

The Risks of Brand-Building in the Winner's Circle

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Jeff Hayes/Reuters

Eight Belles during an early morning workout at Churchill Downs before the Kentucky Derby.

MINUTES before he was to appear live on NBC on Saturday as the presenting sponsor of the Kentucky Derby, David C. Novak, the chief executive of Yum Brands, says he was in the dark.

He was waiting to enter the winner's circle, crowded onto a staircase with his senior vice president, Jonathan Blum; the Kentucky governor; the chief executive of Churchill Downs; and all their wives. Just before they were about to step outside, the group was told to wait.

"We assumed there was some technical difficulty with the broadcast, because we didn't hear anything," Mr. Blum said.

After a few minutes with little further information, the group stepped onto the packed podium.

Squinting into the sunlight, Mr. Novak grinned as the NBC announcer Bob Costas handed him the microphone.

"Well, Bob, what a great day for the commonwealth of Kentucky and the world. On behalf of Taco Bell, Pizza Hut, KFC, Long John Silver's and A&W, Yum Brands is the proud sponsor of the greatest event in the world. Thank you very much," he said, ticking off Yum's brand names.

By the time Mr. Novak spoke, though, bloggers, reporters and NBC itself were already telling of the collapse of Eight Belles, who broke down after finishing second and was euthanized.

Online commenters pilloried Yum for its seeming insensitivity.

"Based on the YUM reps' disgraceful smiling and product plugging — while Eight Belles was dying yards away from them — I'll never buy ANY of their products again," wrote one.

"I'm happy that the CEO of Yum is just smiling and not even caring that a horse was just killed on the track," wrote another.

Bob Costas of NBC said he told Mr. Novak and others gathered at the winner's circle of Eight Belles' fate. But Mr. Blum said that Mr. Novak had no idea a horse was dying.

"If he knew then what he knows now, he never would have made the comment we did," Mr. Blum said Tuesday.

It was about 20 minutes later, after Mr. Blum and Mr. Novak had picked their way back through the crowd to Yum's suite, that they learned what had happened. By then, it was too late. Yum was hoping for a brand lift from the race, but instead found itself on the defensive. The company is in the third year of a Derby sponsorship, which gives it signs at the track and seven commercials during the broadcast. Yum started the sponsorship to attract more individual shareholders, who make up 23 percent of its stockholders, Mr. Blum said. Yum wants to increase that by 2 to 3 percentage points, he added.

Yum executives thought the Derby, with its high-net-worth viewers, would be a good place for marketing. A bonus was that Yum's headquarters are in Louisville, Ky., home to the racetrack. "The sponsorship's a natural," Mr. Blum said.

In the first year of the sponsorship, 2006, another horse's fatal injury cast a shadow on the sport. However, Barbaro died in January 2007, because of an injury suffered at the Preakness Stakes two weeks after winning the Derby. Yum reacted by offering a \$1 million prize in the 2007 Derby to any horse that could beat Barbaro's 6 ½-length victory. Mr. Blum said the company had not discussed a similar program commemorating Eight Belles.

At the awards ceremony Saturday, Yum, the presenting sponsor, was joined by Visa, a longtime sponsor of the event, and by United Parcel Service, which sponsored Big Brown, the winning horse.

Visa, which used to back all three Triple Crown races, reduced its sponsorship to only the Derby in 2006. The company said the change was meant to reflect the shift in Visa's marketing message from breadth ("It's Everywhere You Want to Be") to experiences ("Life Takes Visa"). The idea is to give its high-end Visa Signature cardholders access to events like paddock tours and grandstand tickets at the Derby; the current sponsorship runs through 2010.

The U.P.S. sponsorship came about through Big Brown's co-owner, Paul Pompa Jr., who ran a trucking company, renewed a contract with UPS Freight in 2007 and named his new horse after the company.

For U.P.S., which is also based in Louisville, the sponsorship was serendipitous. "This really just kind of fell onto our plates, and we were very excited to take advantage of the opportunity," said John Flick, a U.P.S. spokesman. The company's logo was on the jockey's clothing, the U.P.S. chairman walked the horse to his stall, and U.P.S. had a presence in the winner's circle.

"The folks in the winner's circle were unaware of what was going on," Mr. Flick said. "The events with Eight Belles were quite sad — that's not the way you want to celebrate your win."

Sports marketing executives said they doubted that Eight Belles' death would damp enthusiasm for sponsorships. After the Nascar driver Dale Earnhardt died in a crash in 2001, all the big sponsors stayed on board.

These sports "draw such tremendous audiences," said Ray Schultz, the editorial director of Penton Media's business group, which publishes Promo magazine. "You can write in a lot of contractual protection, but in the end, you have to know there's a risk factor and you could be tarred with it."

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