

Sponsorship's credibility gap

As the global economic crisis continues to undermine the sports business, one of the world's most influential advertising executives has launched a blistering attack on the sponsorship industry, accusing it of lacking professionalism, creativity and failing to offer sufficient value for money for its clients.

"Every sponsorship property you see is talking about the wrong stuff," says Kevin Roberts, global chief executive of Saatchi and Saatchi, "and some of the stories they tell are ridiculous, they're so juvenile".

Roberts thinks the approach taken by many sponsors and consultants is in need of a fundamental shake-up, airing his views when interviewed as part of a project called Defining Sponsorship, the results of which are to be published in a new book commissioned by Redmandarin chief executive Shaun Whatling. The book consists of the views of more than forty prominent people from the spheres of sport, media and advertising in addition to contributors from the music and cultural fields.

"The ROI that sponsorship has to bother itself with has changed," says Roberts, "Return on Involvement is where the game is going to be played and sponsorship will get obliterated if it measures itself as it does now on awareness and eyeballs, because those are the wrong, wrong measures in today's age".

Attempting to play advertising at its own game is a game it can't win he says, "Sponsorships are all about emotion, yet most of them are still sold rationally. If I was a sponsorship property now I'd be investing my money in new techniques that attempt to measure emotional connectivity and predict involvement".

His comments come at a time when value from sponsorship is under greater scrutiny than before, with many high profile and big spending sponsors cutting their spend or exiting contracts early. Next month, a select group of sponsor members of the European Sponsorship Association (ESA) will meet in London to discuss the state of the industry. It is clear that the sponsorship bull market of the last decade is over and the challenge for those working in the sports business is to establish a way of working that fits the new economic climate.

Dutch bank and insurance company ING Groep NV announced it is pulling out of Formula One at the end of the 2009 season. ING is currently the title sponsor of the Renault team. The company has also been heavily involved in trackside advertising and is the official sponsor of this season's opening Grand Prix in Australia as well as those in Belgium, Hungary and Turkey.

According to estimated figures published in a Formula Money report last year, ING is the second largest sponsor in the sport. The report estimated that ING were paying around \$86 million annually into the sport, with around \$65 million of that going to Renault.

The group announced last month that it would cut operating expenses by €1 billion in 2009 and put out a statement saying: "In light of the recently announced cost reduction programme, ING confirmed it was not to renew the three-year sponsorship (2007-2009) contract with Renault F1 and to end its presence in F1 beyond the 2009 season".

Similarly, the troubled US insurer AIG said it would not be renewing its shirt sponsorship deal with Manchester United that expires in May 2010. AIG agreed to pay £14 million-a-year for four years for the shirt sponsorship and also has a longer £5 million-a-year deal to run MU Finance. It is currently restructuring itself, having received a \$150 billion bailout from the US government. And research by Sweeney Sports shows that it is the same picture in Australia, with figures showing that one in four companies have axed sponsorships while nearly half have

shelved plans for new ones. "Some 27 per cent of corporate sponsors have quit existing sponsorships as a result of the crisis," said general manager of Sweeney Sports Todd Deacon.

"48 per cent have put on hold signing new sponsorships at the moment and I think it will get worse, with another 15 per cent of companies saying they will put sponsorship on hold for the next 12 months."

Running in parallel to the economic downturn is a growing and potentially very damaging perception that presents sponsorship as an indulgence, an image that if allowed to run unchecked undermines its position as a strategic marketing tool.

The old whipping boy of the sponsor sector, the chairman's whim, is as relevant now as it always has been, says Roberts: "The whole ego driven, CEO pet project thing is down the toilet". Much of the coverage of RBS linked the bank's catastrophic financial results with its free-spending sponsorship programme. The bank announced a £28 billion loss for the last financial year and is now part-owned by the British government.

It is also one of sports biggest global sponsors, with a portfolio including golf (British and US Open), Six Nations rugby, cricket (the Nat-West series) and Formula One (the BMWWilliams F1 race team). The bank's former chief executive Sir Fred Goodwin was closely linked to the sponsorships, particularly the choice of ambassadors including Sir Jackie Stewart and Jack Nicklaus, who according to The Sunday Times, were "boyhood heroes of Goodwin".

For Saatchi's Roberts, such examples offer ample ammunition with which to attack what he sees as a lack of professionalism in the 'sales driven' sponsor sector.

"Don't ask me what AIG were doing on the Manchester United shirt, I've just no idea," he says. "What does women's tennis bring to Sony Ericsson in terms of involvement and enrichment or happiness or purpose to the base proposition? That is the question that women's tennis has to answer".

Music and sport are short cuts to people's hearts, and offer an added dimension to the base line, or 'rational stuff' of product performance and quality. But, says Roberts, over the next few years these attributes will not be enough.

"How do we go beyond that? Consumers will get supremely tired, very quickly about anything that is not authentic and deeply rooted in the brand" he says, quoting advertising legend David Ogilvy, "He said it very smartly 25 years ago - the consumer is not a moron, she's your wife. Sports fans are not morons but sometimes they get treated like it. Most of the great sponsorships are grounded in the fans. Much of what Coca-Cola does in sport is really admirable because they do it from the fans point of view. Toyota is another company that really gets sport sponsorship if you see what they do with Munster rugby and the Heineken Cup. Some of the other stuff just tries hard but there is no link and the fans and the consumers just look at it and say there's something wrong about that; it is not authentic or credible".

"Nothing in marketing that we did over the last three years is going to necessarily sustain over the next three years. We are entering an era where consumers have all the power, you can't hide anything from them because they have masses of information.

"The rules of marketing are about to come under enormous scrutiny, we are changing from demand and control to being about connectivity and collaborations. The best brands will look to collaborate with like-minded partners, who get that they are one of the triumvirate, between property, brand and the consumer, all as equal partners. Most sponsors and event companies come at this from the wrong end of the spectrum, focused on brand equity or

financial return, and the consumer is treated like something at the end of the line. That won't cut it anymore."

Meanwhile many sports federations for whom the money from sponsorship is a lifeline, face an uncertain future.

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