976 would ban direct advertisements for cigarettes on radio and television.

Once the intended ban was announced tobacco companies began to take a much greater interest in sponsoring sport. Tobacco companies could see by sponsoring sport their advertisements would continue to be seen on Australian television and heard on radio through commentaries.

In what was to become the flagship sponsorship of Australian sport, Benson & Hedges began to sponsor cricket in 1973.

During the parliamentary debates on the ban on direct cigarette advertisements on radio and television, critics of the ban said advertising revenues for radio and television stations would be harmed. Data released by the Australian Broadcasting Tribunal covering the years before the phase out and the years afterwards, showed an increase in revenues.

In inflation adjusted dollars, television revenues increased from \$385 million in 1970 to \$689 million in 1980, and radio advertising revenues in constant dollars increased from \$56 million to \$216 million over the same period.

State bans on tobacco advertising

In 1982 a Conservative Member of the Western Australian Parliament, Dr Tom Dadour, introduced a Private Members Bill to ban all remaining forms of tobacco advertising and sponsorship. A protracted parliamentary debate and vigorous lobbying by the tobacco industry saw the Bill defeated. Chief among the tobacco industry's claims were that a ban on tobacco advertising and sponsorships would harm sports. Full-page advertisements were published in daily newspapers claiming that this would mean the end of Dennis Lillee and Rodney Marsh playing cricket at the Western Australian cricket ground (WACA).

Similar private members' bills were introduced into the Western Australian Parliament in 1983, and in other states in subsequent years. All were defeated, chiefly on the grounds of the alleged effects of such a ban on sports.

In 1987 the state Victorian Government introduced a bill, which sought to ban tobacco advertising, and sponsorships within state control (events of a national or international nature were exempt). In order to overcome fears that sport would be harmed, a coincident increase in the state tobacco tax of about 10 cents per pack was announced with the funds to go to the Victorian Health Promotion Foundation.

This body would promote health and replace tobacco sponsorships of sport. After the legislation had been passed the sports administrators were asked to produce the contracts the sports had held with tobacco companies and the foundation would replace the average amount of the tobacco company sponsorship over the preceding three years.

Once the contracts were seen what became apparent was while tobacco companies were claiming to sponsor sport to the tune of \$10 million a year in Victoria, the sports organisations were only getting less than half that amount, the remainder being spent by tobacco companies advertising the fact of the sponsorship. This enabled the tobacco companies to get maximum value of the sponsorships and get around the ban on direct advertising on radio and television.

Similar legislation, with buyouts of existing tobacco company contracts facilitated by small tobacco tax increases followed in South Australia (1988), the Australian Capital Territory (1990) and Western Australia (1990).

In 1991 a Private Members Bill in the New South Wales Parliament, which could not cause an appropriation of tobacco taxes, was introduced and passed with no buy-out of tobacco sponsored sports.

Legislation banning tobacco company sponsorship of sports covering 81% of Australia's population had now been passed.

In 1992 the Australian federal government, with support from Labor, Conservative and Democrat parliamentarians passed legislation covering the national events and the state events involving the remaining 17% of the population. International events, such as the Formula 1 Grand Prix were exempt.

In 2000, the Australian Federal Minister for Health, Dr Michael Wooldridge, negotiated the phase out of tobacco company advertising in connection with the Australian Formula 1 Grand Prix by 2006.

The Growth in Corporate Sponsorship of Sport in Australia since Tobacco Companies were banned

Legislation passed in the Australian Parliament in 1992, with the support of the Labor Party, the Conservative Party and the Democrats banned the forms of tobacco advertising and promotion which had not been previously banned under state or federal legislation.

The complete ban was phased in over several years and became effective in 1996 with the exception of some events of an international character (eg Formula 1 Grand Prix, Whitbread Around the World Yacht Race).

Prior to the ban, despite persistent claims by the tobacco industry and some media and sporting commentators who were heavily indebted to tobacco companies, Australian sport has not suffered any disadvantage measured in terms of performance or revenue raising since the ban was introduced.

Table: Corporate sponsorship of Australian Sport *

Year	\$ million	Increase on previous year	Increase since ban on tobacco companies
1996	350	N/A	N/A
1997	390	11.4%	11.4%
1998	420	7.7%	20%
1999	480	14.3	37%
2000 (estimate)	700	45.8	100%

* Excludes Olympic sponsorships estimated to be another \$700 million

Source: Business Review Weekly

The three articles from Business Review Weekly attached at Annex 1 clearly make the point that Australian sport continues to boom post the ban on tobacco company sponsorship.

Effect of the ban

In the 11th Annual Survey of Sporting Interests and The Effectiveness of Sponsorship published by Sweeny Sports in Australia it was reported in 1998:

- Recognition of Benson & Hedges sponsorship of cricket was down by 5%
- Recognition of Marlboro sponsorship of motor car and motor cycle racing was up by 5%
- Cigarette brands, Benson & Hedges and Winfield, despite having been banned two years earlier, were recalled as the 5th and 10th most well known sponsors of Australian sport.

The national Australian business news magazine, *Business Review Weekly*, provides an overview of sports sponsorship since the ban on tobacco companies in 1996.

Advertising Revenues Increase in the Print Media, radio and Television after Bans on Tobacco Advertising in Australia

Advertising revenue before and after tobacco advertising broadcast ban

Table 1 below shows total advertising revenue collections from radio and television between 1970 and 1980. The ban on tobacco advertising on Australian television and radio stations came into effect on 1 September 1976. The figures show that advertising revenue for both radio and television continued to increase after the ban on tobacco advertising. For comparative purposes, the table also evaluates revenue in 1985 dollars.

Table 15.1: Advertising revenue from Australian television and radio before and after the ban on tobacco advertising

Year	Television \$ '000			Radio \$ '000		
	Actual revenue	Inflation adjusted	% change	Actual revenue	Inflation adjusted	% change
1969/1970	91,192	385,380		37,059	56,600	
1970/1971	87,869	354,410	-8.0	39,481	159,240	1.7
1971/1972	92,040	347,600	-1.9	43,630	164,770	3.5
1972/1973	105,389	375,270	8.0	46,696	166,270	1.0
1973/1974	118,381	373,200	-0.6	53,494	168,640	1.4
1974/1975	136,816	369,100	-1.1	59,017	159,430	-5.5
1975/1976	195,916	468,450	26.9	74,378	177,840	11.2
1976/1977	257,049	539,860	15.2	92,884	195,070	9.7
1977/1978	303,929	582,740	7.9	107,688	206,470	5.8
1978/1979	366,909	650,260	11.5	121,476	215,140	4.2
1979/1980	428,238	689,200	6.0	134,253	216,060	0.4

♦ Actual revenue has been adjusted to allow for inflation, rounded to the nearest \$1,000 and is expressed at constant 1985 prices.

Source: Australian Broadcasting Tribunal.

Effect of national print advertising ban

As a result of advertising restrictions in other media, cigarette advertising had become the largest revenue source for outdoor advertising companies, worth an estimated \$75 million per annum. One outdoor advertising division, 3M Australian Posters, prepared itself for the enforcement of the federal print ban by targeting new advertisers, changing the image of outdoor advertising, and by developing new technology to enhance its sites. Responding to the ban, the Outdoor Advertising Association of Australia (the industry association for outdoor advertising companies) introduced changes to make the medium more attractive to prospective advertisers, and to raise its profile in the advertising industry.

The print ban as it applied to newspaper and magazine advertising came into force at the end of 1990. Newspaper advertising revenues increased marginally between 1991 and 1992, but magazine revenue declined by 0.4% over the same time period. However factors other than advertising restrictions (especially the economic recession of the late 1980s and early 1990s) were an important contributing factor to downturn in magazine advertising revenues.

Articles from Australia's Business Review Weekly Magazine.

MARKETING

**Where the value lies in sport sponsorship
(23 March 1998)**

By Neil Shoebridge

Companies looking to invest marketing dollars in sports sponsorships should forget high-profile that are "fully exposed": that is, the number of people who are aware of the sponsorships exceeds the number of people who watch the sport on television. Marketers should look at sports that are under-exposed, such as baseball, rugby union, soccer, hockey and netball, where there is room for more sponsors or where existing sponsors are doing a bad job in terms of promoting their involvement.



Last year, Australian companies spent an estimated \$850 million on sports sponsorships. Australians and Sport, a new report by the research company Brian Sweeney & Associates, indicates that some of that money was either misdirected or wasted. Several companies pumped money into sponsorships that were ignored by consumers: Mitsubishi Motors, for example, is the naming-rights sponsor of the National Basketball League, but only 7% of Australians realise that it is a basketball sponsor. Other companies poured money into sports that are cluttered with sponsors, such as motor racing, making it difficult for consumers to differentiate between them.

The marketing community's interest in sports sponsorships is easily explained: 90% of adult Australians play sport, 68% attend sporting events and 95% watch sport on TV. Consumers understand the need for sponsors in sport. According to Sweeney's research, which was conducted in December last year, 91% of people agreed that sport "would be in a worse position" without sponsorship. Almost 70% of people said there should be more sports sponsorship, and 40% said companies care about the sport they sponsor, down from 48% in Sweeney's 1996 study.

The report does not attempt to analyse the benefits of sponsoring sport. However, 64% of the people surveyed said a sponsorship does not influence their buying decision, up from 60% in 1996 (that attitude is strongest among women aged 30 to 44, 71% of whom said they were not influenced by sponsorships). On the other hand, 38% of people said they like buying the products or services of companies that sponsor sport, up from 34% in 1996 and 31% in 1995.

The Sweeney report shows that Australian rules was the second most popular sport on TV last year: only cricket pulled more viewers. Two years after cigarette manufacturers were forced to abandon most sports sponsorships, the W.D. & H.O. Wills brand Benson & Hedges is still the most recognised cricket sponsor: 24% of people surveyed

named it as a sponsor, down from 29% in 1996 and 52% in 1995. Goodman Fielder's Uncle Tobys division is the king of sponsorships. Almost three-quarters of people named it as a sports sponsor.

Marketing is edited by Neil Shoebridge

This is an extract of an article in Australia's Business Review Weekly magazine, 23 March 1998.

Support: The Games are over, let the sponsorships begin (10 November 2000)

By Simon Lloyd

[Table: How sponsorship has grown](#)

For Michael Porra and Kris Donaldson, the end of the Sydney 2000 Olympics has been anything but an anticlimax. As principals of Australia's newest sports marketing company, Sporting Frontiers, Porra and Donaldson say that, far from a pall of indifference to sport descending on the corporate sector, companies have been fired up by the Olympic experience. Corporate Australia shows every sign of wanting to pour more money than ever into sports sponsorship.

*MICHAEL PORRA and KRIS DONALDSON:
Companies are looking
for the top properties, and prices are soaring Photo:
Tom Cliff*



With their combined experience in sports marketing, Porra and Donaldson know what they are talking about. Before opening Sporting Frontiers in July, Porra was general manager of sports and entertainment company IMG. From August 1995 to September, when he joined Sporting Frontiers, Donaldson was general manager, sponsorship/marketing, of the Sydney Organising Committee for the Olympic Games (Socog). Although some in the marketing industry had predicted a dramatic fall in corporate financial support for sport after the Olympics, Porra says Sporting Frontiers was created out of strong optimism about sport in Australia as a sponsorship vehicle.

Quite apart from the \$700 million in Sydney 2000 Olympic sponsorship revenue shelled out by 95 companies, the growth of sport as a marketing tool in the past few years has been strong. By the end of 2000, it is estimated that Australian companies will have spent another \$700 million on non-Olympic sport sponsorship, an increase of about 45% on 1999. That growth in spending outstrips by five times the forecast increase in mainstream media advertising expenditure for 2000. In the past four years, the corporate sector has spent, excluding the Olympics sponsorship dollars, \$2.3 billion on sport sponsorship.

Consider some recent deals. In October, the Australian Rugby



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Union (ARU) announced sponsorship deals worth at least \$44 million. Early in the month, United Distillers signed a \$20 million, five-year agreement for the naming rights to the Wallabies' home test series for its Bundaberg Rum brand. A fortnight later, the ARU announced that mobile-phone company Vodafone had agreed to a three-year deal worth \$20 million covering the Wallabies and all other national teams. The Vodafone deal is a big increase on its previous commitment: a three-year, \$7 million deal that expires at the end of this year.

Porra says the market "hasn't seen anything yet. There are (sponsorship) deals currently being negotiated - and many of them by (Sporting Frontiers) - worth many, many millions of dollars. Some of the numbers we are talking about, and which I can't discuss at this stage of negotiation, are ridiculously huge."

Porra and Donaldson both hold minority shareholdings in their new company, as does chairman Rod McGeoch. The Communications Group - the holding company for ad agency George Patterson Bates and other marketing-services companies - has a 25% share. Sporting Frontiers' biggest shareholder, with 50%, is the London-based Pacific Investments, controlled by millionaire British businessman John Beckwith.

That all these parties coalesced to form Sporting Frontiers was no accident. Before he joined IMG, Porra was a partner in ad agency Alexander Bird Kulmer Porra & Friends, which has since changed its name to IdeaWorks and is 70% owned by George Patterson Bates. "I have had a long relationship with George Patterson, and I always intended to go out and do my own thing," Porra says. "For some time I had been talking to Patts about the sports and entertainment area. Earlier this year, we agreed to start a new company in which Patts would have a substantial interest."

At the same time, Pacific Investments was looking for opportunities in the sports marketing arena, and had been using McGeoch as a consultant for three years. Donaldson was also known to Porra and McGeoch through his role at Socog, and agreed to join the new venture when his Olympic duties ended.

The two largest shareholders put up \$1 million start-up capital for Sporting Frontiers, which also has access to a further \$10 million from Pacific Investments, funds that it can use as a guarantee to secure big sponsorship and licensing agreements.

The new company has grown quickly. In addition to its offices in Sydney and Melbourne (both in George Patterson Bates' buildings), Sporting Frontiers has opened offices in Britain, South Africa, India, Thailand, China and Hong Kong. Porra says the company will have 30 offices around the world within two years.

Since July, the Sydney office has been signed to represent Basketball Australia, Rally Australia and the Australian Cricket Association. Sporting Frontiers is also hoping to win its tender

for the Australian Sports Commission (the result of the tender is expected to be announced later this year). The financial details of all these deals are secret because of the extremely competitive nature of sports marketing.

"With sporting organisations, our job is to exploit their commercial rights so that we can maximise their potential to raise revenue by selling their sponsorships, corporate hospitality, licensing and merchandising, and to negotiate TV and internet deals," Porra says.

On the corporate side, the Sanitarium Health Food Company has appointed, for an undisclosed sum, the company to oversee its Weet-Bix sport sponsorships. Porra says he and Donaldson are in discussion with another "seven or eight" big corporate sponsors but declines to name them. "We have only had the doors open since July, so it is early days in a lot of our negotiations," Porra says, "but we have been able to build up our critical mass very quickly."

Donaldson, who was a marketing executive at Visa International before he joined Socog, dismisses those who predict that big companies will stop spending on sport sponsorship after the Olympics. He says: "Companies that were directly part of the Olympic experience have learned so much, not only about the opportunities that exist in sport but how they can link their companies with those opportunities and significantly grow the business. They have the appetite to want to continue to do it more."

He cites, as an example, Ansett Australia. "I get very angry when I hear people saying that Ansett did not make the most of its sponsorship of the Olympics. The fact is that Ansett has achieved a five-times return on its (\$50 million) investment.

"Then you have the companies who sat on the sidelines and did not become sponsors. We saw how they had to create their own opportunities to protect their businesses against their Olympic sponsor competitors.

"Then there are the companies who did nothing, but who now want to get in," Donaldson says. "Have a look what has already happened since the Olympics, with, for instance, Bundaberg and rugby union. You will see many more of those deals announced over the next few months. If you are an Australian company, you have to have a position in sport. Companies are looking for the top properties, and the prices are soaring."

Porra and Donaldson say that although the amount Olympic sponsors spent on the Games will not be sustained (Westpac, AMP and Telstra splurged at least \$100 million each on the Sydney Olympics), more companies are willing to become sports sponsors for the first time. In turn, sponsorship dollars are likely to be better spread across more sports, particularly low-profile sports made popular by the Olympics, for example, beach volleyball. Porra says: "I know of one guy who set up a beach volleyball court at Dee Why (a northern Sydney beach). He offered lessons to school kids and suddenly he had a

queue of 400 of them. This is the sort of thing that will inevitably translate into corporate interest."

He says sports marketing "is not rocket science. (It) has a very simple objective from the corporate point of view: to turn fans and participants into customers."

Higher and higher		
<i>How sport sponsorship has grown*</i>		
Year	(\$m)	change (%)
1996	350	N/A
1997	390	11.4
1998	420	7.7
1999	480	14.3
2000 (estimate)	700	45.8
* Figures exclude Olympic sponsorship Source: BRW		



From Australia's **BRW** Friday, November 10, 2000

Sport: Racing gets giddy-up from new crowd (27 October 2000)

By Michelle Hannen

Table: [Victoria's spring racing carnival bonanza](#)

Until 1982, a white line barred women from certain sections of the Flemington racecourse in Melbourne. So in 1995, when Racing Victoria decided to concentrate on women to halt a decline in racetrack attendance, many in the racing industry were sceptical. Women, they sniffed, were not interested in going to the races. They were wrong.

We are in competition for people's leisure time and leisure dollar. We ... we are in the entertainment market.
- DANNY CURRAN, Racing Victoria

Racing Victoria's general manager of marketing, Danny Curran, says that from 1989 to 1995, the annual attendance figure for the spring racing carnival - six weeks of race meetings including the Caulfield Cup, Cox Plate, Melbourne Cup and Oaks Day - grew by a total of 2%. From 1995 to 1999, attendance grew by 44.5%, from 411,000 to 594,000.



Curran says the success of the campaign is shown by the

growth of Oaks Day. Traditionally known as "Ladies Day", Oaks Day is held on the Thursday after the Melbourne Cup. Curran says that in the past, it was difficult to get people to attend a race meeting on a work day and Oaks Day struggled to attract more than 30,000 people each year. Last year 85,000 people attended the Thursday race meeting.

In 1994, a business plan - Leadership 2000 - was written by the Victorian racing industry to take the sport into the new millennium. As a result of the report, Racing Victoria was set up in 1994 as the industry's marketing arm. Curran says the organisation's aims are to increase racing attendance throughout Victoria, lift turnover and, ultimately, encourage and increase the ownership of racehorses.

Racing Victoria knew it had to change the old-fashioned, downmarket image of racing. It decided to sell it as an entertainment product. "We are in competition for people's leisure time and leisure dollar," Curran says. "We needed to recognise that we are in the entertainment market."

In 1995, Racing Victoria started running prime-time television ads, which promoted the spring racing carnival as the highlight of the Australian racing calendar, and, Curran says, as "Australia's biggest party". Racing Victoria has stuck to the party theme, using slogans such as 'Let's party' and 'Party on'. Curran says the party focus positions racing as entertainment, not just sport, and has been a "raging success".

Budget restrictions forced Racing Victoria to develop a carefully targeted marketing strategy (its annual advertising budget has been stuck at \$2 million since 1995). Deciding to chase people under the age of 40 was obvious: they are big users of entertainment products, most have high disposable incomes, and they are attractive to sponsors.

The target market was narrowed to women because, Curran says, they make the majority of entertainment buying decisions, can attract a male audience, and enjoy dressing up. "We decided to target women because we had virtually none and they were our greatest growth opportunity," Curran says. "We recognised that well-dressed women raised the image of racing."

Realising the danger of relying on one "product" - the spring racing carnival - to change the image of racing, Racing Victoria started promoting events to raise the sport's profile. It introduced or revived awards and events for jockey of the year, racehorse of the year, and country racing. All are staged in August, a low point in the racing calendar.



Racing Victoria's campaign has been adopted by racing organisations in other states. An informal alliance between Sydney's three racing clubs was formed to promote racing in New South Wales. "We were so successful with our campaign that the marketers in

Sydney felt that rather than building their own campaign, it would be more sensible to use ours," Curran says. Organisations in Western Australia and Tasmania followed suit. In 1999, the Australian Racing Board formed a marketing arm to promote racing nationally. Curran, who is chairman of the board's marketing committee, says the three-year, \$1.4 million national campaign, which started this year, is running a series of advertisements to encourage attendance throughout Australia.

Curran's next aim is to lift the profile of autumn racing, which has stiff competition from other sports such as Australian rules football, tennis and cricket. Next year, Racing Victoria will heavily promote three autumn race meetings - the Blue Diamond, the Australia Cup and a night meeting on St Patrick's Day - using retail cross-promotions and direct marketing.

"In Australia on a Saturday, 750,000 people have a bet (and 33% of Victorians say they like going to the races but only 19% attended last year," Curran says. "If you can capture that and understand who those other people are, and invite them to appropriate race meetings, then we have the potential to double our business without talking to anybody who doesn't know about racing."

On-course favorite		
Victoria's spring racing carnival bonanza		
<i>Year</i>	<i>Attendance ('000)</i>	<i>Economic benefit to Victoria (\$m)</i>
1994	373	90
1995	411	145
1996	472	174
1997	538	200
1998	580	224
1999	594	238
<i>SOURCE: RACING VICTORIA</i>		



From Australia's **BRW** Friday, October 27, 2000.