1978 and all that...Coca-Cola's first Wolrd Cup - *Getty Images Sport*

CIRCLE OF LIFE

Two of the most influential figures ever in sports marketing and sponsorship, Patrick Nally and Tony Ponturo, tell **Richard Gillis** that sport sponsorship is getting a lesson in real economics and change is inevitable. Brands want better and the whole sector needs a shake up.

IN 1975, PATRICK NALLY flew down from Coca-Cola's global headquarters in Atlanta to Rio de Janeiro to watch a match at the Maracana Stadium along with over 100,000 football crazy Brazilians and one very important guest. The trip was part of a charm offensive aimed at introducing Al Killane, Coke's marketing director, to the commercial potential of football.

The plan worked. And Killane gave the OK for the company to buy the global rights to the 1978 FIFA World Cup in Argentina, the beginning of a relationship that over the years has been worth hundreds of millions of dollars to FIFA, and which was last year renewed to 2022. But the significance of Patrick Nally's contribution to today's sports business goes way beyond this single deal, as he was to establish a business model for the sale of sponsorship which endures today.

Nally, co-owner of the West Nally in the 197 os and 8os, was working on behalf of Horst Dassler, the son of legendary adidas founder Adi Dassler, and himself one of the major figures in the history of the sports business.

Together, Nally and Dassler leveraged their relationships between sports governing bodies and the brand community, ultimately creating Intersoccer, a package of rights that for the first time, laid down precisely what rights could be accorded sponsors for the following World Cup - in Spain in 1982 - and how the concept of exclusivity should be protected. Their success in selling the 1978 World Cup to Coke persuaded Nally and Dassler to pay 25 million Swiss francs for the marketing rights to the 1982 tournament, a figure that was twice the previous fee. This was subsequently increased to 63 million Swiss francs at the insistence of the Spanish organisers, who cited the increase in participating teams as the justification.

In exchange for the bump in fees, the rights to UEFA's properties were bundled in to the deal, establishing a hugely attractive set of football rights that Nally proceeded to take to market. The concept, however, was so attractive that Nally was outmanoeuvred by his former friend Dassler, who sidelined him to set up a separate agency, ISL, through which he pushed the FIFA contracts.

An interesting side note to this story was that as part of his pitch to potential FIFA sponsors, he promised that a competent marketing professional would be hired to respond to their queries once they'd signed the contract.

Tommy Keller, head of the international rowing federation, suggested to Dassler that he knew of a young and ambitious manager working for Longines, the Swiss watch maker which at that time was part of a group of companies under the banner heading of Swiss Timing, offering a time keeping service at sports events in Europe. The man's name: Sepp Blatter.

Regardless of the political wrangling, Nally's Intersoccer model was years ahead of its time. Indeed, so powerful an idea was it that a brief glance at the commercial structure of every major governing body operating in today's marketplace shows that it remains the blueprint for the industry, and as such is the cornerstone of the sports economy.

Until the 1978 World Cup, Coke's involvement with sport, like that of every other sponsor, had been at a local level. "When I went to Atlanta to offer Coke the opportunity of a global package, this was new territory," says Patrick Nally, talking as part of a series of interviews collected in a new book entitled Defining Sponsorship.

"It meant that international federations such as FIFA and the IOC were able to sell themselves as truly global platforms. Coke was able to activate its marketing objectives globally using football to reach the world's youth".

The impact of this shift in approach was hugely significant to the sports business we know today as the ceiling on rights values that had been in place was lifted.

The environment around sport in the mid 197os was a very different one to that we know today: stadium advertising for the World Cup was sold by a group linked to the European Broadcast Union and local companies had drinks rights. Perimeter board advertising was sold by 'anybody who felt like sticking something to a wall'.

"It was a complete mishmash," says Nally. "There was no centralised control on the part of FIFA over their own event. We spent a great deal of time and effort getting these rights back from those local suppliers, and defining FIFA's rules on how they staged the World Cup".

"No thought had been given to what was sold in the stadium, as for the pouring of soft drinks, who cared?" The Coca-Cola Company did.

They also cared says Nally that every one of their global markets (all now paying for the rights to the FIFA relationship) wanted to promote their association with FIFA during the World Cup and expected it to be exclusive no Pepsi - in any market.

Every major rights holder from the IOC to the IAAF adopted this model, but like all new developments it has a life cycle. "My view is that the package concept is dying," says Nally. "Outside of FIFA, UEFA and possibly the IOC, things are changing rapidly. Sponsors no longer want a packaged solution."

The strength of the package model - a pre-arranged, closely organised set of contractual rights - is thirty years later, now increasingly cited as its weakness.

To some brand owners it is too restrictive, and out of synch with today's fast changing media environment. In essence, packaging rights in this way favours the rights holder, turning sponsorship into a commodity to be traded and as a result, limiting its effectiveness as a marketing tool.

Whilst the growth in sponsorship is impressive, it remains a marginal activity in the marketing portfolio of most brands.

"They want bespoke, they want brand connection, they want sophistication, they want measurement, they want social responsibility, they want to be concerned about sustainability, education, heritage, living their ideals and being focused on corporate expenditure.

"This is sports' version of the 'circle of life', the sponsors want what we started with in the beginning, and they want sport to be 'a means of communication', to achieve their own bespoke goals and objectives, not just an off the shelf package. The industry that has grown so fast over the past two decades but it is about to face its first big mid-life crisis". How it responds is the story of the next twenty years.

Richard Gillis is co-author with Shaun Whatling of Defining Sponsorship, a book consisting of a series of in-depth interviews with 40 influential people from the sport, media, business and cultural spheres, commissioned by Redmandarin.

REAL ECONOMICS

Tony Ponturo on the need for a changed approach in today's marketing mix.

TONY PONTURO has been a feature of almost any Power List for the sporting industry for as long as the media has been compiling them.

BusinessWeek listed him one place above Philip Anshutz, founder of AEG, and just below Lebron James. Forbes likewise, routinely list Ponturo in their top ten, amid the Roger Goodells and David Sterns of this world, the big hitters of the American Major Leagues.

The source of Ponturo's power is that over the course of twenty-five years or so, he presided over the sports marketing budget of Anheuser Busch, the number one selling brewer in the States. To put it another way, if we were to create a separate list of individuals who had paid the most money in sports rights fees and sports related advertising over that period, Ponturo would be at or near the top, slugging it out with the big dogs of the sportswear industry and a very select group of other uber-sponsors.

The brand's powerbase remains the domestic US market, which despite international expansion, still accounts for around 83 per cent of total sales of Bud. It follows that the company's presence in American sport is huge, ranging from NBA and the NFL through Nascar and on to the MLB. Internationally, it has become a familiar presence around football,

most notably via the FIFA World Cup. The company's devotion to sport is shown by the fact that before the company's takeover by InBev in 2008, A-B's sports marketing spend represented a whopping two thirds of the company's total marketing budget, with some estimates suggesting the Budweiser brand paid $378 million in sports marketing annually.

When InBev moved in, Ponturo moved out, setting up his own New York-based consultancy, offering up advice to clients based on his extensive experience of working alongside sports governing bodies and teams. If any man working today knows the pros and cons of Official Partnership it is Tony Ponturo, which makes his comments in this interview all the more surprising.

"Over the last few years we started to pick up something from our sponsorship research that said the consumer more than ever questioned the whole concept of Official Partnership," says Ponturo. "There was a time when they felt that because a brand was the official mobile phone or the official beer of the league, that it said something special about you. But now they realise that this was something that was purchased. It doesn't mean you are the best and that the league or team values you, but that you were just the guy who ponied up the money".

This research he says, is deeply troubling for rights holders, particularly when the findings are laid across the current economic environment.

"I think that the way in which sponsorship has been sold historically has damaged its reputation as a marketing tool," he says. "The last five years has seen the demand for sponsorship and its price rise dramatically. It's been a very competitive environment: telecoms companies grabbed sponsorship as a brand building tool, the automotive sector kept on spending a great deal of money, there was beer competition and soft drink competition. Money was plentiful all down the line.

"Sports properties particularly at the top end didn't have to put a great deal of effort into selling the sponsorships. They kept raising the price and getting the money. That led to a laziness being built into the culture, and that has weakened the product. It also means the come down is even harder as the market dries up."

The other implication of this selling mentality is that the leagues and clubs came across as greedy, he says. "The only message they were sending was, 'I need money to pay the high cost of business', which was primarily driven by athletes' salaries. They were saying that in order to keep moving forward they need more and more money.

"But their image is now out of tune with the times. Now the whole community of sport is getting a lesson in real economics, which is to say they have to sustain themselves on more realistic basis. The days when they get by on the passion of sports are over and the whole sector is more accountable. If they come to sponsors and say they want a 20-25 per cent increase, because their costs are going up, it will fall on deaf ears. Sponsors can't raise their product prices like that, the consumer won't accept it.

"There has been little work done by the property side to help a brand use sport to form the basis of a marketing strategy, other than saying, 'We want $30 million for the front of the shirt because... well, just because".

That approach, says Ponturo, doesn't work anymore. And he should know.

Budweiser, a long-term MLB partner - *GettyImages Sport*

GILLIS, Richard; PONTURO, Tony. Circle of life. **Sportbusiness international**, London, n. 149, p. 16-18, September 2009.