

Sponsorship form

The value of sport to other kinds of business

ON ARRIVAL at the gleaming new Terminal 3 of Beijing airport, you may be greeted by China's most famous sportsmen: Mr Yao, the basketball player, and Liu Xiang, who won gold in the no-metre hurdles in Athens. They are not there in person, of course, but beam from advertisements for Visa, "the only card accepted at the Beijing 2008 Olympic games".

The credit-card company is one of the Olympics' 12 leading sponsors, which between them have paid \$866m for a four-year association covering the Turin winter games in 2006 as well as the games in Beijing due to start next week. That is about \$200m more than the previous set of deals, for Salt Lake City and Athens, which involved 11 companies. Few events enable companies to reach so many people around the world—even though sponsors are not allowed to put their names on advertisements at Olympic venues.

Teams and individuals have plenty of sponsors too: Mr Woods's talent and image are worth many millions. But events have the edge. Back a team, says Michael Stirling of Global Sponsors, a consultancy, and you may risk alienating opposing fans. If an individual sports star behaves badly, he or she may damage your brand.

There are only two "marquee-properly" events on the planet, says Antonio Lu-

cio, Visa's chief marketing officer: the FIFA World Cup and the Olympics. He is delighted to have both of them. Indeed, the ruckus caused by the defection of FIFA, football's world governing body, from MasterCard to Visa is one measure of the importance companies place on sponsorship deals. MasterCard sued FIFA. Last year it accepted \$90m in compensation.

These days it might cost €150m to sponsor the UEFA Champions League, the club

championship of European football, for three years, or as much as \$70m to back a Formula One (F1) team for a season. And all that buys is the right to use the name of an event, a team or an organisation. "Activation"-promotions, competitions, television advertising during breaks, corporate hospitality and so forth—might multiply the sponsor's budget two or three times over, and it is vital. "In sponsorship it's not what you have, it's what you do with it,"

Mutually beneficial

Biggest sport sponsorship deals, 2007, by value

Sponsor	Object of sponsorship	Estimated total value of deal, \$m	Length of deal, years
Barclays	New Jersey Nets' basketball arena	400	20
Adidas	German national football team	298	10
Adidas	London Olympics 2012	200	5
Lenovo	Williams Formula One	190	5
EDF Energy	London Olympics 2012	160	5
Lloyds TSB	London Olympics 2012	160	5
Fiat	Juventus football club	134	3
Aegon	Ajax football club	121	7
Prudential	New Jersey Devils' ice hockey stadium	105	20
Panasonic	Official worldwide Olympic partner	100	8
Johnnie Walker	McLaren Formula One	100	5
Nike	Tiger Woods	100	5

Source: info@theworldsponsorsmonitor.com

> says Joe Tripodi, chief marketing officer of Coca-Cola. "It's all about activation."

Fortunately the costs of activation can be shared. Mr Tripodi points out that the efforts of bottlers and retailers, who also stand to gain from the sale of more fizzy drinks, can increase spending on activation to perhaps ten times the initial outlay. A similar multiplier effect applies in the credit-card business. Card-issuing banks carry out their own promotions, such as running direct-mail campaigns or competitions among bank tellers.

The sums spent on the biggest sponsorships now have to be justified at board level, says Nick Massey, chief executive of Octagon, a sports-marketing firm. They are comparable with the cost of building a new factory, or even buying another company (see chart 4 on the previous page).

Sponsorship is still dwarfed by advertising: WPP estimates that global spending

on all forms of sponsorship amounted to \$38 billion last year, against \$449 billion on advertising. But sponsorship is growing fast, rising by 11% a year for the past decade, according to Lesa Ukman, chairman of IEG, a consultancy that is part of WPP. Deborah Hughes, head of global sponsorships at MasterCard, says that sport accounts for 85% of the credit-card company's sponsorship budget.

There are three main reasons why companies find it worth their while to sponsor sport. First, says David Wheldon, Vodafone's global brand director, "the emotional connection with people is what is valuable." So Vodafone has put its name on Manchester United's shirts in the past and is now the main sponsor of the McLaren F1 team—although, after three years, the company is ending its association with the UEFA Champions League. "Delighted with it," says Mr Wheldon, but "we looked hard

at whether it's giving us a balanced portfolio." Vodafone is swapping football for music: the mobile phone has become to the rock concert of the 21st century what the cigarette lighter was in the 1970s. Others are sticking with sport.

Second, sport can help solve an old problem with advertising: companies know that half the money they spend on it is wasted, but they don't know which half. Sport can reach the right people, sometimes with remarkable accuracy. Sir Allen Stanford, the eponymous head of an American wealth-management firm, has for many years used sporting events to woo the rich people he has identified as potential clients. His company backs yacht races, polo matches and golf tournaments at which its financial advisers can get to know the people they are after. Within a few weeks of such an event, he says, he knows his return on the investment.

GoAigo

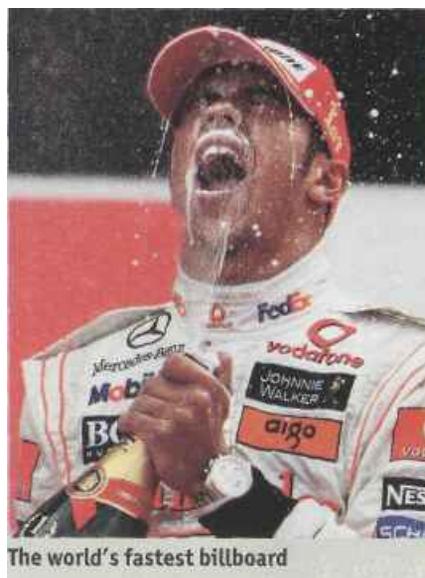
THE most prominent name on Lewis Hamilton's car, firesuit and helmet is, naturally, Vodafone. The British mobile-phone company has paid many millions of pounds so that the F1 team for which Mr Hamilton drives can be called Vodafone McLaren Mercedes. But Mr Hamilton also carries several other corporate logos, including that of a Chinese company which, as eagerly as any other, is using sport to promote its brand.

The brand in question, visible on the left breast of Mr Hamilton's firesuit, is Aigo, the trade name of the Beijing Huaqi Information Digital Technology Company. Huaqi claims that Aigo is China's biggest-selling make of MP3 player, as well as the leader in mobile storage (memory sticks and portable hard drives) and number four or five in digital cameras. Its president, Feng Jun, founded the company in 1993, when he sold keyboards, taking a profit of only five yuan (then around 90 cents) apiece to encourage distributors to sell lots of them.

F1 is Mr Feng's way of bringing Aigo to the world's attention. Song Chao, a company spokesman, says that the firm shifted 40,000 cameras in one deal in Spain, thanks to its association with Fernando

Alonso, a Spanish driver (and bitter rival of Mr Hamilton's) who left McLaren last year. Mr Feng hopes that the F1 sponsorship will help it find a British distributor. It is generating some interest, says Mr Song.

Closer to home, too, Aigo is using motor sport to promote itself, backing a team with a Chinese driver, Cheng Congfu, in



The world's fastest billboard

How one Chinese company is making a name for itself

AIGP racing. But the company and its boss are also hugely enthusiastic about the Beijing Olympics.

Mr Feng carried the Olympic torch in Athens on March 24th, the day the relay began—the first person from China's high-tech sector to do so, says Mr Song proudly. Aigo is supplying materials to the Olympic media centre. It has also created a new kind of guide to the Olympic museum in Lausanne: place an electronic "Aigo pen" on a picture of an exhibit, and you will hear a description in English or Chinese. It has also printed books about the Olympic movement for which the Aigo pen supplies an instant translation.

English, indeed, is another of Mr Feng's enthusiasms. With Crazy English, a group that teaches the language in an unorthodox manner (which seems to involve a lot of shouting), Aigo has formed a subsidiary to train Chinese volunteers to guide visitors to the Beijing games. In the company's office, too, English is encouraged. "Let's Speak English to Make Aigo Dream Soar High," proclaims a notice on the door of the English Meeting Room, before giving stern warning of "a donation of 50 yuan to whoever not speaking English inside".