MIND THE GAP

While a small handful of elite rights holders enter 2010 with headline-grabbing deals secure, new research suggests a different reality for the majority of sponsor seekers who must dramatically lower their expectations and the average asking price of a sport sponsorship by 50 per cent.

By **Richard Gillis.**

AT THE TOP END of sport, a number of elite rights holders have announced gleaming new partnerships, seemingly at odds with the worst economic downturn for decades. For example Ferrari Formula One announced a new three-year title deal with Spanish banking group Santander, currently sponsors of archrivals McLaren.

Meanwhile, Gerhard Heiberg, head of IOC marketing, was also bullish about the prospects for the Olympic marketing programme, saying he expected to sign up three more TOP partners in the run up to Vancouver 2010.

This would take the IOC's haul from sponsorship beyond the Sibillion mark for the next quadrennial, which runs to 2012.

Talks with interested parties had reignited following a period of instability caused by the credit crunch. For the IOC, it seems, the credit crunch was a temporary blip: "We had a financial crisis and all our negotiations were postponed. But I am happy to say things have improved in the last month and now we are negotiating," said Heiberg. "Things are developing in the right direction when it conies to the TOP programme," he said, adding that three slots could be added before the Vancouver Games in February. They would bolster the existing group of Coca-Cola, Acer, Atos Origin, GE, McDonald's, Omega, Panasonic, Samsung and Visa. Of these, Atos Origin, Panasonic and Samsung have extended their partnerships until 2016 while Coca-Cola and Omega have extended their partnerships until 2020.

Such is the demand for places at the top table that Heiberg was able to play the long game, betting that prices would escalate further still. Some sponsors he said were keen to extend to 2024, but: "We felt that was too much". The top sponsor programme for the two-Games package of the 2006 Turin and 2008 Beijing Olympics brought in $866 million.

A similar confidence in the market for elite sport was shown by the clubs of the English Premier League, who voted to decline Barclays' offer of £72 million for the title sponsorship of the league, a position it has held since 2001 (including under the Barclaycard brand to 2004). As a result, a number of major properties in English football are coming to market at the same time, with Coca Cola and the Football League parting company from 2010 and energy giant Eon deciding to end its FA Cup sponsorship from next year.

However, such deals offer a distorted picture of the market as a whole, according to research by Sponsorium, carried out using a sample size of nearly 10,000 sponsorship opportunities and puts the average rights fee for a sponsorship at just $70,000, a figure that rises to $160,000 for sports rights.

Credit crunch

The same research suggests that the average asking price for a sport sponsorship has fallen by 50 per cent over the course of 2009, indicative of a huge fall in seller expectations. 'This is the credit crunch effect,' says Mark Cornish, head of global marketing for Sponsorium, who says the figures offer an unprecedented opportunity for brands. "We could be seeing the bottom of the market and a chance for brands to sign up properties on long term deals at a very competitive prices", he said. Running in parallel to the fall in rights fees is pressure on activation budgets, says Scott Garrett, director of Synergy.

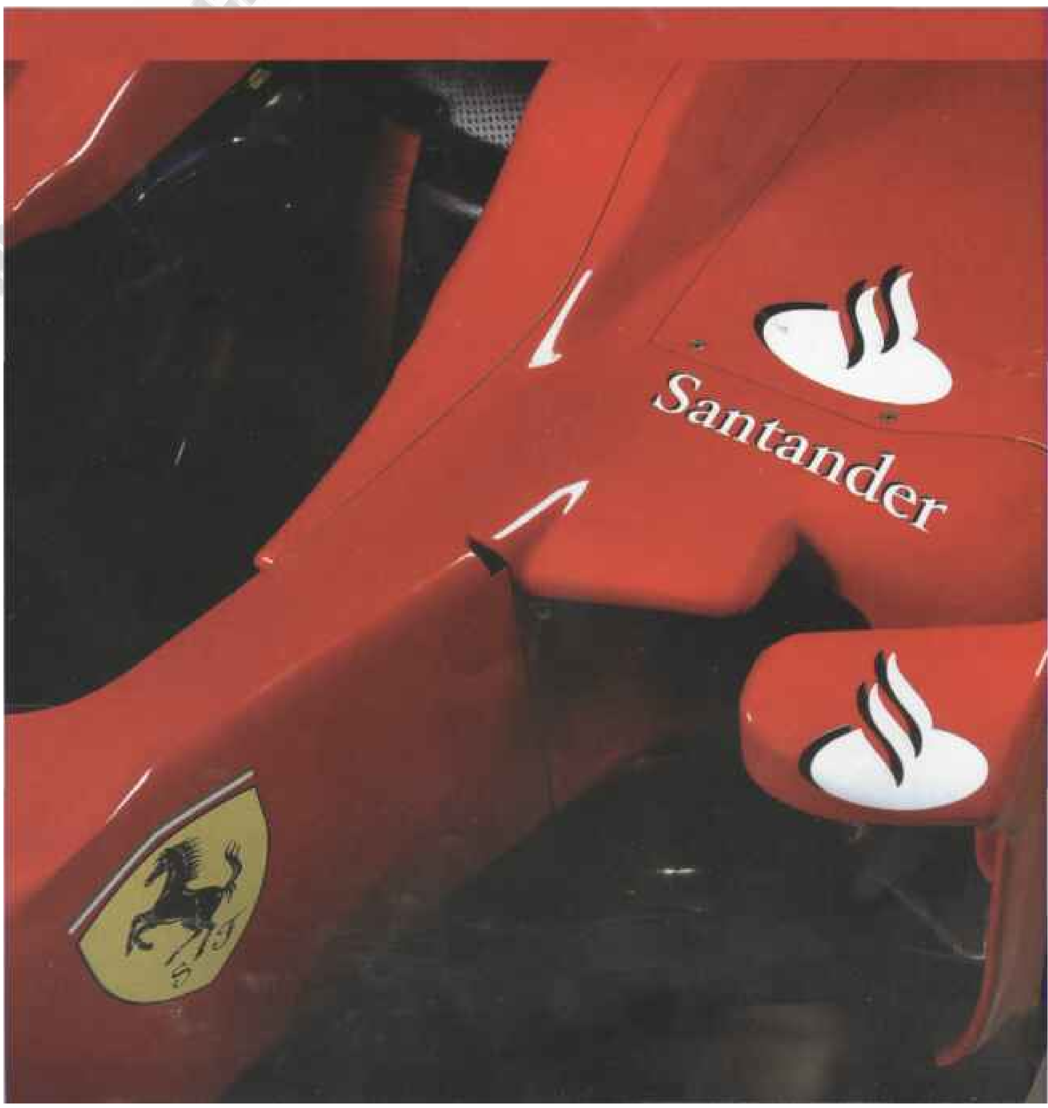
"Sponsors in the middle of long-term deals are coming under pressure to cut the amount of money they spend on activation, he says.

"Brands that are locked into high value, long term sponsorships can't cut the rights fee so will seek to reduce the amount they spend in media advertising, experiential marketing or corporate hospitality. In some consumer facing sectors, there is a need to demonstrate to customers and to shareholders that they are focused on the bottom line".

When it comes to renewing contracts, Garrett expects many brands to re-calibrate the relationship between rights fees and activation budgets, with the focus shifting toward the element of the spend over which they have the most control.

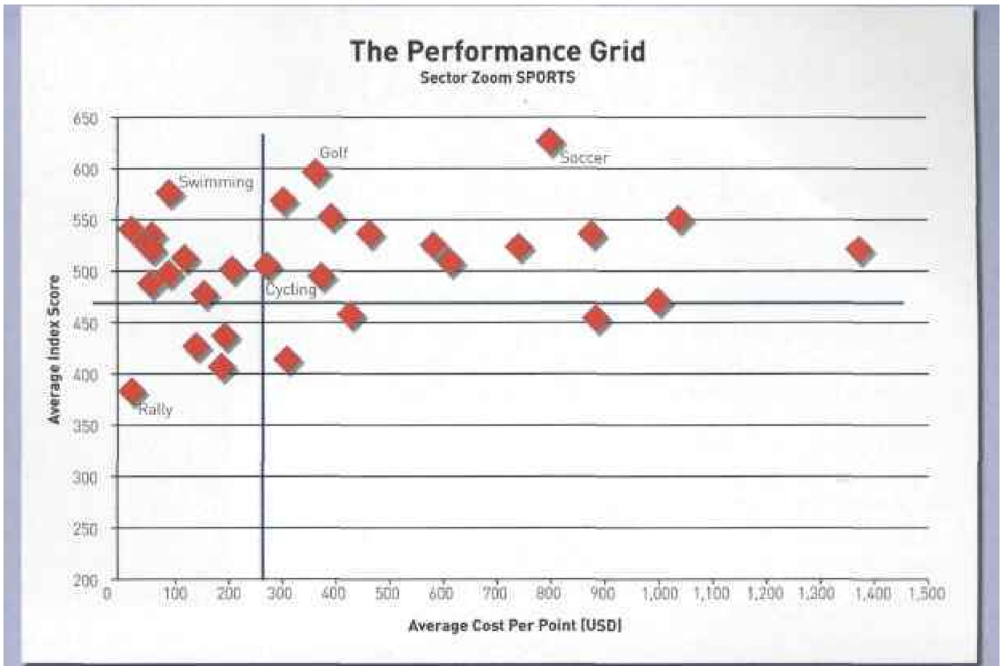
"One advantage of smaller, cheaper properties is that they offer the opportunity to put the

Santander, aligning with Hi's big one - *Getty Images Sport*



marketing budget to work in areas where customers and finance directors can see a more tangible effect. Good strategy allied to high class execution can bring a small property to life, allowing the brand to build a creative platform".

It follows that behaviour of rights holders is under greater scrutiny than ever, demanding greater honesty in terms of what it is they can offer sponsors. "Don't be dazzled by the numbers," said Graham Hollins of Spine consultancy at SportBusiness 360 in October. "Rights holders can rack up the viewing figures, but it is the ability to make the relationship relevant to the brand and its local market that will determine whether it is successful or a waste of money".



The Performance Grid is a three dimensional analysis combining the average Index Score, The average Cost Per Point and a comparison against the global market average. Each sponsorship opportunity is scored against weighted criteria from more than 61 different Brands. The score out of 1,000 points reflects how well the opportunity delivers against these objectives for sponsorship.

Cost Per Point – by dividing the Rights Fee for the sponsorship by the score this provides a Cost Per Point for each sponsorship opportunity. This enables researchers to isolate the cost effectiveness of sponsorship against objectives.

Data capture

It was a point that was supported by Ian Ayre, Liverpool FC's commercial director at the same conference. Ayre said: "For me, it is about data capture. Some clubs talk about having so many millions of fans around the world. But I don't subscribe to that thinking.

"Until you have got the names of these fans, know who they are and what they want, then it is very difficult. It is not so difficult when it comes to Merseyside and the UK, but in the wider context, it is a global challenge."

Quality is as much of a problem as quantity, says Fraser Peett, a former senior executive for ISL and Fifa Marketing. He says the claims of rights holders tend to make flawed claims in terms of their ability to deliver an audience to a sponsor: "A fan is not a commodity that you can merely re-sell," says Peett, "Just because they support a certain team, or watch a particular event, doesn't mean you can automatically make assumptions as to their opinions or buying behaviour. It's this lazy thinking that has grown up over the last ten years that is hindering many smaller rights holders now that times are tough. Tell the truth! Most fans are highly questioning of their club, not blindly loyal. Instead, the sponsorship story is told by the sales team who don't want to have a real conversation, based on real numbers, because most of the time they are so disappointing".

In a downturn, it's important, says Peett, for rights holders to behave like challenger brands, seeking to grab market share by innovating and differentiating themselves from the pack. Football clubs he says, are particularly poor at making any claims beyond their geography.

Those that play to an international audience will be secure, he says, but below that the clubs need to change their approach. The figures support him. At the end of this season Manchester United will swap current shirt sponsors AIG for another US based insurance company, Aon, also for a fee of *£20* million a year. Meanwhile, Liverpool signed a new shirt deal with Standard Chartered Bank for *£20* million, more than doubling its previous deal with brewers Carlsberg.

However, teams such as Wigan (£650,000) and Bolton 1/750,000) are paid a small fraction of the sums garnered by their more glamorous opponents, despite being established Premier League clubs, and newcomers such as Wolves must make do with less than *£500,000* a year from their shirts.

It is here that another, more controversial trend is emerging as football is targeted by the gambling industry. In all, seven of the twenty clubs in the English top flight bear the logo of online betting companies. Last week, even Barcelona signed a £ *I*.2million sponsorship with Betfair, to be the club's official betting partner, while Real Madrid (Bwin) also promotes a betting company (see page 14).

The Premier League's relationship with gambling industry is testimony to its international reach - several of the brands in question are targeting the Asian market - and is troubling the anti-gambling lobby.

"It's an example of how gambling is thrust in our faces following the liberalisation of the law," says Professor Jim Orford of Birmingham University, an expert in the psychological effects of gambling. Children, he says, are particularly exposed to football sponsorship as there is no way of stopping them seeing the logos.

"It is putting all the onus on parents, saying, 'you have the choice, and you don't have to buy the shirts or watch football'. It is not something we've had a public debate about and parents have been taken by surprise. Most people don't notice this sort of thing until its too late". The government, says Orford, keeled over very quickly in the face of extensive lobbying by the gambling industry, and as a result, the football business has become the industry's billboard.

Big spenders

The gambling influx comes at a time when a previously big spending sector - mobile phone operators - have largely withdrawn from view. Having established themselves in the minds of the public, companies such as Vodafone, O2 and T-Mobile have shifted away from football sponsorships. This, says Steve Martin, chief executive of M&C Saatchi Sport and Entertainment, is because we now know who they are. 'The online gambling companies are like wallpaper, and are desperate to stand out from the crowd, just as the mobile networks did a few years ago". Football shirts, he says, are a good way of raising basic awareness among the public for unknown brands, citing Emirates Airlines, which used football to become famous, first as Chelsea's sponsor and now with Arsenal.

But, more established companies are viewing club shirts with sceptism. In addition to the logo on the shirt, clubs bundle in a rigid package of rights - including match tickets or hospitality boxes - to justify the price, much of which goes unused. However, the real value of a shirt deal is to build an association with the players, but this is becoming more difficult. 'Clubs have never really sorted out the issue of how much access to the players sponsors get for advertising purposes," Martin says, "this is always the point of tension".

GILLIS, Richard. Mind the gap. **Sportbusiness international**, London, n. 151, p. 30-31, Nov. 2009.